



# Submission to the Senate Community Affairs Committee Inquiry into the Social Services Legislation Amendment (Budget Repair) Bill 2015

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**Combined Pensioners & Superannuants Association of NSW Inc (CPSA)**

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*CPSA is a non-profit, non-party-political membership association founded in 1931 which serves pensioners of all ages, superannuants and low-income retirees. CPSA has 122 branches and affiliated organisations with a combined membership of over 32,000 people living throughout NSW. CPSA's aim is to improve the standard of living and well-being of its members and constituents.*

CPSA welcomes the opportunity to comment on the *Social Services Legislation Amendment (Budget Repair) Bill 2015*.

### **Proportional payment of pensions outside Australia**

CPSA opposes the proposal to reduce the time that Age Pensioners (and some other Centrelink recipients) can remain overseas without penalty from 26 weeks to six weeks, or indeed any proposal to reduce the amount of time pensioners can spend outside of Australia.

This 77 percent reduction in the amount of time will negatively impact people who visit their country of origin to see friends and relatives for longer periods of time. Those who travel to care for friends and relatives (or to be cared for themselves) will be particularly affected.

This change will not achieve substantial savings (particularly when the savings to Medicare and aged care when someone is overseas and not using these systems are factored in) but will be detrimental to pensioners who need to spend time outside of Australia.

The proposal to apply an Australian working life residency test once the six week limit is reached sets up a two tier system between more recent migrants and everyone else. While CPSA understands that people should be required to claim a pension from other countries if they are entitled to do so and thereby reduce the payment required by the Australian Government, this already happens.

CPSA is perplexed as to why the statement of compatibility with human rights states that, "The measure ensures that social security is appropriately targeted. The measure affects those pension recipients, with indefinite portability of their payment, who would generally have spent part of their working life in another country, from which they should be able to receive a pension for their years of contributions or residence of that country." Portability is a separate issue – in order to access the Age Pension or other Centrelink payments, Australians who have spent a period of time overseas either as Australian citizens working abroad or before becoming Australian citizens *must* claim any entitlements they are eligible for from abroad.

### **The Pensioner Education Supplement and Education Entry Payment**

CPSA opposes the proposal to cancel the Pensioner Education Supplement and the Education Entry Payment. These payments are important additions to pension payments and enable people to fund some of the ongoing costs associated with study.

Over 41,000 people would lose between \$811.20 and \$1,622.40 per year (depending on their study load) from the cessation of the Pensioner Education Supplement, resulting in people currently receiving this payment being unable to pay education and other related costs. In addition, Education Entry Payment recipients will be worse off by \$208 per year.

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.

### **Indexation freeze on income free areas for working age allowances**

CPSA opposes the proposal to freeze the income free areas for the single Parenting Payment and all working age allowances (aside from student payments) for three years from 1 July 2016.

Putting a freeze on the income free areas runs counter to the Government's stated objective of getting people into work as doing so would remove an incentive to take up piecemeal work and would not easily allow someone to transition into paid employment.

These payments already have very strict income free areas. For example, on Newstart Allowance a person may earn up to \$102 per fortnight 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. For example, in NSW their transport concession ceases and their concession Opal card is automatically cancelled, not allowing for a smooth transition into work nor making it easy to undertake casual work without greater financial cost.

By comparison, someone on the Age Pension is able to earn \$162 per fortnight via the income test plus, if the income is from employment, have an additional \$250 per fortnight added to this threshold through the Work Bonus. This allows an Age Pensioner to earn \$412 per fortnight through work before their pension begins to taper off – more than four times the income allowable for someone on the significantly lower paid Newstart Allowance<sup>1</sup>.

The current income free area of \$102 per fortnight for Newstart Allowance enables someone to work just three hours per week at minimum wage before they are over the

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<sup>1</sup> The full rate of Newstart for single people without children is currently \$523.40 per fortnight. Single pensioners receive \$867 per fortnight – a difference of \$343.60 per fortnight with less ability to earn additional income without penalty.

threshold.<sup>2</sup> To 'pause' indexation of this income free area for three years will be to the detriment of recipients who are able to earn some income.

CPSA argues that the indexation method should change and, rather than being frozen, should be linked to the highest of wages and the Consumer Price Index (CPI) rather than CPI alone. CPI is not reflective of wage increases and as such reduces the real value of the income free area over time respective to wages.

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<sup>2</sup> Based on the current Australian minimum wage of \$17.29 per hour, Fair Work Commission, July 2015.