

Submission to: Social Security Legislation Amendment (Fair Incentive to Work) Bill

Re Changes to Liquid Assets Test

I ask the committee to consider recommending for the removal of the Liquid Assets Test instead of raising the thresholds of the Liquid Asset Test.

This action would be in line with the Henry Review (Recommendation 88F2 g).

However, it is important for the threshold to be raised if this test is retained. I ask the committee to consider recommending increasing the threshold for each dependent in addition to the proposed increases.

The Liquid Assets test only applies to a small number of income support payments - Newstart, Austudy, Youth Allowance or Sickness Allowance. All of these payments and many other payments can already be reduced by application of both an Assets test and the deeming of financial assets.

Asset Test Thresholds are already in place to ensure that payment is not made to those who have significant assets and deemed able to support themselves.

The Explanatory Memorandum states that two new thresholds will apply: \$5,000 for single or \$10,000 for a person who is partnered or has a dependent.

Whilst the proposed limits are higher than those currently applied they do not take into account more than one dependent. Now that parents are now no longer able to claim Parenting Payment until their child turns 16, they may be reliant on payments affected by Liquid Assets Tests.

If a parent with a number of children has been trying to save money and then loses their job or faces reduced work and applies for Newstart and at the same time has also received the School Kids Bonus and FTB Supplement payments they may very well exceed the current \$5,000 limit or even the proposed \$10,000 limit. As there is no allowance to make these payments for their children exempt or to allow for raising the threshold for additional children a parent may have to wait up to 13 weeks when applying for a payment. The date used for the beginning of the liquid asset test is discretionary. Whilst one can apply for exemptions on financial hardship or reasonable expenses this is time consuming and adds an additional stress.

Anyone who changes their hours &/or pay may need to re-apply for Newstart Assistance and could serve out at least a one week waiting period each time. This period is increased by any "Liquid Assets" and other Assets/Payments.

The Allowances are structured quite differently from Parenting Payment – if a parent is on PP and then is not eligible for payment due to higher income one fortnight they retain eligibility for PP if they are eligible again within 12 weeks. However, if a parent on an allowance has high income one fortnight, they will have to re-apply for Newstart and if it has been more than 12 months will need to wait out the Liquid Asset Test again in addition to other tests that may be applied.

The Liquid Assets Test was never designed with a high casual employment model in mind or for parents with dependent children under 16.

Whilst Full time students on YA or Austudy can reduce their "assets" by their reasonable education expenses this option is not available to a parent with a full time dependent student, so the School Kids Bonus will be included as an asset but educational costs planned against the payment will not reduce it. The option to reduce the liquid assets by educational expenses is also not available to a parent who is meeting their mutual obligation on Youth Allowance (Job seeker) or Newstart by studying full time or part-time. Nor is it available to someone on Sickness Allowance who may be studying part-time whilst sick and preparing to return to the workforce in the future.

It is for the reasons above that I ask the committee to recommend the removal of the Liquid Assets Test.

I would also ask that if the Liquid Assets test is to be continued it should be specifically included in the upcoming review: The adequacy of the allowance payment system for jobseekers and others, the appropriateness of the allowance payment system as a support into work and the impact of the changing nature of the labour market

If it is to be continued, I recommend increasing the threshold for each additional dependant. This would be in line with many other government payments.

I would also recommend that "reasonable education expenses" should be applied to all the payments for both the principal and their dependents for both full time and part-time study.

This would extend this option from the current full time Youth Allowance (student) and Austudy recipients to those who may be meeting their mutual obligation by studying part-time or have dependents who are studying and will also include those who are sick on any of the payments and are preparing to return to the workforce in the future by studying part-time.

Thank you for considering my submission.

(g) remove the liquid assets waiting period and the sudden-death cut-out that applies to people on certain payments.

References *From Social Security Guide*

3.1.2.20 Liquid Assets Waiting Period

If a recipient is still working casually or part-time when they claim NSA, the delegate must decide when the recipient is deemed to be unemployed. This will usually be the date on which the last change to that employment occurred.

Example: A change in the hours worked or a change from full-time to part-time.

Waiving the LAWP

The LAWP may be waived in full or in part when the recipient is in severe financial hardship as a result of unavoidable or reasonable expenditure ([1.1.U.20](#)). A recipient's reasonable cost of living does not have to be justified with receipts. The reasonable cost of living is an amount deemed by the delegate to be appropriate to the recipient's circumstances. The deemed amount cannot be exceeded. Reasonable costs of living cannot exceed the maximum rate of payment that the recipient would be entitled to.

Act reference: [SSAct](#) section 19C Severe financial hardship (ordinary waiting periods and liquid assets test waiting periods) definitions

Policy reference: SS Guide [3.1.2.10](#) Application of Waiting Periods

Exemption from the LAWP

Recipients can be exempted from the LAWP as explained in [3.1.2.70](#).

1.1.U.20 Unavoidable or reasonable expenditure (NSA, YA, SA, PP, PA, WA, Austudy Payment)

Definition: [LAWP](#) & [IMP](#)

For the purposes of [NSA](#), [YA](#), [SA](#), [PP](#), [PA](#), [WA](#), and [Austudy](#), unavoidable or reasonable expenditure by a recipient serving a LAWP or an IMP includes:

- the day-to-day costs of living, referred to as reasonable costs of living, PLUS
- other unavoidable or reasonable expenditure, PLUS
- for YA and Austudy only deductions from liquid assets are allowed in respect of funds required for education purposes over a 12 month period.

1.1.L.50 Liquid assets

For full-time tertiary students claiming [YA](#) or [Austudy](#) the recipient's liquid assets can be reduced by certain allowable deductions directly related to their course of study. A student's liquid assets may be reduced for reasonable expenditure incurred, or likely to be incurred, such as:

- up-front course fees, [HECS-HELP](#) payments, student union fees, costs of text books, costs of any tools or equipment required to undertake the course, including computer software, expenses directly related to any field trips undertaken for the purposes of the course, and such other expenses as are approved by the Secretary.