

# Chapter 2

## Key issues

2.1 The committee notes that the measures outlined in the Bill have been previously examined and reported on in the 44<sup>th</sup> Parliament. The committee does not intend to provide a detailed examination of the measures in this report, and refers to its predecessor committee's report on the Social Services Legislation Amendment (Budget Repair) Bill 2015, which recommended that the Bill be passed.<sup>1</sup>

2.2 Consistent with the previous inquiry, the majority of submitters do not support the measures outlined in Bill. These submitters suggest that the proposed measures would disproportionately impact low-income earners and disadvantaged groups. The committee recognises that submitters reiterate concerns that were raised during its predecessor committee's previous inquiry. These concerns are summarised below.

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

2.3 Most submitters do not support the proposal to reduce the portability of the age pension and other payments. These submitters argue that the measure would have a disproportionate impact on Australia's migrant population, particularly those who have worked in Australia for less than 35 years and would receive a reduced payment after 6 weeks overseas.<sup>2</sup> For example, the Federation of Ethnic Communities' Councils of Australia noted that this measure would affect a significant number of pensioners 'who were born overseas and maintain important ties to their place of birth'.<sup>3</sup> Other submitters stated that this measure will 'disproportionately impact on some of the poorest in the community'.<sup>4</sup>

2.4 The Chinese Australian Services Society (CASS) noted its support for this measure, believing 'that it enables the Government to allocate limited resources to deal with more pressing social issues'.<sup>5</sup>

2.5 The committee reiterates that its predecessor committee has previously examined and expressed its support for the measure proposed in changes to the payment of pensions outside Australia, as the 'measure reinforces the residence based

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1 Senate Community Affairs Legislation Committee, [Social Services Legislation Amendment \(Budget Repair\) Bill 2015 \[Provisions\]](#), February 2016.

2 See: National Welfare Rights Network, *Submission 2*, p. 3; Superannuated Commonwealth Officers' Association, *Submission 5*, p. 1; The Salvation Army, *Submission 8*, p. [1]; Australian Council of Social Service, *Submission 9*, pp 1–2.

3 Federation of Ethnic Communities Council of Australia, *Submission 1*, p. [2]; St Vincent de Paul Society National Council, *Submission 13*, p. 5.

4 National Welfare Rights Network, *Submission 2*, p. 3. See also: Superannuated Commonwealth Officers' Association, *Submission 5*, p. 1; The Salvation Army, *Submission 8*, p. [1]; Australian Council of Social Service, *Submission 9*, pp 1–2; People with Disability Australia Inc., *Submission 11*, p. 5.

5 Chinese Australian Services Society, *Submission 12*, p. 2.

nature of Australia's pension system'.<sup>6</sup> The committee notes that where people receive a proportionally reduced pension under this measure, this is likely to be supplemented through a proportion of pension income support from another country.<sup>7</sup> The committee agrees with the Minister for Social Services (Minister) that the measure would:

...more fairly distribute the retirement costs between countries based on the period of time that people have lived and worked in Australia, and it reflects the principle of shared responsibility—that is, the idea that each country should pay a benefit which reflects a person's association with that country'.<sup>8</sup>

## **Cessation of the Pensioner Education Supplement and the Education Entry Payment**

2.6 Some submitters do not support the cessation of the Pensioner Education Supplement and Education Entry Payment. These submitters argue that removing the payments would create 'an additional barrier to pensioners taking up training and education opportunities', and could have a 'negative impact on enhanced workforce participation'.<sup>9</sup> In its submission, the Australian Council of Social Service (ACOSS) noted:

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.<sup>10</sup>

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6 Senate Community Affairs Legislation Committee, [Social Services Legislation Amendment \(Budget Repair\) Bill 2015 \[Provisions\]](#), February 2016, p. 9.

7 The Hon. Christian Porter MP (Minister for Social Services), ['Second Reading Speech: Social Services Legislation Amendment \(Budget Repair\) Bill 2016'](#), House of Representatives, *Parliamentary Debates*, 1 September 2016, p. 23.

8 The Hon. Christian Porter MP (Minister for Social Services), ['Second Reading Speech: Social Services Legislation Amendment \(Budget Repair\) Bill 2016'](#), House of Representatives, *Parliamentary Debates*, 1 September 2016, p. 23.

9 See: Combined Pensioners and Superannuants Association, *Submission 3*, p. 3; Australian Council of Social Service, *Submission 9*, p. 2; National Council of Single Mothers and Their Children, *Submission 10*, p. 3; People with Disability Australia Inc., *Submission 11*, p. 8; Chinese Australian Services Society, *Submission 12*, p. 3; Senate Community Affairs Legislation Committee, [Social Services Legislation Amendment \(Budget Repair\) Bill 2015 \[Provisions\]](#), February 2016, p. 13.

10 Australian Council of Social Service, *Submission 9*, p. 2. See also: Senate Community Affairs Legislation Committee, [Social Services Legislation Amendment \(Budget Repair\) Bill 2015 \[Provisions\]](#), February 2016, p. 10; National Council of Single Mothers and Their Children, *Submission 10*, p. 3; St Vincent de Paul Society National Council, *Submission 13*, pp 7–8.

2.7 The committee notes that during the previous inquiry, some submitters expressed concern that there are no provisions for transitional arrangements for those currently part-way through a course of study and in receipt of the Pensioner Education Supplement. Whilst the committee notes that submissions to this inquiry did not raise this particular issue, nonetheless, the committee acknowledges this concern.

2.8 The committee notes that the supplement and payment were established before the introduction of other specific tuition assistance schemes such as HECS-HELP, FEE-HELP and VET FEE-HELP; and specific income support payments such as Youth Allowance (student), AUSTUDY and ABSTUDY. The committee further notes that 'despite its name, the Pensioner Education Supplement is not available to people receiving the age pension'.<sup>11</sup> As noted in previous inquiries, the committee is satisfied that 'other supports remain available to assist low income pension recipients and those seeking to undertake further education'.<sup>12</sup>

2.9 The committee also notes that cessation of the Pensioner Education Supplement and the Education Entry Payment is consistent with the 2015 report on the social welfare system titled *A New System for Better Employment and Social Outcomes*. This report noted that:

Ceasing these supplements will also help to simplify the income support system by reducing the number of payment supplements, consistent with the recommendations of the McClure review of welfare.<sup>13</sup>

## Pauses on indexation

2.10 Some submitters to this inquiry and previous inquiries do not support changes to indexation. Submitters have argued that 'indexation is essential to maintain the real value of income support' and that pausing indexation 'will cause unnecessary hardship to vulnerable people', and 'undermine incentives to work'.<sup>14</sup> In its submission, ACOSS argued against the pauses on indexation:

Income free areas should not be adjusted through ad-hoc freezing of indexation to achieve short term budget savings at the expense of reducing

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11 The Hon. Christian Porter MP (Minister for Social Services), ['Second Reading Speech: Social Services Legislation Amendment \(Budget Repair\) Bill 2016'](#), House of Representatives, *Parliamentary Debates*, 1 September 2016, p. 23.

12 The Hon. Christian Porter MP (Minister for Social Services), ['Second Reading Speech: Social Services Legislation Amendment \(Budget Repair\) Bill 2016'](#), House of Representatives, *Parliamentary Debates*, 1 September 2016, p. 23.

13 Senate Community Affairs Legislation Committee, [Social Services Legislation Amendment \(Budget Repair\) Bill 2015 \[Provisions\]](#), February 2016, p. 4. Also see: Reference Group on Welfare Reform, February 2015, [A New System for Better Employment and Social Outcomes](#).

14 See: Superannuated Commonwealth Officers' Association, *Submission 5*, p.1; National Welfare Rights Network, *Submission 2*, p. 4; National Council of Single Mothers and Their Children, *Submission 10*, p. 4; Australian Council of Social Service, *Submission 9*, pp 2–3; St Vincent de Paul Society National Council, *Submission 13*, pp 9–10. See also: Senate Community Affairs Legislation Committee, [Social Services Legislation Amendment \(Budget Repair\) Bill 2015 \[Provisions\]](#), February 2016, p. 4.

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.<sup>15</sup>

2.11 The committee notes that the proposed pauses to indexation would only impact those recipients whose circumstances change.<sup>16</sup>

2.12 The Minister noted that 220 000 recipients would be affected by the proposed changes, the majority of whom are receiving AUSTUDY, ABSTUDY, Youth Allowance, Newstart Allowance and Parenting Payment (partnered). A small number receiving Parenting Payment (single), Partner Allowance, Sickness Allowance and Widow Allowance would be affected. The committee notes that the proposed pauses to indexation would only impact those recipients whose circumstances change.

2.13 The committee agrees with the Minister that pausing indexation is 'a common lever that has been used by successive governments to realise budget savings' and would have:

...the effect of slowing the growth in social security expenditure and is expected to generate, in these measures, savings of \$107.4 million over the forward estimates.<sup>17</sup>

### **Committee view**

2.14 This Bill reintroduces a Bill which lapsed at the dissolution of the 44<sup>th</sup> Parliament. This Bill will improve the long term sustainability of the social security system and the federal budget, and will also ensure that the Australian social security system remains targeted to those most in need.

2.15 Submitters have raised concerns about the impact of the measures contained in this Bill on vulnerable and disadvantaged groups in society. The committee acknowledges these concerns; however, is satisfied that this Bill strikes the right balance and provides appropriate safeguards for these groups.

2.16 The committee notes that the vast majority of pension recipients will not be affected by the proposed change to the payment of pensions outside Australia. The committee is confident that people outside of Australia subject to a proportional reduction to their pensions will be able to seek supplementary pension payments from the country in which they are currently living.

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15 Australian Council of Social Service, *Submission 9*, p. 3.

16 Senate Community Affairs Legislation Committee, [Social Services Legislation Amendment \(Budget Repair\) Bill 2015 \[Provisions\]](#), February 2016, p. 16.

17 The Hon. Christian Porter MP (Minister for Social Services), ['Second Reading Speech: Social Services Legislation Amendment \(Budget Repair\) Bill 2016'](#), House of Representatives, *Parliamentary Debates*, 1 September 2016, p. 23.

2.17 The committee is satisfied that existing targeted tuition and income support provides more appropriate support than the Pensioner Education Supplement and the Education Entry Payment. The committee acknowledges the need for transitional arrangements for people who are receiving the Pensioner Education Supplement and are part-way through a course of study.

2.18 Finally, the committee highlights that the proposed pauses to indexation would not impact the payments received under working age and student allowances unless a person earns above the income free area consistent with current arrangements.

### **Recommendation 1**

**2.19 The committee recommends that the Bill be amended to include transitional arrangements for current recipients of the Pensioner Education Supplement, to enable them to complete their education or training course.**

### **Recommendation 2**

**2.20 The committee recommends that the Bill be passed.**

**Senator Jonathon Duniam**

**Chair**

