



Australian Government

Department of Education, Employment and Workplace Relations

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



Introduction

The Department of Education, Employment and Workplace Relations (DEEWR) administers income support payments for Australian job seekers and working age parents.

The *Social Security Amendment (Supporting More Australians into Work) Bill 2013* proposes amendments to the Social Security Act 1991 to implement policy announced as part of the 2013-14 Budget to:

- increase the income free area of Newstart Allowance, Parenting Payment Partnered, Sickness Allowance, Widow Allowance and Partner Allowance from \$62 to \$100 per fortnight and index it by movements in the Consumer Price Index
- extend access to the Pensioner Education Supplement (PES) to single principal carer parents receiving Newstart Allowance
- provide a 12 week extension of eligibility for the Pensioner Concession Card for single parents who are no longer eligible for Parenting Payment Single because their youngest child has turned eight years of age and do not qualify for another income support payment due to earnings from employment

This submission describes the measures within the *Social Security Amendment (Supporting More Australians into Work) Bill 2013*, including the financial impact of each measure and the impact to recipients likely to be affected.

Description and impact of the measures

1. Increase and index the income free area

The first measure increases and indexes the income free area that applies for recipients of Newstart Allowance, Widow Allowance, Partner Allowance, Parenting Payment (Partnered) and Sickness Allowance.

The income free area is the amount of ordinary income that an income support recipient is able to earn in a fortnight before their rate of payment is affected.

Increase the income free area to \$100

From 20 March 2014 the income free area will be increased for recipients of these payments from its present level of \$62 per fortnight to \$100 per fortnight. This will allow recipients to earn up to \$100 each fortnight before their payment is reduced.

This change would bring the income free area into line with the total amount that a person working a statutory minimum shift of three hours per week at minimum wage would earn and is consistent with Recommendation 4 of the Senate, Education, Employment and Workplace Relations References Committee inquiry report into the adequacy of the allowance payment system, the appropriateness of the allowance payment system as a support into work and the impact of the changing nature of the labour market. The federal minimum wage will be \$16.37 per hour from 1 July 2013.

The existing taper rates will continue to apply, meaning that these allowance recipients' fortnightly payment will be reduced by 50 cents in the dollar for income over \$100 and 60 cents in the dollar for income over \$250 per fortnight except for single principal carers.

For single principal carer parent recipients of Newstart Allowance, the current taper rate settings will apply, meaning they would continue to have the benefit of the 40 cents in the dollar taper rate for income over the \$100 income free area. This taper rate has been in place since 1 January 2013.

For all recipients of the affected payments, except single principal carers on Newstart Allowance, the threshold at which fortnightly income reduces recipients' payment by 60 cents in the dollar is currently \$250. It is affected by both the income free area and income range reduction amount. The income range reduction amount is the amount of income recipients are able to earn *above* the income free area which attracts the 50 cent in the dollar taper. Income exceeding the total value of the income free area and income range reduction amount will attract the 60 cent in the dollar taper.

Accordingly, given that the current fortnightly income free area is \$62 and income above \$250 attracts the 60 cent in the dollar taper, the current income range reduction amount is \$188. By increasing the income free area to \$100, the income range reduction amount will be amended to ensure recipients continue to benefit from the lower 50 cents in the dollar taper until they earn above \$250 per fortnight.

As single principal carer parents receiving Newstart Allowance have a single 40 cent in the dollar taper, they are not affected by the income range reduction amount.

The 20 March 2014 implementation date:

- is aligned to the date at which the affected payments' rates are indexed, and
- ensures the Department of Human Services has sufficient time to make the necessary changes to the payment administration system and notify affected recipients about the changes.

Annual indexation of the income free area by the Consumer Price Index

The real value of the income free area will be maintained by annual indexation according to movements in the Consumer Price Index, starting from 1 July 2015.

The \$250 fortnightly threshold at which recipients' income attracts the 60 cent in the dollar taper will also increase as a result of annual indexation of the income free area. The amount of the increase will equal the nominal value of the increase to the income free area as a result of the application of CPI indexation each year. This means that recipients earning up to \$150 per fortnight above the prevailing income free area will continue to benefit from the 50 cent in the dollar taper.

The 1 July 2015 implementation date:

- ensures the income free area remains constant over a financial year, and
- ensures the income free area is indexed on the same day as the income free area for pension payments – 1 July.

Impact on recipients

This change means that recipients of Newstart Allowance, Parenting Payment Partnered, Sickness Allowance, Partner Allowance or Widow Allowance will be able to earn \$100 each fortnight before their payment is reduced. They will also be able to earn more income before they cease to be eligible for payment. For instance, based on rates as at 20 March 2013:

- The amount that a *single person with no children* on Newstart Allowance could earn each fortnight before their income support cuts out would increase from \$935.67 to \$967.33. (Figure 1 in Attachment A refers)
- The amount that a *single principal carer parent* on Newstart Allowance could earn each fortnight before their income support cuts out would increase from \$1,444.75 to \$1,482.75. (Figure 2 in Attachment A refers)
- The amount that a *partnered person with no children* on Newstart Allowance could earn each fortnight before their income support cuts out would increase from \$853.83 to \$885.50. (Figure 3 in Attachment A refers)

When this measure commences on 20 March 2014, it is estimated that around 800 000 income support recipients will be able to access the \$100 income free area each year. Of these, it is estimated that around 150 000 recipients who are earning above the existing income free area amount of \$62 per fortnight may immediately benefit from an increased rate of payment of up to \$19 per fortnight.

The total number of recipients of these payments, and those who reported income above the current \$62 fortnightly income free area as at 29 March 2013 is as follows:

Table 1: Total number of recipients, and recipients who reported more than \$62 in fortnightly income, by payment type as at 29 March 2013

Payment	Total Recipients	Recipients earning over \$62
<i>Newstart Allowance (excl. single principal carer)</i>	559 629	88 388
<i>Newstart Allowance (single principal carer)</i>	86 785	38 847
<i>Parenting Payment Partnered</i>	103 044	8578
<i>Partner Allowance</i>	10 832	644
<i>Sickness Allowance</i>	7691	504
<i>Widow Allowance</i>	26 636	2210
TOTAL	794 617	139 171

Additional information about the impact to recipients' payment rate, including the income level at which recipients cease eligibility for payment is provided in Attachment A.

2. Extending the Pensioner Education Supplement to single principal carer parents receiving Newstart Allowance payments

The second measure extends eligibility for the Pensioner Education Supplement (PES) to single principal carer parents receiving Newstart Allowance payments. PES aims to assist certain recipients of social security payments with some of the ongoing costs associated with study.

Currently, PES is available to single parents on Parenting Payment, however, single principal carer parents on Newstart Allowance do not generally have access to PES unless they have transferred directly from Parenting Payment and were receiving PES at the time of the transfer.

The 1 January 2014 implementation date:

- is aligned to the academic year which commences on 1 January, and
- ensures the Department of Human Services has sufficient time to make the necessary changes to the payment administration system and notify recipients.

Impact on recipients

As at 29 March 2013, there were 86 785 single principal carer parents in receipt of Newstart Allowance of which 2853 retained access to PES.

From 1 January 2014, all single principle carer parents in receipt of Newstart Allowance payments will have access to PES. Based on past take-up of PES, it is estimated that approximately 25 000 single principal carer parents will take up PES over the four-year forward estimates.

3. Extension of the eligibility for the Pensioner Concession Card

The third measure provides a 12 week extension of eligibility for the Pensioner Concession Card (PCC).

From 1 January 2014, PCC holders who are principal carer parents can retain eligibility for the PCC for 12 weeks if they lose eligibility for income support because their youngest child has turned eight and they do not qualify for another social security benefit, pension or allowance due to earnings from employment.

A person would remain qualified for the PCC until the extension period of 12 weeks expired, the person died or moved permanently overseas, or until they started to receive an income support payment for which a PCC is available.

The proposal builds on existing arrangements where PCC holders who are principal carer parents can retain eligibility for the PCC for 12 weeks if they lose eligibility for income support due to income.

The 1 January 2014 implementation date ensures the Department of Human Services has sufficient time to make the necessary changes to the payment administration system and notify affected recipients.

Impact on recipients

Around 2000 single parents are estimated to benefit from this measure each year.

The PCC provides a range of concessions to holders for services at Commonwealth, State and local government level, including for medical services, transport, telephone, utilities and rates. A more detailed description of the potential concessions available to holders of the PCC is provided in [Attachment B](#).

Total financial impact

Implementation of the *Social Security Amendment (Supporting More Australians into Work) Bill 2013* package of assistance will cost \$299.9 million over 4 years.

2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	Total \$m
-0.1	-29.7	-89.2	-88.4	-92.6	-299.9

Increase and index the income free area

Increasing and annual indexation of the income free area, while maintaining current taper rates, will cost \$258 million over 4 years.

2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	Total \$m
0.0	-22.1	-76.9	-77.3	-81.7	-258.0

Extending the Pensioner Education Supplement to single principal carer parents receiving Newstart Allowance payments

Extending the Pensioner Education Supplement to single principal carers receiving Newstart Allowance will cost \$39.7 million over 4 years.

2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	Total \$m
-0.1	-7.0	-11.7	-10.6	-10.3	-39.7

Extension of the eligibility for the Pensioner Concession Card

Extending the Pensioner Concession Card entitlements for Single Parents will cost \$2.2 million over 4 years.

2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	Total \$m
-0.0	-0.6	-0.5	-0.5	-0.5	-2.2

¹ Differences may exist between the sum of yearly expenses and the reported total due to rounding.

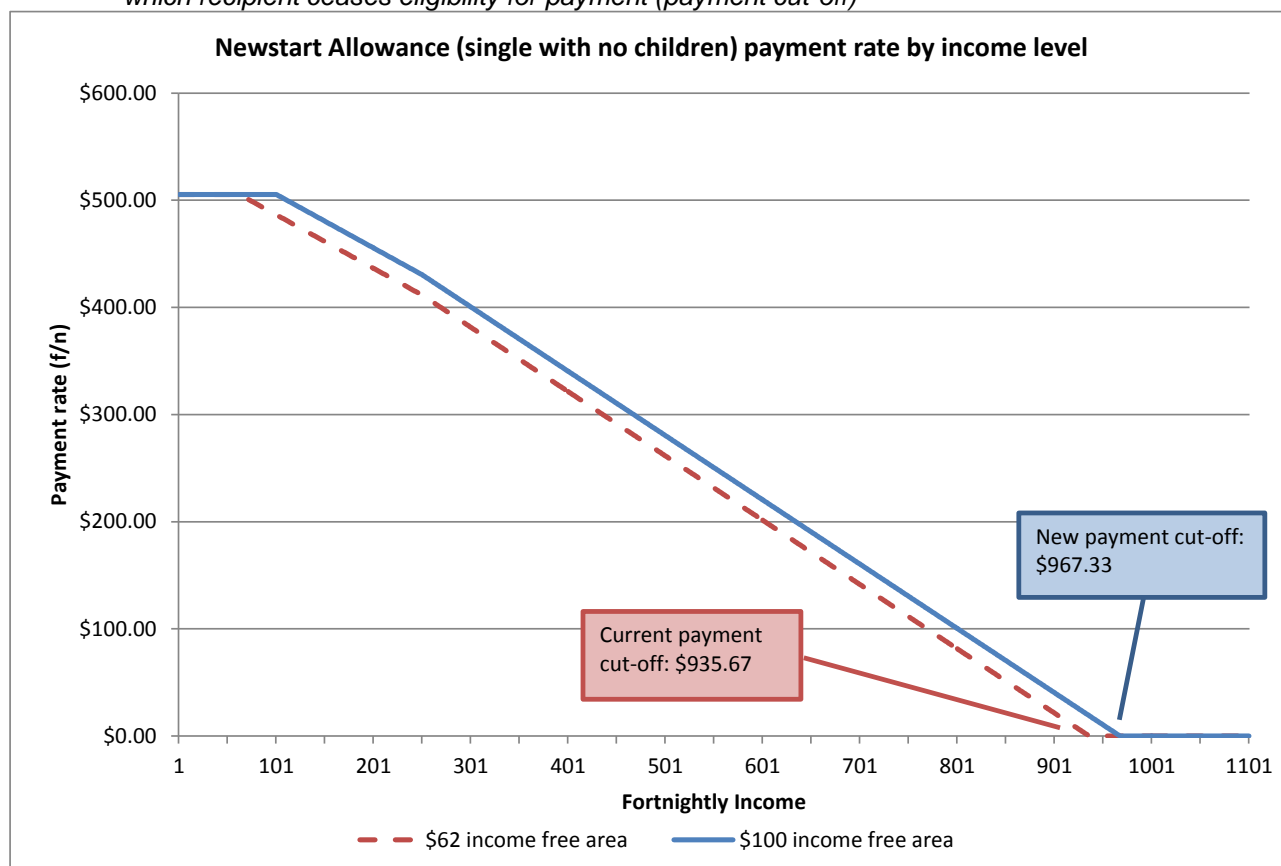
Increase and index income free area – impact on recipients

Newstart Allowance (single with no children):

Current and new income testing arrangements for Newstart Allowance (single with no children)

Income test arrangements -single Newstart Allowance (no children)		
	Current	20-March-2014
Income Free Area	\$62.00	\$100.00
First taper	50%	50%
Lower threshold	\$250.00	\$250.00
Second taper	60%	60%

Figure 1: Newstart Allowance (single with no children) payment rate by income level, including threshold at which recipient ceases eligibility for payment (payment cut-off)

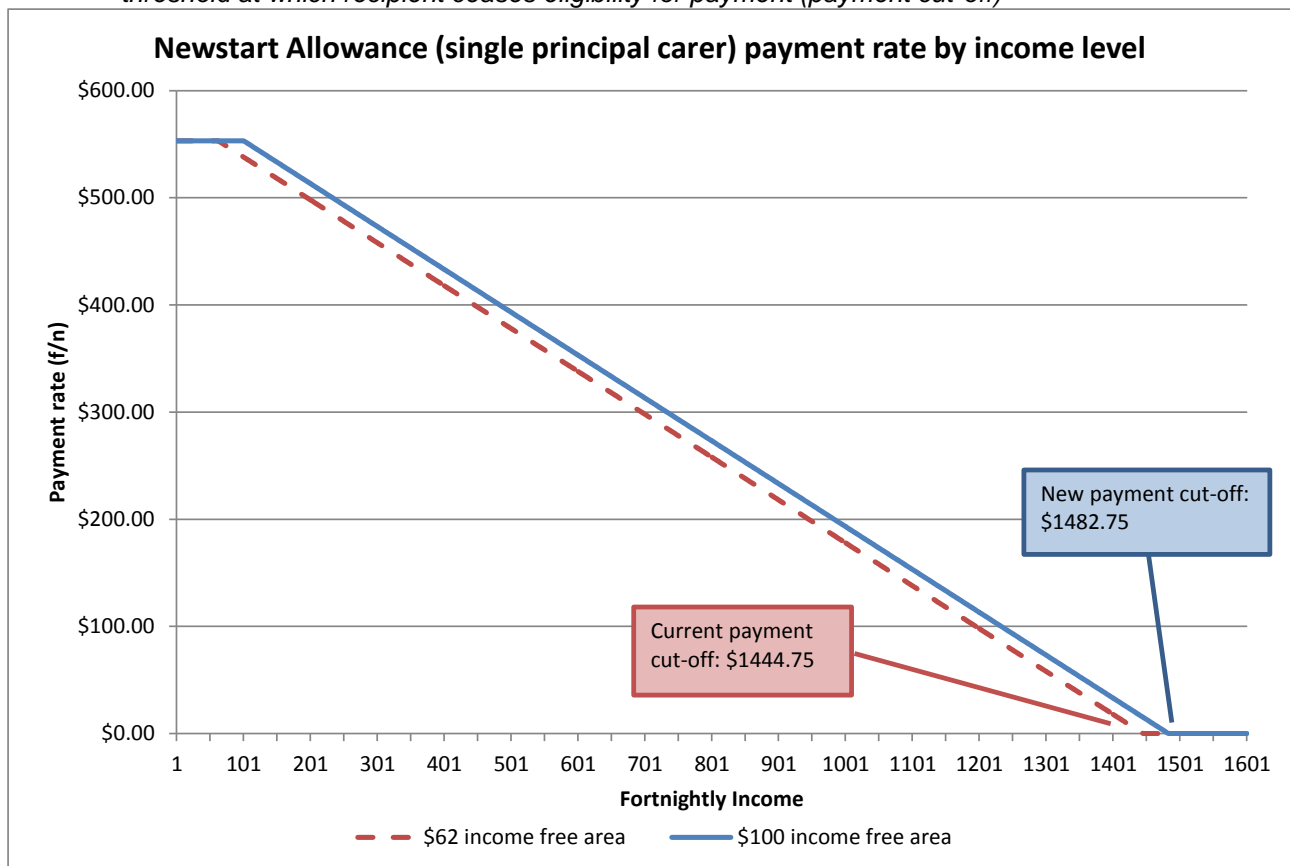


Newstart Allowance (single principal carer parent):

Current and new income testing arrangements for Newstart Allowance (single principal carer)

Income test arrangements -single Newstart Allowance (principal carer parent)		
	Current	20-March-2014
Income Free Area	\$62.00	\$100.00
First taper	40%	40%
Lower threshold	\$0.00	\$0.00
Second taper	40%	40%

Figure 2: Newstart Allowance (single principal carer parent) payment rate by income level, including threshold at which recipient ceases eligibility for payment (payment cut-off)

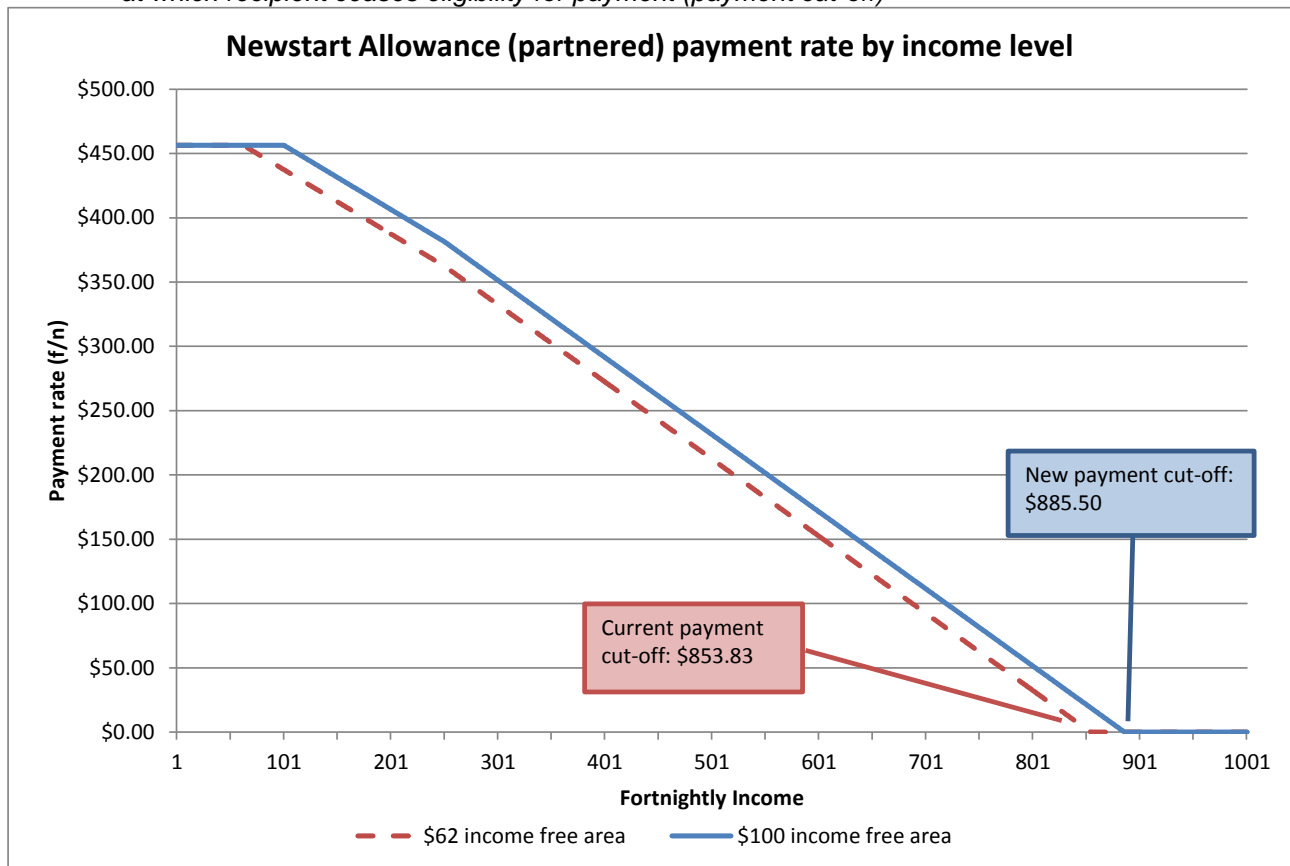


Newstart Allowance (partnered with no children):

Current and new income testing arrangements for Newstart Allowance (partnered with no children)

Income test arrangements -partnered Newstart Allowance		
	Current	20-March-2014
Income Free Area	\$62.00	\$100.00
First taper	50%	50%
Lower threshold	\$250.00	\$250.00
Second taper	60%	60%

Figure 3: Newstart Allowance (partnered with no children) payment rate by income level, including threshold at which recipient ceases eligibility for payment (payment cut-off)



Entitlement of Pensioner Concession Card (PCC) holders

Federal government concessions

- prescription medicines listed on the Pharmaceutical Benefits Scheme (PBS) at the concession rate of \$5.90 instead of \$36.10;
- additional benefits for out-of-pocket, out-of-hospital medical expenses above a certain threshold through the extended Medicare Safety Net;
- PCC and potentially their dependents receive bulk-billed General Practitioner consultations, at the discretion of the provider;
- PCC holders and their dependents receive assistance with certain hearing services such as hearing tests and hearing aids;
- Receive a discount on mail redirection through Australia Post.

State and Territory government, local government and private concessions (Eligibility for any concession is at the discretion of individual concession providers)

- **Health**
 - dental
 - optical
 - Hearing Services
 - Home Care
 - ambulance.
- **Household**
 - local council rates
 - electricity/gas/water rates
 - housing.
- **Education**
 - school fee relief
 - Technical and Further Education (TAFE)
 - State government education allowances
 - training programs.
- **Transport**
 - taxi fares
 - road transport registration fees
 - driver's licence
 - public transport fares
 - regional rail travel concessions.
 - PCC holders are eligible for specific concessions on regional rail networks. See Pensioner Concession Card (PCC)
 - The Queensland Government Totally and Permanently Incapacitated (TPI) Veteran Travel Pass.
- **General**
 - telephone services, including line rental
 - entertainment
 - shopping.