



SENATOR THE HON MARK ARBIB

Minister for Employment Participation

Minister Assisting the Prime Minister for Government Service Delivery

Mrs Julia Irwin MP
Chair
Standing Committee on Petitions
Parliament House
CANBERRA ACT 2600

Dear Mrs Irwin

Julia

Thank you for your letter of 26 May 2010 to the Prime Minister, the Hon Julia Gillard MP, concerning a petition to increase Newstart Allowance and Parenting Payment Single rates. As the matter you have raised falls within my portfolio responsibilities, your letter was referred to me for a reply. I apologise for the delay in responding.

Australia's social security system needs to provide a strong safety net for people who require financial assistance. Funds available for social security expenditure must be directed to those most in need while ensuring the system remains sustainable for Australian taxpayers.

The difference between the rates and income tests of allowances and pensions reflects the different roles of these two types of payments. Allowances are designed to be adequate to live on while providing sufficient incentives for people to join or return to the workforce. In contrast, pensions are designed to acknowledge that some people face additional barriers such as age, disability or responsibilities for caring for people with disability that make it difficult for them to support themselves through paid employment.

In addition to the base rate of payment, a range of supplementary benefits are available, provided eligibility criteria are met, through the transfer system. These include, but are not limited to, Rent Assistance to help with the costs of accommodation, Pharmaceutical Allowance to help with the cost of pharmaceuticals, and Family Tax Benefit to help with the costs of raising children. There is also a range of benefits to assist people of working age with the costs of study or training such as the Pensioner Education Supplement, the Training Supplement and the Education Entry Payment.

The increases to pensions announced in the 2009–10 Federal Budget, and mentioned in the petition you supplied were part of the Australian Government's response to the Harmer Pension Review (the Harmer Review). The income support payments examined in the Harmer Review were those targeted to seniors, carers and people with a disability. The Government's response to the Harmer Pension Review included an increase in the rate of a number of payments including Age Pension; Carer Payment; and Disability Support Pension. The increases were introduced on 20 September 2009.

Income support payments such as Parenting Payment Single, Newstart Allowance and Youth Allowance did not fall within the terms of reference of the Pension Review, but were considered as part of the review of Australia's Future Tax System (the Henry Review). The Henry Review focused on the tax and transfer system, including the broad architecture of income support, and in particular the relationship between working age payments to pensions. The Report of the Henry Review was publicly released on 2 May 2010.

The Report includes a range of recommendations that would directly or indirectly impact on recipients of working age income support payments. Specifically, it recommends that the rates of payment for student and participation category payments should continue to be lower than the amount paid for pensioners, that a consistent approach to payment relativities between single and couple rates be achieved and that there be common indexation between payments. More generally, the report also suggest significant changes to income taxation provisions that impact on income support recipients and other low income people.

These recommendations of the Henry Review are not Government policy, and some of the Henry Review recommendations would involve a major restructure of the income support system. This could only take place after an extensive period of policy development and consultation, taking into account community debate on the issues, as well as the views of stakeholders and other budget priorities. As the Henry Review itself noted, it is not necessary or desirable to implement every recommendation of the report at once.

Thank you for bringing the concerns of the petitioner to my attention, if you or the Committee require further information, please contact my Office.

Yours sincerely

Mark Arbib

06 JUL 2010