Australian Government

Department of Social Services

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Dear Senator

SUBMISSION TO SENATE COMMUNITY AFFAIRS LEGISLATION COMMITTEE

Please find attached a joint submission by the Department of Social Services, the Department of Education and Training and the Department of Employment to the Senate Community Affairs Legislation Committee Inquiry into the *Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017*.

Thank you for providing the opportunity to make a submission.

Yours sincerely

Serena Wilson

3 March 2017

SOCIAL SERVICES LEGISLATION AMENDMENT (OMNIBUS SAVINGS AND CHILD CARE REFORM) BILL 2017

This joint submission by the Department of Social Services, the Department of Education and Training and the Department of Employment provides information on the schedules contained in the *Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017*.

The 18 schedules contained in this Bill introduce, or reintroduce, measures announced in the 2014-15, 2015-16 and 2016-17 Budgets and the 2016-17 Mid-Year Economic and Fiscal Outlook (MYEFO). These measures are designed to support the sustainability of the welfare payments system and the Budget.

A number of these measures were included in earlier Bills that were the subject of previous inquiries by the Senate Community Affairs Legislation Committee or by other relevant Senate Committees. Further detail is provided in the sections below, including links to any earlier submissions made by the Departments where relevant, as well as additional information relating to any matters identified during or since the previous inquiries.

Schedules 1, 2 and 3 – operation of Family Tax Benefit (FTB)

These schedules amend certain qualification and payment rates for FTB Part A, FTB Part B and the FTB Part A and Part B Supplements.

Certain amendments in these schedules were previously introduced in the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2016 and prior to that, the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015 which lapsed on prorogation of the previous Parliament.

The 2015 Bill was referred to the Senate Community Affairs Legislation Committee which tabled its report on 30 November 2015. The 2016 Bill was later referred to the Senate Education and Employment Committee which tabled its report on 10 October 2016. The latter Inquiry encompassed both the 2016 Bill and the related Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2016.

The Department of Social Services did not make a submission to either Inquiry but did appear at the public hearings on 4 October 2016 for the Inquiry into the 2016 Bill. The Hansard of the hearings is available from the Committee's website at: www.aph.gov.au/Parliamentary_Business/Committees/Senate/Education_and_Employment/JobsforFamilies45th/Public_Hearings.

Increases to the rate of FTB Part A and similar payments

From 1 July 2018 the standard fortnightly rate for each FTB Part A child will increase by $20.02. At the same time, an equivalent rate increase of around $19.37 per fortnight will also apply to certain Youth Allowance (YA) recipients who are:

- not independent, live at home and are not yet 18 years of age;
- independent, an accommodated independent person and are not yet 18 years of age; or
- independent, in supported state care and not yet 18 years old.

This will align these YA payment rates with the relevant FTB rate. Aligning these two rates of payment will provide consistency for families eligible for both FTB and YA and ensure there is no financial incentive for an FTB child to leave full-time secondary study to claim YA.

Consistent with the increase to YA rates, a rate increase of around $19.37 per fortnight will also apply from 1 July 2018 to the basic rate of Disability Support Pension (DSP) for a person aged under 18 who is not a member of a couple, not independent, and not living away from the person's parental home because of a medical condition. This will ensure that the basic rates of DSP and YA for dependent young people under 18 remain aligned.

Reforms to FTB Part B

From 1 July 2017, entitlement to FTB Part B will be removed for single parent families from 1 January of the calendar year in which their youngest child turns 17.

This change will not apply where the single parent is aged 60 years or older, or is a grandparent or great grandparent. These recipients will remain entitled to FTB Part B until the end of the calendar year in which their youngest child turns 18, as long as the child is a senior secondary school student.

Phase out of FTB Part A and Part B Supplements

The FTB Part A supplement will be phased out for families with an adjusted taxable income of $80,000 a year or less, by reducing to:

- $602.25 a year from 1 July 2016; and
- $302.95 a year from 1 July 2017.

The FTB Part A supplement will be fully withdrawn from 1 July 2018. This phase out builds on changes passed under the *Budget Savings (Omnibus) Act 2016* which withdrew the FTB Part A supplement for families with an adjusted taxable income over $80,000 a year.

The FTB Part B supplement will also be phased out, reducing it to:

- $302.95 a year from 1 July 2016; and
- $153.30 a year from 1 July 2017.

In line with the arrangements for the FTB Part A supplement, the FTB Part B supplement will also be fully withdrawn from 1 July 2018.

The FTB Part A and Part B supplements are components of FTB that are added into a family's rate of entitlement after the end of the relevant income year when certain conditions are satisfied and FTB is reconciled. This means that an individual's supplements for any given income year cannot be paid until after the end of that income year. Therefore, while the supplements are being reduced in the 2016-17 income year, there is no practical effect on payment of the supplement until after 1 July 2017.

Schedule 4 – Jobs for Families Child Care Package

The purpose of Schedule 4 – Jobs for Families Child Care Package is to introduce key aspects of the *Jobs for Families* Child Care Package, as announced in the 2015-16 Budget.

The *Jobs for Families* Child Care Package (the Package) will benefit almost one million families by delivering a more affordable, more flexible and more accessible child care system. The Package supports parents as they balance work and family responsibilities, while protecting those most vulnerable, and continuing to ensure a high-quality learning experience in our child care centres.

The Government has stated that this significant investment in child care must be fiscally sustainable. Combining the child care reforms into a single Omnibus Bill with the Family Tax Benefit measures enables the Government to reduce spending and increase workforce participation through an affordable child care system.

Schedule 4 replicates the provisions of the Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2016 (the 2016 Child Care Bill) which was introduced into the Parliament on 1 September 2016. The 2016 Child Care Bill in turn replicated the provisions of the Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015 (the 2015 Child Care Bill), with minor corrective amendments to address technical issues, to give best effect to agreed policy and to bring forward two compliance provisions to commence on Royal Assent.

Both the 2015 Child Care Bill and the 2016 Child Care Bill were referred to the Education and Employment Legislation Committee for inquiry. The Committee reported on these Bills in April and October 2016 respectively with both majority reports recommending that the Bills be passed. The Government tabled responses to both Inquiry reports on 9 February 2017. These responses are available at the following links:

- Response to 2015 Senate Inquiry report: https://docs.education.gov.au/node/43026
- Response to 2016 Senate Inquiry report: https://docs.education.gov.au/node/43021

In this context the Committee is referred to the Department of Education and Training's previous submissions and evidence to the Inquiries into the 2015 and 2016

Bills. The Department's submissions, Hansard of hearings and copies of responses to questions on notice, are all available from the Committee's website at the following links:

- 2015 Child Care Bill: http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Education_and_Employment/jobs_for_families
- 2016 Child Care Bill: http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Education_and_Employment/JobsforFamilies45th

In addition, the Department would like to highlight the following matters that have arisen either during or since the last Inquiry.

Support for vulnerable and disadvantaged children

A number of stakeholders have noted through submissions to, and evidence given at, previous Inquiries the need to ensure that there is adequate support for vulnerable and disadvantaged children, particularly Aboriginal and Torres Strait Islander children in remote and regional Australia. The Package targets child care support to families who need it most and also includes a generous safety net to support those most vulnerable in our community, as well as addressing current funding inequities in the current Budget Based Funded (BBF) program.

The Department of Education and Training notes that a number of stakeholders in the early childhood education and care sector have worked together to propose increasing the low income provision (for families with annual income under the low income threshold and who did not meet the activity test) from the 24 hours of subsidised care per fortnight (12 hours per week) contained in the Omnibus Bill, to 30 hours per fortnight (15 hours per week). The Government is considering this proposal as part of its negotiations and deliberations in preparation for Parliamentary debate.

In relation to children attending services funded under the BBF program, the current system of funding for these services is capped and is not able to respond to changes in communities, or the increasing number of children attending child care. In late 2016, Senator the Hon Simon Birmingham, Minister for Education and Training, wrote to all BBF services to express the Government's commitment to ensure that these services continue to operate beyond the introduction of the Package[1]. This commitment is being borne out through ongoing tailored support that has been provided to BBF program recipients since May 2016, and will continue as long as necessary.

Through the Package, BBF services will be able to access three streams of funding. Unlike the current BBF program which is capped at $61.8 million per year, BBF services will be able to access income from the Child Care Subsidy, which will increase as the number of eligible children in attendance increases. Similarly, the Additional Child Care Subsidy will support eligible families through higher subsidies, based on their individual needs. BBF services will also be able to seek

[1] A copy of the Minister's letter to BBF services is attached to the Australian Government response to the Senate Education and Employment Legislation Committee Inquiry report on the 2016 Child Care Bill.

supplementary, tailored sustainability funding under the Community Child Care Fund (CCCF).

In addition, the increased flexibility set out in the Omnibus Bill in relation to operating hours will allow BBF services to respond to the needs of their communities without having to meet a strict eight hours per day, five days per week regime.

The additional funding provided to eligible services, including BBF services, through the $110 million per annum CCCF will provide grants to child care services to reduce barriers to accessing child care, provide sustainability support for child care services experiencing viability issues and provide capital support to increase the supply of child care places in areas of high unmet demand, particularly in disadvantaged, regional or remote communities.

Based on feedback from key stakeholders, the Department of Education and Training is building greater levels of flexibility into the program design of the CCCF, including a non-competitive grants process to ensure the Fund can be tailored to meet the needs of those communities in which BBFs currently operate.

For BBF mobile services delivering playgroups or other non-child care activities, the Department of Education and Training is working with other departments and agencies to ensure these services are funded from the most appropriate source. It is the Government's intention to continue to support playgroups, as these provide a vital service to communities and families, as well as providing an important stepping stone to more formal child care for many families. Some playgroups may wish to transition to deliver child care services. Funding will be available under the CCCF to support this process.

Once the legislation is passed, there will be the opportunity for further consultation around the final design of the CCCF, particularly with BBF and mobile services. This will be done through public consultations on the CCCF program guidelines which will include separate guidelines to support the increased flexibility that will be available to BBF services. Should the legislation pass in March 2017, the draft guidelines will be published for consultation in April 2017.

In Home Care

During the previous Inquiries into the child care Bills some stakeholders expressed concern that the proposed legislation does not include specific provision for the current In Home Care (IHC) program as a service type that will be able to administer the Child Care Subsidy on behalf of families[2].

IHC is an important part of the child care and early education landscape and will continue beyond the introduction of the Package in July 2018. Relevantly, Schedule 4 of the Omnibus Bill includes a rule making provision that will be used to prescribe a new service type and a relevant Child Care Subsidy hourly rate cap for care in the family's home under the Package.

[2] Refer also to the Australian Greens recommendation four in their dissenting report to the Senate Inquiry into the 2016 Child Care Bill and the Government's response.

Policy design for care in the family home under the Package is being informed by an evaluation of the Nanny Pilot Programme, as well as a review of the current IHC program. Both of these reviews are being undertaken by the Institute of Social Science Research at the University of Queensland. A key focus of the reviews is to ensure that existing arrangements relating to subsidised care provided in the family home are taken in to consideration. The proposed care type for care in the family home and related policy settings will be developed in consultation with the sector during 2017 with sufficient time to allow for transition in July 2018.

Variation to estimated child care forward estimates

A significant variation to the child care forward estimates was announced at the 2016–17 Mid-Year Economic and Fiscal Outlook (MYEFO) on 19 December 2016. The MYEFO showed an expected downward variation in child care payments of $6.2 billion in fiscal balance terms over the next four years to 2019–20.

Families' entitlements to child care subsidies now and into the future will not be affected in any way by the estimates variation. That is, the estimates variation does not change the child care subsidy rates and entitlements or any policy settings under the current arrangements (i.e. Child Care Benefit, Child Care Rebate and related programs) or the proposed arrangements under the Package (i.e. Child Care Subsidy, Additional Child Care Subsidy and related programs).

This downward variation included:

- the impact of child care compliance measures that have been implemented in the past 18 months (notably the Family Day Care child swapping measure);
- a one-off major correction following a complete overhaul of the child care forward estimates model; and
- using new projection methodologies for growth in child care usage and fees, rather than a ten year rolling average.

On 9 February 2017 the Treasurer, the Hon Scott Morrison MP, released the Portfolio Additional Estimates Statements (PAES) 2016-17, which includes more detail than the MYEFO Statement. The Package is now estimated to increase the Government's child care outlays by more than $1.6 billion over four years.

Schedule 5 – Proportional payment of pensions outside Australia

This schedule introduces changes to the period for which Age Pension and some Disability Support Pension, Wife Pension and Widow B Pension recipients can be paid outside Australia at the normal means-tested rate.

This measure was previously introduced in the Social Services Legislation Amendment (Budget Repair) Bill 2016 and the Social Services Legislation Amendment (Budget Repair) Bill 2015 and, prior to that, the Social Services Legislation Amendment (Fair and Sustainable Pensions) Bill 2015. The Fair and Sustainable Pensions Bill 2015 was previously referred to the Senate Community Affairs Legislation Committee which tabled its report on 22 June 2015.

The Department of Social Services made a submission to that Inquiry which is available at: www.aph.gov.au/Parliamentary_Business/Committees/Senate/Community_Affairs/Fair_Sustainable_Pensions/Submissions.

Under current arrangements, pensioners with unlimited portability, who have spent less than 35 years of their working life in Australia, have their rate of pension adjusted after 26 weeks overseas. This adjustment is based on their period of working life residence in Australia.

Under the amendments in this schedule, pensioners who have spent less than 35 years of their working life in Australia will have their rate of pension adjusted after six weeks overseas, rather than the current 26 weeks. All pensioners who have spent less than 35 years of their working life in Australia will be treated the same, regardless of whether they were born in Australia or overseas. Pensioners who have spent more than 35 years of their working life in Australia will remain unaffected.

This measure does not stop a pension from being payable overseas indefinitely, only the amount of pension received after six weeks absence from Australia may change. This is designed to reinforce and strengthen the residence-based nature of the social security system.

The amendments will commence from the first 1 January, 1 April, 1 July or 1 October after the Bill receives Royal Assent and will only apply to absences starting on or after that date. Pensioners who are overseas on the commencement date will continue to be subject to the current arrangements and will be allowed the full 26-week period of absence before their payment is potentially reduced.

Schedules 6 and 7 – relating to educational supplements

These schedules will cease payment of the Pensioner Education Supplement (PES) and the Education Entry Payment (EdEP) from the first 1 January or 1 July after the Bill receives Royal Assent.

The measures to cease PES and EdEP were originally announced as part of the 2014-15 Budget with the start date of 1 January 2015. These measures were previously introduced in earlier Bills, including the Social Services Legislation Amendment (Budget Repair) Bill 2016, the Social Services Legislation Amendment (Budget Repair) Bill 2015, the Social Services Legislation Amendment (Fair and Sustainable Pensions) Bill 2015, the Social Services and Other Legislation Amendment (2014 Budget Measures No.4) Bill 2014 and the Social Services and Other Legislation Amendment (2014 Budget Measures No. 2) Bill 2014.

The 2016 and 2015 Budget Repair Bills, the Fair and Sustainable Pensions Bill 2015 and the 2014 Budget Measures No. 2 Bill 2014 were previously referred to the Senate Community Affairs Legislation Committee which tabled its report on 10 October 2016, 4 February 2016, 22 June 2015 and 12 September 2014 respectively.

The Department of Social Services made a submission to the Inquiry into the Fair and Sustainable Pensions Bill 2015 which is available at: www.aph.gov.au/Parliamentary_Business/Committees/Senate/Community_Affairs/Fair_Sustainable_Pensions/Submissions.

The Department of Social Services also made a submission to the Inquiry into the 2014 Budget Measures No.2 Bill 2014 which is available at: http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Community_Affairs/Social_Services_2014_Budget_Measures/Submissions

PES is a fortnightly supplement paid to eligible recipients who are undertaking approved study and receiving one of the following payments: Carer Payment, Disability Support Pension (DSP), Parenting Payment Single, Parenting Payment Partnered (in limited circumstances), Widow B Pension, Widow Allowance, Wife Pension (if their partner receives DSP), Newstart Allowance (if they are a single principal carer parent), Youth Allowance (other) (in limited circumstances) and Special Benefit (if the person is a single parent) and qualifying veterans' affairs payments, including Invalidity Service Pension, Partner Service Pension (if the partner receives Invalidity Service Pension), and War Widow/ers Pension or Defence Widow/ers Pension if the widow/er has a dependent child.

To be eligible for PES, students must be enrolled and undertaking qualifying study in an approved course on either a full-time basis (at least 75 per cent study load) or on a concessional basis. Students may receive PES on a concessional basis in specific circumstances:

- Students who cannot undertake a full-time study load because of the relevant education institution's usual requirements or on specific direction in writing from the academic registrar may receive PES whilst undertaking 66 per cent study load.
- Students who have a substantial physical, psychiatric or intellectual disability and cannot undertake a full-time study load because of their disability may receive PES for a study load between 25 per cent and 75 per cent. This also applies to students receiving certain income support payments such as Disability Support Pension.

PES is paid at two rates depending on the individual's circumstances. The lower rate of $31.20 per fortnight is paid to eligible students with study loads of less than 50 per cent, unless the student is receiving Disability Support Pension, Invalidity Service Pension or War Widow/er Pension (if the person has a dependent child and also receives an income support supplement because of permanent incapacity for work), or is receiving Youth Allowance or Newstart Allowance or Parenting Payment Partnered and has partial capacity to work. All other eligible students are paid the higher rate of $62.40 per fortnight.

EdEP is a lump sum supplementary payment of $208 per year for recipients who are undertaking approved study and are eligible for PES or have been receiving one of the following payments for at least 12 months: Newstart Allowance, Widow Allowance, Partner Allowance, Wife Pension or Parenting Payment (Partnered) or a qualifying veterans' affairs payment, including Invalidity Service Pension, Partner

Service Pension (if the partner receives Invalidity Service Pension) or an Income Support Supplement.

As at September 2016, there were 37,717 recipients of PES; and in 2015-16, 68,967 people received EdEP. It appears many PES students are receiving income support payments 12 months after their PES payments have ended.

When originally introduced, PES and EdEP were designed to assist eligible income support recipients to undertake study or training that would improve or re-build their skills and make them more competitive in the labour market. However, since the introduction of these payments, individuals wishing to undertake study have access to more targeted support and financial assistance. This includes through the HECS-HELP, FEE-HELP and VET Student Loans tuition loan programs.

Assistance to undertake study and training is also available through employment services, including through the Employment Pathway Fund, which provides a discretionary pool of funds for jobactive providers to use to assist job seekers to address their barrier to work. This can include meeting the costs of training courses and/or other related costs.

Student income support payments such as Youth Allowance (student), Austudy and ABSTUDY, are specifically targeted towards people undertaking education and training, taking into account their circumstances and needs. These student payments will continue and will not be affected by the removal of PES and EdEP.

Schedule 8 – Indexation

This schedule will pause the annual indexation of certain means test thresholds for working age payments and student payments for three years.

These pauses were announced in the 2014-15 Budget. They were previously included in the Social Services Legislation Amendment (Budget Repair) Bill 2016 and the Social Services Legislation Amendment (Budget Repair) Bill 2015 and, prior to this, the Social Services Legislation Amendment (Youth Employment and Other Measures) Bill 2015 and the Social Services and Other Legislation Amendment (2014 Budget Measures No.4) Bill 2014.

The 2016 and 2015 Budget Repair Bills and the Youth Employment and Other Measures Bill 2015 were referred to the Senate Community Affairs Legislation Committee which reported on 10 October 2016, 4 February 2016 and 22 June 2015 respectively.

The Department of Social Services made a submission to the Inquiry into the Youth Employment and Other Measures Bill 2015 and the Department of Social Services and the Department of Employment also appeared at the public hearings for that Inquiry on 5 August 2015. A copy of the submission, the Hansard of the hearings and responses to questions taken on notice are available from the Committee's website: www.aph.gov.au/Parliamentary_Business/Committees/Senate/Community_Affairs/Youth_Employment.

Under the amendments in this schedule, certain means test thresholds would be paused for three years as follows:

- income free areas for all working age allowances (other than student payments) and for parenting payment single from 1 July of the first financial year beginning on or after the Act receives Royal Assent; and
- income free areas and other means test thresholds for student payments, including the student income bank limits, from 1 January of the first calendar year beginning on or after the Act receives Royal Assent.

Income free areas and other means test thresholds are indexed annually in line with the Consumer Price Index (on 1 July for working age payments and on 1 January for student payments). Not indexing these thresholds will mean that some income support recipients will not receive increases to payments that would otherwise have occurred. For example, under current indexation arrangements, a person who has had no change in their income may receive an increased rate of payment when the income free area increased as a result of indexation. This will no longer occur for the period of the indexation pause.

The rate of payment a person receives will not be reduced unless their personal circumstances change, such as their income increasing in value. Specific customer impacts depend upon payment type and people's circumstances.

This amendment does <u>not</u> pause the regular indexation of income support payment rates. These will continue to be indexed twice per year in March and September in the case of working age allowances and once per year in January in the case of student payments.

<u>Schedule 9 – Close the Energy Supplement to new welfare recipients</u>

This schedule will close the Energy Supplement to new recipients of income support and veterans' payments and new holders of a Department of Veterans' Affairs Gold Card, with effect from 20 September 2017.

Existing recipients of the Energy Supplement who have been receiving income support continuously since 19 September 2016 will continue to receive the Energy Supplement, including where they subsequently transfer between income support payments provided there is no break in entitlement.

The Energy Supplement was introduced from 20 March 2013 as part of the Household Assistance Package to compensate people for the introduction of the Carbon Tax, a tax which no longer exists. The 1 July 2014 repeal of the Carbon Tax from 1 July 2014 removed the original justification for providing the Energy Supplement to income support recipients. It is no longer necessary to compensate people in the form of the Energy Supplement for a tax that no longer exists, particularly people who only started receiving income support after the Carbon Tax was abolished.

The Energy Supplement was previously closed to new recipients of family payments and holders of a Commonwealth Seniors Health Card under the *Budget Savings (Omnibus) Act 2016* with effect from 20 March 2017.

Schedule 10 – Stopping the payment of Pension Supplement after six weeks overseas

This schedule will cease the payment of the Pension Supplement for income support recipients after six weeks temporary absence from Australia, or immediately if the recipient has permanently departed Australia, with effect from 1 July 2017.

The Pension Supplement is paid in addition to a person's regular fortnightly payment to recipients of Age Pension, Carer Payment, Wife Pension, Widow B Pension, Bereavement Allowance and Disability Support Pension (except if aged under 21 without children), and certain other income support recipients who are over Age Pension age. Pension Supplement is designed to assist with a person's cost of living expenses while in Australia. The full Pension Supplement amount is currently $65.10 per fortnight for a single person and $98.20 per fortnight for couples combined.

Under current rules, the rate of Pension Supplement is reduced to the Basic Amount after six weeks temporary absence from Australia, or immediately for permanent departures. The Basic Amount is $22.70 per fortnight for a single person and $37.40 per fortnight for couples combined.

The amendments in this schedule will cease payment of the Pension Supplement after six weeks temporary absence (or immediately for permanent departures) rather than reduce it to the Basic Amount. As the Pension Supplement is paid to assist with the costs of living in Australia, there is no rationale for continuing to compensate recipients when they are overseas for more than a short absence. This will align Pension Supplement with the portability arrangements of most other income support payments, which cease at six weeks, and will apply to both recipients already overseas and recipients departing after this date.

Schedule 11 – Automation of income stream review processes

This schedule will give effect to a 2016-17 MYEFO measure to automate the collection of information to support the regular income stream review process.

This measure will allow the Department of Human Services (DHS) to collect recipient data on income streams directly from income stream providers. The collection of income stream information is currently reported by payment recipients.

From 1 January 2018, the introduction of an automatic and electronic collection of information will be staged and collected six monthly. This automatic collection will apply to all income stream products, including account-based income streams, term annuities and defined benefit income streams.

This measure is designed to reduce regulatory burden for recipients and the financial services industry by reducing double handling and the need for income stream providers to provide information to recipients who in turn provide the information to DHS.

This measure is not a data matching or compliance measure. Rather, this measure will facilitate the provision of timely and accurate data through streamlined, automated processes which will help to improve accuracy of income support and reduce future customer debts.

Schedule 12 – Seasonal horticultural work income exemption

This schedule will give effect to a 2016-17 MYEFO measure that responds to concerns about the ability of the Australian horticulture industry to attract sufficient numbers of seasonal workers.

The measure includes three incentives aimed at increasing the number of job seekers who undertake horticultural seasonal work, such as fruit picking. The incentives will commence from 1 July 2017 as a trial and be available for two years. The three incentives are as follows:

- Participants will have access to a Seasonal Horticultural Work Income Exemption under which they will be able to earn up to $5,000 from specified horticultural seasonal work during the 12 months after they join the trial without it being assessed under the social security income test.
- Participants will be eligible for a Seasonal Work Living Away and Travel Allowance of up to $300 each year, if they undertake horticultural seasonal work more than 120 km from their home.
- Employment services providers will receive a Provider Seasonal Work Incentive Payment of $100 a week for up to six weeks a year for each participant that they place with eligible farmers.

The trial is capped at 7,600 participants over the two years. Job seekers will be eligible to participate in the trial if they are receiving Newstart Allowance or Youth Allowance (other) and have been receiving one (or a combination) of these payments continuously for at least three months.

The amendments in this schedule will implement the Seasonal Horticultural Work Income Exemption. For those participating in the trial, the first $5,000 earned from qualifying horticultural work within a 12 month period will be disregarded under the social security income test. This means that this income will not reduce their rate of income support. If the participant has income from other sources, this income may still affect their rate under the income test as per current rules.

Qualification rules for Newstart Allowance and Youth Allowance (other) will be relaxed so that participants undertaking full-time horticultural work who would normally cease to be qualified can continue to receive these payments while they are accessing the Seasonal Horticultural Work Income Exemption. Participants who undertake full-time seasonal work would not be required to fulfil any other participation requirements while they are working.

Payment of the Seasonal Work Living Away and Travel Allowance and the Provider Seasonal Work Incentive Payment will be administered by employment services providers contracted with the Department of Employment through relevant guidelines and contractual arrangements. As such, the amendments in this schedule do not need to provide for payment of these incentives. Amendments are, however, made to ensure that the Seasonal Work Living Away and Travel Allowance participants receive will not be included as income for the purposes of the *Social Security Act 1999*, or *Veterans' Entitlements Act 1986*.

Schedules 13, 14, 15 and 16 – Youth employment measures

The amendments in these schedules give effect to measures from the 2014-15 and 2015-16 Budget. These measures are designed to ensure that young people support themselves where they are able and encourage greater participation in employment or further study to improve their employment prospects.

The measures included in these schedules are:

- Ordinary Waiting Period – will extend the one week Ordinary Waiting Period to Parenting Payment and Youth Allowance (other) recipients;
- Age requirements for various Government payments – will increase the qualifying age for Newstart Allowance and Sickness Allowance from 22 to 24 years;
- Income support waiting periods – will introduce a four week waiting period for job ready youth income support claimants under 25 years; and
- Other Waiting period amendments (Rapid Activation of young job seekers) – will introduce rapid activation of recipients who serve the four week waiting period.

These measures were previously included in the Social Services Legislation Amendment (Youth Employment) Bill 2016 and the Social Services Legislation Amendment (Youth Employment) Bill 2015. Prior to this, certain measures were included in the Youth Employment and Other Measures Bill 2015. The Youth Employment Bill 2015 and the Youth Employment and Other Measures Bill 2015 were referred to the Senate Community Affairs Legislation Committee which tabled its reports on 30 November 2015 and 11 August 2015 respectively.

The Department of Employment made a submission to the Inquiry into the Youth Employment Bill 2015 in relation to the Rapid Activation of young job seekers measure (this measure was not previously included in the earlier Youth Employment and Other Measures Bill). The submission is available at: www.aph.gov.au/Parliamentary_Business/Committees/Senate/Community_Affairs/Employment_Youth/Submissions.

The Department of Social Services made a submission to the Inquiry into the Youth Employment and Other Measures Bill and both the Department of Social Services and the Department of Employment appeared at the public hearings for the Inquiry on 5 August 2015. The submission, Hansard of the hearings and responses to questions taken on notice are available from the Committee's website: www.aph.gov.au/Parliamentary_Business/Committees/Senate/Community_Affairs/Youth_Employment

The amendments in this schedule will take effect from either the first 1 July or 1 January after the Bill receives Royal Assent.

Ordinary Waiting Period

Schedule 13 will extend the Ordinary Waiting Period (currently served by Newstart Allowance and Sickness Allowance claimants) to Parenting Payment and Youth Allowance (other). This will apply the one week waiting period more consistently across similar working age payments.

This measure was originally announced in the 2014-15 Budget. It was subsequently modified by a 2015-16 Budget measure which provided a new start date and excluded claimants of Widow Allowance from the measure.

The measure also clarifies that the Ordinary Waiting Period will start after any other relevant waiting or preclusion periods have ended, to ensure waiting periods are served consistently and effectively.

An exemption from the waiting period for severe financial hardship will continue to be available; however, the exemption will be modified to apply to those who are experiencing severe financial hardship due to a personal financial crisis, such as domestic violence or severe financial hardship due to reasonable or unavoidable expenditure. This will better target the exemption to those who are most vulnerable and most in need of immediate assistance.

Other exemptions from the Ordinary Waiting Period will also continue to be available, including for claimants who are transferring between payments or returning to payment within 13 weeks, or who have particular barriers to employment and are undertaking certain employment services, including Stream C of *jobactive*, Disability Management Services of Disability Employment Services (DES) and the Community Development Programme.

Age requirements for various Commonwealth payments

Schedule 14 will increase the minimum qualifying age for Newstart Allowance and Sickness Allowance from 25 years of age. The corresponding maximum qualifying age for Youth Allowance (other) will also be increased to 24 years of age, ensuring that those aged 22 to 24 years are able to claim and qualify for Youth Allowance (other) instead.

For Youth Allowance (student), the maximum qualifying age is already 24 years, with those aged 25 years or more already able to claim Austudy instead. This change in age requirements will align payment rates for young people who are unemployed or temporarily incapacitated with those of students, reducing any potential disincentive to pursue or continue study.

Newstart Allowance is paid at a higher rate than Youth Allowance (the basic rate of Newstart Allowance is $528.70 per fortnight for a single person compared to $437.50 for a single Youth Allowee living away from home). This means that young people aged 22 to 24 year olds could be financially better off if they give up full-time study to access Newstart Allowance or remain on Newstart Allowance rather than pursing full-time study and moving to Youth Allowance (student). The amendments in this schedule place all young people aged under 25 years on the same payment, irrespective of whether they are unemployed or studying full-time.

To ensure that young people aged 22 to 24 who have a partial capacity to work are not disadvantaged, the age of eligibility for the Youth Disability Supplement will also be increased in line with the age change for Youth Allowance (other). The Youth Disability Supplement increases the rate of Youth Allowance (other) by up to $124.70 per fortnight in recognition that young people with disability have additional costs associated with their disability and may face increased barriers to participating in education and employment. For a young person living away from home, this places them on a rate equivalent to that for Newstart Allowance. As a result of this change these young people with disability will not receive a reduced rate of payment under the measure.

Young job seekers on Newstart Allowance or Sickness Allowance immediately prior to the changes commencing will be grandfathered. These recipients will remain eligible for these payments and will not be affected by the changes.

On Youth Allowance, there is more flexibility to earn while on payment in comparison to Newstart Allowance and Sickness Allowance, as income free areas (the point at which income affects a person’s payment) are higher. This provides added incentive for young people on Youth Allowance to take up work where it is available, including while they are studying. The fortnightly income free areas for Youth Allowance are $437 for students and $143 for job seekers. The income free area for Newstart Allowance is $104 per fortnight.

Income support waiting periods

Schedule 15 will apply a four week waiting period to job seekers applying for Youth Allowance (other) or Special Benefit, who are aged under 25 and who are placed in Stream A with a jobactive provider. During the waiting period, job seekers will be required to participate in pre-benefit activities (see schedule 16) with the support of their jobactive provider.

The waiting period will only apply to those assessed as being job ready and placed in Stream A under the Job Seeker Classification Instrument. Job seekers assessed as having significant barriers to finding a job or who are particularly vulnerable will not be required to serve the four week waiting period. This will include young people placed in Stream B and C of jobactive or DES, parents with 35 per cent or more care of a dependent child, young people leaving state care, and young people who are unable to live at home.

Exemptions from the waiting period will also be available to job seekers with a temporary activity test exemption of more than two weeks. Under existing rules, activity test exemptions are available to people who are temporarily incapacitated as evidenced by a medical certificate, pregnant women in the six weeks before they are expected to give birth, people testing their eligibility for the Disability Support Pension, and people who have experienced a major personal crisis, such as domestic violence or homelessness.

People who are transferring from another payment (except a student payment) or who have served a four week waiting period in the prior six months will also not be subject to the waiting period.

Additional funding will be available to Emergency Relief providers to provide some basic material aid for those impacted by the measure who find themselves in financial hardship.

Other waiting period amendments (Rapid Activation of young job seekers)

Schedule 16 will require job ready young people who serve the four week waiting period to complete pre-benefit activities during that time. As outlined above, the four week waiting period will only apply to job ready young people in Stream A of jobactive.

Known as RapidConnect Plus, these pre-benefit activities will include meeting with a jobactive provider; agreeing to a Job Plan; developing an up-to-date resume; creating a job seeker profile on the Job Search website; and providing evidence of satisfactory job search with up to 20 job applications.

Under the amendments in this schedule, a job seeker who is subject to the four week waiting period will not be paid income support following the waiting period if they have not completed their pre-benefit activities during that period. The job seeker will need to re-apply for payment if they wish to receive income support and a further waiting period may apply.

Schedules 17 and 18 – relating to Paid Parental Leave (PPL)

These Schedules amend qualification and payability of PPL to more fairly target this assistance, as well as removing the mandatory requirement that employers act as paymaster for employees receiving Paid Parental Leave.

These measures were previously introduced in the Fairer Paid Parental Leave Bill 2015 and the Fairer Paid Parental Leave Bill 2016. There have been some changes to the measures from the earlier Bills, as outlined below. The Fairer Paid Parental Leave Bill 2015 was referred to the Senate Community Affairs Legislation Committee which tabled its report on 15 September 2015. The Department of Social Services made a submission to that Inquiry and appeared at the public hearings on 1 September 2015. The submission, Hansard of the hearings and responses to questions taken on notice are available from the Committee’s website:

www.aph.gov.au/Parliamentary_Business/Committees/Senate/Community_Affairs/Fairer_Parental_Leave

The Fairer Paid Parental Leave Bill 2016 was referred to the Senate Community Affairs Legislation Committee which tabled its report on 15 February 2017. The Department of Social Services made a submission to that Inquiry and appeared at the public hearing on 1 February 2017.

The submission, Hansard of the hearing and responses to questions taken on notice are available from the Committee's website:
http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Community_Affairs/FairerParentalLeave2016

Schedule 17 reintroduces arrangements for the PPL scheme announced in the 2015-16 MYEFO with some adjustments.

Currently, eligible primary carers can receive both employer-provided paid primary carer leave and 18 weeks of Government-funded PPL. Under the amendments in this schedule, parents will no longer receive both employer-provided paid primary carer leave and the full amount of Government-funded PPL. Instead, access to PPL will be limited according to the number of weeks of employer-provided paid carers' leave they receive.

In response to concerns raised in relation to the change when included in the earlier Fairer Paid Parental Leave Bill, this measure will also extend the period of PPL from 18 weeks to 20 weeks.

Where a person is entitled to employer-provided paid primary carer leave of less than 20 weeks, the Government scheme will provide the residual number of weeks of PPL, up to a maximum of 20 weeks. Parents who are entitled to employer-provided paid primary carer leave totalling 20 weeks or more at or above National Minimum Wage, will not be eligible to receive payment under the PPL scheme (approximately two per cent of eligible parents or 4,000 recipients). Those who do not have access to employer-provided paid primary carer leave will continue to receive the full benefit of the PPL scheme and will receive an additional two weeks of PPL (53 per cent of eligible parents).

These changes will ensure that all eligible parents have the opportunity to take at least 20 weeks leave following the birth or adoption of their child, with those who need it most receiving the most Government support.

Schedule 17 also makes minor amendments to the PPL scheme to improve access, including providing more generous backdating provisions and changes to the PPL work test.

Schedule 18 will remove the mandatory PPL paymaster role currently imposed on employers. Under these amendments, employees will be paid directly by the Department of Human Services, unless an employer opts-in to provide the PPL payments to its employees and the employee agrees to their employer paying them.

This change will generate a significant compliance cost saving for Australian businesses, and it's estimated that the average annual reduction in compliance costs on business will be $44 million.

The amendments in both schedules will commence from the first 1 January, 1 April, 1 July or 1 October to occur nine months after the Bill receives Royal Assent.