



**NATIONAL
WELFARE RIGHTS**
NETWORK

Submission to the

Senate Community Affairs Legislation Committee

on the

***Social Services Legislation Amendment (Fair and
Sustainable Pensions) Bill 2015***

12 June 2015

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1. Introduction

The NWRN is the peak body for community legal services which provide legal advice and representation to people about social security law including family assistance and employment assistance rules.

For over 30 years our members have assisted people experiencing social security problems and we have amassed a detailed knowledge of social security law and policy as well as its administration through the Department of Human Services. Our members also have direct, “on the ground” experience of the lives of people on low incomes who will be adversely affected by many of the measures in this bill.

2. Defined Benefit Income Streams

Since 1 July 2007, the deductible amount is based on the 'tax free component' as worked out under subdivision 307-C of the Income Tax Assessment Act 1997 or if applicable, subsection 307-125 of the Income Tax (Transitional Provisions) Act 1997.

The income test assessment for income support recipients who are receiving payments from a defined benefit income stream, is currently calculated by subtracting the deductible amount from the annual payment.¹ The deductible amount may be higher for some people than others, by operation of tax law. This measure would operate to cap the “deductible amount” to 10% of the gross amount payable to a person.

The National Welfare Rights Network (NWRN) supports reforms which target government spending more equitably and based on need. We support measures which increase consistency of treatment of different types of income.

NWRN supports this measure.

3. Proportional payments of pensions outside Australia

Currently, a person with an indefinitely portable pension (generally Age Pension) may continue to receive the full Age Pension for the first 6 months of an absence overseas. After 6 months (26 weeks), their rate is recalculated according to how many years of Australian Working Life Residence (AWLR) they have. People with less than 35 years of AWLR will receive a reduced pension, according to a formula based on the number of AWLR years they have. This is known as proportional portability.

¹ <http://guides.dss.gov.au/guide-social-security-law/4/9/2/30>

This measure would operate so that, from 1 January 2017, the proportional portability rate would commence at 6 weeks, rather than 6 months. It should also be noted that in recent years the number of AWLR years required to be paid at the full rate increased from 25 years to 35 years.

As a nation with an ageing migrant population, Age Pension recipients from Culturally Diverse and Linguistic Backgrounds are most likely to be adversely impacted by these changes. They are more likely to have humanitarian and compassionate reasons for travel (e.g. to visit parents and family members overseas who may be terminally ill or dying or in need to support and palliative care and related assistance). Reducing the rate of Age Pension after just 6 weeks is too short a period in such circumstances.

NWRN opposes this measure.

4 *Assets Test and Concession Cards*

This bill introduces measures, adopted from ACOSS and NWRN recommendations, for pension assets reform. This measure will replace last year's Budget proposal to index pensions and related payments to a lower benchmark. NWRN supports the decision not to proceed with those benchmark changes.

In our federal budget submission, NWRN recommended restoring the 2007 pension assets test taper of \$3.00 for every \$1,000 over the relevant assets threshold. NWRN supports the decision to increase assets free areas which will benefit people not just pensioners but also people on Newstart Allowance and other allowance payments. We support the automatic issue of a Health Care Card or Commonwealth Seniors Health Card to people affected by this measure.

We object however that of all our federal budget recommendations, only this measure and the abolition of the seniors supplement were adopted by Government, while other measures proposed by NWRN and ACOSS which would address the problem of declining revenue appear to have been ignored. We object that while significant savings have been found within the social security portfolio, those savings have not been redirected to social security recipients in greater need. It is not so much that these funds have now been better targeted within the social security system, they have simply been taken out. Not targeted, just taken.

This means that, once again, it is the people with only relatively modest means who are paying for the budget savings. When such changes are unaccompanied by tax and superannuation reform the result is unfairness. Steps must be taken to address inequities in other areas. The government needs a coherent retirement policy that ensures that the Age Pension provides an adequate safety net for those in need but also that the superannuation system adequately supports people in retirement who are outside the social security system.

We do not consider that the Government's decision not to proceed with its plan to index pensions and related payments to a lower benchmark amounts to a redirection of funds within the social security system. While this shift in the decision as to how, and from whom, benefits are withdrawn is

welcome, it is clearly not a redirection of funds to areas of greater social security need. It is really just a decision to change the way in which funds are taken from the social security system.

While the increases to assets free areas will see a small redirection of some of these funds estimated to benefit 4% of pensioners², it is only a small proportion of the overall savings and we consider that remaining savings of \$2.4 billion should be redirected to other areas of higher need in the social security system.

NWRN cannot support this measure until we are satisfied that the savings from the measure are redirected to areas of greater need³ in the social security system. The NWRN Federal Budget submission contains a range of such spending needs and can be found [here](#)⁴.

5. Abolition of the Senior's Supplement

The Senior's Supplement is available to all Commonwealth Seniors Health Card (CSHC) holders or Department of Veterans' Affairs Gold Card holders. It is worth \$886.60 per year for a single person and \$668.20 per year each if partnered. It is paid each quarter and is non-taxable. Individuals can qualify if their income as a single person is less than \$51,500 or \$82,400 as a couple combined. There is no assets test.

NWRN considers that income support to cover essential costs of living should be built into the maximum basic rate of payment and indexed to keep pace with rising costs. Addressing these additional costs of living by way of supplements, rather than increasing basic rates, may be politically expedient, but it is administratively cumbersome and inefficient.

The NWRN supports benefits based on need. Abolition of the senior's supplement was a savings recommendation in our Federal Budget submission.

However, once again, we are disappointed that it does not appear that the savings from this measure have been redirected to those in greater need in the social security portfolio.

For this reason, NWRN cannot support this measure until we are satisfied that the savings from the measure are redirected to areas of greater need in the social security system. The NWRN Federal Budget submission contains a range of such spending needs and priorities, such as lifting rates of Youth Allowance and Newstart Allowance and can be found [here](#)⁵.

² https://www.dss.gov.au/sites/default/files/documents/05_2015/2015_budget_fact_sheet_-_fair_and_sustainable_pensions_-_13_may_2.pdf

³ Priorities including raising the rates of allowances. Unemployment payments were last increased in real terms in 1994 by a mere \$2.95 per week. 52% of people living on Newstart Allowance are living in poverty. Changes to the Disability Support Pension eligibility have put it out of reach of many people with significant disabilities. One in four people on Newstart have a disability. The rate of youth allowance is even lower.

⁴ <http://www.welfarerights.org.au/nwrn-2015-2016-federal-budget-submission>

⁵ <http://www.welfarerights.org.au/nwrn-2015-2016-federal-budget-submission>

6. Pensioner Education Supplement and Education Entry Payment to cease

NWRN opposes the abolition of these payments. The financial assistance from Pensioner Education Supplement (PES) and Education Entry Payment (EdEP) can be used to purchase items necessary to study, ranging from textbooks, academic resources to transport and the internet connection needed to complete a course online.

PES encourages and enables Disability Support Pensioners and single parents to undertake study. Encouraging study during periods of unemployment is the centrepiece of the government's 'earn or learn' scheme directed at younger people and it is difficult to reconcile the decision to cut assistance to pensioners seeking to undertake study which might increase their work readiness in the future.

On last years' figures⁶, over 41,000 existing recipients are set to lose between \$811 and \$1,622 per year. According to the Department of Social Services, abolishing PES will affect approximately 47,000 people each year. The closure of PES will mean the loss of \$62.40 per fortnight at the full-rate received by 92% of current recipients or \$31.20 per fortnight at the part-rate, which just 8% of recipients receive.

The PES provides financial assistance with the ongoing costs of full-time or part-time study in a secondary or tertiary course at an educational institution approved by the Australian Government. The supplement is paid to people who are studying, including Disability Support Pensioners, Parenting Payment Single recipients, Carers Payment and Widows Allowance. On 1 January 2014, the supplement was extended to single parents on Newstart Allowance, after a successful campaign by single parents' and welfare groups.

According to data provided to the Senate in April 2014⁷, nine out of every ten people who will be affected are Disability Support Pensioners or single parents – the very people that the Government aims to have 'work ready'. Forty-five per cent are Disability Support Pensioners, who comprise the largest group receiving PES at 18,742 recipients. There were 17,535 Parenting Payment Single recipients studying, who account for 42 per cent, followed by 3,284 on Carer Payment, at just 8 per cent.

Generally, PES is not available to people receiving Newstart Allowance. When single parents who were not able to gain paid work were forced onto the poverty-level Newstart Allowance in 2006 and again in 2013, transitional rules allowed parents to complete their courses. However, NWRN is concerned that the Government has not considered transitional arrangements for parents and others who are mid-way through a course to continue.

This measure reverses the hard won reforms which from 1 January 2014 allowed single parents to access PES. This change gave 1,405 parents the opportunity to build a better life for their families through education and study. An estimated 25,000 single parents on Newstart Allowance would have been eligible to receive the PES over the next four years.

⁶ Senate Community Affairs Committee Answers to Questions on Notice, 2013-14 Additional Estimates Hearings, Question No. 655

⁷ Ibid

Three quarters of those affected by the removal of PES are women, with 31,396 receiving the payment. Six per cent are Indigenous, with 2,632 receiving the study supplement and 62 per cent, or 25,672 are aged under 35.⁸

One-in-six people receiving the PES are working part-time or casually, in addition to undertaking study, and some are also raising young children. The benefit assists people with disabilities and single parents to gain the skills they need to compete in a very tough labour market.

The Education Entry Payment (EdEP) was paid to about 88,000 people in 2013-14. It is paid to recipients of certain social security payments under SSAct section 23(1) to assist with up-front costs of education and training. An EdEP payment may be paid each 12 months or each calendar year depending on the type of payment being received if the person is still studying. The current rate of EdEP is \$208.00.

NWRN opposes the abolition of EdEP. Its removal may deter some people from commencing studies if they are unable to afford the initial up-front costs associated with commencing study. Given the Governments announcements about getting people into work and training it is difficult to reconcile the decision to cut assistance to people seeking to undertake study which might increase their work readiness in the future.

Plans to cut this benefit are counter-productive and short-sighted.

In justifying the removal of PES and Education Entry Payment, the Government has indicated that recipients have access to other education assistance, including the Employment Pathway Fund, employment services and training programs and HECS-HELP, FEE-HELP and VET FEE-HELP tuition loan programs. However we note that there have been changes to the JET program, including the introduction of an eight dollar cap and reducing the number of hours that people can access the benefit from 50 to 36.⁹

The Education Entry Payment and Pensioner Education Supplement are not being rolled into other student assistance programs or into the maximum basic rate. The explanatory memorandum recognises that withdrawal of these payments “reduces a recipients overall support”¹⁰.

NWRN opposes the measures in Schedules 5 and 6.

⁸ Ibid

⁹ Senate Education and Employment Legislation Committee, Hansard Transcripts, 4 June 2014, pp 20-21

¹⁰ Explanatory Memorandum, pp 8 and 11