



Submission to the Senate Community Affairs Committee Inquiry into the Social Services Legislation Amendment (Budget Repair) Bill 2016

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Combined Pensioners & Superannuants Association of NSW Inc (CPSA)

Address: Level 9, 28 Foveaux Street, Surry Hills NSW 2010 **ABN:** 11 244 559 772

Phone: (02) 9281 3588 **Country Callers:** 1800 451 488 **Facsimile:** (02) 9281 9716

Email: cpsa@cpsa.org.au **Website:** www.cpsa.org.au **Donations:** 1800 451 488

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 108 branches and affiliated organisations with a combined membership of over 22,000 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 2016*.

Proportional payment of pensions outside Australia

CPSA opposes the proposal to reduce the time that Age Pensioners and those receiving other Centrelink payments with unlimited portability 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.

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 creates an additional 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 for three years from 1 July 2016. CPSA also opposed the proposal to freeze the income free areas for student payments from 1 January 2017.

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. For recipients of student payments, the freeze will make it harder to meet the basic costs of living and accordingly, harder to sustain involvement in education and training, which is critical for future employment.

These payments already have very strict income free areas. For example, on Newstart Allowance a person may earn up to \$104 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 any work, or indeed look for work, without greater financial cost.

By comparison, someone on the Age Pension is able to earn \$164 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 \$415 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 Allowance¹.

The current income free area of \$103 per fortnight for Newstart Allowance enables someone to work just three hours per week at the minimum wage before they are over the threshold.² 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 relative to wages.

¹ The full rate of Newstart for single people without children is currently \$528.70 per fortnight. Single pensioners receive \$877.10 per fortnight – a difference of \$348.40 per fortnight with less ability to earn additional income without penalty

² Based on the current Australian minimum wage of \$17.70 per hour, Fair Work Commission, September 2016