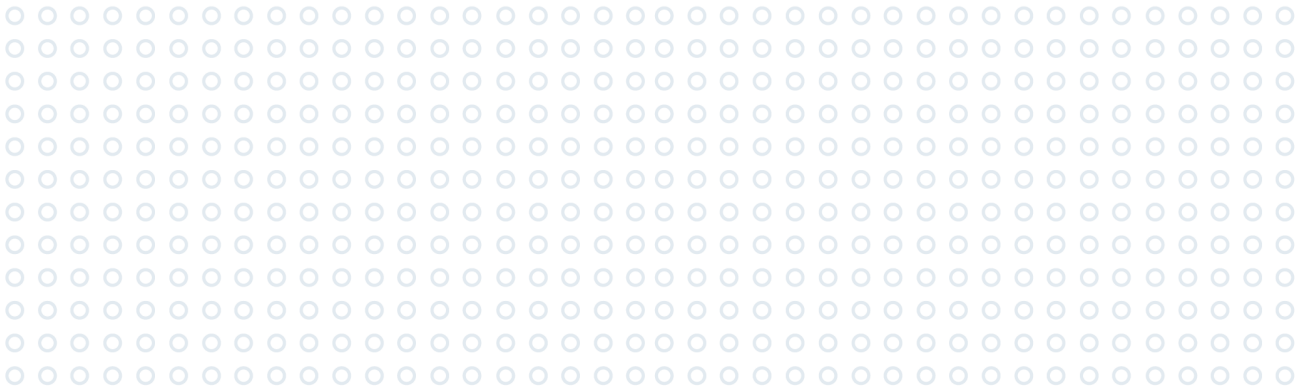


Business
Council of
Australia



Submission to the Senate
Education, Employment and
Workplace Relations Legislation
Committee Inquiry into the Social
Security Amendment (Supporting
More Australians into Work) Bill
2013

JUNE 2013

*Working to achieve
economic, social
and environmental
goals that will benefit
Australians now and
into the future*

The Business Council of Australia (BCA) brings together the chief executives of more than 100 of Australia's leading companies, whose vision is for Australia to be the best place in the world in which to live, learn, work and do business.

About this submission

The BCA has been invited to make a submission to the Senate Education, Employment and Workplace Relations Legislation Committee on the Social Security Amendment (Supporting More Australians into Work) Bill 2013. This Bill proposes three changes that arose from the recommendations of the committee's inquiry into the adequacy of the allowance payment system.

Members of the BCA are committed to policies that foster participation as a foundation for shared prosperity. To the extent that these three changes promote and support workforce participation, they are a positive step.

Key points

The BCA supports the three proposed changes in the Bill, while noting that they constitute a very minor step towards addressing the issues raised in the committee's inquiry into the adequacy of the allowance payment system.

The BCA has previously supported an increase in the rate of Newstart and other allowance payments. Such an increase must be considered as part of a comprehensive review of Australia's tax and transfer system, and introduced when fiscal circumstances permit.

We believe the current rate of allowances falls below societal norms of adequacy. Extremely low rates of payment are often promoted as the best form of incentive to find work. By contrast, we believe that a better set of incentives is:

- tight eligibility for payments, particularly for people transferring from allowances onto Disability Support and other pension payments
- improvements to employment services and training for jobseekers
- adequate rates of allowance for people in line with societal norms of a decent minimum standard of living.

There are three key reasons why the BCA supports the elements of this Bill.

Adequacy of allowances

First, these changes contribute to improving the adequacy of Newstart and other allowance payments, which the BCA supports. Permitting allowees to keep more of their private income before starting to withdraw payments lessens the risk that people fall below a decent minimum standard of living in situations where they are temporarily without adequate resources of their own.

Lessening the structural gap between pensions and allowances

Second, these changes also constitute a minor step towards mitigating the ever-widening gap between pensions and allowances, which gives rise to a range of perverse incentives and stark gaps, such as that experienced by sole parents once their youngest child turns eight.

The BCA recognises that societal expectations of parents have changed over time, and that it is now the norm for the primary carer of a child to engage in paid employment once the child is no longer an infant. For this reason, we accept the changes that place sole parents on a similar footing to unemployed people once the youngest child turns eight years of age. However, the BCA balances this view against a recognition that measures to ease the transition of a sole parent into work or study that will later assist them into work are constructive ways of encouraging self-support.

More generally, the BCA believes that the income support system should not provide widely different arrangements to people in essentially similar circumstances, or to the same person whose circumstances undergo a minor change, such as a youngest child turning eight. The reason for this view is that it creates undue incentives for people to move from allowances to pension payments, from which people have a much lower likelihood of self-support in the future. The fact that pension payments are more attractive in terms of their rates of payment, free areas, indexation arrangements, activity testing and taper rates, constitutes a major challenge to the sustainability of the income support system.

Supporting people to maintain their links to the workforce

Third, the three measures contribute in a small way to supporting and encouraging people to maintain their links to the workforce. This is important if people are to avoid becoming entrenched in a situation where they are unable to augment their income support or participate economically in the community.

While these three elements are helpful, the BCA believes that a more comprehensive approach is required. The income support system as a whole, and its suitability for contemporary labour market and social norms, should be considered as part of an independent review of the size, scope and efficiency of government.

Key recommendations

The BCA recommends that the committee support the three elements of the Bill.

The first element is to increase the income-free area that applies for allowees of Newstart Allowance, Widow Allowance, Partner Allowance, Parenting Payment (Partnered) and Sickness Allowance, from \$62 to \$100 per fortnight, and indexed by the Consumer Price Index. The BCA recognises that this element of the Bill will enable allowees to gain greater benefit from part-time or casual earnings, and that this will improve people's incentives to take work when there is an opportunity to do so. Maintaining links with the workforce is important in improving living standards and preventing the disadvantage often associated with long periods on income support.

The second element of the Bill is to extend the eligibility for the Pensioner Education Supplement to single principal carer parents receiving Newstart Allowance. The BCA supports this on the grounds that it eases the currently stark transition from Parenting Payment (Single) to Newstart, and does so in such a way as to assist parents in improving their work prospects through study.

The third element of the Bill proposes a 12-week extension of eligibility for the Pensioner Concession Card to single parents who no longer qualify for Parenting Payment (Single) because their youngest child has turned eight, and do not qualify for another income support payment due to earnings. The BCA supports this on the grounds that it eases the currently stark transition from Parenting Payment (Single) to Newstart, and does so in such a way as to assist parents in improving their work prospects through study.

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