

Chapter 2

Key issues

2.1 Submitters commented on the four measures proposed in the Bill, with all submissions expressing concerns related to issues of discrimination, equity and financial disadvantage. The key issues discussed in this chapter are:

- the proportional payment of pensions outside Australia (items 2–4 of Schedule 1 to the Bill);
- cessation of Pensioner Education Supplement (item 17 in Part 1 of Schedule 2 to the Bill); and
- the pauses on indexation (items 1–2, Schedule 4 to the Bill).

2.2 The committee has previously examined these proposed measures and reference to its conclusions in those inquiries will be made throughout this chapter, where relevant.¹

Proportional payment of pensions outside Australia

2.3 Schedule 1 to the Bill proposes to reduce, from 26 weeks to six weeks, the length of time for which recipients of Age Pension, and certain recipients of Disability Support Pension, Wife Pension and Widow B Pension, would be paid the basic means tested rate while outside Australia, from 1 January 2017.

2.4 The Explanatory Memorandum states that this measure would 'reinforce and strengthen the residence-based nature of Australia's social security system'.²

Submitters' comments

2.5 Some submitters did not support the proposal contained in Schedule 1, arguing that it would discriminate against older Australians, particularly those who were not born in Australia or who could not satisfy the Australian Working Life Residence maximum period of 35 years.

2.6 The Federation of Ethnic Communities' Councils of Australia (Federation of Ethnic Communities' Councils) argued that nearly 40 per cent of older Australians were not born in Australia. Consequently, the measure would 'disadvantage a

1 Senate Community Affairs Legislation Committee, [Social Services Legislation Amendment \(Youth Employment and Other Measures\) Bill 2015 \[Provisions\]](#), August 2015; Senate Community Affairs Legislation Committee, [Social Services Legislation Amendment \(Fair and Sustainable Pensions\) Bill 2015 \[Provisions\]](#), June 2015; Senate Community Affairs Legislation Committee, [Social Services and Other Legislation Amendment \(2014 Budget Measures No. 1\) Bill 2014 \[Provisions\]](#), [Social Services and Other Legislation Amendment \(2014 Budget Measures No. 2\) Bill 2014 \[Provisions\]](#), 12 September 2014.

2 Explanatory Memorandum, p. 2.

significant section of the Australian population who were born overseas and maintain important ties with their places of birth'.³ In its view:

...disadvantaging measures, with a large group of people having a significantly lower level of rights than another part of the population, are inequitable and do not contribute to social cohesion within Australian society.⁴

2.7 The National Welfare Rights Network highlighted that older Australians from culturally and linguistically diverse backgrounds are most likely to be adversely affected by the measure:

They are more likely to have humanitarian and compassionate reasons for travel (e.g. to visit parents and family members overseas who may be elderly and require care or other assistance). Reducing the rate of Age Pension after just 6 weeks is too short a period in such circumstances.⁵

2.8 The Refugee Council of Australia agreed, explaining:

Due to the numerous problems with family reunion, refugee community members are often required to travel overseas for long periods of time to visit their relatives and community members, as they are not able to bring their family members to Australia. This is especially important for those who have sick or dying relatives in secondary countries of asylum. As such, refugee communities may travel overseas for several months.⁶

2.9 The Welfare Rights Centre Sydney expressed the view:

...it is not unreasonable for an Age Pension recipient with close family overseas to want to spend an extended period of time with family overseas, particularly when dealing with illness or bereavement or when periods of extended caring is required.⁷

2.10 Other submitters argued that the measure would reduce the income of some older Australians who receive social security payments. St Vincent de Paul Society argued that the measure would particularly affect older Australians who come to Australia as refugees:

From what we see in our work, this is likely to affect those who came here from poorer countries as adults the hardest. It is unfair that a new Australian from a refugee background, who has had to return to their country of origin for a few months, should have their Pension cut significantly more than

3 *Submission 3*, p. 1. Also see: Combined Pensioners and Superannuants Association of NSW Inc., *Submission 2*, p. 3.

4 *Submission 3*, pp 1–2. Also see: COTA Australia, *Submission 12*, p. 1.

5 *Submission 4*, p. 3. Also see: Combined Pensioners and Superannuants Association of NSW Inc., *Submission 2*, p. 3; Australian Council of Social Service, *Submission 9*, p. 1.

6 *Submission 11*, p. 1.

7 *Submission 9*, p. 3. Also see: COTA Australia, *Submission 12*, pp 1–2, which noted also that it is not unusual for people to make one big trip to their birth country after retirement.

someone who has lived in Australia their whole life and then permanently emigrated overseas.⁸

2.11 The Federation of Ethnic Communities' Councils argued that some older Australians would receive less financial support if the measure were enacted, and argued that the current level of support would be significantly reduced and noted the Global AgeWatch Index 2015 that ranked Australia 17th in terms of providing for quality of life in older age. At the same time, the Index ranked Australia lowest in the region in the income security domain (62nd), due to a high old age poverty rate (33.4 per cent) and a pension income coverage (83 per cent) below the regional average.⁹

2.12 The Federation of Ethnic Communities' Councils submitted that 'the proposed changes to the portability of benefits would further weaken Australia's poor performance in this area'. The following illustration was provided:

...a recipient with a yearly income and asset tested rate of \$3,500 and 18 years working life in Australia would get an overseas rate of \$1,808.30 a year $[(3,500 \times 217) \div 420]$. The person in this example ordinarily gets \$134.60 per fortnight. Under the new measure...the \$1808 annual rate (roughly \$69.55 per fortnight) would apply after 6 weeks rather than the current 26 weeks. This is a significant difference in income, which would be more pronounced for individuals on a full pension with no assets.¹⁰

2.13 The Chinese Australian Services Society supported the measure proposed in Schedule 1 to the Bill, as it would 'allow for the aged population to develop a stronger tie with Australia' and strengthen the sustainability of the welfare system,¹¹ but suggested that the Bill should provide for special circumstances so that older Australians' income support payments are not affected after six weeks absence from Australia due to reasons beyond their control:

There could be a situation, when they are unable to return to Australia during an overseas trip due to a particular reason, such as a serious accident, medical emergency or natural disaster. This needs to be considered when changes are made to their payment. Therefore, we would like to suggest the Government [add] a mechanism to increase the six-week period under special circumstances.¹²

2.14 The committee notes that it has previously examined and expressed its support for the measure proposed in Schedule 1 to the Bill, as 'the measure reinforces the residence-based nature of Australia's pension system'.¹³

8 *Submission 8*, p. 2.

9 Global AgeWatch Index 2015, [AgeWatch report card, Australia](#), accessed 21 January 2016.

10 *Submission 3*, p. 2.

11 *Submission 7*, p. 1.

12 *Submission 7*, p. 2.

13 Senate Community Affairs Legislation Committee, *Social Services Legislation Amendment (Fair and Sustainable Pensions) Bill 2015 [Provisions]*, June 2015, p. 22.

Cessation of Pensioner Education Supplement

2.15 Item 17 in Part 1 of Schedule 2 to the Bill would repeal the Pensioner Education Supplement, from 1 January 2016. Notwithstanding the cessation of this payment, the Minister for Social Services (Minister) noted:

The Government remains committed to providing incentives for income support recipients to improve their employment prospects through study or training. However, more appropriate channels of Government-funded study and training assistance for income support recipients are available through employment service providers, the Higher Education Loan Program, FEE HELP and VET FEE HELP tuition loan programmes.¹⁴

2.16 In addition, the Minister highlighted that there are other income support payments (such as Youth Allowance (Student) and AUSTUDY) that are particularly targeted toward students, and which consider students' particular circumstances and needs: 'These student payments will continue and will not be affected by the removal of the pensioner education supplement'.¹⁵

Submitters' comments

2.17 Some submitters did not support the proposal to cease the Pensioner Education Supplement, from 1 January 2016. These submissions argued that people receiving the payment are financially disadvantaged and rely on this extra income to cover the on-going costs of education and training. Submitters further argued that the proposed measure contradicts the policy objective of enhanced workforce participation.

Current financial disadvantage

2.18 Two submitters—the Australian Association of Social Workers and The Salvation Army—particularly described the impecunious circumstances of people who currently receive income support and the Pensioner Education Supplement.

2.19 In 2015, the Australian Association of Social Workers and James Cook University conducted research into the financial circumstances of students, including 54 social work students who were in receipt of a Disability Support Pension. The research found that this group of students was in 'extreme financial stress':

...55% of the students indicated that they **regularly** went without food or other necessities because they could not afford them. Students also indicated that at times they had insufficient money for food (59%), clothing (67%), accommodation (43%), transport (56%) and medication (52%).

In addition, the lack of financial resources directly affected the students' study experiences: 87% of students indicated they did not have not enough

14 The Hon Christian Porter MP, Minister for Social Services, *House of Representatives Hansard*, 2 December 2015, p. 12. For further information on these and other programs see: Australian Government, [HELP Paying My Fees](#), accessed 21 January 2016; EM, Statement of Compatibility with Human Rights, p. 4.

15 Minister, *House of Representatives Hansard*, 2 December 2015, p. 12.

money to pay for all recommended texts or educational resources, 35% had problems with accommodation caused by a lack of income and 35% felt that the lack of financial support increased the likelihood of dropping out of the course.¹⁶

2.20 Each year since 2012, The Salvation Army has conducted its Economic and Social Impact Survey, which explores the levels of deprivation and disadvantage experienced by people who have accessed its Emergency Relief Services. In 2015, the survey results revealed a 'bleak picture of entrenched and persistent poverty and disadvantage' and the 'inadequacy of income support payments':

The study showed 88% of respondents received some form of income support. Among this group, a major theme for those receiving Newstart, Disability Support Pension and Parenting payments was the inadequacy of income support and insufficient financial resources. Many of these individuals and families accessed Emergency Relief assistance as the last resort to meet their basic needs. These people had \$125 per week (median per week) to live on after accommodation expenses (\$180 median per week). This equates to just \$17.86 per day to meet all other living expenses.¹⁷

2.21 The Salvation Army argued that, within such a tight financial environment, the Pensioner Education Supplement was a 'critical payment towards the additional costs associated with education'.¹⁸

Reduction in income support

2.22 Other submitters agreed that cessation of the Pensioner Education Supplement would negatively affect people already on low incomes and inhibit their ability to undertake, or discourage them from undertaking, education and training.¹⁹

2.23 The St Vincent de Paul Society submitted that the payment is a significant amount to people on very low incomes:

For the pensioners who receive the Supplement, this represents a 9-12% cut in the income support they will receive. This is clearly significant...[and] will have enormous ramifications for these families' ability to feed and shelter themselves, let alone continue to engage in education.²⁰

16 *Submission 1*, p. 3 (emphasis in the original).

17 *Submission 6*, p. 2.

18 *Submission 6*, p. 2. Also see: The Women and Work Research Group and The Work + Family Policy Roundtable, *Submission 5*, p. 9.

19 As indicated in chapter one, the Pensioner Education Supplement represents a payment of \$62.40 per fortnight for full-time students and \$31.20 per fortnight for part-time students. About 93 per cent of payment recipients receive the higher amount: Welfare Rights Centre Sydney, *Submission 10*, p. 3.

20 *Submission 8*, p. 2. Also see: The Women and Work Research Group and The Work + Family Policy Roundtable, *Submission 5*, p. 10; Australian Association of Social Workers, *Submission 1*, p. 4, which argued also that the Pensioner Education Supplement should be increased, rather than being eliminated.

2.24 Similarly, the Combined Pensioners and Superannuants Association of NSW Inc. submitted:

Eighty four per cent of people receiving the Pensioner Education Supplement have no additional income other than their Centrelink payment. Nine out of every ten people affected are either Disability Support Pensioners or sole parents: two groups which the Government wishes to be job ready. Ceasing the Pensioner Education Supplement will be a barrier to pensioners taking up training and education opportunities.²¹

2.25 Some submitters suggested that women, younger people under 25 years of age, carers and Aboriginal and Torres Strait Islander peoples would be most affected by the cessation of the Pensioner Education Supplement. For example, the Welfare Rights Centre Sydney submitted:

At June 2014 there were 46,885 people undertaking a course of study with the [Pensioner Education Supplement (PES)]. Three-in-ten (13,700) were aged under 25, indicating that this payment offers beneficial supports that assists young people to continue in education and study. Seven per cent of those studying with the PES were Indigenous. Data from Senate estimates indicates that eighty per cent [of] PES recipients are women.²²

2.26 The Refugee Council of Australia submitted that refugee communities encounter barriers to education (particularly the up-front and ongoing costs) and supports—such as the Pensioner Education Supplement—that mitigate these barriers should be maintained:

Due to conflict and time spent in refugee camps or countries of first asylum, many people arrive in Australia with disrupted education. Others may also arrive with significant skills and education, but these qualifications are not recognised in Australia. Support to continue education...[is] needed to enable many people to gain adequate skills and qualifications in Australia.²³

Transitional arrangements

2.27 Both the Welfare Rights Centre Sydney and the National Welfare Rights Network observed that the Bill does not include transitional arrangements, for those Pensioner Education Supplement recipients who are part-way through a course:

...the average time that the PES is received is 3.5 years. It is unfair to cease access to this supplement for people who are in the process of completing a course of study. When changes were made impacting single parents in 2006 and 2013, transitional rules [were made] to sensibly allow parents to complete their course.²⁴

21 *Submission 2*, p. 4.

22 *Submission 10*, p. 4. Also see: National Welfare Rights Network, *Submission 4*, p. 4.

23 *Submission 11*, p. 2.

24 *Submission 10*, p. 4. Also see: National Welfare Rights Network, *Submission 4*, p. 4.

Negative impact on enhanced workforce participation

2.28 Several submitters argued that cessation of the Pensioner Education Supplement would not assist income support recipients to acquire or improve their education and training, with a view to re-entering the workforce. The argument was that the Bill does not support people to improve their financial position and advance out of welfare dependency.²⁵

2.29 For example, the Australian Council of Social Service submitted:

Further education and skills development improves work prospects, enabling people to rely less on income support in the future. Sole parents in particular may need to obtain further educational qualifications to re-enter employment after a period of full or part time care.²⁶

2.30 In a joint submission, The Women and Work Research Group and The Work + Family Policy Roundtable stated that the Bill does not provide 'a coherent policy response to the need to increase women's employment participation':

A positive and comprehensive policy to facilitate the increased workforce participation of sole parents and other women needs to be both carer-friendly and to benefit women in all socio-economic groups. The reductions to pensions and benefits in this Bill can only increase the disadvantage of sole parents and other carers (and those who have a disability), particularly along with other proposed changes in the Social Services Legislation Amendment (Family Measures) Bill 2015 and Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill (No. 2) 2015.²⁷

2.31 The Women and Work Research Group and The Work + Family Policy Roundtable added:

...attacking sole parents' attempts to improve their education limits their options for accessing employment and, if they manage to find employment, limits them to poor quality intermittent casualised jobs. The measures in the Bill thus directly undermine the federal government's commitment to increase women's labour force participation on a sustainable basis.²⁸

2.32 Some submitters referenced the Minister's comments about the availability of 'more appropriate channels of Government-funded study and training assistance for income support recipients'. These submitters contended that the three identified channels—HECS-HELP, FEE HELP and VET FEE HELP—would not replace the income that would be lost, if the Pensioner Education Supplement were enacted.

2.33 For example, the National Welfare Rights Network noted that HECS-HELP, FEE HELP and VET FEE HELP offer assistance only for the costs of tuition:

25 Australian Association of Social Workers, *Submission 1*, p. 5.

26 *Submission 9*, p. 2. Also see: National Welfare Rights Network, *Submission 4*, p. 4.

27 *Submission 5*, p. 8.

28 *Submission 5*, p. 10.

PES is therefore a critical payment which assists with the additional costs of study and encourages and enables Disability Support Pensioners and single parents to undertake study. Encouraging study during periods of unemployment is sound policy and the centrepiece of the government's 'earn or learn' scheme directed at younger people. Maintaining PES assistance is important also for carers, particularly those who are likely to transition off carer payment and onto Newstart Allowance while still of workforce age (eg because of the life expectancy of the care receiver).²⁹

2.34 In addition, the Australian Association of Social Workers submitted that most students are likely to already be receiving assistance through two of the three identified channels (HECS-HELP and FEE HELP).³⁰

2.35 While the Chinese Australian Services Society supported the proposed measure, as a refinement of the income support system and to reduce 'those payment supplements that are no longer viable', its submission suggested:

There is evidence that active participation in social and community life improves the life quality and in some cases, the life expectancy of older people. This participation often depends on the self-development of senior citizens and the existence of appropriate support for learning.³¹

2.36 In its prior examination of the measure now proposed in Schedule 2 to the Bill, the committee was satisfied that 'other supports remain available to assist low income pension recipients and those seeking to undertake further education'.³² The committee notes the Government remains committed to providing education and training incentives to income support recipients and that there are other targeted payments available to people seeking to study and/or train.

Pauses on indexation

2.37 Items 1–2 of Schedule 4 to the Bill would pause indexation of the income free areas for all working age allowances and for Parenting Payment Single, and the income free areas and other means test thresholds for student payments, commencing 2016. The Statement of Compatibility in the Explanatory Memorandum notes:

The changes to the value of income test free areas and thresholds for certain Australian Government payments assist in targeting payments according to need. Payments will not be reduced unless customers' circumstances change, such as their income increasing in value.³³

29 *Submission 4*, p. 4. Also see: St Vincent de Paul Society, *Submission 8*, p. 3; Welfare Rights Centre Sydney, *Submission 9*, p. 2.

30 *Submission 1*, p. 4. Also see p. 5 in relation to the Education Entry Payment.

31 *Submission 7*, p. 2. Chinese Australian Services Society Limited specifically referred to the prevention of dementia-spectrum disorders.

32 Senate Community Affairs Legislation Committee, *Social Services Legislation Amendment (Fair and Sustainable Pensions) Bill 2015 [Provisions]*, June 2015, p. 22.

33 EM, Statement of Compatibility, p. 9.

Submitters' comments

2.38 Some submitters expressed the view that indexation is essential to maintain the real value of income support. Submitters—such as the St Vincent de Paul Society and The Salvation Army—commented that pausing indexation reduces the real value of income support, leaving payment recipients worse off financially. For example:

Freezing income free areas for three years essentially reduces the adequacy of private income for people affected by the means testing and income thresholds. It is a measure that reduces incomes solely for the purposes of budget savings and is essentially punishing people who are on income support.³⁴

2.39 The Welfare Rights Centre Sydney identified Newstart Allowance as a payment which would most clearly be affected by the proposed measure. Its submission stated that 'a substantial number of unemployed people, including about 45 per cent of single parents on Newstart, will be impacted by this threshold freeze'.³⁵

2.40 The Chinese Australian Services Society commended the measure for 'working towards the sustainability of our payments system' but expressed concern for families in 'special hardship'.³⁶

2.41 The Welfare Rights Centre Sydney—and other submitters—argued that the measure would be a work disincentive: it would discourage people from engaging in casual and part-time work, as any earnings would more quickly erode their income support payment. For example, the Australian Council of Social Service submitted:

By freezing the indexation (to CPI) of payment free areas this measure would reduce in real terms the amount that people on income support can earn before their payments are reduced. This will reduce the overall income for people partly reliant on income support as well as paid employment. Income free areas should not be adjusted through ad-hoc freezing of indexation to achieve short term budget savings at the expense of reducing the incomes of people on low wages.³⁷

2.42 The Combined Pensioners and Superannuants Association of NSW Inc. clarified how much Newstart Allowance recipients can earn, before the earnings begin to affect their income support payments:

...on Newstart Allowance a person may earn up to \$102 per fortnight [three hours per week] before they lose their eligibility to the full rate of the allowance. Reaching this threshold not only means that their Centrelink payment begins to taper off, it also means they cease to be eligible for certain state based concessions... To 'pause' indexation of this income free

34 The Salvation Army, *Submission 6*, p. 3. Also see: St Vincent de Paul Society, *Submission 8*, p. 3.

35 *Submission 9*, p. 7.

36 *Submission 7*, p. 3.

37 *Submission 9*, p. 2. Also see: Welfare Rights Centre Sydney, *Submission 9*, p. 7.

area for three years will be to the detriment of recipients who are able to earn some income.³⁸

2.43 The National Welfare Rights Network submitted that the rate of workforce aged payments is widely recognised as inadequate and 'to propose undermining existing free areas by freezing indexation, in the face of clear inadequacy of workforce age payments, is indefensible'.³⁹

2.44 Three submitters—the Combined Pensioners and Superannuants Association of NSW Inc., The Salvation Army, and St Vincent de Paul Society—called for the income free thresholds to be indexed to movements in the national average wage, rather than being paused as proposed in the Bill.⁴⁰

2.45 The committee notes that income support payments would not be affected by the measure proposed in Schedule 4 to the Bill, unless a person's financial circumstances change.

Committee view

2.46 The purpose of this Bill is to reintroduce measures that formed part of the Government's budget repair strategy. In addition, the Minister has noted that the Social Services portfolio is committed to fiscal discipline, to effectively reduce long-term pressures, target resources to those who most need them, and ensure the sustainability of Australia's social security safety net.

2.47 The Explanatory Memorandum has explicitly identified the savings to be achieved by the Bill and who would be affected by the proposed measures. The committee notes that submitters focussed on the latter and argued essentially that disadvantaged people would be significantly and adversely affected for a short-term policy objective.

2.48 In respect of Pensioner Education Supplement, the committee heard that it would not be fair to cease this payment for people who have commenced but not yet completed a course of education or training. The committee agrees that such a move would be unfair and counterproductive. Noting the financial circumstances of income support recipients, the committee considers that the Bill should be amended to include suitable transitional arrangements for students currently receiving Pensioner Education Supplement.

Recommendation 1

2.49 The committee recommends that the Bill be amended to include transitional arrangements for current recipients of the Pensioner Education Supplement, to enable them to complete their education or training course.

38 *Submission 2*, pp 4–5.

39 *Submission 4*, p. 5. The Refugee Council of Australia referred particularly to the inadequacy of Austudy and Youth Allowance: *Submission 11*, p. 2.

40 *Submission 2*, p. 5; *Submission 6*, p. 3; *Submission 8*, p. 3, respectively.

Recommendation 2

2.50 The committee recommends that the Bill be passed.

Senator Zed Seselja

Chair

