

Chapter 1

Introduction

Referral

1.1 On 19 June 2014, the Senate referred the Social Services and Other Legislation Amendment (2014 Budget Measures No. 1) Bill 2014 (First Bill) and Social Services and Other Legislation Amendment (2014 Budget Measures No. 2) Bill 2014 (Second Bill) (Bills) to the Community Affairs Legislation Committee for inquiry and report by 4 September 2014.¹ The reporting date was subsequently extended until 10 September² and then 12 September 2014.³

Background

1.2 In the 2014–15 federal Budget (Budget), a series of welfare reforms were outlined by the government to increase every Australian's ability to contribute to the economy and improve the long-term sustainability of the welfare system.⁴ The Bills aim to facilitate a number of these reforms primarily through changes to indexation and eligibility requirements for a number of Australian Government payments.

Conduct of the inquiry

1.3 The committee advertised the inquiry in *The Australian* on 2 April 2014. Details of the inquiry, including a link to the Bills and associated documents, were placed on the committee's website.⁵ The committee also wrote to 32 organisations and individuals, inviting submissions by 25 July 2014.

1.4 The committee received 66 submissions, which are listed at Appendix 1 and published on the committee's website.

1.5 The committee held public hearings in Sydney on 20 and 21 August 2014. A list of witnesses who appeared at the hearing is at Appendix 2, and the *Hansard* transcript is available on the committee's website.

1 *Journals of the Senate*, No. 33—19 June 2014, p. 914.

2 *Journals of the Senate*, No. 51—3 September 2014, p. 1411.

3 See: Interim Report tabled 10 September 2014, available at: http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Community_Affairs/Social_Services_2014_Budget_Measures/Interim_Report (accessed 12 September 2014).

4 *Budget 2014-15, Building a strong welfare system*, available at: http://www.budget.gov.au/2014-15/content/glossy/welfare/html/welfare_01.htm (accessed 12 September 2014).

5 See: http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Community_Affairs (accessed 12 September 2014).

Structure of this report

1.6 The report is structured in two chapters—this introductory chapter which provides an overview of the Bills and their key provisions; and chapter two, which addresses key issues arising from the Bills raised by submitters and witnesses.

Purpose of the Bills

1.7 As the Bills contain a number of different and discrete schedules which amend a number of different pieces of legislation for differing purposes, they are commonly referred to as omnibus bills. The *Social Security Act 1991* (SSA) is the primary piece of legislation to be amended by these Bills. The First Bill introduces a package of measures from the Budget in the Social Services portfolio, while the Second Bill reforms a number of other areas.⁶

Social Services and Other Legislation Amendment (Budget Measures No. 1) Bill 2014

1.8 The First Bill contains eight schedules. Seven of these seek to implement Budget measures. The amendment in Schedule 8 is not related to the Budget.

Schedule 1—energy supplement replacing seniors supplement

1.9 The 2014–15 Budget proposed changes to the Seniors Supplement (SS) and Clean Energy Supplement (CES).⁷

1.10 The SS is currently provided to holders of a Commonwealth Seniors Health Card (CSHC). A CSHC can be issued to people who are of pension age but are not receiving government income support, and whose adjusted taxable income is under \$50 000 (single) or \$80 000 (partnered).⁸

1.11 The First Bill would abolish the SS for CSHC holders after the June 2014 payment.⁹ However, cardholders would retain access to other benefits, such as discounts on medicines under the Pharmaceutical Benefits Scheme, health safety net thresholds and lower fees on medical services.¹⁰

6 The Hon. Mr Kevin Andrews MP, Minister for Social Services (Minister), *House of Representatives Hansard*, 18 June 2014, p. 6396.

7 See: Department of Social Services, *Budget Fact Sheet—Seniors and Age Pension*, available at: <http://www.dss.gov.au/about-the-department/publications-articles/corporate-publications/budget-and-additional-estimates-statements/2014-15-budget/budget-fact-sheet-seniors-and-age-pension> (accessed 12 September 2014).

8 See: Department of Human Services, *Commonwealth Seniors Health Card*, <http://www.humanservices.gov.au/customer/services/centrelink/commonwealth-seniors-health-card> (accessed 12 September 2014).

9 Explanatory Memorandum (EM), Social Services and Other Legislation Amendment (2014 Budget Measures No. 1) 2014 (First Bill), p. 2.

10 EM, First Bill, p. 2.

1.12 The government has stated that ceasing the seniors supplement would achieve savings of \$1.1 billion over the forward estimates¹¹ and help ensure that payments remain targeted to those most in need.¹²

Schedule 2—energy supplement replacing clean energy supplement

1.13 Schedule 2 seeks to rename the CES as the Energy Supplement (ES). Removal of indexation arrangements would result in payment levels being maintained at July 2014 levels.¹³

1.14 Ceasing indexation from July 2014 would achieve estimated savings of \$479.1 million over five years.¹⁴

1.15 The schedule also introduces minor changes to the partner income free area.

Schedule 3—indexation

1.16 This schedule would implement a number of changes to the indexation of government payments, including:

- from 1 July 2014—pause indexation for three years of the income free areas and assets value limits for all working age allowances (other than student payments), and the income test free area and assets value limit for parenting payment single;
- from 20 September 2014—index parenting payment single to the Consumer Price Index (CPI) only, by removing benchmarking to Male Total Average Weekly Earnings;
- from 1 July 2014—pause indexation for three years of several family tax benefit free areas.¹⁵

1.17 The government has stated that these indexation measures would result in an estimated saving of approximately \$1.2 billion over four years.¹⁶

Schedule 4—Disability Support Pension

1.18 The First Bill seeks to help young people with a disability enter the workforce if they are able to do so.

1.19 Schedule 4 introduces measures designed to review Disability Support Pension (DSP) recipients under the age of 35 against revised impairment tables and have their work capacity reassessed. The schedule also introduces requirements, such

11 EM, First Bill, p. 2.

12 Minister, *House of Representatives Hansard*, 18 June 2014, p. 6396.

13 EM, First Bill, p. 6.

14 *Budget 2014-15, Budget paper No. 2: Budget Measures, Part 2: Expense Measures*, p. 191, available at: http://www.budget.gov.au/2014-15/content/bp2/download/BP2_consolidated.pdf (accessed 12 September 2014)

15 EM, First Bill, p. 20.

16 Correction to EM, First Bill.

as work-focused activities, for pension recipients in order to increase their chances of finding and keeping a job.¹⁷

Schedule 5—portability for students and new apprentices

1.20 Schedule 5 of the bill would change the circumstances in which students can receive social security payments while travelling overseas. Currently, students remain eligible for payments while they are overseas on holiday for up to six weeks in any twelve-month period. The First Bill seeks to tighten access and would ensure that students who are overseas only receive payments in certain circumstances, such as when they are studying abroad or in a family emergency.¹⁸ Therefore, the First Bill does not change the duration of the six-week period, rather it narrows the circumstances in which people can access payments while overseas.

Schedule 6—waiting periods

1.21 This schedule of the bill seeks to extend and simplify the ordinary waiting period for all working age social security payments from 1 October 2014.

1.22 Currently, those eligible for the Newstart Allowance or Sickness Allowance must, except in some circumstances, serve an ordinary waiting period of seven days before the allowances are payable. The bill would extend this system to create a new ordinary waiting period for the widow allowance, parenting payment and youth allowance for people who are not studying full time and are not new apprentices.¹⁹ In delivering the Second Reading Speech on the First Bill, Mr Kevin Andrews MP, Minister for Social Services (Minister) articulated that the aim of this measure is to provide an incentive for young unemployed people to participate in training, education and employment rather than relying on welfare benefits.²⁰

1.23 The schedule also sets out requirements for exceptions to the waiting period, which are currently made in circumstances of severe financial hardship. The First Bill provides for exceptions to be made only in circumstances where a person is also experiencing a personal financial crisis.²¹ A person will need to satisfy circumstances to be prescribed in a legislative instrument before the exemption will apply.²²

Schedule 7—Family Tax Benefit

1.24 The bill proposes changes to the indexation of government payments, including pausing indexation of the Family Tax Benefit (FTB) rates for two years in

17 EM, First Bill, p. 24.

18 EM, First Bill, p. 29.

19 EM, First Bill, p. 32.

20 *House of Representatives Hansard*, 18 June 2014, p. 6397.

21 EM, First Bill, p. 32.

22 EM, First Bill, p. 32.

the maximum and base rate of FTB Part A and the maximum rate of FTB Part B.²³ The proposal to pause indexation is estimated to save \$2.6 billion over four years.²⁴

Schedule 8—Social and Community Services Pay Equity Special Account

1.25 This schedule introduces a non-Budget amendment to the *Social and Community Services Pay Equity Special Account Act 2012* (Act). The Act establishes the Social and Community Services Pay Equity Special Account and allows for funds to be transferred into the account for the 2012–13 financial year through to the 2020–21 financial year. The purpose of the account is to assist certain employers in the social, community and disability services industry meet the cost of payments required as a result of certain pay equity orders.²⁵

1.26 The measure in schedule 8 would add the Western Australian Industrial Relations Commission's decision of 29 August 2013 as a pay equity decision under the Act.²⁶ This would allow service providers affected by the WA decision to receive payment of Commonwealth supplementation.

Social Services and Other Legislation Amendment (Budget Measures No. 2) Bill 2014

1.27 The Second Bill follows up reforms introduced by the First Bill. It consists of twelve schedules.

Schedule 1—indexation and deeming thresholds

1.28 The schedule proposes further changes to a range of government payments:

- from 1 January 2015—pause indexation for three years of the income free areas and assets value limits for student payments, including the student income bank limits;
- from 1 July 2017—pause indexation for three years of the income and assets test free areas for all pensioners (other than parenting payment single) and the deeming thresholds for all income support payments;
- from 20 September 2017—ensure all pensions are indexed to the CPI only, by removing:
 - benchmarking to Male Total Average Weekly Earnings (MTAWE);
 - indexation to the Pensioner and Beneficiary Living Cost Index (PBLCI); and

23 EM, First Bill, p. 36.

24 *Budget 2014-15, Budget paper No. 2: Budget Measures, Part 2: Expense Measures*, p. 199, available at: http://www.budget.gov.au/2014-15/content/bp2/download/BP2_consolidated.pdf (accessed 12 September 2014).

25 For information on the *Social and Community Services Pay Equity Special Account Act 2012*, see: http://www.austlii.edu.au/au/legis/cth/num_act/sacspesaa2012564/s3.html (accessed 12 September 2014).

26 EM, First Bill, p. 32.

- from 20 September 2017—reset the social security and veterans' entitlements income test deeming thresholds to \$30 000 for single income support recipients, \$50 000 combined for pensioner couples, and \$25 000 for a member of a couple other than a pensioner couple.²⁷

1.29 Together, these measures are expected to result in a saving of over \$500 million over the next 4 years.²⁸

Schedule 2—Disability Support Pension

1.30 This schedule proposes changes in relation to the Disability Support Pension (DSP).

1.31 Current overseas portability rules state that a person in receipt of the DSP can receive payments during temporary absences, provided those absences are not longer than six weeks.²⁹ The proposed measures would limit the overseas portability period to 28 days in a twelve-month period from 1 January 2015. Where absences exceed the portability period, pensions would be cancelled at the end of that period.³⁰

Schedule 3—Young Carer Bursary Programme

1.32 This schedule would amend the *Social Security Act 1991* and the *Veterans' Entitlements Act 1986* to ensure that payments under the Commonwealth's Young Carer Bursary Programme are not counted as income.

1.33 The programme provides bursary payments to carers under the age of 25. Ensuring that these payments are not counted as income will relieve the financial pressure on young carers and assist them to undertake part-time work in addition to their caring and educational responsibilities.³¹ This measure will cost an estimated \$3million over 4 years.³²

Schedule 4—Commonwealth Seniors Health Card

1.34 This schedule would see tax-free superannuation income included in the income assessment for qualification for the CSHC. The measure would ensure a consistent approach in assessment of people with similar incomes when they apply for government benefits.³³

27 EM, Social Services and Other Legislation Amendment (2014 Budget Measures No. 2) 2014 (Second Bill), p. 2.

28 EM, Second Bill, p. 3.

29 Certain exemptions apply, such as for severely impaired disability support pensioners, who have no portability restrictions placed upon them.

30 EM, Second Bill, p. 7.

31 EM, Second Bill, p. 11.

32 Correction to EM, Second Bill, p. 2.

33 Minister, *House of Representatives Hansard*, 18 June 2014, p. 6398.

1.35 The proposed amendments would commence on 1 January 2015. Superannuation products purchased before this date by existing CSHC holders would be exempt from the updated arrangements.³⁴

Schedule 5—relocation scholarships

1.36 These proposed measures would restrict access to the Relocation Scholarship to students relocating to or from regional areas from 1 January 2015. Students relocating from major cities would only remain eligible for the Relocation Scholarship if they relocate to study at a regional campus.

Schedule 6—pensioner education supplement

1.37 Schedule 6 of the Second Bill proposes to cease the pensioner education supplement from 1 January 2015 and make related consequential changes.

1.38 The EM states that the government remains committed to providing incentives for income support recipients to improve their employment prospects through study or training and that more appropriate channels of government-funded study and training assistance are available.³⁵

Schedule 7—education entry payment

1.39 The schedule seeks to abolish the education entry payment from 1 January 2015. The annual payment is available to people receiving certain financial assistance and is designed to help with the cost of study. If the payment is abolished, incentives for income support recipients to improve employment prospects through education would remain available through more appropriate channels, such as through employment service providers and tuition loan programs.³⁶

Schedule 8—age requirements for Commonwealth payments

1.40 Changes proposed under this schedule would see young people aged 22 to 24 no longer qualify for Newstart Allowance or Sickness Allowance. Persons in this age group would instead qualify for Youth Allowance (student) or Youth Allowance (other) until they turn 25. The schedule includes safeguards to ensure that existing Newstart recipients in the 22 to 24 age group leading up to commencement of this new measure would continue to receive the allowance.³⁷

1.41 The schedule also seeks to align the rate at which Farm Household Allowance is paid to farmers and their partners with Newstart and Youth Allowance rates.³⁸

34 EM, Second Bill, p. 12.

35 Second Bill, p. 20.

36 EM, Second Bill, p. 24.

37 EM, Second Bill, p. 28.

38 EM, Second Bill, p. 28.

Schedule 9—exclusion periods

1.42 The measures in Schedule 9 aim to encourage greater participation in work or other activities.³⁹

1.43 From 1 January 2015, new job seekers under 30 years of age applying for Newstart Youth Allowance (other) and Special Benefit would be required to participate in job search and employment service activities for up to six months before receiving payment. This six month waiting period will be reduced by one month for every year of prior work experience up to a maximum of five months. Part-time employment will also be recognised on a pro-rata basis. Job seekers who are already receiving Newstart, Youth Allowance (other) and Special Benefit prior to 1 January 2015 will be phased onto the new system from 1 July 2015.⁴⁰

Schedule 10—Family Tax Benefit

1.44 The schedule would implement a series of changes to family payments, including:

- limit the FTB Part A large family supplement to families with four or more children;
- remove the per-child add-on that currently applies for each child after the first under the income test for the base rate of FTB Part A;
- revise FTB end-of-year supplements to their original values and cease indexation;
- better target the FTB Part B by reducing the primary earner income limit from \$150 000 per annum to \$100 000 per annum;
- limit FTB Part B to families with children under six years of age, with transitional arrangements applying to current recipients with children above the new age limit for two years; and
- introduce a new allowance for single parents on the maximum rate of family tax benefit Part A for each child aged six to 12 years inclusive, and not receiving family tax benefit Part B.⁴¹

1.45 The proposed measures would come into force on 1 January 2015.

39 EM, Second Bill, p. 35.

40 Department of Social Services, *Submission 66*, p. 11.

41 EM, Second Bill, p. 48.

Schedule 11—pension age

1.46 Measures contained within this schedule would increase the qualifying age for the Age Pension and the non-veteran pension age for both men and women from 67 to 70 years by six months, every two years, from 1 July 2025.⁴²

Schedule 12

1.47 The schedule removes the three months' backdating of Disability Pension under the *Veterans' Entitlements Act 1986*.

Consideration by other committees

1.48 The Parliamentary Joint Committee on Human Rights examined the Bills in accordance with the *Human Rights (Parliamentary Scrutiny) Act 2011* in its Ninth Report of the 44th Parliament.⁴³ The report examined a number of measures in the Bills, raised a range of concerns and sought further advice from the responsible Ministers in respect of a number of matters.

1.49 The Senate Standing Committee for the Scrutiny of Bills considered the Bills in its Alert Digest No. 7 of 2014.⁴⁴ The committee raised some matters in relation to the Bills and sought clarification from the relevant Minister regarding some of the measures. The committee considered the Minister's responses in its Tenth Report of 2014.⁴⁵

Acknowledgements

1.50 The committee thanks those organisations and individuals who made submissions to the inquiry and gave evidence at the public hearings.

Note on References

1.51 Reference to the committee *Hansard* is to the proof *Hansard*. Page numbers may vary between the proof and the official *Hansard* transcript.

42 EM, Second Bill, p. 55.

43 *Examination of legislation in accordance with the Human Rights (Parliamentary Scrutiny) Act 2011, Bills introduced 23-26 June 2014, Legislative Instruments received 7-20 June 2014, Ninth Report of the 44th Parliament*, 15 July 2014, pp 71–99.

44 Alert Digest No. 7 of 2014, 25 June 2014, pp 35–41.

45 Alert Digest No. 10 of 2014, 27 August 2014, pp 473–480.

