Dissenting Report from Labor Senators

Introduction

1.1 On 13 May 2014, the Treasurer, Joe Hockey, delivered the Abbott Government's first budget.

1.2 The 2014/2015 budget contains some of the harshest welfare measures in our nation's history. These include significant cuts to support for pensioners and self-funded retirees, people with disability, carers, young jobseekers and low and middle income Australian families.

1.3 The two pieces of legislation that, form the subject of this inquiry, seek to implement the majority of these measures.

1.4 The Labor Senators on this Committee are of the view that, if passed in their current form, these Bills will leave millions of Australians worse off. This includes some of Australia's most vulnerable people. As a result, we call on the Senate to amend these Bills so as to remove the harshest measures contained therein. Absent such amendments, we call on the Senate to reject these Bills in their entirety.

1.5 Labor rejects the two justifications put forward by the Government to justify these harsh cuts, namely:

- that Australia is in the midst of a budget emergency; and
- that Australia's welfare spending is out of control.

1.6 The Labor Senators note that Australia's fiscal position remains fundamentally strong. Australia has low debt to GDP ratio, a triple A credit rating from all of the major ratings agencies, low inflation and low unemployment. We do not accept that Australia's fiscal position warrants such dramatic cuts to low income Australians.

1.7 Further, Australia's welfare spending is far from out of control. In fact, Australia is the second lowest spending country on welfare in the OECD. Welfare expenditure in Australia accounted for just 8.6 per cent of GDP in 2013, compared to the OECD average of 13 per cent.

1.8 Nevertheless, Labor has always supported sensible savings measures, and the Labor Senators on the Committee have approached this inquiry with a view to supporting sensible savings measures which will contribute to a fair and sustainable welfare system in Australia.

1.9 The Labor Senators on the Committee reject the view taken by the majority of the Committee that these Bills should be passed without amendment. Were the Senate to accept such a view, millions of Australians would be left worse off.

1.10 The Labor Senator's do not accept that the recommendations in the majority report reflect the views outlined by the majority of stakeholders who provided written and oral testimony to the inquiry.

1.11 We note that there are very serious and widespread concerns amongst stakeholders as to the impact that these two Bills will have on vulnerable Australians. Many of these concerns were aired in detail throughout this inquiry.

1.12 The Labor Senators thank all those parties who took the time to contribute to the inquiry into these Bills. Taking into account these views, the Labor Senators recommend that the Senate act to protect vulnerable Australians and support amendments which would remove from the Bills the most serious cuts to pensions, family payments, Newstart and Youth Allowance.

Impact of Bills

Cuts to Older Australians

1.13 These two Bills contain a number of very serious changes to support for older Australians. These measures include changes to indexation of the Age Pension to the Consumer Price Index only, an increase in the Age Pension entitlement age, the abolition of the Seniors Supplement and changes to the deeming rates for eligibility for pensions. The Labor Senators on the Committee oppose the passage of these measures.

Indexation of the Age Pension to CPI

1.14 Schedule 1 of the Second Bill contains a measure which would see the Age Pension indexed by CPI only, by removing the benchmarking to Male Total Average Weekly Earnings (MTAWE) and the indexation to the Pensioner and Beneficiary Living Cost Index (PBLCI).

1.15 Labor believes that indexing the age pension by CPI–only will erode the purchasing power of the pension and diminish the living standards of Australia's 2.3 million Age Pensioners.

1.16 In 2009, following the recommendations of the Harmer Review, the former Labor Government introduced a fairer system of pension indexation by including a new indicator – the Pensioner and Beneficiary Living Cost Index (PBLCI) and increasing the Male Total Average Weekly Earnings (MTAWE) benchmark to 27.5 per cent. Labor believes these reforms ensured the pension increased in line with community living standards.

1.17 The measure proposed in these Bills seeks to undo these important reforms. If the current Bills are passed, they will take pension indexation back to before the time of the Howard Government, which first legislated the MTAWE benchmark to pension indexation in 1997.

1.18 Labor's concerns about the serious impact of this measure were echoed by stakeholders in their written and oral submissions to this inquiry.

1.19 For example, Dr Cassandra Goldie, CEO of the Australian Council of Social Services (ACOSS) said in her testimony to the Committee that this measure

'…reduces future increases in pensions for the poorest older people by in effect freezing the real value of the maximum rate of aged pension.'[1]

1.20 ACOSS believes the proposed measure will mean pensioners will receive approximately $80 a week less than they would under current arrangements within a decade. This will adversely affect approximately 3.2 million pensioners, including approximately 2.3 million Age Pensioners.[2]

1.21 In their written submission to the inquiry, the Fair Go for Pensioners (FGFP) Coalition reiterated their support for Labor's reforms, arguing that:

> FGFP believes MTAWE is the appropriate wage index as it is the best reflection of community income levels and is opposed to the suggestion in the Commission of Audit that average weekly earnings would be a better measure.[3]

1.22 The National Welfare Rights Network (NWRN) also opposes this cut, on the basis that it would lead to inadequate pension payments:

> The NWRN opposes the changes to the benchmarking for PPS (Parenting Payment Single) and pensions proposed in this Bill because it will inevitably cause inadequacy in the rates of pensions over time. It is the benchmarking to wages that has ensured adequacy for these payments.[4]

1.23 Josephine Root, Policy Manager at the Council of the Ageing (COTA) expressed the dismay felt by pensioners following the announcement of the proposed indexation cuts:

> …they thought they had got a win; they feel that that has been taken away from them…. if it gives $80 a week less, then, in real terms, what won't I have from that $80?' People do get it. People are very concerned. They can see that they had thought they had got a rise up in their standard of living and were finally were going to inch out of poverty, if you like, and they are going to go back into it.[5]

1.24 Labor also shares the concerns of the CEO of the COTA, Ian Yates, regarding the process undertaken in relation to this measure. He said in his submissions that 'there has been no…due and proper policy process. There is no articulated argument as to why pensions need to be reduced, when other things are not.'[6]

1.25 Labor rejects the Abbott Government's argument that expenditure on the Age Pension needs to be reduced because of a so called budget emergency. According to

1 *Committee Hansard*, 20 August 2014, p.7.

2 Australian Council of Social Services, *Submission 50*, p. 5.

3 Fair Go for Pensioners, *Submission 55*, p. 2.

4 National Welfare Rights Network, *Submission 60*, p. 18.

5 *Committee Hansard*, 21 August 2014, p. 3.

6 *Committee Hansard*, 21 August 2014, p. 1.

the OECD, Australia spends just 3.5 per cent of GDP on old-age pensions, making it one of the lowest spenders on the Age Pension in the developed world.

1.26 By contrast, public spending on old-age benefits across the OECD averaged 7.8 per cent of GDP in 2009. Public spending on old-age pensions is highest – greater than 10 per cent of GDP – in Austria, France, Germany, Greece, Italy, Japan, Poland, Portugal and Slovenia.

1.27 Labor shares the view of COTA that:

> If the argument is that pensions need to go down in terms of Commonwealth expenditures because of a fiscal crisis, we do not think that is a sufficient argument because it does not consider a range of alternatives to actually asking the lower paid and most vulnerable in our community to carry a very heavy load.[7]

1.28 The Labor Senators on this Committee agree that there has been no proper case made for a reduction in the pension. The consequences of this change will be very significant for a large number of people. As a result, we recommend that the Senate refuse the passage of this measure in its entirety.

Raising the Age Pension qualifying age to 70

1.29 Schedule 11 of the Second Bill seeks to increase the pension age to 70 by 2035. This will mean that Australia has the oldest retirement age in the OECD.

1.30 Labor Senators on the Committee are concerned that this decision, like many of the others in these Bills, was made without any consultation or proper policy process. The Labor Senators reject the assertion contained in the majority report that this builds on the reforms of the previous government, which will see the Age Pension eligibility age increase to 67 by 2023.

1.31 The decision by the former government to increase the Age Pension age to 67 was based on the findings of a rigorous review of Australia's pension system, undertaken by Dr Jeff Harmer. This review explicitly recommended an increase from 65 of between two and four years. It said:

> On balance, the Review considers that the force of argument is clearly in favour of a modest rise in the age of eligibility for the Age Pension. In considering the magnitude of any increase the Review noted that taking account of the increase of some five to seven years in both male and female life expectancy between the 1970s and the early 2000s, and projected increases on a further three to seven years by 2050, suggests a total increase over this period of some nine to fifteen years. In this context the Review considered that an increase in the Age Pension age of some two to four years would represent a reasonable balance in the distribution of this between work and retirement.[8]

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7 *Committee Hansard*, 21 August 2014, p. 1.

8 Pension Review Report, p. 146, http://www.dss.gov.au/about-the-department/publications-articles/corporate-publications/budget-and-additional-estimates-statements/pension-review-report

1.32 On the basis of this advice, the former Labor Government determined to increase the Age Pension eligibility age from 65 to 67. This was done in consultation with stakeholders, and as part of a broader package of reforms which included the introduction of a new pension indexation arrangement. The current Government's decision to increase the age pension age further lacks any policy justification, has not been the subject of rigorous policy analysis, and lacks the support of stakeholders.

1.33 Labor has very serious concerns about the impact that this measure will have on vulnerable Australians. The Labor Senators are of the view that this measure will disproportionately affect low income and manual workers. Many of these workers are employed in physically demanding work for which working to 70 is a significant challenge.

1.34 Labor is also concerned that raising the retirement age to 70 could lead to a large cohort of mature age unemployed people who will be unable to overcome discrimination in the workforce to find new work in their 60's.

1.35 These views were widely echoed in submissions to this inquiry. For example, the National Welfare Rights Network outlined its concerns about the impact that an increase in the retirement age would have on vulnerable workers:

> NWRN opposes increasing the Age Pension eligibility age, because it will have the greatest impact on vulnerable older people. As with many of the Budget measures, those on the lowest incomes or those who face chronic illness and disabilities will be hit hardest by this measure.[9]

1.36 Australia's two largest seniors' organisations also reject this measure, at least until a proper review can be undertaken into Australia's broader retirement incomes. As the majority report indicates, COTA questioned the basis for the increase to the Age Pension qualification age and referred the Committee to international comparisons that suggested Australia's pension system is one of the most sustainable in the world. COTA recommended that the government should suspend the measure and establish a retirement incomes review.[10]

1.37 National Seniors emphasised the need for progress on mature age employment and submitted that 'any pension increases must come with bold initiatives, driven by government, that engage with and shift attitudes of, both business and the community'.

1.38 The Labor Senators on this Committee recommend that the Senate reject this measure and seek its removal from the Bill.

Abolishing the Seniors Supplement

1.39 This Bill also seeks to abolish the Seniors Supplement, an $876 annual payment to recipients of the Commonwealth Seniors Health Card. This will impact around 300,000 self-funded retirees. For many of these, whose income is currently below $50,000 a year, this cut will be significant. The Labor Senators on the

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9 National Welfare Rights Network, *Submission 60*, p. 22.

10 Council of the Ageing, *Submission 59*, p. 5.

Committee recommend the Senate reject this measure and seek its exclusion from the Bill.

Changes to Deeming Rates

1.40 The Bill resets deeming thresholds for pension income testing from September 2017; the threshold for singles will be reduced from $46,600 to $30,000 and for couples from $77,400 to $50,000.

1.41 This is essentially a cut to the pension, and was widely rejected by the submissions to this inquiry. For example, the COTA said:

> This measure will take the limit used for calculating deeming rates back to the amount it was in 1996. This is very unfair as it completely ignores the improvements in community living standards over the last 18 years and the impact of inflation on people's capital. Many people who have relatively small amounts of assets will be hit quite hard by this measure; it will have less impact proportionally on people with higher asset levels.[11]

1.42 National Seniors shared this concern:

> Lowering the asset thresholds at which the higher deeming rate applies will mean that self-funded retirees on low incomes who receive a small part pension are likely to face a reduction or cancellation of their pensions. This change may prevent many from receiving a small pension and reduce their access to concessions. In addition, some people who are now eligible for the full pension may see their pension cut while new applicants for the age pension may also miss out.[12]

1.43 Both COTA and the Fair Go for Pensioners Campaign made the point that this measure could act as a savings disincentive. The Fair Go for Pensioners submission included the claim that:

> "This could act as an incentive for people who are retiring with superannuation balances to spend more of the balance as there is a financial disincentive to keep it. This could then increase reliance on the pension which is clearly not what the Government wants.[13]

1.44 The Labor Senators on the Committee accept these concerns and recommend that the Senate reject this measure, and seek to have it removed from the Bill.

Cuts to Young Jobseekers

1.45 These two Bills contain a number of measures which will have very serious impacts on young jobseekers. Indeed, the Labor Senators on this Committee consider many of the measures relating to young people to be some of the harshest welfare measures introduced in our country's history.

11 Council of the Ageing, *Submission 59*, p. 10.

12 National Seniors Australia, *Submission 57*, p. 5.

13 Fair Go for Pensioners, *Submission 55*, p. 3.

1.46 Of these measures, the most serious include a new requirement that young jobseekers wait six months before receiving any income support, and an increase in the eligibility age for Newstart from 22 to 24. The Labor Senators on the committee recommend that the Senate reject these measures and seek their exclusion from the Bills.

Six Month Waiting Period

1.47 Schedule 9 of the Second Bill seeks to introduce a requirement that jobseekers under 30 are forced to wait for six months before receiving any income support.

1.48 The Labor Senators on this Committee are extremely concerned about the Government's attempts to withdraw the safety net for young jobseekers. Never before in this country has such a measure been proposed.

1.49 This measure has received widespread condemnation from welfare agencies and other stakeholders. As the National Welfare Rights Network stated, '[t]his measure is a fundamental attack on the basic right to social security and the principle of adequate income support based on need.'[14]

1.50 ACOSS agreed that this measure ran counter to Australia's proud history of providing a safety net to anyone in need. They said:

> The removal of any income support for a group of people not in paid work fundamentally changes the Australian income support safety net. Traditionally, Australia has a safety net for all who need it, and requires participation in return. The budget turns this around by excluding an entire group of people from basic assistance. In this way, the measure would effect a radical structural change to the social security system.[15]

1.51 St Vincent's De Paul echoed these concerns:

> We find very concerning the idea that the government would intentionally remove *any* semblance of a social safety net for a particular group of people (job-seekers aged up to 30, for a period of 6 months). Unlike other cases in which someone may not be entitled to social security, because they earn too much, they are not a citizen, or they are deemed to have failed to comply with Centrelink requirements, this is a wholesale denial of any right to government support to a group of people for reasons completely outside their control, and who are highly vulnerable, being both young and unemployed. This raises a very real risk of breaching these individuals' right to social security, and an adequate standard of living.[16]

1.52 Others submissions raised concerns about the application of this measure to people who would usually be on unemployment benefits for only a short time, and are

14 National Welfare Rights Network, *Submission 60*, p. 8.

15 Document tabled by ACOSS 20 August 2014, A Budget that divides the nation, pp 8-9, http://acoss.org.au/images/uploads/ACOSS_2014-15_Budget_analysis_-_WEB.pdf .

16 St Vincent de Paul Society, *Submission 27*, p. 8.

doing all they can to find further work. For example, Dr Ian Hamilton Holland from UnitingCare articulated his organization's opposition to the measure thus:

> …we do not believe that there should be any payment at any point that has rules attached to it that will penalize someone who is diligently seeking work, because, at the end of the day, there are people who are trained, who are qualified and who are being diligent in the labour market but who will not be successful at a given time in attaining a job—and they should not be penalized for that.[17]

1.53 Labor understands that many young unemployed people lack access to family support and rely on the Newstart Allowance as an income safety net. Removing that support will likely result in poverty and homelessness. These concerns were widespread amongst those who made submissions to this inquiry. For example, UnitingCare made clear its view that this measure:

> …is likely to increase levels of poverty and homelessness, particularly among adults who do not have family members who can provide them with free accommodation.[18]

1.54 ACOSS submitted that this measure would entrench poverty, increase homelessness, place financial pressure on families and further disconnect people from the labour market.[19]

1.55 The Brotherhood of St Laurence echoed these concerns, and highlighted the view that for those that do have family support, this measure risks pushing not just the individual, but also their family, into more challenging financial circumstances:

> The removal of income support is likely to force young people to be financially dependent on their parents for longer, for those whose families are able to provide for them. This is likely to have a flow-on effect causing financial pressure for low-income families.[20]

1.56 Labor Senators on the Committee believe that the Government should ensure young people find work through support, training, work experience and incentives. Cutting income support to vulnerable young people is not a recipe for increasing employment opportunities for young Australians.

1.57 Labor Senators are deeply concerned that this punitive measure will result in a new generation of young people trapped in a vicious cycle of unemployment and poverty. The Labor Senators on this Committee recommend that the Senate reject this measure and seek its exclusion from the Bill.

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17 *Committee Hansard*, 21 August 2014, p. 16..

18 UnitingCare, *Submission 42,* p. 2.

19 ACOSS, *Submission 50,* p. 1.

20 Brotherhood of St Laurence, *Submission 49,* p. 7.

Increase in eligibility age for Newstart

1.58 Schedule 8 of the Second Bill provides that from 1 January 2015, young unemployed people aged 22-24 would no longer be eligible for Newstart and would instead be eligible only for the lower Youth Allowance. This will result in a reduction of payments to affected people of $48 a week, amounting to around $2,500 a year. For those people on Newstart, some of whom currently earn as little as $13,000 a year, this is a significant cut to support for young people.

1.59 As the majority report indicated, submissions to this inquiry expressed concerns that these measures would exacerbate existing barriers to employment, and lead to very real financial strain for young people. The Labor Senators on the Committee recommend that the Senate reject this measure and seek its exclusion from the Bills.

Impact on People with Disability and Impact on Carers

1.60 These Bills contain a number of measures that will adversely affect people with disability and carers, including: indexing the Disability Support Pension and the Carer Payment by CPI only; and cessation of the Pensioner Education Supplement.

Disability Support Pension – Indexation by CPI only

1.61 As previously stated, Labor Senators on the Committee strongly oppose the indexation of pensions by CPI only. According to the Australian Council of Social Services, this will leave people on the Age Pension, Disability Support Pension, Carer Payment and Parenting Payment Single $80 a week worse off within a decade. Labor Senators on the Committee recommend that the Senate oppose this measure in its entirety.

1.62 The 2009 Harmer Review highlighted the inadequacy of CPI as a tool for the indexation of pension payments. The Harmer Review informed the previous Labor Government's decision to develop a new Pension and Beneficiary Living Cost Index and increase the Male Total Average Weekly Earnings (MTAWE) benchmark to 27.5 per cent.

1.63 This measure will have a devastating impact on more than 800,000 Australians with permanent disability. National Disability Services (NDS) argue in their submission, 'reducing the indexation rate of the DSP will exacerbate recipients' poverty over time.'[21]

1.64 It is clear that indexation by CPI will not keep pace with the cost of living. In their submission to the Committee, St Vincent de Paul Society references their research which suggests that:

> …the increase in the types of items that make up the vast majority of low income households' purchases – food, education, public transport, housing, and utility bills – is rising at 8.7 per cent higher than CPI.[22]

21 National Disability Services, *Submission 30*, p. 4.

22 St Vincent de Paul Society, *Submission 27*, p. 3.

1.65 These changes will leave many people with disability struggling to meet the costs of their care, and many more in a state of poverty and social isolation.

1.66 According to People with Disability Australia, 45 per cent of people with disability in Australia already live in or near poverty.[23]

1.67 Labor Senators on the Committee agree with People with Disability Australia, who state in their submission to the Committee, 'all people with disability have the right to an adequate standard of living for themselves and their families, and for continuous improvement of these living conditions.'[24] Labor Senators on the Committee believe that any measure that is likely to increase the financial strain for people with disability should be rejected.

Carer Payment – Indexation by CPI

1.68 Likewise, this measure will leave more than 200,000 people on the Carer Payment substantially worse off.

1.69 Carers Australia state in their submission, 'this provision will significantly downgrade the real value of the Carer Payment…these payments will not keep pace with the real cost of living.'[25]

1.70 According to ACOSS, many carers are already facing financial hardship, with almost two thirds in the lowest two household income quintiles.

1.71 People who rely on the Disability Support Pension and the Carer Payment currently receive less than $20,000 a year in pension payments. People with permanent disability are some of the most vulnerable in our community. Likewise, people on the Carer Payment work tirelessly to give their loved ones the quality of life they deserve. Labor Senators on the Committee do not believe these people should be forced to live on less than $20,000 a year.

1.72 Labor Senators on the Committee also recommend the Senate reject the cessation of the Pensioner Education Supplement.

1.73 The Supplement provides support for people on the Disability Support Pension and the Carer Payment to help with the costs of study.

1.74 As a result of this measure, more than 40,000 recipients of payments including the Disability Support Pension and the Carer Payment will lose between $31 and $61 a fortnight, depending on their level of study. This includes around 17,000 people receiving Parenting Payment Single, 17,000 people receiving the Disability Support Pension and 3,000 people receiving Newstart Allowance. More than 75 per cent of recipients of the Pensioner Education Supplement are women.

1.75 We note that this cut has received widespread condemnation for its impact on very low income people.[26]

23 People with Disability Australia, *Submission 58*, p. 3.

24 People with Disability Australia, *Submission 58*, p. 3.

25 Carers Australia, *Submission 63*, p. 6.

1.76 Labor Senators on the Committee believe this cut provides a strong disincentive for people to remain engaged in study. It is particularly contradictory for the Government to profess to want to encourage people into work, but then cut support for people to undertake study, at the same time as they cut their income. This will only make it harder for people with disability and carers to access training and education and therefore find suitable jobs.

Impact on Families

1.77 These Bills contain measures amounting to $7.5 billion in cuts to family payments, including: cutting families from Family Tax Benefit Part B when their youngest child turns six; freezing Family Tax Benefit payment rates; cutting and ceasing indexation of Family Tax Benefit end-of-year supplements; and indexing Parenting Payment Single by CPI only.

1.78 Labor Senators on the Committee believe these measures represent a full scale cost of living attack on Australian families, and recommend they be rejected by the Senate.

1.79 Labor Senators on the Committee support the view of Dr Cassandra Goldie, CEO of ACOSS that 'the family payment system is absolutely vital…' and '… is a very important corollary to protect families from poverty.'[27]

1.80 It is clear that these low income families will be the hardest hit by these measures, as highlighted by the National Welfare Rights Network, which stated in its submission: 'Unfortunately, the mix of measures in this Bill will impact disproportionately on low income working couples and single parents.'[28]

1.81 Labor Senators on the Committee agree that these measures underscore the unfairness of these Bills, and the Government's Budget strategy more broadly. The National Centre for Social and Economic Modelling (NATSEM), in a comprehensive set of post-budget modelling, found that around 1.2 million families will be on average $3,000 a year worse off by 2017–18. In contrast, the top 20 per cent of households will have either no impact or a negligible positive impact.

1.82 According to NATSEM, the Government's Budget, including the measures in these Bills, will leave a single income, couple family on $65,000 with two school aged children around $6,000 worse off each year by 2016. Labor Senators on the Committee believe that a 10 per cent cut to family income is unacceptable.

1.83 Labor Senators on the Committee recommend that the Senate reject these measures, and seek their exclusion from the Bills.

Freeze to FTB Payment Rates

1.84 Schedule 7 of the First Bill seeks to freeze FTB payment rates, including the low income free area for those who receive the maximum rate of FTB A (the current

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26 See, for example, ACOSS, *Submission 50*, p. 33.

27 *Committee Hansard*, 20 August 2014, p. 2.

28 National Welfare Rights Network, *Submission 60*, p. 28.

income test for the maximum rate of FTB A is $50,151). Labor Senators on the Committee share the view of the National Welfare Rights Network that '[t]his is not a measure which targets higher income earners. Rather, it affects all FTB recipients, including the most impoverished.'[29]

1.85 According to the Department of Social Services, a freeze to the low income free area for FTB A alone will see more than 370,000 families around $750 a year worse off in 2016–17 – this measure will have a compounding effect over time.

1.86 The ACTU has expressed concerns about the impact this measure will have on low income families and their children:

> Many low- and middle- income working families rely on family tax benefits to ensure they have a decent material standard of living. The expansion of family payments was a proud achievement of the Accord under the Hawke and Keating Governments. The provision of adequate family payments significantly reduced child poverty in Australia. Reducing these payments in real terms, as this budget measure proposes to do, will cut the incomes of millions of working Australians. Child poverty is likely to rise.[30]

1.87 The Labor Senators agree with the ACTU, and many other stakeholders, that this measure should be rejected.

Family Tax Benefit B Eligibility Changes

1.88 The Bills also seek to cut families off Family Tax Benefit Part B when their youngest child turns six. Labor Senators on the Committee believe that this is a harsh and blunt measure that will hurt single income families.

1.89 The Department of Social Services revealed at a Senate Estimates hearing in June that around 700,000 families will lose their FTB B when their youngest child turns six.

1.90 These Bills also create a new Single Parent Supplement, which single parents will get when they are kicked off FTB B when their youngest child turns six.

1.91 Labor Senators on the Committee believe that this measure actively discourages single parents from working.

1.92 According to NATSEM, as a result of this measure, single parents will pay an effective marginal tax rate of around 80 per cent for every dollar they earn above $48,000, taking home just 20 cents in each of those dollars. NATSEM described this as a ‘sudden death drop.’

1.93 Labor Senators on the Committee note that in their submission, the National Council of Single Mothers and their Children urged the Committee to:

> …reject outright the proposal that seeks to limit Family Tax Benefit Part B (to people with children under 6). Furthermore, it must not be misled that

29 National Welfare Rights Network, *Submission 60* , p. 28.

30 ACTU, *Submission 48*, p. 15.

> the suggested 'Single Parent Supplement' can offset the harsh impact of this measure.[31]

1.94 Labor Senators on the Committee share the view expressed in a submission from UnitingCare Australia, which expressed concerns 'that the transitional measures and new allowance will still leave low-income families, especially single parent families, worse-off.'[32]

1.95 According to ACOSS, because of this measure, a single parent with one child aged 6-12 years will be $37 worse off each week. ACOSS note that the Government has introduced these measures 'despite the fact that costs of children increase as they get older.'[33]

Cut and Cease Indexation of FTB End-of-year Supplements

1.96 These Bills propose to cut and then cease indexation of the FTB end-of-year supplements. As argued by the National Welfare Rights Network, these supplements are:

> …an essential income component for low income families trying to meet their annual expenses that they are unable to meet with their fortnightly income. In the experience of our caseworkers, people on low incomes, budgeting carefully, use the annual lump sums to pay one off annual costs, e.g. car registration and insurance, school related payments, trips to the dentist, and so on.[34]

1.97 Labor Senators on the Committee consider that this measure is cruel and short sighted, especially as it comes just after the Government's abolition of the Schoolkids Bonus.

Cuts to Parenting Payment Single

1.98 These Bills also seek to index Parenting Payment Single by CPI only. Many low income single parents are already struggling to make ends meet. They cannot afford a cut of $80 a week.

1.99 As the ACTU submission makes clear, 'this move will ensure that single parents' incomes will fall further and further behind typical community living standards over time. Poverty and social exclusion will rise.[35]

1.100 People on Parenting Payment Single will also be affected by the cessation of the Pensioner Education Supplement and the Education Entry Payment. The abolition of these payments, which assist low income single parents with study costs, directly contradicts any claim that the government is supporting low-income people to study.

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31 National Council of Single Mothers and Their Children, *Submission 46*, p. 1.

32 UnitingCare, *Submission 42*, p. 3.

33 Evidence presented to the Committee public hearing, 20 August 2014.

34 National Welfare Rights Network, *Submission 60*, p. 29.

35 ACTU, *Submission 48*, p. 14.

1.101 The Labor Senators recommend that the Senate reject this measure and seek its exclusion from the Bill.

Pause Indexation for income free areas for working age payments and Family Tax Benefits

1.102 The Bills also seek to pause indexation of the income free areas for working age payments and Family Tax Benefits. Labor Senators on the Committee are not opposed to sensible measures that pause assets limits. However, Labor Senators on the Committee strongly oppose pausing indexation for the income free areas, which targets people on the lowest incomes. Labor Senators on the Committee recommend this measure be rejected by the Senate.

1.103 Labor Senators on the Committee support the analysis of the Australian Council of Social Services (ACOSS):

> By pausing the indexation of these free areas, the measure will ensure that income support recipients can earn less, in real terms, before their payment is reduced. This measure would reduce the real disposable income of many recipients. It will increase effective marginal tax rates and, perversely, reduce the financial return to work. The short-sighted measure should not be adopted.[36]

Sensible Savings

1.104 As discussed above, Labor Senators on the Committee reject the fundamental basis upon which the Government's Budget strategy has been developed. Namely, that Australia faces a budget emergency that warrants drastic reductions in support to vulnerable people.

1.105 Nevertheless, Labor has always supported sensible savings measures. We have taken this approach to these Bills. As a result, Labor Senators on the Committee recommend the Senate not oppose some measures in these Bills; ensuring responsible savings can be made without leaving vulnerable Australians worse off. These measures include:

- Better targeting Family Tax Benefit B by reducing the primary earner income limit from $150,000 a year to $100,000.
- The inclusion of untaxed superannuation income in the assessment for the Commonwealth Seniors Health Card – meaning concessions go to those who need it, rather than wealthy retirees.
- Pauses in asset tests for student payments, pensions and for all working age allowances. However, Labor Senators on the Committee oppose freezes to the low income free areas, to protect those on low incomes.
- Limiting the amount of time students can spend overseas while still receiving student payments.
- Better targeting the large family payment supplement.

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36 ACTU, *Submission 48*, p. 1 4.

- Removing relocation scholarship assistance for students relocating with and between major cities.
- Ending indexation of the Clean Energy Supplement.

Recommendation

1.106 Labor Senators on the Committee recommend the Senate reject the following measures:

- Change indexation of all pensions to Consumer Price Index only, by removing benchmarking to Male Total Average Weekly Earnings (MTAWE).
- Reset the social security and veterans' entitlements income test deeming thresholds to $30,000 for single income support recipients, $50,000 combined for pensioner couples, and $25,000 for a member of a couple other than a pensioner couple.
- Cessation of the Pensioner Education Supplement.
- Cessation of the Education Entry Payment.
- Extension of Youth allowance (other) from 22 to 24 year olds in lieu of Newstart Allowance and Sickness Allowance.
- Requirement that young people with full capacity to learn, earn or Work for the Dole.
- Revise the family tax benefit end-of-year supplements to their original values and cease indexation.
- Limit Family Tax Benefit Part B to families with children under six years of age, with transitional arrangements applying to current recipients with children above the new age limit for two years.
- Increase the qualifying age for the Age Pension, and the non-veteran pension age, to 70, increasing by six months every two years.
- Pause indexation for three years of the income free areas and assets value limits for student payments, including the student income bank limits.
- Pause indexation for three years of the income and assets test free areas for all pensioners (other than Parenting Payment Single) and the deeming thresholds for all income support payments.

Senator Carol Brown
Senator for Tasmania

Senator Claire Moore
Senator for Queensland