



Welfare Rights Centre

A community legal centre specialised in social security law and its administration by Centrelink

ABN 76 002 708 714

7 September 2016

Committee Secretary
Senate Economics Legislation Committee
PO Box 6100
Parliament House
Canberra
ACT 2600

Email: economics.sen@aph.gov.au

Re: Inquiry into Budget Savings (Omnibus) Bill 2016

Dear Committee Secretary,

Thank you for the invitation to provide a submission to the Senate Economics Legislation Committee's inquiry into the *Budget Savings (Omnibus) Bill 2016*. The WRC is a Community Legal Centre specialising in Social Security law and its administration by the Department of Human Services (DHS) Centrelink program.

The Welfare Rights Centre is a member of the National Welfare Rights Network (NWRN) and endorses its submission and its stated opposition to many of the measures in the *Omnibus Bill*. The NWRN is the peak community organisation in the area of social security law, policy and administration. It aims to reduce poverty, hardship and inequality in Australia by advocating for a social security system which is fair, adequate and well administered.

The Bill includes 24 significant measures, with the majority of the \$6.1 billion in cuts likely to impact most heavily on some of the poorest and most vulnerable sectors of the Australian community.

Time frame for consideration of the Budget Savings (Omnibus) Bill in adequate

The Committee is due to report to Parliament on 13 September 2016, with submissions due by Wednesday 7 September 2016.

The Welfare Rights Centre (WRC) NSW is extremely concerned about the limited time allowed for analysis, consultation and the preparation of submissions in the bill. A considerable number of the measures in the Bill are complex, with the Bill itself numbering 203 pages and the *Explanatory Memorandum* in excess of 400 pages.

The imposed timetable does not allow for stakeholders, including our Centre, to provide the detailed and considered assessment that is needed for social security legislation of such complexity. It may not be possible in such a short time-frame to adequately identify the impacts and any unintended consequences.

The tight time frame imposed for comment and for the Committee and the Senate more broadly to consider the Bill undermines principles of fairness and accountability, and the capacity for the committee to sufficiently attend to the extensive and complex matters covered in the Bill. We urge the Committee to extend the timeframe to allow additional time for a more thorough consideration of the important matters before the Committee.

Overview

While the Welfare Rights Centre NSW is very concerned with many of the schedules contained in the *Budget Savings (Omnibus Bill) 2016*, time constraints do not allow for a detailed response to all of the schedules. As a consequence, this submission will address only a small number of measures which, if passed, will significantly increase hardship for some of the most disadvantaged individuals and families in our community, who will be pushed further into poverty and financial hardship.

A number of the schedules before the Committee revive lapsed measures previously considered by the Parliament.

For example, the *Social Services Legislation Amendment Bill 2015* sought to amend the *Social Security Act 1991* to give effect to a Mid-Year Financial Economic Outlook 2014 measure intended to remove access to social security payments for certain persons in psychiatric confinement as a result of being charged with an offence, (see the submission of the NWRN¹).

This measure is revived in *Schedule No 20* on psychiatric confinement.

Other examples include the *Social Services Legislation Amendment (Enhanced Welfare Payment Integrity) Bill 2016* and the *Social Services Legislation Amendment (Interest Charge) Bill 2016*.² Both of these Bills were sent to Senate Committee's and received submissions, but lapsed when the election was called.

A Government-dominated Senate Community Affairs Committee report supported passage of the legislation but the Senate subsequently rejected the Bill.

A copy of the NWRN's submission on this Bill is provided for the information of the Committee.

¹ National Welfare Rights Network, *Submission to the Senate Standing Committees on Community Affairs inquiry into the Social Services Legislation Amendment Bill 2015*. <http://www.welfarights.org.au/nwrn-submission-social-services-legislation-amendment-bill-2015>. Accessed 7 September 2016.

² <http://www.welfarights.org.au/nwrn-submission-social-services-legislation-amendment-welfare-payment-integrity-bill-2016> and <http://www.welfarights.org.au/nwrn-submission-social-services-legislation-amendment-interest-charge-bill-2016>. Accessed 7 September 2016.

Although opposed to many of the measures in the Bill, the Centre supports *Schedule 4*, which removes of the *Jobs Commitment Bonus*. This bonus was unnecessary and poorly targeted. Abolition of this measure will save \$242.1 million over 4 years.

Schedule 21: Removal of the Energy Supplement for new claims from September 2016

Schedule 21, if passed, which will see the removal of the Energy Supplement from September 2016.

This measure removes the carbon tax compensation for new income support recipients, with transitional arrangements that allow new claims between 20 September 2016 and 20 March 2017 to receive the compensation during this period.

The Energy Supplement represented the first real increase to Newstart Allowance in 22 years.

The Business Council of Australia has called for the Newstart Allowance to be substantially increased, arguing that it is so low that it “presents a barrier to employment and risks entrenching poverty”.³ The OECD, along with accounting firm KPMG, has also called for Newstart to be increased.⁴ A 2012 Senate report into the adequacy of the Newstart Allowance concluded that the Newstart Allowance was inadequate, noting that “NSA does not allow people to live at an acceptable standard in the long term”, but stopped short of recommending a boost to Newstart because of the budgetary implications.⁵

Clients of our Centre tell us about choosing between food and medication. They survive for the final three days of the fortnightly payment cycle by eating watered down “home-brand” soup for two days, or exist on a bottle of Nutella, until their next payment is due. We refer many people a local St Vincent’s de Paul service to obtain a food parcel or help with a utilities bill.

According to the Treasurer: “Carbon tax compensation will be closed to new welfare recipients as we will no longer compensate people for a tax that no longer exists and that this government abolished.”⁶

Yet the tax cuts that compensated for the introduction of the carbon tax remain in place. Only people receiving social security payments after September 2016 will have their incomes reduced following the abolition of the carbon tax. This is unfair and disproportionately impacts on some of the poorest people in Australia.

The value of the Energy Supplement ranges from \$101.40 to \$366.60 a year, depending on the payment received and family situation. The weekly amount for a single person is \$4.40 for a person on Newstart,

³ Business Council of Australia, *Submission to the Senate Education, Employment and Workplace Relations References Committee Inquiry into the Adequacy of the Allowance Payment System for Jobseekers and Others*, August 2012, p.1.

⁴ OECD, *Activating Jobseekers: How Australia Does it?*

<http://www.oecd.org/australia/australiasuniqueapproachtohelpingtheunemployedhasdeliveredgoodresultsbutchallengesremainsaesoecd.htm>. Accessed 7 September 2016. KPMG, *Expenditure cuts more likely to cut debt than tax rises*, 13 July 2016, Media Release. <https://home.kpmg.com/au/en/home/media/press-releases/2016/07/expenditure-cuts-kpmg-au-deficits-report.html>. Accessed 7 September 2016.

⁵ Senate Education and Employment References Committee, *Inquiry into the Adequacy of the Newstart Allowance and related payments*, Report, 2012, p. 65

⁶ Morrison, S. House of Representatives, *Budget Savings (Omnibus) Bill 2016 Second Reading Speech*, 31 August 2016, p. 35.

\$4.75 for single parents with dependent children on Newstart and \$7.05 for single pensioners. Young people under 18 and living at home receive the lowest amount, at just \$1.95 pw, and those over 18 and living away from home receive \$3.50 pw. For a person on Newstart, the Supplement is worth \$228.80 per year.

Given the low base rate of Newstart Allowance, the Energy Supplement represent a not insignificant boost to their income, the first in many years. Removing the Supplement will create real financial hardship.

The removal of the Energy Supplement for new claims together with the decision of the previous parliament to remove the twice yearly instalments of the "income support bonus" (worth \$5.50 per week) exacerbates the financial stress experienced by some of the poorest and disadvantaged in our community

Expert analysis of the complex method by which the carbon tax compensation and indexation was calculated has revealed that new claimants for Newstart will be worse off following the removal of the energy supplement, than if it had never been introduced.⁷

Recommendation: That Committee rejects Schedule 21.

Schedule 16: Backdating of the Carer Allowance

Schedule 16 removes the backdating provisions for new Carer Allowance claims resulting in 40,000 people each year missing out on back payments of Carer Allowance, at \$123.50 per fortnight to help with the costs of caring. Some people caring for adults and children with significant disabilities could miss out on up to \$740.

The proposed measure comes on top of 2006 measures which tightened the backdating provisions considerably.

Although inconsistent with the provisions for other payments, the justification behind the backdating of Carer Allowance is fundamentally sound because many carers are not aware they are entitled to the supplement because they are too busy with their new and often very significant caring responsibilities to investigate whether they are entitled to a payment.

The current provisions are also recognition of the valued but difficult job that carers provide. Carers often experience high levels of emotional, financial, physical and psychological stress as a result of their caring role. Carers are poorer than their non-carer peers, are less likely to be employed as non-carers, and nearly 2 in 5 have a disability. Carers also provide a valuable service, with Deloitte Access Economics reporting the economic value of unpaid caring worth in excess of \$60 billion a year.

If care is not provided, the carer may be forced to move to an institutional setting, which is much more expensive for government to provide.

Recommendation: That Committee rejects Schedule 16.

⁷ Plunkett, D. *Malice or misunderstanding: Government's Carbon Price Under-compensation?*
<http://www.austaxpolicy.com/malice-or-misunderstanding-governments-carbon-price-under-compensation/>.
Accessed 5 September 2016.

Schedule 10: Newly Arrived Residents Waiting Period

Under *Schedule 10*, the Government proposes remove exemptions from the Newly Arrived Resident's Waiting Period for new migrants who are family members of Australian citizens or permanent residents from 1 January 2017.

Under the current law, new migrants to Australia generally have to wait two years after the grant of their permanent visa before they can access most income support payments. However there are some exemptions from this two year ruling.

Removing the exemption will reduce support for new Australian families and will affect vulnerable families who are coping with a new environment and responding to life in a new country. Partners of Australian citizens or permanent residents will be especially affected.

The *Federation of Ethnic Communities' Councils of Australia* and the *National Ethnic Disability Alliance* have been critical of this measure, pointing out that supporting new migrants to Australia benefits the whole community.⁸

The proposed changes will also result in the removal of exemptions for women holding permanent partner visas, who are fleeing domestic violence and elder abuse.

Recommendation: That Committee rejects Schedule 10.

Yours sincerely,

Katherine Boyle
Coordinator and Principal Solicitor

⁸ Federation of Ethnic Communities' Councils of Australia and the National Ethnic Disability Alliance, Media Release, *MYEFO 2015-16 measures will hurt migrant partners and children of Australian citizens and permanent residents*,