



Australian Council of Social Service

28 September 2016

Committee Secretary
Senate Standing Committee on Community Affairs
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Committee Secretariat,

Re: Inquiry into the Social Services Legislation Amendment (Budget Repair) Bill 2016

Thank you for the opportunity to participate in this inquiry. ACOSS is a national voice in support of people affected by poverty, disadvantage and inequality. Our vision is for a fair, inclusive and sustainable Australia where all individuals and communities have the opportunities and resources they need to participate fully in social and economic life.

The above Bill re-introduces measures proposed in previous Bills. All of the proposed measures reduce income support and assistance available to those on the lowest incomes, thus seeking budget savings from those least able to pay. Freezing income test free areas for allowances and student payments, and ceasing the Pensioner Education Supplement and the Education Entry Payment weakens supports to participate in employment and education, which are critical to improving employment opportunities. In short, these policies are likely to undermine the efforts of people to secure paid work, which in turn would be counter-productive to reducing budget expenditure.

ACOSS opposes this Bill in its entirety, for the reasons outlined below:

- **Schedule 1, Reduce Portability of Pensions Outside of Australia:** This would reduce from 26 weeks to six weeks the amount of time that a person on the Age Pension (and other payments with less limited portability, including the Disability Support Pension) can receive their payment at the means-tested rate while outside of Australia. We have specific concerns about people on low incomes, particularly those born overseas, reliant on the full pension who may need to travel to fulfil family or other responsibilities for extended periods (including the provision of care, or to obtain care and support for themselves that is not available in Australia).

Approximately 40% of pensioners were born overseas. The amount of time those on the Age Pension can receive their pension at their means tested rate is already capped at 26 weeks, and this Bill would reduce that to just six. Under the proposed measure, after six weeks the payment would be reduced according to the amount of a person's 'working life' spent in Australia, which would particularly disadvantage more recent cohorts of migrants.



It is expected that this measure will affect 190,000 pensioners over the next four years, and save \$168.4 million.

It is unclear how terminally ill or severely disabled Disability Support Pensioners with no future work capacity will be affected by this measure because they are currently exempt from proportional rate rules. We urge the Committee to seek further advice from the Government about the impact of this measure of this cohort.

- **Schedule 2 and 3, Cease the Pensioner Education Supplement and the Education Entry Payment:** This would remove study assistance available to people who rely on income support. There are 33,000 people currently receiving the Pensioner Education Supplement, most of whom receive Parenting Payment Single, followed by the Disability Support Pension and Carer Payment. There are 83,000 recipients of the Education Entry Payment, which amounts to \$208 per year.

The combined loss of removal of these payments is up to \$35 per week. This will particularly disadvantage sole parents who are already facing payment cuts (and have lost the Low Income Support Bonus and new recipients will lose the Family Tax Benefit Energy Supplement payment, which combined amount to at least \$350 per annum). This will make pursuing education and training, which is essential to improve work prospects, more difficult.

Sole parents in particular may need to obtain further educational qualifications to reenter employment after a period of full or part time care. While the Explanatory Memorandum (EM) to the Bill argues that 'more appropriate' funding is available through other programs (HECS-HELP, FEE HELP and VET FEE HELP), these provide assistance only with course costs. None provides assistance with other ongoing costs of education, like education materials, transport and the costs of computers and printing. These supplements play an important role in assisting people to improve their work prospects and must be retained.

While the EM also states that removal of the Education Entry Payment will simplify the income support system, we submit that simplification of the income support system should not be achieved by removing payments and reducing people's already low incomes.

- **Schedule 4, Freeze Indexation of Income Free Areas:** 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.

This will mostly impact Newstart recipients and sole parents, most of whom are already living on inadequate incomes. It will also increase the number of payment recipients



immediately losing access to state concessions that are based on receiving the full rate of payment, such as transport concessions for Newstart recipients in NSW.

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. People on allowances are already relying on inadequate levels of income support. The maximum rate of the Newstart Allowance is now just \$38 per day, and has not been increased in real terms for over twenty years. Any measure which further reduces the adequacy of incomes for people partly reliant on allowances should be strongly opposed.

Policy changes should be considered against the objectives of the income support system: to provide means tested adequate income support to those who need it and to facilitate transitions to employment where appropriate. The above proposed measures do not meet these objectives and we again recommend the measures in the Bill not be passed.

Yours sincerely,

Cassandra Goldie
ACOSS CEO