The Senate

Community Affairs Legislation Committee

Social Services and Other Legislation Amendment (2014 Budget Measures No. 1) Bill 2014 [Provisions]

Social Services and Other Legislation Amendment (2014 Budget Measures No. 2) Bill 2014 [Provisions]

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44th Parliament

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ABBREVIATIONS

ACOSS	Australian Council of Social Service
ACT	*Social and Community Services Pay Equity Special Account Act of 2012*
ATN	Australian Technology Network of Universities
Budget	2014-15 federal Budget
CES	Clean Energy Supplement
COTA	COTA Australia
CPI	Consumer Price Index
CSHC	Commonwealth Seniors Health Card
DES	Disability Employment Services
DHS	Department of Human Services
DSP	Disability Support Pension
DSS	Department of Social Services
DVA	Department of Veterans' Affairs
EdEP	Education Entry Payment
EM	Explanatory Memorandum
EPP	Employment Pathway Plans
ES	Energy Supplement
FGFPC	Fair Go For Pensioners Coalition
First Bill	Social Services and Other Legislation Amendment (2014 Budget Measures No. 1) Bill 2014
FTB	Family Tax Benefit
FVA	FamilyVoice Australia
LFS	Large Family Supplement

Minister	Minister for Social Services
MTAWE	Male Total Average Wage Earnings
NUS	National Union of Students
NWRN	National Welfare Rights Network
PBLCI	Pensioner and Beneficiary Living Cost Index
PES	Pensioner Education Supplement
Second Bill	Social Services and Other Legislation Amendment (2014 Budget Measures No. 2) Bill 2014
SS	Seniors Supplement
SSA	*Social Security Act 1991*
UnitingCare	UnitingCare Australia
YOA	Young Opportunities Australia

Chapter 1
Introduction

Referral

1.1 On 19 June 2014, the Senate referred the Social Services and Other Legislation Amendment (2014 Budget Measures No. 1) Bill 2014 (First Bill) and Social Services and Other Legislation Amendment (2014 Budget Measures No. 2) Bill 2014 (Second Bill) (Bills) to the Community Affairs Legislation Committee for inquiry and report by 4 September 2014.[1] The reporting date was subsequently extended until 10 September[2] and then 12 September 2014.[3]

Background

1.2 In the 2014–15 federal Budget (Budget), a series of welfare reforms were outlined by the government to increase every Australian's ability to contribute to the economy and improve the long-term sustainability of the welfare system.[4] The Bills aim to facilitate a number of these reforms primarily through changes to indexation and eligibility requirements for a number of Australian Government payments.

Conduct of the inquiry

1.3 The committee advertised the inquiry in *The Australian* on 2 April 2014. Details of the inquiry, including a link to the Bills and associated documents, were placed on the committee's website.[5] The committee also wrote to 32 organisations and individuals, inviting submissions by 25 July 2014.

1.4 The committee received 66 submissions, which are listed at Appendix 1 and published on the committee's website.

1.5 The committee held public hearings in Sydney on 20 and 21 August 2014. A list of witnesses who appeared at the hearing is at Appendix 2, and the *Hansard* transcript is available on the committee's website.

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1 *Journals of the Senate*, No. 33—19 June 2014, p. 914.

2 *Journals of the Senate*, No. 51—3 September 2014, p. 1411.

3 See: Interim Report tabled 10 September 2014, available at: http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Community_Affairs/Social_Services_2014_Budget_Measures/Interim_Report (accessed 12 September 2014).

4 *Budget 2014-15, Building a strong welfare system*, available at: http://www.budget.gov.au/2014-15/content/glossy/welfare/html/welfare_01.htm (accessed 12 September 2014).

5 See: http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Community_Affairs (accessed 12 September 2014).

Structure of this report

1.6 The report is structured in two chapters—this introductory chapter which provides an overview of the Bills and their key provisions; and chapter two, which addresses key issues arising from the Bills raised by submitters and witnesses.

Purpose of the Bills

1.7 As the Bills contain a number of different and discrete schedules which amend a number of different pieces of legislation for differing purposes, they are commonly referred to as omnibus bills. The *Social Security Act 1991* (SSA) is the primary piece of legislation to be amended by these Bills. The First Bill introduces a package of measures from the Budget in the Social Services portfolio, while the Second Bill reforms a number of other areas.[6]

Social Services and Other Legislation Amendment (Budget Measures No. 1) Bill 2014

1.8 The First Bill contains eight schedules. Seven of these seek to implement Budget measures. The amendment in Schedule 8 is not related to the Budget.

Schedule 1—energy supplement replacing seniors supplement

1.9 The 2014–15 Budget proposed changes to the Seniors Supplement (SS) and Clean Energy Supplement (CES).[7]

1.10 The SS is currently provided to holders of a Commonwealth Seniors Health Card (CSHC). A CSHC can be issued to people who are of pension age but are not receiving government income support, and whose adjusted taxable income is under $50 000 (single) or $80 000 (partnered).[8]

1.11 The First Bill would abolish the SS for CSHC holders after the June 2014 payment.[9] However, cardholders would retain access to other benefits, such as discounts on medicines under the Pharmaceutical Benefits Scheme, health safety net thresholds and lower fees on medical services.[10]

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6 The Hon. Mr Kevin Andrews MP, Minister for Social Services (Minister), *House of Representatives Hansard*, 18 June 2014, p. 6396.

7 See: Department of Social Services, *Budget Fact Sheet–Seniors and Age Pension*, available at: http://www.dss.gov.au/about-the-department/publications-articles/corporate-publications/budget-and-additional-estimates-statements/2014-15-budget/budget-fact-sheet-*seniors*-and-age-pension (accessed 12 September 2014).

8 See: Department of Human Services, *Commonwealth Seniors Health Card*, http://www.humanservices.gov.au/customer/services/centrelink/commonwealth-seniors-health-card (accessed 12 September 2014).

9 Explanatory Memorandum (EM), Social Services and Other Legislation Amendment (2014 Budget Measures No. 1) 2014 (First Bill), p. 2.

10 EM, First Bill, p. 2.

1.12 The government has stated that ceasing the seniors supplement would achieve savings of $1.1 billion over the forward estimates[11] and help ensure that payments remain targeted to those most in need.[12]

Schedule 2—energy supplement replacing clean energy supplement

1.13 Schedule 2 seeks to rename the CES as the Energy Supplement (ES). Removal of indexation arrangements would result in payment levels being maintained at July 2014 levels.[13]

1.14 Ceasing indexation from July 2014 would achieve estimated savings of $479.1 million over five years.[14]

1.15 The schedule also introduces minor changes to the partner income free area.

Schedule 3—indexation

1.16 This schedule would implement a number of changes to the indexation of government payments, including:

- from 1 July 2014—pause indexation for three years of the income free areas and assets value limits for all working age allowances (other than student payments), and the income test free area and assets value limit for parenting payment single;
- from 20 September 2014—index parenting payment single to the Consumer Price Index (CPI) only, by removing benchmarking to Male Total Average Weekly Earnings;
- from 1 July 2014—pause indexation for three years of several family tax benefit free areas.[15]

1.17 The government has stated that these indexation measures would result in an estimated saving of approximately $1.2 billion over four years.[16]

Schedule 4—Disability Support Pension

1.18 The First Bill seeks to help young people with a disability enter the workforce if they are able to do so.

1.19 Schedule 4 introduces measures designed to review Disability Support Pension (DSP) recipients under the age of 35 against revised impairment tables and have their work capacity reassessed. The schedule also introduces requirements, such

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11 EM, First Bill, p. 2.

12 Minister, *House of Representatives Hansard*, 18 June 2014, p. 6396.

13 EM, First Bill, p. 6.

14 *Budget 2014-15, Budget paper No. 2: Budget Measures, Part 2: Expense Measures*, p. 191, available at: http://www.budget.gov.au/2014-15/content/bp2/download/BP2_consolidated.pdf (accessed 12 September 2014)

15 EM, First Bill, p. 20.

16 Correction to EM, First Bill.

as work-focused activities, for pension recipients in order to increase their chances of finding and keeping a job.[17]

Schedule 5—portability for students and new apprentices

1.20 Schedule 5 of the bill would change the circumstances in which students can receive social security payments while travelling overseas. Currently, students remain eligible for payments while they are overseas on holiday for up to six weeks in any twelve-month period. The First Bill seeks to tighten access and would ensure that students who are overseas only receive payments in certain circumstances, such as when they are studying abroad or in a family emergency.[18] Therefore, the First Bill does not change the duration of the six-week period, rather it narrows the circumstances in which people can access payments while overseas.

Schedule 6—waiting periods

1.21 This schedule of the bill seeks to extend and simplify the ordinary waiting period for all working age social security payments from 1 October 2014.

1.22 Currently, those eligible for the Newstart Allowance or Sickness Allowance must, except in some circumstances, serve an ordinary waiting period of seven days before the allowances are payable. The bill would extend this system to create a new ordinary waiting period for the widow allowance, parenting payment and youth allowance for people who are not studying full time and are not new apprentices.[19] In delivering the Second Reading Speech on the First Bill, Mr Kevin Andrews MP, Minister for Social Services (Minister) articulated that the aim of this measure is to provide an incentive for young unemployed people to participate in training, education and employment rather than relying on welfare benefits.[20]

1.23 The schedule also sets out requirements for exceptions to the waiting period, which are currently made in circumstances of severe financial hardship. The First Bill provides for exceptions to be made only in circumstances where a person is also experiencing a personal financial crisis.[21] A person will need to satisfy circumstances to be prescribed in a legislative instrument before the exemption will apply.[22]

Schedule 7—Family Tax Benefit

1.24 The bill proposes changes to the indexation of government payments, including pausing indexation of the Family Tax Benefit (FTB) rates for two years in

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17 EM, First Bill, p. 24.

18 EM, First Bill, p. 29.

19 EM, First Bill, p. 32.

20 *House of Representatives Hansard*, 18 June 2014, p. 6397.

21 EM, First Bill, p. 32.

22 EM, First Bill, p. 32.

the maximum and base rate of FTB Part A and the maximum rate of FTB Part B.[23] The proposal to pause indexation is estimated to save $2.6 billion over four years.[24]

Schedule 8—Social and Community Services Pay Equity Special Account

1.25 This schedule introduces a non-Budget amendment to the *Social and Community Services Pay Equity Special Account Act 2012* (Act). The Act establishes the Social and Community Services Pay Equity Special Account and allows for funds to be transferred into the account for the 2012–13 financial year through to the 2020-21 financial year. The purpose of the account is to assist certain employers in the social, community and disability services industry meet the cost of payments required as a result of certain pay equity orders.[25]

1.26 The measure in schedule 8 would add the Western Australian Industrial Relations Commission's decision of 29 August 2013 as a pay equity decision under the Act.[26] This would allow service providers affected by the WA decision to receive payment of Commonwealth supplementation.

Social Services and Other Legislation Amendment (Budget Measures No. 2) Bill 2014

1.27 The Second Bill follows up reforms introduced by the First Bill. It consists of twelve schedules.

Schedule1 —indexation and deeming thresholds

1.28 The schedule proposes further changes to a range of government payments:

- from 1 January 2015—pause indexation for three years of the income free areas and assets value limits for student payments, including the student income bank limits;
- from 1 July 2017—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;
- from 20 September 2017—ensure all pensions are indexed to the CPI only, by removing:
    - benchmarking to Male Total Average Weekly Earnings (MTAWE);
    - indexation to the Pensioner and Beneficiary Living Cost Index (PBLCI); and

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23 EM, First Bill, p. 36.

24 *Budget 2014-15, Budget paper No. 2: Budget Measures, Part 2: Expense Measures*, p. 199, available at: http://www.budget.gov.au/2014-15/content/bp2/download/BP2_consolidated.pdf (accessed 12 September 2014).

25 For information on the *Social and Community Services Pay Equity Special Account Act 2012*, see: http://www.austlii.edu.au/au/legis/cth/num_act/sacspesaa2012564/s3.html (accessed 12 September 2014).

26 EM, First Bill, p. 32.

- from 20 September 2017—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.[27]

1.29 Together, these measures are expected to result in a saving of over $500 million over the next 4 years.[28]

Schedule 2—Disability Support Pension

1.30 This schedule proposes changes in relation to the Disability Support Pension (DSP).

1.31 Current overseas portability rules state that a person in receipt of the DSP can receive payments during temporary absences, provided those absences are not longer than six weeks.[29] The proposed measures would limit the overseas portability period to 28 days in a twelve-month period from 1 January 2015. Where absences exceed the portability period, pensions would be cancelled at the end of that period.[30]

Schedule 3—Young Carer Bursary Programme

1.32 This schedule would amend the *Social Security Act 1991* and the *Veterans' Entitlements Act 1986* to ensure that payments under the Commonwealth's Young Carer Bursary Programme are not counted as income.

1.33 The programme provides bursary payments to carers under the age of 25. Ensuring that these payments are not counted as income will relieve the financial pressure on young carers and assist them to undertake part-time work in addition to their caring and educational responsibilities.[31]This measure will cost an estimated $3million over 4 years.[32]

Schedule 4—Commonwealth Seniors Health Card

1.34 This schedule would see tax-free superannuation income included in the income assessment for qualification for the CSHC. The measure would ensure a consistent approach in assessment of people with similar incomes when they apply for government benefits.[33]

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27 EM, Social Services and Other Legislation Amendment (2014 Budget Measures No. 2) 2014 (Second Bill), p. 2.

28 EM, Second Bill, p. 3.

29 Certain exemptions apply, such as for severely impaired disability support pensioners, who have no portability restrictions placed upon them.

30 EM, Second Bill, p. 7.

31 EM, Second Bill, p. 11.

32 Correction to EM, Second Bill, p. 2.

33 Minister, *House of Representatives Hansard*, 18 June 2014, p. 6398.

1.35 The proposed amendments would commence on 1 January 2015. Superannuation products purchased before this date by existing CSHC holders would be exempt from the updated arrangements.[34]

Schedule 5—relocation scholarships

1.36 These proposed measures would restrict access to the Relocation Scholarship to students relocating to or from regional areas from 1 January 2015. Students relocating from major cities would only remain eligible for the Relocation Scholarship if they relocate to study at a regional campus.

Schedule 6—pensioner education supplement

1.37 Schedule 6 of the Second Bill proposes to cease the pensioner education supplement from 1 January 2015 and make related consequential changes.

1.38 The EM states that the government remains committed to providing incentives for income support recipients to improve their employment prospects through study or training and that more appropriate channels of government-funded study and training assistance are available.[35]

Schedule 7—education entry payment

1.39 The schedule seeks to abolish the education entry payment from 1 January 2015. The annual payment is available to people receiving certain financial assistance and is designed to help with the cost of study. If the payment is abolished, incentives for income support recipients to improve employment prospects through education would remain available through more appropriate channels, such as through employment service providers and tuition loan programs.[36]

Schedule 8—age requirements for Commonwealth payments

1.40 Changes proposed under this schedule would see young people aged 22 to 24 no longer qualify for Newstart Allowance or Sickness Allowance. Persons in this age group would instead qualify for Youth Allowance (student) or Youth Allowance (other) until they turn 25. The schedule includes safeguards to ensure that existing Newstart recipients in the 22 to 24 age group leading up to commencement of this new measure would continue to receive the allowance.[37]

1.41 The schedule also seeks to align the rate at which Farm Household Allowance is paid to farmers and their partners with Newstart and Youth Allowance rates.[38]

34 EM, Second Bill, p. 12.

35 Second Bill, p. 20.

36 EM, Second Bill, p. 24.

37 EM, Second Bill, p. 28.

38 EM, Second Bill, p. 28.

Schedule 9—exclusion periods

1.42 The measures in Schedule 9 aim to encourage greater participation in work or other activities.[39]

1.43 From 1 January 2015, new job seekers under 30 years of age applying for Newstart Youth Allowance (other) and Special Benefit would be required to participate in job search and employment service activities for up to six months before receiving payment. This six month waiting period will be reduced by one month for every year of prior work experience up to a maximum of five months. Part-time employment will also be recognised on a pro-rata basis. Job seekers who are already receiving Newstart, Youth Allowance (other) and Special Benefit prior to 1 January 2015 will be phased onto the new system from 1 July 2015.[40]

Schedule 10—Family Tax Benefit

1.44 The schedule would implement a series of changes to family payments, including:

- limit the FTB Part A large family supplement to families with four or more children;
- remove the per-child add-on that currently applies for each child after the first under the income test for the base rate of FTB Part A;
- revise FTB end-of-year supplements to their original values and cease indexation;
- better target the FTB Part B by reducing the primary earner income limit from $150 000 per annum to $100 000 per annum;
- limit FTB 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; and
- introduce a new allowance for single parents on the maximum rate of family tax benefit Part A for each child aged six to 12 years inclusive, and not receiving family tax benefit Part B.[41]

1.45 The proposed measures would come into force on 1 January 2015.

39 EM, Second Bill, p. 35.

40 Department of Social Services, *Submission 66*, p. 11.

41 EM, Second Bill, p. 48.

Schedule 11—pension age

1.46 Measures contained within this schedule would increase the qualifying age for the Age Pension and the non-veteran pension age for both men and women from 67 to 70 years by six months, every two years, from 1 July 2025.[42]

Schedule 12

1.47 The schedule removes the three months' backdating of Disability Pension under the *Veterans' Entitlements Act 1986.*

Consideration by other committees

1.48 The Parliamentary Joint Committee on Human Rights examined the Bills in accordance with the *Human Rights (Parliamentary Scrutiny) Act 2011* in its Ninth Report of the 44th Parliament.[43] The report examined a number of measures in the Bills, raised a range of concerns and sought further advice from the responsible Ministers in respect of a number of matters.

1.49 The Senate Standing Committee for the Scrutiny of Bills considered the Bills in its Alert Digest No. 7 of 2014.[44] The committee raised some matters in relation to the Bills and sought clarification from the relevant Minister regarding some of the measures. The committee considered the Minister's responses in its Tenth Report of 2014.[45]

Acknowledgements

1.50 The committee thanks those organisations and individuals who made submissions to the inquiry and gave evidence at the public hearings.

Note on References

1.51 Reference to the committee *Hansard* is to the proof *Hansard*. Page numbers may vary between the proof and the official *Hansard* transcript.

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42 EM, Second Bill, p. 55.

43 *Examination of legislation in accordance with the Human Rights (Parliamentary Scrutiny) Act 2011, Bills introduced 23-26 June 2014, Legislative Instruments received 7-20 June 2014, Ninth Report of the 44th Parliament*, 15 July 2014, pp 71–99.

44 Alert Digest No. 7 of 2014, 25 June 2014, pp 35–41.

45 Alert Digest No. 10 of 2014, 27 August 2014, pp 473–480.

Chapter 2
Key issues

2.1 As chapter 1 discussed, the Social Services and Other Legislation Amendment (2014 Budget Measures No. 1) Bill 2014 (First Bill) and Social Services and Other Legislation Amendment (2014 Budget Measures No. 2) Bill 2014 (Second Bill) introduce a range of measures announced in the 2014 -15 Budget which are intended to improve the long-term sustainability of the welfare system and increase workforce participation.[1]

2.2 Submitters to the inquiry noted the breadth and complexity of the measures contained in the Bills and submitted that the Bills would give effect to some of the most significant changes to the social services system in twenty years.[2] Submitters also noted that certain measures in the Bills would remove or tighten access to poorly targeted entitlements.[3] The Australian Council of Social Service (ACOSS) told the committee:

> We support a number of social security budget measures which we believe target assistance more appropriately and thereby reduce wasteful expenditure. This includes: abolishing the Seniors Supplement, limiting access to the Seniors Cards for older couples with substantial financial assets or superannuation benefits, the move to take superannuation payments into account in assessing eligibility for the Seniors Health Card; changes to the pension assets test … and capping Family Tax Benefit Part B payment at $100,000.[4]

2.3 While participants expressed support for the broad intent of a number of the measures in the Bills, they also highlighted concerns around potential unintended consequences of some measures and argued that these may have a disproportionate impact on vulnerable members of society.[5]

2.4 Submitters also expressed concern at the potential cumulative effect of the measures in the Bills on disadvantaged members of society. For example, in its submission, Anglicare noted that the majority of measures in the Bills are focussed on

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1 *Budget 2014-15, Building a strong welfare system*, available at: http://www.budget.gov.au/2014-15/content/glossy/welfare/html/welfare_01.htm (accessed 12 September 2014).

2 For example: Mr Gerard Thomas, Policy and Media Officer, National Welfare Rights Network (NWRN), *Committee Hansard*, 20 August 2014, p. 9.

3 For example: NWRN, *Submission 60*, p. 31.

4 *Submission 50*, p. 6.

5 For example: Dr Eve Bodsworth, Research and Policy Manager, Brotherhood of St Laurence, *Committee Hansard*, 21 August 2014, p. 24; Australian Council of Social Service (ACOSS), *Submission 40;* NWRN, *Submission 60*, p. 4.

people who are nominally employable and their families. However, Anglicare stated expressed concern that some of the changes will accentuate poverty and exclusion and make participation more difficult.[6]

2.5 Submissions to the inquiry tended to focus on the following key measures:

- participation incentives for young job-seekers;
- support for people with disability;
- indexation measures and income test deeming thresholds;
- family payment reforms;
- age pension and related reforms; and
- education and training support.

Participation incentives for young job seekers

2.6 A number of the measures in these Bills are based on the premise that everyone who can contribute to the economy, should contribute.[7] The Bills seek to introduce incentives, in the form of tighter payment conditions for Newstart and Youth Allowance (other), which are intended to encourage young people aged up to 30 years who are able to work full-time to either earn or learn.

Eligibility for Newstart and Sickness Allowance

2.7 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 or Sickness Allowance. They would instead be eligible for Youth Allowance (student) or Youth Allowance (other) until they turn 25 years of age. Existing recipients of Newstart Allowance aged 22–24 years of age will remain on Newstart Allowance. Youth disability supplement would also be available to all youth allowance recipients who have not yet reached 25.[8]

2.8 Participants expressed concern that these measures would exacerbate existing barriers to employment.[9] ACOSS submitted that this measure would 'entrench poverty, increase homelessness, place financial pressure on families and further disconnect people from the labour market'.[10]

2.9 Carers Australia submitted that the measure would capture young people caring for family members who have substantial caring responsibilities but do not

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6 *Submission 45*, p. 5.

7 The Hon. Kevin Andrews MP, Minister for Social Services (Minister), *House of Representatives Hansard*, 18 June 2014, p. 6396.

8 Social Services and Other Legislation Amendment (2014 Budget Measures No. 2) Bill 2014 (Second Bill), Explanatory Memorandum (EM), p. 28.

9 For example: Professor Shelley Mallett, General Manager, Policy and Research Centre, Brotherhood of St Laurence, *Committee Hansard*, 21 August 2014, p. 24.

10 *Submission 50*, p. 16.

meet eligibility requirements for the Carer Payment. These young people would be classed as being dependent because they live with their parents, a fact which would preclude them from accessing Youth Allowance.[11]

2.10 The Explanatory Memorandum (EM) to the Second Bill states that this measure removes a disincentive to pursue full-time study or employment by placing all under 25 year olds on the same payment levels whether they are unemployed or studying full-time. The EM notes that while youth allowance is paid at lower rates to Newstart allowance, the payment has a larger income free area compared to Newstart which provides greater flexibility to recipients to earn while receiving the payment.[12] ACOSS proposed that an alternative incentive would be to lift Youth Allowance in line with Newstart Allowance.[13]

2.11 The committee notes that other incentives that will help ameliorate any potentially harsh consequences of the measures include: the larger income free threshold of Youth allowance (other) compared to Newstart Allowance; provisions to ensure that young people aged 22–24 who have already qualified for Newstart allowance will not be affected by the amendments until their payment is cancelled; and the maintenance of the current age at which a person is regarded as 'independent', meaning that persons above that age will not be subject to parental means testing.[14]

Encouraging greater participation in work and other activities

2.12 Schedule 9 of the Second Bill seeks to implement a range of measures which would require young people with full capacity to 'earn, learn or Work for the Dole'.[15]

2.13 From 1 January 2015, all new claimants of Newstart Allowance and Youth allowance (other) under the age of 30 years will be subject to the following measures:

> Such a person will be subject to a 26-week waiting period before the social security benefit becomes payable. This 26-week period may be reduced if a person has had past periods of gainful work.
>
> After an initial 26-week waiting period, jobseekers may become eligible to receive income support for 26 weeks, after which a person will be required to participate in 25 hours a week of Work for the Dole during this 26-week payment period.
>
> After the 26-week payment period, a person may become subject to a 26-week non-payment period, unless an exemption applies. During this period, a wage subsidy will be available for employers, as well as relocation assistance to encourage people to move to where jobs are available.[16]

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11 *Submission 63*, p. 9.

12 P. 28.

13 *Submission 50*, p. 18.

14 EM, Second Bill, p. 16.

15 EM, Second Bill, p. 35.

16 EM, Second Bill, p. 35.

2.14 The EM to the Second Bill states:

> This measure aims to encourage greater participation in work and other activities and make the welfare system fairer and more sustainable, to ensure a productive Australian workforce for the future. The measure establishes firm expectations for young jobseekers. It provides an incentive for affected persons to be self-sufficient, or to undertake further relevant education or training to increase employability before relying on the taxpayer for support.[17]

2.15 In order to commence the new waiting period, a person will need to register as a jobseeker. While subject to the new waiting period and non-payment period, jobseekers will need to comply with activity test and participation requirements. These requirements are to look for work, attend appointments with employment services providers and accept any offers of suitable work. Compliance with these requirements will be monitored through Employment Pathway Plans (EPP) and jobseekers will be required to enter into and comply with the terms of an EPP at all times during the new exclusion period. Jobseekers who fail to comply with an EPP may have their exclusion period extended or have a penalty imposed.[18]

2.16 Submitters expressed support for the broad intent of these measures.[19] For example, the Brotherhood of St Laurence expressed support for 'a mutual obligation system that has high expectations of jobseekers, including penalties for those who wilfully fail to meet obligations'.[20]

2.17 However, submitters also expressed concern that the measures may not strike the appropriate balance between obligations and assistance and may impose harsh unintended consequences on many young Australians.[21]

2.18 Evidence to the committee emphasised a number of challenges that young people face in the modern labour market.[22] The Brotherhood of St Laurence stated that it now took young people 'four or five times longer to find employment after leaving education than in the mid-1990s'.[23]

2.19 Young Opportunities Australia (YOA) stated:

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17 P. 35.

18 EM, Second Bill, p. 36.

19 For example: Jobs Australia, *Submission 56*, p. 6.

20 *Submission 49*, p. 3. See also Dr John Falzon, Chief Executive Officer, St Vincent de Paul Society National Council, *Committee Hansard*, 21 August 2014, p. 24.

21 For example: Brotherhood of St Laurence, *Submission 49*, p. 3.

22 For example: Dr Ian Holland, Director, Services Development, UnitingCare Australia, *Committee Hansard*, 21 August 2014, p. 15; Anglicare, *Submission 45*.

23 *Submission 49*, p. 7.

> With five unemployed job seekers for every official job vacancy, it is no wonder that young people with limited years of experience are the last to be considered.[24]

2.20 Some submitters questioned the effectiveness of Work for Dole programs in preparing young jobseekers for employment.[25] The National Welfare Rights Network (NWRN) expressed concern that Work for the Dole type schemes may not provide adequate support to jobseekers to overcome barriers to employment:

> [A] group of job seekers who have gone through six months or more without income support and failed to find work is likely to include a significant number of people with substantial barriers to finding and retaining work…some of these people may qualify for an exemption from the non-payment period the second time around...But for the rest, the only thing the government is proposing is a compulsory work for the dole scheme—not intensive case management or any other measure—just work for the dole.[26]

2.21 Submitters expressed concern that the proposed measures may lead to unintended consequences including the potential for exploitation of participants by employers,[27] a reduction in job-searching activities,[28] and individuals undertaking training 'regardless of its relevance to future job prospects'.[29]

2.22 Noting these factors, submitters emphasised the importance of providing young job-seekers with support tailored to their needs. Anglicare told the committee of recent research it had commissioned which identified that the most successful programs are those that:

- use a case management model based on individual needs;
- build strong links with local employers and other support services; and
- provide post-employment support, such as job coaching and mentoring, personal development and peer support.[30]

2.23 Anglicare argued:

> *Beyond Supply and Demand* addresses issues at the heart of public debate on the link between income support and getting more people into work. There is a lot of comment in the media suggesting people don't try hard

24 *Submission 43*, p. 3.

25 For example: Jobs Australia, *Submission 56*, pp 8-9.

26 *Submission 60*, p. 18.

27 For example: Carers Australia, *Submission 63*, p. 11.

28 For example: Carers Australia, *Submission 63*, p. 11.

29 Australian Council of Social Service, *Submission 50*, p. 16.

30 *Submission* 45, Attachment D.

> enough. Evidence from this report suggests that real jobs and individual support make the difference.[31]

Waiting and non-payment periods

2.24 A number of submitters expressed concern at the potential impact of extended waiting and non-payment periods, particularly on young people who may not have family members who are able and willing to support them.[32]

2.25 YOA argued that the proposed waiting period coincides with a critical post-graduation period when young people:

> …up-skill and become "employment-ready". Undertaking [often unpaid] internships and other volunteer activities has become commonplace and in many cases an implicit prerequisite for even "entry-level" positions.[33]

2.26 ACOSS submitted that enacting the proposed six month waiting period would fundamentally undo a basic principle of Australia's social security system:

> New rules will deny income support to young people aged up to 29 for six months of every year, unless exempted, and then force them into "work for the dole". 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, with exemptions only for select categories of people. In this way, the measure would effect a radical structural change to the social security system.[34]

2.27 ACOSS estimates that, of the 265 000 young people currently applying for or receiving income support, approximately 113 000 will be affected by the proposed waiting period.[35] ACOSS concluded:

> This would entrench poverty, increase homelessness, place financial pressure on families, and further disconnect people from the labour market. Not every young person is supported by their parents and it is not reasonable to expect parents to do so up to the age of 30 years.[36]

2.28 NWRN expressed concern that some aspects of the implementation of the extended waiting period may result in perverse outcomes. In a supplementary submission to the inquiry, NWRN noted the consequences of a person taking up short -term work while serving a waiting period:

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31 *Submission 45*, p. 6.

32 For example: Jobs Australia, *Submission 56*, p. 7.

33 *Submission 43*, p. 6.

34 *Submission 50*, p. 5.

35 *Submission 50*, p. 16.

36 *Submission 50*, p. 16.

> Under the Social Services and Other Legislation Amendment (2014 Budget Measures No. 2) Bill 2014, a person taking up short term work of six fortnights or less will not have to re-serve their waiting period.[37]

2.29 NWRN told the committee:

> We think it is obvious that if people are required to start a new 6 month exclusion period after working for more than 12 weeks this would create a perverse disincentive to work longer than 12 weeks. It would undermine the stated aims of moving people into long term employment. It would also be extremely unfair if people are treated differently based on the duration of employment during the exclusion period.[38]

2.30 A representative of the Department of Social Services (DSS) confirmed that if a person in a six-month waiting period undertakes part-time or casual work for a period of six-fortnights or less they would only need to serve the residual amount of the waiting period. However, if a person's part-time work extended beyond a six-fortnight period they would need to restart the six month waiting period.[39]

2.31 The committee notes that the Second Bill makes provision for the Minister to take account of previous periods of gainful work[40] and that a person will not be subject to the new waiting period or the new non-payment period if they are subject to an exemption. People will be exempt from the waiting period where they:

- are the principal carer of a child;
- are the parent of an FTB child and have qualified to be paid FBT for that child;
- have a partial capacity to work;
- are currently registered as a part-time apprentice, trainee or trainee apprentice;
- are assessed as requiring employment services or disability employment services determined by the Minister; or
- fall within another exemption category determined by the Minister by legislative instrument.[41]

2.32 The committee understands that other exemptions to the waiting period also currently apply to people in receipt of the farm household allowance[42] and stream 3 and 4 jobseekers.[43]

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37 *Supplementary Submission 60*, p. 1.

38 *Supplementary Submission 60*, p. 1.

39 Mr Ty Emerson, Branch Manager, Labour Market Payments Policy Branch, *Committee Hansard*, 21 August 2014, pp 44-45.

40 Proposed new subsection 1157AC(3). The Minister may determine, by legislative instrument, that the waiting period be reduced as a result of previous periods of gainful work. The reduced waiting period must be at least four weeks.

41 See proposed new sections 1157AF and 1157AG.

42 *Farm Household Support Act 2014*.

2.33 A DSS representative told the committee:

> If the minister so chooses, he or she could make additional exemptions from the waiting period through the power of a disallowable instrument. That could include other groups, such as—if it were the desire of government—the homeless.[44]

2.34 The committee notes that these measures are intended to provide incentives for young unemployed Australians to either acquire employment or the required skills to obtain gainful employment.[45]

2.35 The committee also notes provisions in the Bill to ensure that people who are already on a support payment and who may already have served waiting periods in the past do not have to serve another waiting period when they transfer to another support payment.[46] For example, when a Youth Allowance (other) recipient turns 25 years of age under the new rules they will be automatically transferred to Newstart Allowance with no waiting period.[47]

Extension of ordinary waiting period to other payments

2.36 Schedule 6 of the First Bill proposes the extension of the one-week waiting period that currently applies to claimants of Newstart and to new claimants of Youth Allowance (other), Parenting Payment and Widow Allowance. The committee notes that these amendments will ensure consistency in the application of waiting periods across similar working age payments.[48] Other existing exemptions from the ordinary waiting period will also continue to be available to claimants.[49]

2.37 The amendments would also introduce additional evidentiary requirement to the 'severe financial hardship waiver'.[50] Under current arrangements the waiting period can be waived if the Secretary of the Department of Human Services is satisfied that the claimant is in 'severe financial hardship', based on consideration of the value of the claimant's liquid assets compared to the amount of the fortnightly payment. The amendments proposed in Schedule 6 will require a claimant to

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43 Department of Social Services, *Budget Fact Sheet – Working age payments*, available at: http://www.dss.gov.au/about-the-department/publications-articles/corporate-publications/budget-and-additional-estimates-statements/2014-15-budget/budget-fact-sheet-working-age-payments (accessed 12 September 2014).

44 Mr Ty Emerson, *Committee Hansard*, 21 August 2014, p. 47.

45 Statement of Compatibility with Human Rights, Second Bill, p. 20.

46 See proposed new section 1157AB.

47 C Ey, M Klapdor, M Thomas, P Yeend, *Social Services and Other Legislation Amendment (2014 Budget Measures No. 2) Bill 2014*, Bills Digest No. 16, 2014-15, Parliamentary Library, Canberra, 2014, p. 40.

48 EM, Social Services and Other Legislation Amendment (2014 Budget Measures No. 1) Bill 2014 (First Bill), p. 9.

49 EM, First Bill, p. 10.

50 See section 19C of the *Social Security Act 1991*.

demonstrate that they are experiencing a personal financial crisis and provide supporting evidence. The definition of 'crisis' is to be set out in rules.[51]

2.38 Witnesses expressed concern that the introduction of an additional requirement in Schedule 6 is heavy handed and would be administratively costly.[52]

2.39 These amendments would also remove the ability for claimants to serve the ordinary waiting period concurrently with certain other waiting periods and preclusion periods. The ordinary waiting period will be served following the end of those other periods.[53]

2.40 Submitters expressed concern that the removal of the ability for claimants to serve waiting periods concurrently may result in individuals being denied income support for a significant period of time, in some cases as long as 12 months or longer.[54]

Support for people with disability

2.41 The Bills introduce a suite of measures intended to maximise the capacity of Disability Support Pension (DSP) recipients to join the workforce.

Enabling work-ready DSP recipients to transition into employment

2.42 The amendments in Schedule 4 of the First Bill will implement measures affecting DSP recipients aged under 35 years. The committee notes that these measures are intended to assist young people with disability to enter the workforce if they are able to do so.[55]

2.43 The key measures in the schedule are:

- insertion of a new definition—reviewed 2008–2011 DSP starter—into subsection 94(5) of the Social Security Act 1991;
- extension of the requirement to actively participate in a program of support to recipients aged under 35 years; and
- a revised definition of 'program of support' to mean programs funded by the Commonwealth.

2.44 The committee notes the Minister's announcement that DSP recipients under 35 years of age who originally accessed the payment under less rigorous impairment tables in operation between 2008 and 2011 will have their level of impairment reassessed against the current impairment tables and will also have their work capacity reassessed.[56] The committee notes that revised impairment tables were introduced in

51 EM, First Bill, p. 9.

52 For example: Mr Peter Davidson, Senior Adviser, ACOSS, *Committee Hansard*, 20 August 2014, p. 3.

53 EM, First Bill, p. 10.

54 For example: NWRN, *Submission 60*, p. 14.

55 Minister, *House of Representatives Hansard*, 18 June 2014, p. 6397.

56 *House of Representatives Hansard*, 18 June 2014, p. 6397.

2011 following a review that found the tables to be 'outdated and inappropriate for current use'.[57]

2.45 While the reassessment of recipients will be implemented using existing powers under section 63 of the *Social Security Administration Act,* it is relevant to the new category of 'reviewed 2008–2011 DSP starter'.

2.46 A person will be a 'reviewed 2008–2011 DSP starter' if the person:

- made a claim for disability support pension before 3 September 2011;
- received a notice in relation to assessing their qualification on or after 1 July 2014;
- was under 35 years of age when the notice was given;
- after the notice was given, has not had their access to DSP cancelled by the Secretary;
- as a result of the assessment involving the notice it was determined that the person:
    - does not have a severe impairment; and
    - is able to work at least eight hours per week; and
- does not have a dependent child under six years of age.[58]

2.47 Schedule 4 also extends the requirement to participate actively in a program of support to certain DSP recipients who made a claim for the DSP before 3 September 2011 and whose pension start date was after 2007. These recipients will need to provide evidence that they have actively engaged in activities designed to build their work capacity, including training, work-related activities and activities aimed at addressing non-vocational barriers such as substance dependence.[59]

2.48 The First Bill proposes that only programs wholly or partly funded by the Commonwealth will be programs of support for the purposes of active participation in a program of support.[60]

2.49 Submitters expressed support for the principle that people with disability who have the capacity to work should actively prepare for, seek and ultimately obtain employment.[61] Jobs Australia submitted:

> Largely, this measure will result in changes that were introduced by the previous government for DSP recipients who were granted a benefit in

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57 P Yeend, L Buckmaster, *Social Services and Other Legislation Amendment (2014 Budget Measures No. 1) Bill 2014*, Bills Digest No. 14, 2014-15, pp 15-16.

58 P Yeend, L Buckmaster, *Social Services and Other Legislation Amendment (2014 Budget Measures No. 1) Bill 2014*, Bills Digest No. 14, 2014-15, p. 17.

59 EM, First Bill, p. 24.

60 EM, First Bill, p. 28.

61 For example: Jobs Australia, *Submission 56*, p. 4.

> 2011-12 [being applied] to some DSP recipients who were already receiving benefits at the time that those changes were introduced. These recipients would have their status reviewed and, a number would be required to participate in a program of support (such as those delivered by Jobs Australia members) and look for work. We support this aspect of the measures.[62]

2.50 However, submitters expressed concern that the changes do not take adequate account of the challenges that people with disability face in finding and keeping work and that current employment services do not work well for DSP applicants trying to meet program of support requirements, particularly those with multiple disabilities.[63]

2.51 Submitters questioned the rationale behind differentiating between DSP recipients on the basis of age. Carers Australia submitted:

> Implicitly this measure seems to rest on the assumption that people with a disability under the age of 35 are more likely to move into employment than older DSP recipients; perhaps because they are less likely to be long-term unemployed and/or because they are more employable because of their comparative youth. We are unaware of evidence to support either of these assumptions.[64]

2.52 Carers Australia also submitted that the measures do not take into account people whose capacity to work fluctuated due to incapacitating episodic conditions, such as mental illness or epilepsy. The organisation noted that such people have levels of disability which 'vary substantially and unpredictably'.[65]

2.53 ACOSS expressed concern that the penalties that would apply to those recipients who fail to comply with the new requirements are not set out in the Bill.[66]

2.54 The NWRN expressed concern at the impact of these amendments on those DSP recipients who fall within the category of 'reviewed 2008–2011 recipients' and noted a lack of clarity in the drafting of the Bill:

> However, we are very concerned about the words "had an opportunity" as inserted by the drafters. This is because under previous rules, people under 35 on DSP were invited to voluntarily participate in a [program of support (POS)], but may have declined. Will these people be disqualified because they fail the POS requirement in 94(2)(aa) on the ground that they had an "opportunity" but did not actively participate?
>
> If the Government wants to apply this requirement to only to (sic) people given an "opportunity" to participate after the passage of this Bill then redrafting to clarify this is required. If the Government deliberately drafted

62 *Submission 56*, p. 4.

63 For example: People With Disability Australia, *Submission 58*, p. 6; NWRN, *Submission 60*, p. 25.

64 *Submission 63*, p. 5.

65 *Submission 63*, p. 5.

66 *Submission 50*, p. 31.

> the provision to apply to people whose "opportunity" predated the passage of the Bill, then this is absolutely unfair. Moreover, we predict that this lack of clarity in drafting is likely to cause unnecessary appeals. The Government should specify what is to be required in the Bill and allow proper time for input from the community.[67]

2.55 ACOSS has estimated that approximately 28 000 people under 35 could be required to undertake a program of support after having their qualification for the DSP reviewed.[68] UnitingCare Australia told the committee of the potential for greater complexity and cost in the administration of the changes:

> We are all in favour of—and I think most disability support organisations are in favour of—providing support structures that ensure that those people with a disability who have capacity to work with appropriate supports and training are able to gain that. But it is not a cheap service to provide, and it is going to be rendered, we think, more complex but without the budget or the welfare architecture to support it.[69]

2.56 ACOSS submitted that one effect of the program of support requirement is that people's DSP claims would be 'put on ice' for up to 18 months, during which time recipients would generally qualify for the lower value Newstart Allowance, and therefore be financially disadvantaged.[70]

2.57 The committee notes that this initiative should result in improved opportunities for employment participation for people with a disability. DSP is intended to provide support to people who are prevented from working or being retrained for work because of an on-going impairment. The committee concurs that long-term dependence on DSP is not the best outcome for people who have skills and capacity to participate in the labour market or who are able to build such skills with appropriate assistance.[71]

2.58 The government has stated that DSP recipients will be provided with support to develop their work capacity and has announced that it is expanding the number of non-government providers delivering Disability Employment Services (DES). This will be achieved by tendering the 47 per cent of the DES—Disability

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67 *Submission 60*, pp 24–25.

68 *Submission 50*, p. 31. The purpose of the 'program of support' requirement is to assist DSP recipients to improve their work capacity. See Department of Human Services, *Disability Support Pension*, available at: http://www.humanservices.gov.au/customer/services/centrelink/disability-support-pension (accessed 12 September 2014).

69 Dr Ian Holland, *Committee Hansard, 21 August 2014,* p. 18.

70 *Submission 50*, p. 31. See also Department of Social Services (DSS), *More accurate and efficient Disability Support Pension assessments*, available at: http://www.dss.gov.au/our-responsibilities/disability-and-carers/benefits-payments/disability-support-pension-dsp-better-and-fairer-assessments/more-accurate-and-efficient-disability-support-pension-assessments (accessed 12 September 2014).

71 EM, First Bill, p. 25.

Management Service (DES—DMS) which is currently delivered by an arm of the Department of Human Services.[72]

2.59 The proposal to only recognise programs that are wholly or partly funded by the Commonwealth as programs of support reflects the need to ensure that people with mild to moderate disability have access to a comprehensive program of support tailored to their needs. The committee notes that generally, non-government funded programs do not meet this criterion.[73]

Changes to DSP overseas portability rules

2.60 The committee received considerable feedback regarding the proposed changes to DSP overseas portability rules, outlined in schedule 2 of the Second Bill. If the changes are enacted, DSP recipients will cease receiving the payment if they are overseas for more than four weeks in every 52 weeks on or after 1 January 2015 and will have to make a new claim for the pension upon their return to Australia and have their medical condition(s) and work capacity reassessed against current impairment tables.[74] Under current arrangements DSP recipients can be paid for up to six weeks for each trip taken outside Australia.[75]

2.61 By and large, submitters were opposed to the proposed measures and considered them excessively onerous.[76] Some explained they had family overseas—spouses and children—whom they could not, for various reasons, bring to, or financially support in, Australia, and would be forced to see infrequently if DSP portability rules are changed.[77]

2.62 A large proportion of submitters argued that the DSP was not adequate to maintain a decent, dignified standard of living in Australia, and that they preferred to spend a portion of each year abroad, where the cost of living, including medical care,

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72 Minister, *Expanding Disability Employment Services*, Media Release, 13 May 2014, available at: http://kevinandrews.com.au/latest-news/2014/05/13/expanding-disability-employment-services-budget-joint-media-release-w-minister-fifield/ (accessed 12 September 2014).

73 EM, First Bill, p. 28.

74 Department of Human Services (DHS), *Budget 2014-15: Disability Support Pension – reduced portability*, available at: http://www.humanservices.gov.au/corporate/publications-and-resources/budget/1415/measures/disability-and-carers/65-000801 (accessed 12 September 2014).

75 DHS, *Budget 2014-15: Disability Support Pension – reduced portability*, available at: http://www.humanservices.gov.au/corporate/publications-and-resources/budget/1415/measures/disability-and-carers/65-000801 (accessed 12 September 2014).

76 For example: Name Withheld, *Submission 2*; Mr Kenneth Cole, *Submission 3*; Name Withheld, *Submission 5*; Name Withheld, *Submission 6*; Name Withheld, *Submission 9*; Name Withheld, *Submission 10*.

77 For example: Mr Kenneth Cole, *Submission 3*, p. 1.

is lower and their DSP payment stretches further.[78] Others argued that it is cost effective for the public purse for DSP recipients to spend time out of the country, as they do not rely on the health system while abroad.[79]

2.63 In evidence to the committee, a DSS representative explained:

> I guess it really comes down to the fact that everybody understands that there are various reasons why some people would like to travel overseas for longer than the proposed four weeks, but I think it comes down to the fact that it is a taxpayer funded benefit that is meant to be provided for the support of Australian residents in Australia.[80]

2.64 Evidence provided by DSS during the 2014–15 budget estimates hearings indicated that 'it has been estimated that about 2,000 people will stay overseas longer than four weeks each year and will need to reapply' for the DSP.[81]

2.65 The committee notes that these amendments are being introduced to better reflect the residence-based nature of the social security system. DSS told the committee:

> DSP recipients with some work capacity are expected to be in Australia and engaging in activities that will lead to greater economic and social participation.
>
> DSP recipients with a severe and permanent disability and not future work capacity will continue to be able to apply for unlimited portability.[82]

2.66 The committee also notes that current portability extension and exception provisions will continue to apply.[83]

Indexation measures

2.67 The proposed changes to indexation of pensions and payments in the Bills received a great deal of focus in evidence to the committee.[84] Submitters expressed concern in relation to the intention to pause indexation for certain payments and pensions and the proposed changes to how these payments and pensions will be indexed once each pause is lifted.

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78 For example: Name Withheld, *Submission 7*, p. 1; Name Withheld, *Submission 1*, p. 1; Ms Emma Corcoran, *Submission 20*, pp 1–3.

79 For example: Name Withheld, *Submission 21*, p. 1.

80 Mr Peter Hutchinson, Acting Branch Manager, Eligibility and Participation Policy Branch, *Committee Hansard*, 21 August 2014, p. 61.

81 Ms Alanna Foster, Acting Group Manager, Social Security Policy, *Budget Estimates Hansard*, 4 June 2014, p. 119.

82 *Submission 66*, p. 8.

83 Ms Serena Wilson, Deputy Secretary, Department of Social Security, *Budget Estimates Hansard*, 4 June 2014, p. 119; *Submission 66*, p. 8.

84 For example: National Disability Services, *Submission 30*; GetUp Member Submissions, *Submission 35a*; Australian Council of Social Services, *Submission 50*; Carers Australia, *Submission 63*.

Pause family tax benefit payment rates

2.68 Under Schedule 7 of the First Bill, indexation of the maximum and base rates of FTB Part A, the rate of FTB Part B, and an approved care organisation's standard rate would be paused until 1 July 2016. These rates are currently indexed in accordance with the Consumer Price Index (CPI) on 1 July each year.[85]

2.69 Submitters expressed concern that this measure is not sufficiently targeted and would affect all FTB recipients, including the most impoverished. Uniting Care Australia submitted that pausing indexation of family payment rates 'may particularly impact low-income single parent families'.[86]

2.70 NWRN submitted that 'the speed with which payments lose pace with costs of living should not be underestimated, especially for people who are affected by multiple rate and thresholds being frozen and other benefits being removed'.[87]

2.71 In its submission, DSS advised that 'this measure would ensure that the family payments system remains sustainable in the long term'.[88]

Pause indexation of various income and asset thresholds

2.72 Schedule 3 of the First Bill would pause indexation of the income free areas and assets value limits for all working age allowances (other than student payments) and for Parenting Payment Single from 1 July 2014.[89]

2.73 The committee notes DSS' advice:

> As [the First Bill] did not pass by 1 July 2014 these free areas and thresholds were indexed in line with existing legislative provisions on that date. This delay has resulted in a reduction to the savings announced in the 2014-15 Budget for these changes. The parental income and family actual means free areas for student payments are set in legislation by reference to the Family Tax Benefit Part A lower income free area (on 1 January each year) and will be paused as a consequence of pausing indexation of the Family Tax Benefit Part A lower income area.[90]

2.74 Schedule 1 of the Second Bill would pause indexation of the income free areas and assets value limits for student payments and student income bank limits for a period of three years from 1 January 2015. Indexation of the income free areas and assets value limits for all pensions (other than Parenting Payment Single), and the

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85 EM, First Bill, p. 36.

86 *Submission 42*, p. 2.

87 *Submission 60*, p. 28.

88 *Submission 66*, p. 6.

89 EM, First Bill, p. 20. The committee notes that as these Bills did not pass by 1 July 2014 these free areas and thresholds were indexed in line with existing legislative provisions on that date. This delay has resulted in a reduction to the announced savings.

90 *Submission 66*, p. 4.

deeming thresholds for income support payments, would also be paused for three years from 1 July 2017.[91]

2.75 DSS advised the committee:

> These changes will help slow growth in social security expenditure. The changes will help ensure Australia has a targeted means tested income support system that provides financial assistance to those most in need, while encouraging self-provision.
>
> These changes will be experienced by people with sufficient private income/assets to be assessed under the relevant means test. Specific impacts for people depend on payment type and people's circumstances. People's payments will not be reduced unless customers' circumstances change, such as their income or assets increasing in value.[92]

2.76 The committee notes that the three year pause for various income and asset thresholds will help slow growth in social security expenditure. DSS told the committee:

> These changes will be experienced by people with sufficient private income/assets to be assessed under the relevant means test. Specific impacts for people depend on payment type and people's circumstances. People's payments will not be reduced unless customers' circumstances change, such as their income or assets increasing in value.[93]

Indexation of social security pensions by the Consumer Price Index

2.77 Schedule 3 of the First Bill and Schedule 1 of the Second Bill would implement the Government's proposal to index pensions only to the CPI.

2.78 Currently, with the exception of Parenting Payment (single), pensions are indexed twice each year by the greater of the movement in the CPI or the Pensioner and Beneficiary Living Cost Index (PBLCI). They are then benchmarked against a percentage of the Male Total Average Wage Earnings (MTAWE).[94] Parenting Payment (single) was previously adjusted in the same way as other pensions, but has been indexed to the CPI and benchmarked to 25 per cent of MTAWE since 2009.[95]

2.79 Changes affecting indexation of Parenting Payment Single were intended to take effect from 20 September 2014.[96] Changes affecting pension payments for the

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91 *Submission 66*, p. 7.

92 *Submission 66*, p. 7.

93 *Submission 66*, p. 7.

94 *Budget Estimates Hansard*, 4 June 2014, p. 98.

95 M Klapdor, *Changed indexation of pensions and tightened eligibility for all benefits, Budget Review Paper*, available at: http://www.aph.gov.au/about_parliament/parliamentary_departments/parliamentary_library/pubs/rp/budgetreview201415/indexation (accessed 12 September 2014).

96 EM, First Bill, p. 20.

aged, veterans, carers and people with disability would take effect from 20 September 2017.[97] The committee notes that, as the legislation will not be passed in time to facilitate implementation on that date, Parenting Payment Single will be indexed in accordance with existing legislation on that date.[98]

2.80 Submitters expressed concern that over time pauses to indexation of thresholds would result in reduced adequacy of payments, higher effective marginal tax rates and reduced incentives to work.[99]

2.81 Submitters noted that while pensions would continue to rise, they would rise more slowly and recipients may be worse off overall.[100]

2.82 National Disability Services, Australia's peak industry body for non-government disability services, submitted that the measure would disadvantage people living with a disability:

> People with disability are greatly over-represented among Australia's poor and many people spend many years on DSP. Reducing the indexation rate of the DSP will exacerbate recipients' poverty over time.[101]

2.83 Carers Australia submitted that 55 per cent of Australia's 770 000 primary carers are reliant on government pensions or allowances, with just under 240 000 of these on Carer Payment, and would therefore be adversely affected by the changes.[102]

2.84 While Carers Australia noted the objective of the Bills is to reduce welfare dependence where possible, it concluded:

> …the framing of many of the new provisions seems to be at odds with other government goals. These broader goals include: reducing red tape and administrative complexity; supporting people on social security benefits to engage in education; encouraging people with disability to exercise more choice and control in maximising their chances of participating in economic and community life; and tailoring financial supports and social security participation requirements to individual circumstances.[103]

2.85 Submitters expressed concern that the CPI is not an accurate measure of the increase in cost of living for the lower income groups most affected by the proposed changes to indexation.[104] St Vincent de Paul cited an internal research paper that found:

97 EM, Second Bill, p. 2.

98 DSS, *Submission 66*, p. 3.

99 For example: NWRN, *Submission 60*, p. 20.

100 For example: Australian Council of Social Service, *Submission 50*, p. 34.

101 *Submission 30*, p. 4.

102 *Submission 63*, p. 3.

103 *Submission 63*, p. 3.

104 For example: St Vincent de Paul, *Submission 27*, p. 3; NWRN, *Submission 60*, p. 18; Carers Australia, *Submission 63*, pp 6–7.

> [T]he vast majority of low income households' purchases—food, education, public transport, housing and utility bills—is rising at 8.7% higher than CPI…In short, "CPI significantly underestimates the true increase in the price of the basket of commodities which these household groups typically consume".[105]

2.86 The National Council of Young Mothers and their Children and the Australian Council of Trade Unions argued that any changes to indexation should reflect the 'annual cost increases and living pressures as experienced by families'[106] or risk seeing single parents' incomes fall further behind community living standards over time.[107]

2.87 Carers Australia submitted that 'CPI is not a cost-of-living index but rather a price index designed to measure price movements in relation to a specific basket of goods and services'.[108] Carers Australia concluded that indexing to the CPI would have a detrimental impact on vulnerable recipients:

> The Government has estimated that this measure will save $449 million over four years and will affect around 3.8 million payment recipients. That saving will be achieved at the expense of many financially vulnerable Australians, with 42 per cent of people living on the DSP and 45 per cent of those on the Parenting Payment living in poverty in 2012. Many carers are also already struggling financially, with almost two thirds of Australia's 770 000 primary carers in the lowest two household income quintiles. For recipients of the Carer Payment who are looking after someone with a disability on the DSP, the impact of these measures on household income will be considerable.[109]

2.88 COTA told the committee that 'because the Age Pension is a permanent income replacement payment, it needs to reflect changes in community incomes so that pensioners also benefit from improvements in living standards enjoyed by people in paid employment'.[110]

2.89 National Shelter noted that while changes to the indexation of various family payments will have only minimal immediate impact on households, over time it would gradually erode housing affordability for low income households, putting more households in housing stress and adding to the financial viability problems experienced by social housing providers.[111]

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105 *Submission 27*, p. 3.

106 National Council of Young Mothers and their Children, *Submission 46*, p. 4.

107 Australian Council of Trade Unions, *Submission 48*, p. 15.

108 *Submission 63*, p. 7.

109 *Submission 63*, p. 7.

110 *Submission 59*, p. 7.

111 *Submission 41*, p. 8.

2.90 The committee notes that the proposal to index social security payments to the CPI only is intended to ensure more consistent indexation arrangements across payments. In its submission, DSS told the committee:

> This will help slow growth in social security expenditure. Pension rates will continue to be adjusted in line with movements in the CPI in March and September every year and purchasing power will be maintained through indexation to movements in prices.[112]

Income test deeming thresholds

2.91 From 20 September 2017, the amounts of the thresholds for the deeming of income from financial assets used to determine the rate of payment for social security and veteran's affairs payments will be reset at the same level as when deeming was introduced in 1996.[113] The measures proposed in Part 1 of Schedule 1 of the Bill will pause indexation of the deeming thresholds for a period of three years from 1 July 2017.[114] Indexation of pension income and asset test free areas and deeming threshold amounts will recommence on 1 July 2020 and will apply to the reset deeming threshold amounts.[115]

2.92 The current thresholds are $46 600 for single pensioners and $77 400 for couples. Below these thresholds the lower deeming rate of two per cent applies. Above these thresholds the higher deeming rate of 3.5 per cent applies.[116] The measures in the bill would return these thresholds to $30 000 and $50 000 respectively.

2.93 DSS provided the following rationale for resetting the thresholds:

> What our data tends to show is that, between $10, 000 and $20, 000, customers start to look for higher returns. They start to look for a little bit more of a return on their money when they are investing. Resetting the thresholds to those proposed amounts is more aligned with current observed investment behaviour of pensioners.[117]

2.94 DSS further advised:

> …at the moment we have nearly 2.4 million age pensioners. At the moment, nearly 1.5 million age pensioners hold financial investments below those reset thresholds, so they would not be affected by this measure in the future. We have a bit of a time confusion, but that group of people would not be impacted by the measure.[118]

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112 *Submission 66*, p. 7.

113 EM, Second Bill, pp 3–4.

114 EM, Second Bill, p. 4.

115 EM, Second Bill, p. 4.

116 *Budget Estimates Hansard*, 4 June 2014, p. 110.

117 *Budget Estimates Hansard*, 4 June 2014, p. 110.

118 *Budget Estimates Hansard*, 4 June 2014, p. 111.

2.95 Submitters expressed concern at the proposed changes to current deeming thresholds.[119] They described resetting the asset levels to be used for deeming purposes at 1996 levels as 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'.[120] Both Fair Go for Pensioners Coalition and COTA Australia (COTA) argued that resetting the deeming thresholds would not address the issue of people with high levels of assets being able to access the pension and the pension supplement.[121] COTA recommended that consideration of whether there is a case for a review of the deeming thresholds should be included in the proposed Retirement Incomes Review:

> Resetting the deeming thresholds does nothing to address the issue of people with high levels of assets being able to access the pension and pension supplement; this is something that COTA believes the Government needs to address.[122]

Family payment reform

2.96 Schedule 10 to the Second Bill proposes a number of reforms to the family payments system that are intended to improve the sustainability of the system over the long-term and encourage increased workforce participation while continuing to provide assistance to families in need.[123]

2.97 In introducing the measures, the Minister stated that the measures would:

> The government will continue to provide payment assistance to families to supplement their incomes. In 2014-15, the government will provide around $19 billion in family tax benefit. However, the payment should provide assistance to families who need it most, and encourage everyone who can work, to do so.[124]

2.98 Submitters noted that reform of the family payments system is necessary to ensure it remains 'sustainable and targeted with savings to be re-invested into FTB payments to support those with the greatest need'.[125] However, submitters argued that any reforms need to be carefully targeted and should take account of the cumulative impact of adjustments in payments on the most vulnerable in society.[126]

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119 For example: Fair Go for Pensioners Coalition, *Submission 55*; National Seniors, *Submission 57*, pp 5-6; COTA Australia, *Submission 59*.

120 Fair Go for Pensioners Coalition *Submission 55*, p. 2; COTA Australia, *Submission 59*, p. 10.

121 Fair Go for Pensioners Coalition *Submission 55*, p. 3; COTA Australia, *Submission 59*, p. 10.

122 *Submission 59*, p. 10.

123 Statement of Compatibility with Human Rights, Second Bill, p. 22; DSS, *Submission 66*, p. 12.

124 *House of Representatives Hansard*, 18 June 2014, p. 6398.

125 National Council of Single Mothers and their Children, *Submission 46*, p. 5.

126 For example: Uniting Care, *Submission 42*, p. 4; NWRN, *Submission 60*, p. 28.

FTB Part A large family supplement

2.99 From 1 July 2015, payment of the Large Family Supplement (LFS) will be limited to the fourth and subsequent child in the family. The Large Family Supplement is currently paid for the third and subsequent FTB Part A eligible child in a family.[127]

2.100 FamilyVoice Australia (FVA) expressed concern that this measure 'discourages and discriminates against families of three or more children despite their significant contribution to the nation's fertility and economy'.[128] FVA expressed concern that changes to family payments would variously have a disproportionate impact on larger families and families on one income.[129]

2.101 The committee notes that very large families will continue to have extra support as the proposed limitation on the large family supplement will better target this supplement to families with four or more children.[130]

FTB Part A removal of per-child add-on

2.102 This measure will remove the FTB Part A per child add-on amount from being used in calculation of a family's higher income free area.

2.103 FVA submitted that this measure unfairly favours families that have one child.[131] However, ACOSS argued that removing the extra child add-on would help to ensure that the family payment system is better targeted to those who most need assistance.[132]

2.104 The committee notes that this measure is intended to help ensure that the family payment system is sustainable and targeted to those most in need.[133] The current higher income free area of $94,316 will remain, but without the add-on of $3796 for a second or subsequent child.[134]

Family tax benefit end-of-year supplements

2.105 From 1 July 2015, the FTB Part A and Part B end of year supplements will be reduced to their original values of $600 and $300 and indexation on them will cease. Currently, the FTB Part A Supplement is $726.35 per year per child, and the FTB Part B Supplement is $354.[135]

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127 DSS, *Submission 66*, p. 12.

128 *Submission 52*, p. 6.

129 *Submission 52*.

130 EM, Second Bill, p. 23.

131 *Submission 52*, p. 7.

132 *Submission 50*, p. 27.

133 *Submission 66*, p. 13.

134 Statement of Compatibility with Human Rights, Second Bill, p. 23.

135 DSS, *Submission 66*, p. 13.

2.106 A number of submitters expressed support for this measure, describing it as a fair and reasonable reduction.[136] NWRN emphasised the critical role played by end-of-year supplements both as an essential income component for low income families trying to meet annual expenses that are unable to be met from fortnightly incomes and as a means of reducing FTB debts.[137]

2.107 The committee notes that the family tax benefit end-of-year supplements were introduced to help minimise the impact of families being overpaid as a result of underestimating their incomes for an entitlement year. Following the change, families will still receive a substantial amount to assist them to cover end-of-year debt.[138]

Better targeting of FTB Part B

2.108 The proposed reforms to FTB Part B are intended to better target the payment to low and middle-income families, and to families with young children.

2.109 This measure would reduce the FTB Part B primary earner income limit from $150 000 per annum to $100 000 per annum from 1 July 2015. As a result, families where the primary earner has an adjusted taxable income of over $100 000 per year will no longer be eligible for the payment. The existing secondary earner income test will continue to apply.[139]

2.110 FVA submitted that this measure discriminates against families with one main income earner and is inconsistent.[140]

2.111 Other submitters expressed support for the measure.[141] NWRN submitted:

> The measures to (a) improve targeting of Family Tax Benefit part B by reducing the primary earner income limit to $100,000, and (b) to remove the extra child add on from the free area (which will affect families with incomes over $94,316 and more than one child) represent a better approach to tightening.[142]

2.112 However, NWRN stated that these measures need to be considered in the context of the impact of other measures on working families.[143]

2.113 The committee notes that these reforms are intended to improve the sustainability of family payments, while ensuring that these payments continue to support those most in need of assistance and encourage those who can work to do

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136 For example: FamilyValues Australia, *Submission 52*, p. 7.

137 *Submission 60*, p. 29.

138 Statement of Compatibility with Human Rights, Second Bill, p. 23.

139 DSS, *Submission 66*, p. 12.

140 *Submission 52*, p. 7.

141 UnitingCare, *Submission 42*, p. 4; National Council of Single Mothers and their Children, *Submission 46*, p. 5; Australian Council of Social Service, *Submission 50*, p. 27.

142 *Submission 60*, p. 29.

143 *Submission 60*, p. 29.

so.[144] The reforms target FTB Part B to low and middle-income families and to families with young children. The committee notes that families with a primary earner earning income above the new limit rely less on FTB Part B payments to meet everyday expenses.[145]

Limiting FTB Part B to families with children under six years of age

2.114 From I July 2015, the age of eligibility for FTB Part B will reduce from up to 18 years to up to six years of age. The new rules will apply for FTB Part B families with children aged under six on 30 June 2015. To transition families to the new arrangements grandfathering rules will apply. In its submission, DSS explained:

> To transition families to the new arrangements grandfathering rules will apply allowing around 630,000 families who were eligible for FTB Part B for a youngest child aged six and over on 30 June 2015 to remain eligible for FTB Part B for two years until 30 June 2017. However, if they cease to be eligible for FTB Part B for that child before then (for example, due to secondary earner income) they will not be able to re-test their eligibility for FTB Part B for that child in future.[146]

2.115 UnitingCare expressed concern that, notwithstanding proposed transitional measures, limiting family tax benefit Part B to families with children under six years of age may still leave low-income families, especially single parent families, worse off.[147]

2.116 The committee notes that limiting the age of eligibility for FTB Part B in this way acknowledges that care requirements for children are higher when they are very young. This measure is intended to encourage parents to participate in the workforce. Families with a youngest child aged six and over at 1 July 2015 will have two years under grandfathering arrangements to adjust to the change.[148]

New single parent supplement

2.117 From 1 July 2015 a new single parent supplement will be provided for single parents on a maximum rate of FTB Part A with children aged six to 12 years who do not received FTB Part B. In its submission DSS told the committee:

> Single parent families rely on just one income and the new payment of $751.90 (2015-16 rate) per eligible child will provide important support for these families.

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144 Minister, *House of Representatives Hansard*, 18 June 2014, p. 6396.

145 Statement of Compatibility with Human Rights, Second Bill, p. 23.

146 *Submission 66*, p. 13.

147 *Submission 42*, p. 4.

148 Statement of Compatibility with Human Rights, Second Bill, p. 23.

> The payment also ensures that single parent families receiving the maximum rate of FTB Part A who lose access to FTB Part B due to changes in the age limit will continue to receive some extra assistance.[149]

Age pension and related reforms

2.118 Submitters expressed general support for a well-targeted age pension system that delivers a reasonable standard of living to those who need it. A number of submitters expressed a willingness to work with government to improve the current system.[150]

Increase to age pension entitlement age

2.119 Schedule 11 of the Second Bill would increase the age pension qualification age and the non-veteran pension age from 67 to 70 years by increments of six months every two years from 1 July 2025. The measure does not affect people born before 1 July 1958.[151]

2.120 The EM to the Bill explains that the definition of pension age will flow through to a number of social security entitlements under the Social Security Act. The upper age qualification limits for Newstart allowance and Sickness Allowance and the age qualification for the Commonwealth Seniors Health Card and the upper age limit for the disability support pension will increase in line with the increase in pension age.[152]

2.121 The committee notes that the Statement of Compatibility for the Second Bill states:

> This Schedule changes the qualification arrangements for the age pension. However, other social security income support payments will remain available for claimants in the affected age groups who cannot fully support themselves before qualifying for the age pension.[153]

2.122 COTA questioned the basis for the increase to the age pension qualification age and referred the committee to international comparisons that suggest 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.[154]

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

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149 *Submission 66*, p. 13.

150 Fair Go for Pensioners Coalition, *Submission 55*, p. 4.

151 EM, Second Bill, p. 55.

152 P. 56.

153 P. 24.

154 *Submission 59*, p. 5.

2.124 Some submitters opposed this measure and argued that it would have a disproportionate impact on vulnerable older Australians.[155]

2.125 The committee notes that this measure responds to evidence that indicates that between 2010 and 2050, the number of people aged 65 to 84 will more than double, and those aged 85 and over will more than quadruple. The committee further notes that the measure builds on the previous government's decision to begin increasing the qualifying age for the pension age to 67 from July 2017.[156]

2.126 The committee notes that the change in the pension age will encourage greater self-provision by older Australians. At the same time, those who cannot fully support themselves before pension age will be protected by the social security safety net, subject to meeting relevant eligibility criteria.[157]

Commonwealth Seniors Health Card and seniors supplement

2.127 Schedules 1 and 2 of the First Bill and Schedule 4 of the Second Bill propose a number of changes in relation to the Commonwealth Seniors Health Card (CSHC).

2.128 Schedule 2 of the First Bill would cease indexation of the clean energy supplement and rename the supplement as the energy supplement. The committee notes that there is no longer a need to increase the rate of the energy supplement beyond 1 July 2014 as the abolition of the carbon tax has reduced household expenses, including energy costs.[158]

2.129 Holders of a CSHC and Department of Veterans' Affairs (DVA) gold card are currently entitled to a quarterly seniors supplement. The current annual rate of the Seniors Supplement is $876.20 for singles, $1 320.80 ($660.40 each) for couples and $876.20 each for couples separated due to ill health, or in respite care or with a partner in prison.[159]

2.130 Schedule 1 of the First Bill would cease payment of the seniors supplement. Holders of a CSHC and DVA gold card will continue to receive the Energy Supplement and retain all the other benefits associated with their card, including purchase of Pharmaceutical Benefits Scheme medicines at the concessional co-payment amount and access to the lower Medicare Safety Net.[160]

2.131 Schedule 4 of the Second Bill will include untaxed superannuation income in the assessment for the CSHC from 1 January 2015. The committee notes that this measure will bring the CSHC into line with the Age Pension by including tax-free

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155 For example: NWRN, *Submission 60*, p. 22.

156 Minister, *House of Representatives Hansard*, 18 June 2014, p. 6401.

157 Minister, *House of Representatives Hansard*, 18 June 2014, p. 6401.

158 DSS, *Submission 66*, p. 2.

159 DHS, *Seniors Supplement*, available at: http://www.humanservices.gov.au/customer/services/centrelink/seniors-supplement (accessed 12 September 2014).

160 DSS, *Submission 66*, p. 2.

income from superannuation account-based income streams in the CSHC income test. The measure will include grandfathering provisions to protect existing CSHC holders.[161]

2.132 Submitters expressed support for cessation of the Seniors Supplement, noting that it is not dependent on any income or assets test and is a poorly targeted form of income support.[162] ACOSS noted that most recipients of the seniors supplement fall within the top 20 per cent of households over 65 years of age and is unlikely to cause financial hardship:

> This measure would improve the targeting and future sustainability of the social security system as the population ages. It is hard to justify cash payments to couples with over a million dollars in financial assets.[163]

2.133 However, FGFPC did not support the abolition of the seniors supplement and argued that 'given that CSHC is income tested the supplement does not go to people on very high incomes and the changes to the way income is assessed will improve its targeting.[164]

2.134 COTA has called for a broader review of retirement income and argued that such a review should consider the purpose of the CSHC and its place within the retirement income sphere. COTA argued that current eligibility and benefits for the card should remain as they are until such a review has been completed, including the entitlement to the Seniors Supplement.[165]

2.135 Submitters also expressed support for the inclusion of untaxed superannuation income in the assessment for a Seniors Health Card. UnitingCare Australia argued that superannuation tax concessions are poorly targeted and expressed support for the streamlining of income and assets tests.[166]

Education and training support

Portability period for student payments

2.136 Schedule 5 of the First Bill contains measures that will give effect to the Government's proposal to tighten access to the six-week portability period for student payments.[167] Under current arrangements students have automatic access to up to six

161 DSS, *Submission 66*, p. 2.

162 For example: UnitingCare Australia, *Submission* 42, p. 4; NWRN, *Submission 60*, p. 31.

163 *Submission 50*, p. 23.

164 *Submission 55*, p. 4.

165 *Submission 59*, p. 11.

166 *Submission 42*, p. 4. Also see: Fair Go for Pensioners Coalition, *Submission 55*, p. 4.

167 *Budget 2014-15, Budget paper No. 2: Budget Measures, Part 2: Expense Measures*, available at: http://www.budget.gov.au/2014-15/content/bp2/html/bp2_expense-21.htm (accessed 12 September 2014).

weeks of payment while temporarily overseas, irrespective of the reason for the absence.[168]

2.137 The committee notes that the purpose of student payments is to assist students financially while they are undertaking full-time study. The proposed changes will align the portability rules for students with those that current exist for Newstart allowance and Youth allowance, by limiting the six-week portability rule to absences that are for the purpose of seeking eligible medical treatment or attending to an acute family crisis.[169] These changes will realise savings of $153.1 million over four years.[170]

2.138 Submitters were supportive of the exemption provided for those travelling overseas for the purpose of undertaking studies that form part of an educational course of study the student was undertaking prior to leaving Australia.[171] New apprentices will also be allowed to travel for up to 6 weeks where the travel is deemed part of their apprenticeship training.[172]

2.139 The Australian Technology Network of Universities (ATN) provided evidence that of the 24 743 Australian students across 38 universities who reported international study experiences, 92.8 per cent were for academic credit. ATN argued:

> Therefore for the ongoing success and maximum participation of students in semester or year-long international mobility programs, including the New Colombo Plan, it is necessary that Austudy and Youth Allowance recipients remain exempt from the limits on overseas portability for study related travel.[173]

2.140 Representatives from the National Union of Students (NUS) told the committee that NUS' main concern with this measure related to implementation of the administrative process through which students would need to reapply for student payments.[174]

Relocation scholarships

2.141 Schedule 5 of the Second Bill will restrict qualification for the relocation scholarship payable to students who need to leave the family home to undertake higher education studies.

2.142 Relocation scholarships are intended to assist with the additional costs involved associated with relocation and are currently paid at a rate of $4 145 in the

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168 EM, First Bill, p. 29.

169 EM, First Bill, p. 29.

170 EM, First Bill, p. 30.

171 For example: Australian Technology Network of Universities, *Submission 31*, p. 2.

172 EM, First Bill, p. 29.

173 *Submission 31*, p. 2.

174 Ms Deanna Taylor, President, and Mr Jack Gracie, National Welfare Officer, *Committee Hansard*, 21 August 2014, p. 38.

first year the student is required to live away from home and $1 036 for each subsequent year to assist students relocating from major cities. Students relocating from regional or remote areas are paid at a higher rate of $2 073 in the second and third year they are required to live away from home to study.[175]

2.143 The proposed measures will restrict qualification for the relocation scholarship payment to students relocating to or from regional or remote areas from 1 January 2015. Students relocating from major cities will only remain qualified for a relocation scholarship payment if they relocate to a regional or remote area.[176]

2.144 The committee notes that the measure will continue to recognise the reduced level of course and institution choice in regional and remote areas and the high proportion of regional and remote students who need to relocate to study.[177]

2.145 ATN noted that this reform is a rational one, but expressed concern that payments to current scholarship recipients may be stopped from 1 January 2015 if they are no longer eligible under the new provisions.[178] ATN told the committee that 'there may be a negative impact on participation rates and the future success of current scholarship recipients, particularly if they are forced to take on additional hours of paid work or withdraw from or reduce their study load. ATN recommended grandfathering of the relocation scholarship for all current recipients. [179]

2.146 The NUS also expressed concern about the impact of these measures on students and recommended that the measures be abandoned.[180]

Pensioner Education Supplement and Education entry payment

2.147 The Second Bill proposes the cessation of the Pensioner Education Supplement (PES) and Education Entry Payment (EdEP) from 1 January 2015.[181] The EdEP is an additional annual supplement of $208 paid to eligible income support recipients.[182]

2.148 The PES is mainly paid to sole parents and people with disabilities to assist with the ongoing costs of full time or part time study.

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175 EM, Second Bill, p. 18.

176 Statement of Compatibility with Human Rights, Second Bill, p. 7.

177 Statement of Compatibility with Human Rights, Second Bill, p. 7.

178 *Submission 31*, p. 2.

179 *Submission 31*, p. 3.

180 *Submission 65*, pp. 7-8.

181 See Schedules 6 and 7 of the Second Bill.

182 Recipients of Newstart Allowance, Parenting Payment Partnered, Partner Allowance or Widow Allowance who have received payment continuously for at least 12 months. A person may also be eligible if they are receiving Carer Payment, DSP, Parenting Payment Single, Special Benefit (in some cases), Widow B Pension or Wife Pension subject to certain eligibility criteria. Refer C Ey, M Klapdor, M Thomas, P Yeend, *Social Services and Other Legislation Amendment (2014 Budget Measures No. 2) Bill 2014*, Bills digest, 16, 2014-15, Parliamentary Library, Canberra, 2014, p. 32 (accessed 29 August 2014).

2.149 The EM states that the Government remains committed to providing incentives for income support recipients to improve their employment prospects through study or training and notes that more appropriate channels of government-funded study and training assistance are available.[183]

2.150 Submitters argued that cessation of these payments would increase the difficulties faced by income support recipients and would have adverse impacts on the ability of some income support recipients to engage in education and training that may improve their employment prospects.[184]

2.151 In its submission, DSS told the committee that:

> Better targeted and individualised means of assisting vulnerable cohorts to participate in training or education have, to a large extent, subsumed the original intent of the PES.
>
> More appropriate channels of government funded study and training assistance are available through employment service providers and the HECS-HELP, FEE HELP and VET FEE HELP tuition loan programs. Eligible students will also still be able to access student payments such as Youth Allowance (student) and Austudy.[185]

Committee view

2.152 The committee notes that the changes proposed in these Bills are motivated by a desire to ensure a more sustainable welfare system. The measures seek to strike a balance between providing incentives toward greater individual responsibility and self-reliance, while at the same time providing support to the most vulnerable members of society.

2.153 The committee notes that there was generally a high degree of support among submitters to the inquiry for the general intent of the Bills, particularly the need to better target payments to those who need them most and to provide incentives for greater workforce participation. The committee recognises submitters' concerns regarding specific provisions of the Bills, but is satisfied that the measures are accompanied by appropriate safeguards to address these concerns.

2.154 The committee notes submitters' comments regarding the need to consider the interrelated nature of welfare payments and for changes to welfare payments to be considered as part of an overarching process of reform and notes concerns that the Bills are proceeding ahead of the final report of the Review of Australia's Welfare System, led by Mr Patrick McClure.[186] The committee also notes COTA's recommendation for a systematic review of all aspects of retirement incomes that

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183 EM, Second Bill, p. 24.

184 For example: Carers Australia, *Submission 63*, pp 7-8; NWRN, *Submission 60*, pp 26-27.

185 *Submission 66*, p. 10.

186 For example: UnitingCare Australia, *Submission 42*, pp 1-2.

involves all key stakeholders and takes into account any changes that emerge from the Government's reviews of the financial system and taxation.[187]

Recommendation 1

2.155 The committee recommends that the Social Services and Other Legislation Amendment (2014 Budget Measures No. 1) Bill 2014 be passed.

Recommendation 2

2.156 The committee recommends that the Social Services and Other Legislation Amendment (2014 Budget Measures No. 2) Bill 2014 be passed.

Senator Zed Seselja

Chair

187 *Submission 59*, p. 6.

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

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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.

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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

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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

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

Australian Greens' Dissenting Report

Introduction

1.1 The Australian Greens cannot support the Majority Report of this Committee inquiry. The inquiry heard overwhelming evidence of the negative impacts that the measures in these Bills would have. The recommendation of the Majority Report that the Bills be passed cannot be justified by the evidence given to the Committee and we can only conclude that the Majority report conclusions are based on ideology rather than on evidence.

1.2 These Bills contain some of the Government's cruellest measures in the budget, and will take billions of dollars out of our social security system, adversely affecting low income and vulnerable Australians.

> The proposals in the Bills before this Committee contain some of the most significant changes to the Australian system of income support since it was first introduced in a consolidated Social Security Act in 1947.[1]

1.3 The radical changes being proposed will severely impact on disadvantaged Australians. The Senate inquiry heard repeatedly of the negative and potentially dangerous effect of these budget measures:

> We cannot agree with measures that will drive people even deeper into poverty, above all in an environment where there simply aren't enough jobs for the numbers of people looking for work. The Society strongly opposes these measures in the Bills.[2]

1.4 The cumulative impact of these measures on people was of concern to many of the submitters to the inquiry, especially the impact on older Australians, under 30's, people with a disability, families, and particularly single parent families.

1.5 These Bills contain a wide range of measures which have complex interactions with each other, and with other measures proposed in other Bills. Overwhelmingly, these interactions mean that the harshest reductions to income are felt by the more vulnerable social security recipients and low income working families.[3]

Older Australians

1.6 There are a number of measures in these Bills which will significantly affect older Australians. The Australian Greens are particularly concerned with changes to indexation, and increasing the eligibility age for the aged pension. These changes will increase inequality and reduce quality of life for older Australians. COTA, National Seniors and A Fair Go for Pensioners all had similar concerns over these measures:

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1 National Welfare Rights Network, *Submission 60*, p. 3.

2 St Vincent de Paul National Council, *Submission 27*, p. 2.

3 National Welfare Rights Network, *Submission 60*, p. 5.

> The breadth of announcements made within the 2014-2015 Federal budget will greatly affect the capacity of older Australians to cope with everyday living costs, significantly disrupt already overstretched household budgets and impede the health and welfare of older Australians.[4]

Younger Australians

1.7 The under 30's budget measure, which subjects under 30's to no income support for six months a year has received the most criticism, and was one of the key concerns of many of the submitters:

> We believe that the changes proposed in the Social Services Amendment Bill will be damaging, ineffective and counterproductive to the policy objective of assisting young people into full time, productive employment.[5]

1.8 This punitive measure will push people into poverty and make it harder for people to transition to work:

> The overarching problem with these Bills is that rather than addressing the problems of inadequacy of income support, and the need for real incentives and support into work, many of the measures will:
>
> - exacerbate inadequacy;
> - increase disincentives to work; and
> - undermine the current and proposed supports for jobseekers.[6]

1.9 Submitters agreed that this measure would be harmful and ineffective in supporting young people into employment.

People with Disabilities

1.10 These Bills include several measures that will negatively impact people with disability. The reduction in the portability of the disability support pension (DSP) to only four weeks a year has caused great concern in the community, and the Committee has received a number of submissions on the issue. This is a punitive approach that seeks to demonise and marginalise people with a disability, the re-assessment of those under 35 on the DSP is also of great concern:

> Measures implemented through this budget will impact disproportionately on those already suffering financial hardship, compounded by the numerous systemic and societal barriers people with disability face every day.[7]

Families

1.11 There are a number of measures in the Bills that will significantly impact on low income families and particularly on single parent families who will be worse off under these changes. In particular we are concerned about altering the method for

4 National Seniors Australia, *Submission 57*, p. 2.

5 Young Opportunities Australia, *Submission 43*, p. 1.

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

7 People with Disability Australia, *Submission 58*, p. 2.

indexing parenting payments and the compounded effect of the multiple changes to Family Tax Benefit will have on low income families:

> All of the 220,000 Parenting Payment Single recipients will be negatively affected by the proposed indexation arrangements and the changes to Family Tax Benefit A and B, while 17,500 single parents currently on payments will be affected by the cessation of the Pensioner Education Supplement. While a supplement will be introduced for single parents, it will not make up for the loss of payment, and there is no supplement for low income couples.[8]

Proposed Measures

Social Services and Other Legislation Amendment (2014 Budget Measures No. 1) Bill 2014

Schedule 1: Cease payment of the seniors supplement for holders of the Commonwealth Seniors Health Card or the Veterans' Affairs Gold Card.

1.12 The Australian Greens support appropriate targeting of payments and supplements, currently the Commonwealth Seniors Health Card (CSHC) is not well targeted. There are approximately 290,000 people who receive the Seniors Health Care Card and approximately 30,000 receive the Veteran's Gold Card. The removal of the supplement would reduce their annual incomes by $876 per annum for singles or $660 each for partnered people. Most would have incomes close to the pension thresholds of $50,000 for singles and $80,000 for couples. They would have financial assets worth over $759,000 for singles or $1,127,000 for couples, in addition to the value of their home. Given that most would fall within the top 20% of households over 65 years of age, this measure is very unlikely to cause financial hardship.[9]

1.13 The Australian Greens could support the proposed changes to ceasing the seniors supplement. Organisation like the National Welfare Rights Network and Australian Council of Social Services also expressed support for this measure:

> This measure would improve the targeting and future sustainability of the social security system as the population ages. It is hard to justify cash payments to couples with over a million dollars in financial assets.[10]

Schedule 2: Rename the clean energy supplement as the energy supplement, and permanently cease indexation of the payment.

1.14 The Greens vehemently opposed the dismantling of the Clean Energy package. The carbon price was demonstrated as an effective mechanism to reduce emissions and moving Australia to a more sustainable, secure energy future while protecting the most vulnerable Australians against energy price rises.

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8 National Welfare Rights Network, *Submission 60*, p. 7.

9 Australian Council of Social Service, *Submission 50*, p. 23.

10 Australian Council of Social Service, *Submission 50*, p. 23.

1.15 This measure of renaming the clean energy supplement indicates once again that this government is only interested in ideology.

Schedule 3: Pause indexation for three years of the income free areas and assets value limits for all working age allowances (other than student payments), and the income test free area and assets value limit for parenting payment single.

1.16 This measure will mean that payments are not able to keep in line with changes in cost of living; it is a petty measure that targets those that can least afford it and will have a detrimental effect on supporting people to find work:

> Freezing free areas reduces incentives to work and are at odds with the governments other policies ostensibly aimed at encouraging people into work.[11]

Index parenting payment single to the Consumer Price Index only, by removing benchmarking to Male Total Average Weekly Earnings.

1.17 Changes to indexation for pension payments are one of the most insidious of the proposed measures. For aged and disability pensions this is delayed until after the next election but single parents will receive the cuts this year. Single parents have faced cut after cut, this change will see further reductions to their payments. This will push them and their children further into poverty:

> Figures reveal that 24.1% of children living in one-parent households are in poverty. By contrast 7.6% of children with two parents are experiencing poverty. The 2013 report warned that "children under the care of just one parent are three times more likely than other children to live in poverty.[12]

1.18 It is vitally important that the Single Parent Payment indexation appropriately reflects the cost of living:

> …indexation should reflect the annual cost increases and living pressures as experienced by families. Therefore, we ask the Committee to decline the proposal that would reduce indexation to that of the lower Consumer Price Index.[13]

Pause indexation for three years of several family tax benefit free areas.

1.19 The support that Family Tax Benefit offers low income families is very important and any changes must take into consideration the impact that they will have on the families and children who rely on them:

> We believe the family payment system is absolutely vital. It is not part of middle-class welfare, it is a very important corollary to protect families from poverty. When we have the minimum wage system which is 13:27 the

11 National Welfare Rights Network, *Submission 60*, p. 20.

12 National Welfare Rights Network, *Submission 60*, p. 19.

13 National Council of Single Mothers and their Children, *Submission* 46, p. 4.

adequacy of the minimum wage for a single person, family payments are vital in covering the adequacy for families that have children within them.[14]

1.20 Freezing indexations for three years will have a negative impact on low income families. During the inquiry it became clear that the large number of changes proposed to family tax benefits made it difficult to see what the overall result for families would be:

> Many of these freezes have complex interactions for people when stacking of income tests occurs. The result of this is that people who are subject to more income tests will be disproportionately impacted by freezes to thresholds. These need to be considered in the context of complex interactions with other measures also, such as the abolition of the Pensioner Education Supplement.[15]

Schedule 4: From 1 July 2014 review disability support pension recipients under age 35 against revised impairment tables and apply the Program of Support requirements.

1.21 While we agree that people with disability who have some capacity to work should be supported and assisted to enter the workforce we do not support this blunt instrument and are deeply concerned about the impact of moving people off DSP onto a lower working age allowance:

> The removal of income is a very worrying move. People with a disability and young people on Newstart, risk losing significant income as a result of these changes. Indeed, a single 23-year-old on a disability pension, living out of home, who finds themselves reassessed as a jobseeker and put onto youth allowance, will go from an allowance of $383 a week14 to just $207 a week.[16]

1.22 People with disability face many barriers to finding and staying in work and this measure will be yet another barrier. There were other concerns raised in the inquiry process about this measure. UnitingCare Australia said:

> We support best practice in assessment and support for people with disabilities, however we are concerned that the age-specific removal of the current grandfathering clause is not based on a consideration of the most effective ways to support people with disability, does not treat all recipients equally, and is not grounded in evidence about what works.[17]

Schedule 5: Limit the six-week overseas portability period for student payments.

1.23 This measure limits portability of payments in regards to students undertaking eligible medical treatment or to attend an acute family crisis. It is another example of a Government intent on humiliating and punishing people. People may need to travel overseas for a variety of reasons and each case should be taken on its merits.

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14 Australian Council of Social Service, *Submission 50*, p. 3.

15 National Welfare Rights Network, *Submission 60*, p. 20.

16 St Vincent de Paul National Council, *Submission 27*, p. 4.

17 Uniting Care Australia, *Submission 42*, p. 3.

1.24 National Union of Students was also concerned about the administrative issues around this measure and wanted to express concern if students were made to re-apply for payments if they were overseas for more than 6 weeks.[18]

Schedule 6: Extend and simplify the ordinary waiting period for all working age payments.

1.25 For people without access to income and support networks, waiting periods for payment can place them into serious financial distress. Additional waiting periods do not make sense when other waiting periods are already in place, this measure is about saving money not helping people:

> The changes proposed to the Ordinary Waiting Period (OWP) are not really about simplification. Actually, the Bill extends the waiting period to new payment types and introduces new evidentiary requirements and thereby effectively set a higher bar for waiver of the waiting period. For all the Government's emphasis on "simplification", the obvious simplification measure has been overlooked. A true simplification measure would be to abolish this waiting period, which is not necessary given the existence of the Liquid Assets Waiting Period.[19]

1.26 This Government also fails to understand working life realities for a lot of Australians that include insecure, casual and seasonal work. We require a better targeted social security system that can respond effectively to needs around employment patterns that include all different types of employment. This measure could have particular impact on single parents and women:

> Our other worry with that measure, and particularly its extension to parenting payment, is the potential impact on women escaping domestic violence. Women in those circumstances really need money quickly and if they are put through some kind of complex hardship tests to receive payment urgently then, unfortunately, some may lose the opportunity to escape from very desperate circumstances.[20]

Schedule 7: Maintain the family tax benefit Part A and family tax benefit Part B standard payment rates for two years.

1.27 Family payments play an important role in supporting low income families in Australia, the significance of these payments was made clear by ACOSS during the inquiry:

> Our family payment system performs two vital social and economic roles – helping prevent child poverty and treating low and middle income families

18 Jack Gracie, National Welfare Officer, National Union of Students Inc., *Committee Hansard*, 21 August 2014, p. 38.

19 National Welfare Rights Network, *Submission 60*, p. 17.

20 Peter Davidson, Senior Adviser, Australian Council of Social Service, *Committee Hansard*, 20 August 2014, p. 3.

> with children fairly by taking account of the costs of raising children in the tax transfer system.[21]

1.28 The pausing of these payments will mean that low income families will have lower payments:

> Low-income families are also impacted: freezing FTB part A and part B rates for two years will result in lower payments to lower income families. Once again the budget is withdrawing vital support for the most vulnerable families and children and we believe this will have a direct impact on the increase in child poverty rates in Australia.[22]

Social and Community Services Pay Equity Special Account

1.29 Schedule 8 to the Bill will add the Western Australian Industrial Relations Commission decision of 29 August 2013 as a pay equity decision under the Social and Community Services Pay Equity Special Account Act 2012, allowing payment of Commonwealth supplementation to service providers affected by the decision.

1.30 The Australian Greens support this important measure and are disappointed that it has been included within this Bill as it is not a budget measure and should not be confused with the cruel budget measures proposed.

Social Services and Other Legislation Amendment (2014 Budget Measures No. 2) Bill 2014

Implements the following changes to Australian Government payments:

Schedule 1: 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; and

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.

1.31 Again the government is going after small savings that mean little to the budget bottom line and enormous difference to the people living on it, this measure will disproportionately affect those with a few assets. This measure is also premature and has not been discussed with stakeholders and the community:

> This measure does nothing to address some of the distributional issues across the older population. There needs to be a community discussion around what constitutes high income and high assets and what assets should be included in that calculation. Often we think of all older people as being the same but in terms of wealth and income this is clearly not the case.[23]

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21 Australian Council of Social Service, *Submission 50*, p. 25.

22 Dr Goldie, Australian Council of Social Service, *Committee Hansard*, 20 August 2014, p. 2.

23 COTA Australia, *Submission 59*, p. 10.

1.32 The changes to deeming thresholds could have significant impact on pensioners and self-funded retires on a low income:

> If legislated, the reduction of deeming thresholds to $30,000 for single pensioners and self-funded retirees on lower incomes (currently $48,000) and $50,000 for couples (currently $79,600) will reduce eligibility and access to the age pension from 2017. It is estimated that more than 500,000 age pensioners and self-funded retirees on low incomes will be affected by this change).[24]

1.33 The Australian Greens agree with COTA that a review of retirement incomes needs to be undertaken and subsequent changes made as part of a holistic and considered approach to retirement income:

> COTA has been, and is, urging the government to hold a retirement incomes review that covers pensions, superannuation and taxation in retirement in an inclusive and interconnected way, including consideration of asset and income testing, the preservation age and so on. We are asking that the pension changes be halted, be frozen, until that retirement incomes review is complete. We believe it could be done by the end of next year, so it certainly can happen within the time frame of these changes anyway.[25]

Ensure all pensions are indexed to the Consumer Price Index only, by removing: benchmarking to Male Total Average Weekly Earnings; indexation to the Pensioner and Beneficiary Living Cost Index

1.34 Proposed changes to the indexation of pensions is one of the most concerning aspects in the Bills, this is a fundamental change to the pension system and will drastically effect the viability and adequacy of pensions in coming years. Currently the highest of CPI, Pensioner and Beneficiary Cost of Living Index, or Male Total Average Weekly Earnings are used to determine the increase in the pension. Using only CPI will have significant impacts on the value of the pension and affect pensioner's standard of living:

> While pensions would still increase as prices rise, they will increase more slowly. After 10 years, ACOSS estimates that single pensioners will be $80 per week worse off than they would be under current arrangements. Community living standards improve with increases in wages, but the living standards of those on pensions will fall behind.[26]

1.35 Appropriate indexation of payments is vital to ensure that payments reflect increases in the cost of living. The Newstart Allowance is a clear example of a payment that has fallen behind the real cost of living because it is indexed inadequately by CPI. This point was raised by many submitters and witnesses:

> The Society has consistently advocated that the indexation of payments is essential, and that the indexation must be adequate. When payments are not

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

25 Mr Ian Yates, *Committee Hansard*, 21 August 2014, pp 1-2.

26 Australian Council of Social Service, *Submission 50*, p. 34.

> indexed at all, or their indexation is paused, by definition their real value, and the amount of benefit that they bring people, will decrease each year.[27]

1.36 CPI is not an adequate tool to determine indexation for a number of reasons, primarily because it does not reflect the rising cost of living for those on a low income as ACOSS argues:

> If you do not index these payments to wages—and we are open to discussion about which wages measure is appropriate—than those at the bottom will inevitably fall behind the rest of the community. That is what happened with Newstart, that is what will happen with pensions if this goes through and it is what has also been happening with family payments since 2009, when indexation of that payment was frozen.[28]

1.37 These changes will have an unacceptable impact on the income and quality of life for pensioners.

Schedule 2: Generally limit the overseas portability period for disability support pension to 28 days in a 12-month period from 1 January 2015.

1.38 The further reduction of the portability of the disability support pension to four weeks is petty and unfounded; it is another way for the government to punish vulnerable people. Australia is a multicultural country, many people have family and obligations overseas, it means that if you are not lucky enough to have your family reside in Australia you cannot see them for extended periods of time:

> The proposed legislation which will limit the portability to 4 weeks in a 12 month period will force us to break the bond between our families, and leave our elderly parents without any family support.[29]

1.39 Many people on disability support pension save up for many years to be enable them to travel, if they are limited to only 28 days it may be a long time before they are able to save the money to go overseas again. This is a petty and punitive measure focused on demonising and demoralising those who receive income support by denying access to a decent quality of life.

1.40 There were many submissions from individuals, who were very concerned with the impact that this measure would have.

Schedule 3: Exclude from the social security and veterans' entitlements income test any payments made under the new Young Carer Bursary Programme from 1 January 2015.

1.41 The Australian Greens believe that we need greater supports for young carers and welcome this assistance, however we note that this a small support in a broader set of brutal cuts that will see carers and those they care for worse off.

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27 St Vincent de Paul National Council, *Submission 27*, p. 3.

28 Australian Council of Social Service, *Submission 50*, p. 8.

29 Disability Support and Carers Alliance, *Submission 14*, p. 1.

Schedule 4: Include untaxed superannuation income in the assessment for the Commonwealth Seniors Health Card (with products purchased before 1 January 2015 by existing cardholders exempt from the new arrangements), and extend from six to 19 weeks the portability period for cardholders.

1.42 The Australian Greens support the changes to the treatment of superannuation income for CHSC. However we are concerned that existing recipients are grandfathered and will not be subjected to this measure, they could be earning significant amounts from their super which is not included in the assessment for CHSC:

> UnitingCare Australia supports this change because we believe superannuation tax concessions are poorly targeted. Secondly, we support the streamlining of income and assets tests.[30]

Schedule 5: Remove relocation scholarship assistance for students relocating within and between major cities.

1.43 We are concerned about the impact of these measures and support the position of the National Union of Students:

> The National Union of Students submits that these upfront relocation costs exist not just for those moving to or from regional areas. They are costs that students relocating from major metropolitan area to major metropolitan area must contend with as much as rural and regional students.[31]

Schedule 6: Cease pensioner education supplement from 1 January 2015.

Schedule 7: Cease the education entry payment from 1 January 2015.

1.44 If the government is invested in the study and training of people on income support, ceasing the pensioner education supplement and the education entry payment makes no sense. Cancelling the PES reduce access to education for some of the most disadvantaged members of our community. The supplement is an important support in helping older Australians, single parents and people on disability support pension access educational opportunities, the changes were widely criticised by submissions to the inquiry from a range of organisations:

> Over 41,000 people will lose between $811 and $1,622 per year (depending on their study load) from the cessation of the Pensioner Education Supplement resulting in people currently receiving this payment being unable to pay education and other related costs.[32]
>
> UnitingCare Australia considers that measures that encourage people on income support to undertake education and training should be retained.[33]

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30 Uniting Care Australia, *Submission 42*, p. 4.

31 National Union of Students, *Submission 65*, p. 7.

32 Combined Pensioners Superannuants Assoc., *Submission 44*, p. 5.

33 Uniting Care Australia, *Submission 42*, p. 3.

> The ATN [Australian Technology Network of Universities] advises against the removal of the Pensioner Education Supplement where it is paid to support the education of those on Carer Payments, Disability Support Pensions and Veterans Affairs Payments.[34]

Schedule 8: Extend youth allowance (other) to 22 to 24 year olds in lieu of Newstart allowance and sickness allowance.

1.45 Newstart is widely acknowledged as inadequate and condemns people to living in poverty. Forcing young people off Newstart onto an even more inadequate payment will drive them deeper into poverty and will be yet another barrier to employment:

> YACSA [Youth Affairs Council of South Australia] opposes raising the age at which a young person can access Newstart Allowance from 22 to 25 years. This change will increase existing levels of hardship as young people will now have to wait three more years to access a higher rate of allowance.[35]

Schedule 9: Require young people with full capacity to learn earn or Work for the Dole from 1 January 2015.

1.46 This is the most controversial measure proposed in these Bills, it is untenable to condemn people under the age of 30 to 6 months without any income support. This measure was met with alarm across the board:

> Our deepest concerns with the current bills are associated with the measures for young people. We strongly oppose the suspension of eligibility for income support for six months in each year and then forcing young into work for the dole.[36]

> For the Society, this suggestion has been one of the most troubling elements of the Budget. 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.[37]

> As the peak representative body for Australian undergraduate students, the National Union of Students submits that the current budgetary proposal included in the Social Services and Other Legislation Amendment (2014 Budget Measures No. 2) Bill 2014 to quarantine unemployment benefits of Australians under 30 for six months would be devastating to graduates across the country. [38]

1.47 The Abbott Government's attitude to employment for young people is one that assumes jobs are readily available for all young people, that if a person is unemployed

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34 Australian Technology Network of Universities, *Submission 31*, p. 1.

35 Youth Affairs Council of South Australia Inc., *Submission 33,* p. 3.

36 Australian Council of Social Service, *Submission 50,* pp 1-2.

37 St Vincent de Paul National Council, *Submission 27,* p. 8.

38 National Union of Students, *Submission 65,* p. 5.

then it is their fault. This assumption ignores the reality of the current labour market. The Government thinks that by making life unbearable for young jobseekers they will force them into work. Rather than help young people into employment these measures will condemn them to live in poverty, they will need to spend their time worrying about their next meal and accommodation which will make job seeking even harder.

1.48 Workforce exclusion is both complex and enduring, particularly for those people who are disadvantaged. Denying access to income support to job seekers aged under 30 for more than six months, and then subject them to work for the dole regimes and strict compliance requirements will not address this. Living on nothing will only compound existing disadvantage and drive people further into poverty, while worsening the factors contributing to their workforce exclusion. The Government is ignoring the realities of youth unemployment, the mounting evidence against their approach and what should be done to help young jobseekers.

1.49 The Australian Greens are also concerned about the implications of extending a youth group to include up to 30 year olds:

> I think we should correctly refer to it as the 'youth and under 30s measure'. But a shift regarding people between the age of 25 and 30 years of age as 'youth' or 'young people' is a new thing…It has been referred to by some as infantilising those people.[39]

1.50 The effect that this measure will have on young people is profound, a fact that appears to have been anticipated by the Department for Social Services:

> Not surprisingly the potential for increased hardship under these new requirements has also been noted by the Department for Social Services who expects that there will be approximately 500,000 young people who are impacted negatively by the proposed changes. As you would know, the Department for Social Services recently told a Senate Estimates Committee that the 2014 budget includes around $230 million to assist those affected by the changes to welfare with food, utility bills, and other subsistence services.[40]

1.51 The inquiry heard evidence from a number of witnesses about creating and supporting programs that helped young people into employment. The need for a new approach was emphasized, with a focus on:

> Balance a significant investment in young people’s capabilities with high expectations…
>
> intervene rapidly and early to motivate and inspire engagement and ensure young people can achieve their best
>
> provide careers and vocational guidance and coaching by trained staff, to support young people to develop employability skills and address barriers to work and learning

39 David Francis Thompson, CEO, Jobs Australia, *Committee Hansard*, 20 August 2014, p. 19.

40 Youth Affairs Council of South Australia, *Submission 33*, p. 4.

> engage with employers– so that young people can develop employability and vocational skills in 'real' work environments...[41]

Schedule 10: Implement the following family payment reforms:

Limit the family tax benefit Part A large family supplement to families with four or more children;

Remove the family tax benefit Part A per child add on to the higher income free area for each additional child after the first; and

Revise the family tax benefit end-of-year supplements to their original values and cease indexation.

1.52 The Family Tax Benefit is relied on by families and is an essential support for families on a low income. Any changes must be done carefully and with a full understanding of the impact on families and particularly children.

1.53 The end of year supplements is very important in a family being able to afford larger occasional items:

> The reconciling of end of year supplement is factored into household budgets and provides a much required capacity to enable families to pay those large costs that often cannot be met within the weekly budget. Such items may include outstanding school fees, car registration, and replacement of household appliances. The measure that seeks to 'revise' (reduce) the end-of-year supplements to their original values and ceasing indexation should not proceed. We urge the committee to understand the particular importance of the end of year supplements for struggling families and reject this proposal.[42]

Improve targeting of family tax benefit Part B by reducing the primary earner income limit from $150,000 a year to $100,000 a year

1.54 We need a well targeted social security net that supports those who need it most. However in the current context of changes to family benefits we have grave concerns about hitting families with another cut:

> We have supported increased targeting of family tax benefits over a number of years when previous governments had made those changes, but those changes were done pretty much as discrete changes, not packaged as a range of other nips and tucks to the assistance which was going to families, whether it be one or two parents or the family unit as a whole. There were also not other costs unrelated to these Bills like, perhaps, home medical costs, co-payments and things like that coming in. We agonised over this issue and had a lot of discussion and debate within our network about whether we would take this view, because if it were in isolation we would support this reform.[43]

41 Brotherhood of St Laurence, *Submission 49*, p. 11

42 National Council of Single Mothers and their Children, *Submission 46*, p. 5.

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

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

1.55 The Australian Greens are very concerned about changes to FTB that affect single parents. Limiting, reducing and or denying access to Family Tax Benefit Part B will mean that parents do not have assistance when they need it the most. Single parents have been targeted by successive governments and this is yet another measure that reduces their income and makes it harder to support their families. The supplement proposed by Government to compensate for loss of FTB does not adequately compensate them:

> UnitingCare Australia opposes the policy of withdrawing benefits six years earlier than presently, because low-income families need this support. We are concerned that the transitional measures and new allowance will still leave low-income families, especially single parent families, worse-off.[44]

Introduce a new allowance for single parents on the maximum rate of family tax benefit Part A for each child aged six to 12 years inclusive, and not receiving family tax benefit Part B.

1.56 While there is some support offered in this measure it is not enough to offset the financial hardship that single parents will be placed in because of the other measures in this budget.

Schedule 11: Increase the qualifying age for age pension, and the non-veteran pension age, to 70, increasing by six months every two years.

1.57 Australia does need to consider our ageing population, how we support people as they age, retirement income and retirement age. Instead of taking a considered, consultative approach the Government has made a decision to raise the age of retirement, as if it can be made without addressing the structural issues. Raising the retirement age without addressing issues like age discrimination, the increasing number of older Australians out of work and on Newstart and retirement income means that many older Australians will be condemned to live longer on Newstart in poverty.

1.58 We will not support the dumping of older Australians on to a lower payment to save the government some money and let older Australians linger on inadequate payments:

> There is little point in increasing the eligibility age for the pension until there are jobs for older people. Otherwise this measure is just consigning a growing number of older Australians to living on lower levels of income support for longer.[45]

1.59 While it is true that Australians are living longer that does not mean that they are able to work for longer:

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44 Uniting Care Australia, *Submission 42*, p. 3.

45 COTA Australia, *Submission 59*, p. 8.

> However, increases in life expectancy do not necessarily equal increases in healthy years of life. The evidence is mixed on whether we are achieving longer healthier lives or rather longer lives with increasing periods of ill health and disability. This obviously impacts on the capacity to work.[46]

1.60 Older workers face discrimination in the workplace, and there are structural changes, and better supports that need to be put in place before we raise the retirement age:

> The Organisation for Economic Co-operation and Development (OECD) 2013 figures show that Australia's mature age (age 55 to 64) workforce participation rates, at 63.6 per cent, fall behind other OECD countries including New Zealand (77), Sweden (77.1), Switzerland (72), Japan (68.2), Germany (65.4) USA (64.5) and Canada (63.8)5. National Seniors does not support an increase to the age pension age while there is still no progress on mature age employment. Any pension age increases must come with bold initiatives, driven by government, that engage with, and shift the attitudes of, both business and the community.[47]

1.61 We welcome the committee's recommendation that the Government look at a retirement review and share COTA's view that:

> …the age pension is one part of a multifaceted retirement incomes landscape and that all should be considered in any reform process as, for example, superannuation tax concessions are comparable to the cost of the pension but inequitably distributed.[48]

Schedule 12: Remove the three months' backdating of disability pension under the Veterans' Entitlements Act 1986.

1.62 The Australian Greens are concerned that this measure will impact negatively on people with disability, who are likely to be in very vulnerable positions and this would place further burden in what is likely to be a difficult time for them. This is yet another punitive measure aimed at people with disability.

Recommendation 1

1.63 That Social Services and Other Legislation Amendment (2014 Budget Measures No. 1) Bill 2014 and Social Services and Other Legislation Amendment (2014 Budget Measures No. 2) Bill 2014 not be passed.

Recommendation 2

1.64 That the Government introduce a separate bill including the changes to the Commonwealth Senior Health Card, the Seniors Supplement and the Young Carer's Bursary measure and the Social and Community Services Pay Equity Special Account measure.

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46 COTA Australia, *Submission 59*, p. 3.

47 National Seniors Australia, *Submission 57*, p. 6.

48 COTA Australia, *Submission 59*, p. 3.

Senator Rachel Siewert

Senator for Western Australia

APPENDIX 1

Submissions and additional information received by the Committee

Submissions

1	Name Withheld
2	Name Withheld
3	Mr Kenneth Cole
4	Name Withheld
5	Name Withheld
6	Name Withheld
7	Name Withheld
8	Name Withheld
9	Name Withheld
10	Name Withheld
11	Name Withheld
12	Name Withheld
13	Name Withheld
14	Disability Support and Carers Alliance (plus an attachment)
15	Name Withheld
16	Name Withheld
17	Name Withheld
18	Mr Phil Fowler
19	Name Withheld
20	Name Withheld
21	Name Withheld
22	Name Withheld
23	Name Withheld
24	Mr J Locklyn
25	Name Withheld
26	Name Withheld
27	St Vincent de Paul National Council
28	Mr Bruce Bickerstaff
29	Mr Julian Donn
30	National Disability Services
31	Australian Technology Network of Universities
32	Name Withheld
33	Youth Affairs Council of South Australia
34	Ms Estelle Donse
35	GetUp! Action for Australia
36	Mrs Margaret Wade
37	Confidential
38	Name Withheld
39	Name Withheld

40 Name Withheld
41 National Shelter Inc.
42 UnitingCare Australia
43 Young Opportunities Australia
44 Combined Pensioners and Superannuants Assoc.
45 Anglicare Australia (plus four attachments)
46 National Council of Single Mothers and their Children
47 Name Withheld
48 Australian Council of Trade Unions
49 Brotherhood of St Laurence
50 Australian Council of Social Service
51 Name Withheld
52 FamilyVoice Australia
53 Mental Health Council of Australia
54 Name Withheld (plus a supplementary submission)
55 Fair Go for Pensioners Coalition
56 Jobs Australia
57 National Seniors Australia
58 People with Disability Australia
59 COTA Australia
60 National Welfare Rights Network (plus a supplementary submission)
61 Name Withheld
62 Aboriginal Peak Organisations Northern Territory (plus an attachment)
63 Carers Australia
64 Domestic Violence Legal Service
65 National Union of Students
66 Department of Social Services

Additional Information

1 Budget Priorities Statement 2014-2015, by Australian Council of Social Service, tabled by Australian Council of Social Service, at Sydney public hearing 20 August 2014
2 A Budget that divides the nation, ACOSS 2014-15 Budget Analysis, by Australian Council of Social Service, tabled by Australian Council of Social Service, at Sydney public hearing 20 August 2014
3 Back to Basics, Simplifying Australia's family payments system to tackle child poverty, by Australian Council of Social Service, tabled by Australian Council of Social Service, at Sydney public hearing 20 August 2014
4 Information on the areas in which the UnitingCare Network operates, tabled by UnitingCare, at Sydney public hearing 21 August 2014

Answers to Questions on Notice

1 Answers to Questions on Notice received from Council of Single Mothers and their Children, 26 August 2014

2 Answers to Questions on Notice received from Department of Social Services, 28 August 2014

3 Answers to Questions on Notice received from Department of Social Services, 29 August 2014

Correspondence

1 Correspondence clarifying evidence given at Sydney public hearing on 21 August, from Department of Social Services, received 29 August 2014

APPENDIX 2

Public hearings

Wednesday, 20 August 2014

The Portside Centre, Sydney

Witnesses

Australian Council of Social Service
GOLDIE, Dr Cassandra, Chief Executive Officer
DAVIDSON, Mr Peter, Senior Adviser
PHILLIPS, Ms Jacqueline, Director of Policy

National Welfare Rights Network
THOMAS, Mr Gerard, Policy and Media Officer
BUTT, Mr Matthew, Principal Solicitor, Welfare Rights Centre, Sydney

Jobs Australia
THOMPSON, Mr David Francis, CEO
WILSON, Mr Lance Richard, Policy Analyst

National Disability Services
BAKER, Dr Ken, Chief Executive

Thursday, 21 August 2014

The Portside Centre, Sydney

Witnesses

COTA Australia
ROOT, Ms Josephine, National Policy Manager
YATES, Mr Ian, AM, Chief Executive

Council of Single Mothers and their Children
DAVIES, Ms Kerry Michelle, Project Worker
DWYER, Miss Tenar, Executive Officer

Brotherhood of St Laurence

MALLETT, Professor Shelley, General Manager, Research and Policy Centre
BODSWORTH, Dr Eve, Research and Policy Manager

Anglicare Australia

CHAMBERS, Ms Kasy, Executive Director
MANDERSON, Mr Roland, Deputy Director

St Vincent de Paul Society National Council

FALZON, Dr John, Chief Executive Officer

UnitingCare Australia

HOLLAND, Dr Ian Hamilton, Director, Services Development

Youth Affairs Council of South Australia

BAINBRIDGE, Ms Anne, Executive Director
CANNON, Mr Richard Henry, Policy Officer

National Union of Students Inc.

TAYLOR, Ms Deanna, President
GRACIE, Mr Jack, National Welfare Officer

Australian Technology Network of Universities

BAK, Mr Anthony, Senior Policy Analyst

Department of Employment

DRAYTON, Ms Moya, Acting Deputy Secretary
KIDD, Ms Margaret, Group Manager

Department of Social Services

EMERSON, Mr Ty, Branch Manager, Labour Market Payments Policy Branch
HUTCHINSON, Mr Peter, Acting Branch Manager, Eligibility and Participation Policy Branch
JOYCE, Mr Ian, Acting Branch Manager, Rates and Means Test Policy Branch
NAIKAR, Mr Sidesh, Acting Branch Manager, Family and Student Payments Policy Branch
STAWYSKYJ, Michalina, Branch Manager, Age, Disability and Carer Payment Policy Branch

Department of Human Services

LEWIN, Ms Sheryl, Acting Deputy Secretary, Social Services Group