

Submission to Community Affairs Committee

Social Services Legislation Amendment (Payment Integrity) Bill 2017



4 August 2017

About ACOSS

The [Australian Council of Social Service \(ACOSS\)](#) is a national advocate for action to reduce poverty and inequality and the peak body for the community services sector in Australia. Our vision is for a fair, inclusive and sustainable Australia where all individuals and communities can participate in and benefit from social and economic life.

Recommendation

ACOSS recommends the Committee reject this Bill.

Schedule 1 – Enhanced residency requirements for pensioners

ACOSS position: Oppose

This schedule tightens residency requirements for people to access Age and Disability Support Pension.

At the moment, people need the following to qualify for a pension:

- + Ten years' continuous residency at any stage, or
- + A total of ten years residency, with at least five served continuously.

This schedule will tighten these requirements so that people must have:

- + Ten years' continuous residency with at least five years served during the ages of 16 and Age Pension age (currently 65.5), or
- + Ten years' continuous residency at any stage, with fewer than five years in receipt of income support, or
- + 15 years' continuous residency.

ACOSS strongly opposes this cut to pensions, which will cut \$119 million from social security over the forward estimates.

Some people will not be able to meet the ten years' continuous residency requirement because they have lived here periodically. This could see someone who has lived here for many years denied a pension because they also lived overseas for some time.

Someone trying to access an Age Pension could have to wait until they were 80 to be eligible.

The other deeply concerning element of this schedule is denying a pension to people on the basis of having previously received an activity-tested payment for five years or more (Austudy, Newstart, Youth Allowance and Special Benefit and any of their previous iterations).

We strongly oppose basing eligibility for income support on previous receipt of a payment.

Unemployment is a structural issue, not an individual issue. This proposal will disadvantage people who live in areas of high unemployment or who have been retrenched. It will also penalise people who have undertaken study.

It also sets a dangerous precedent in our social security system whereby eligibility for income support is conditional on prior receipt of a payment.

These cuts do not serve any public policy purpose and will result in people who have no ability to work denied a pension for many years. People affected will be forced to rely on Special Benefit, which has a dollar-for-dollar taper rate if they have additional income, and is paid \$176 per week lower than the pension. Special Benefit is paid at \$267 per week compared with a pension of \$444 per week. This payment is completely inadequate, especially for older people or people with a disability who typically have high healthcare costs.

We urge the Committee to recommend that Parliament reject this cut.

Schedule 2 - Stopping the payment of pension supplement after six weeks overseas

ACOSS position: Oppose

Currently pensioners continue to receive the GST Supplement after spending six weeks overseas. This schedule will stop payment of the supplement after six weeks of temporary absence overseas or immediately if the pensioner leaves permanently.

We oppose this cut.

The GST Supplement is currently \$11.50 for singles per week and \$18.90 per week for couples (combined).

Already pensioners lose the Utilities Allowance, Telephone Supplement and Pharmaceutical Allowance after spending six weeks overseas.

In our view, the GST Supplement should be rolled into the base rate to simplify the system and would therefore continue to be paid after six weeks overseas.

Schedule 3 - Taper rate for Part A rate of family tax benefit (Method 2)

ACOSS position: Government should model the impact of this cut on larger families and publish the findings

At the moment, Family Tax Benefit Part A is means-tested using two different methods for higher-income families. This schedule will align the taper rate for the two methods so that both have a taper rate of 30 cents in the dollar (up from 20 cents in the dollar for method one).

It appears that the tightening of the taper rate for families with incomes of \$94,316 or more will primarily affect larger families (with three or more children) because of the operation of the income tests. Although these families are on higher incomes, it could place pressure on budgets.

This schedule will save \$415 million over the forward estimates. It also comes on the back of cuts to the end-of-year supplement for FTB Part A for households with income of \$80,000 and above.

We do not have a final view on tightening of the taper rate. We urge the government to model the impact of this proposal to determine its effect on larger families, and make this modelling public prior to this proposal being supported.

Schedule 4 – Liquid Assets Waiting Period (LAWP)

ACOSS position: Oppose

Currently, people with liquid assets of over \$5,000 (single) or \$10,000 (couple/person with dependent child) may be required to serve a LAWP.

The maximum waiting period is 13 weeks. A single person with liquid assets of \$11,500 or more must wait three months before payment. This is in addition to the Ordinary Waiting Period of one week, which they must also serve if they are accessing an allowance or parenting payment.

The government proposes to double the LAWP, which would see people wait up to six months to access income support, including families.

We strongly oppose this cut.

In line with the Henry Review¹, we call for the abolition of the LAWP. Means tests are a far fairer way of targeting assistance at those most in need. People with modest assets should have access to income support payments considering payments are inadequate to meet essential costs of living.

Lengthening the period of time someone must wait for income support will see them deplete modest savings. This reduces their capacity to manage unexpected costs (such as repairs, replacing whitegoods, medical expenses or moving house). The latest HILDA data show that 12% of survey respondents did not have \$500 in savings for an emergency, and that 25% of people who are unemployed were deprived of two or more essential items.² It is likely that this schedule will increase the number of households experiencing deprivation.

Social security law stipulates that a reduction or waiver of the LAWP may apply when someone draws down on their liquid assets to meet 'reasonable costs'. 'Reasonable costs', however, is defined as expenses amounting to the level of the relevant income support payment. Newstart is currently \$267 per week, so any expense over this level would not be considered reasonable.

This is a completely unreasonable rule. It would be difficult to find rental accommodation in Sydney or Melbourne for \$267 per week, let alone make that amount cover food, travel and other living expenses as well.

ACOSS urges the Committee to recommend that this schedule be rejected because it will increase deprivation among people who are locked out of paid work.

¹ Ken Henry et al (2009) 'Australia's Future Tax System' Commonwealth of Australia, 2009

² Roger Wilkins (2016) 'The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 14', Melbourne Institute of Applied Economic and Social Research, The University of Melbourne p. 87