

Chapter 1

Introduction

Referral

1.1 The Social Services Legislation Amendment (Budget Repair) Bill 2015 (Bill) was introduced into the House of Representatives by the Hon Christian Porter MP, Minister for Social Services (Minister), on 2 December 2015.¹

1.2 On 3 December 2015, on the recommendation of the Selection of Bills Committee, the Senate referred the provisions of the Bill to the Community Affairs Legislation Committee (committee) for inquiry and report by 4 February 2016.²

Purpose of the Bill

1.3 The Bill reintroduces three measures that were removed from the Social Services Legislation Amendment (Fair and Sustainable Pensions) Bill 2015 during its passage through the House of Representatives in June 2015.³ These three measures seek to:

- reduce from 26 weeks to six weeks, the length of time for which recipients of the Age Pension, and a small number of other payments with unlimited portability, would be paid the basic means tested rate while outside Australia, from 1 January 2017;
- cease the Pensioner Education Supplement, from 1 January 2016; and
- cease the Education Entry Payment, from 1 January 2016.⁴

1.4 The Bill also reintroduces a measure from the Social Services Legislation Amendment (Youth Employment and Other Measures) Bill 2015 that was negatived at the second reading stage in the Senate on 9 September 2015.⁵ This measure seeks to maintain at level for three years:

- the income free areas for all working age allowances (other than student payments) and for parenting payment single, from 1 July 2016; and
- the income free areas and other means test thresholds for student payments (including student income bank limits), from 1 January 2016.⁶

1 House of Representatives, *Votes and Proceedings*, No. 165, 2 December 2015, p. 1787.

2 *Journals of the Senate*, No. 134, 3 December 2015, pp 3625–3626.

3 Explanatory Memorandum (EM), p. 1; House of Representatives, *Votes and Proceedings*, No. 127, 22 June 2015, pp 1420–1421.

4 EM, p. 1. Also see: Schedules 2 and 5–6 of the Social Services Legislation Amendment (Fair and Sustainable Pensions) Bill 2015 (first reading).

5 *Journals of the Senate*, No. 113, 9 September 2015, pp 3075–3076.

6 EM, p. 1. Also see: Schedule 5 of the Social Services Legislation Amendment (Youth Employment and Other Measures) Bill 2015.

1.5 According to the Financial Impact Statement in the Explanatory Memorandum (EM), the measures reintroduced in the Bill are expected to achieve savings of about \$579.0 million over the forward estimates, excluding some implementation funding.⁷

MEASURE	FINANCIAL IMPACT OVER THE FORWARD ESTIMATES (SAVINGS)
Proportional payment of pensions outside Australia	\$168.4 million
Pensioner education supplement	\$252.4 million*
Education entry payment	\$64.4 million*
Indexation	\$93.8 million*

* financial impact refers to administered funding for affected social security payments only and is not net of implementation funding

Source: EM, p. 1.

1.6 In introducing the Bill, the Minister emphasised that the Government's budget repair strategy aims to achieve—on average—budget surpluses over the course of the economic cycle, and emphasised that the measures contained in the Bill support the Government's efforts in this regard. Further:

We are, as a government, committed to fiscal discipline in the Social Services portfolio. While significant savings from this portfolio have been secured through recent federal budgets, we must continue with our efforts to spend our Social Services budget more effectively to reduce the long-term pressures, to make available resources that will better target support to those who need it most, and to ensure that Australia's social security safety net is sustainable for future generations.⁸

Overview and key provisions of the Bill

1.7 The Bill comprises four schedules, each of which sets out provisions relating to one of the proposed measures. The key provisions of these schedules are described below.

Proportional payment of pensions outside Australia (Schedule 1)

1.8 Part 4.2 of Chapter 4 of the *Social Security Act 1991* (Social Security Act) provides for overseas portability. At present, the Social Security Act allows for a 26 week absence from Australia before a person's rate of payment is affected. After 26 weeks, the rate is adjusted based on the length of time a person has resided in Australia during their working life (Australian working life residence, AWLR).

7 Some submitters to the inquiry questioned whether these savings could be achieved: Combined Pensioners and Superannuants Association of NSW Inc., *Submission 2*, p. 3; Welfare Rights Centre Sydney, *Submission 9*, p. 3.

8 The Hon Christian Porter MP, Minister for Social Services (Minister), *House of Representatives Hansard*, 2 December 2015, p. 11.

People with less than 35 years of AWLR (the maximum working period specified in the formula) receive a reduced pension (proportional portability).⁹

1.9 Schedule 1 to the Bill proposes to amend the relevant provisions in Part 4.2 of Chapter 4 to require:

- a person's rate of Age Pension to be calculated using the Pension Portability Rate Calculator (set out in section 1221), if the person has been continuously absent from Australia for more than six weeks (item 2, paragraph 1220A(a));
- the rate of Disability Support Pension for a person with an unlimited maximum portability period (as determined under sections 1218AA or 1218AAA) to be calculated using the Pension Portability Rate Calculator (set out in section 1221), if the person has been continuously absent from Australia for more than six weeks (item 3, paragraph 1220B(a)); and
- an entitled person's rate of Wife Pension or Widow B Pension to be calculated using the Pension Portability Rate Calculator (set out in section 1221), if the person has been continuously absent from Australia for more than six weeks (item 4, paragraph 1221(1)(a)).¹⁰

Pensioner Education Supplement (Schedule 2)¹¹

1.10 Part 1 of Schedule 2 to the Bill contains one key item (item 17) that would repeal Part 2.24A of Chapter 2 of the Social Security Act. Part 2.24A provides for the Pensioner Education Supplement, a payment that assists eligible students with the ongoing costs of full-time or part-time study in a secondary or tertiary course.¹²

1.11 In the second reading speech, the Minister clarified that, despite its name, the Pensioner Education Supplement is not available to recipients of the Age Pension:

The most common payment type whose recipients also receive pensioner education supplement is parenting payment single (43 per cent), followed by disability support pension (41 per cent) and carer payment (9 per cent).

As at the end of September 2015, the pensioner education supplement provided fortnightly payments to around 46,000 people studying full-time

9 The National Welfare Rights Network noted that, in recent years, the number of Australian Working Life Residence years required to be paid at the full rate has increased from 25 years to 35 years: *Submission 4*, p. 3.

10 The proposed measure would apply only to absences from Australia that commence on or after 1 January 2017 (item 5 of Schedule 1 to the Bill).

11 This measure was first introduced in the Social Services and Other Legislation Amendment (2014 Budget Measures No. 2) Bill 2014 and then reintroduced in the Social Services and Other Legislation Amendment (2014 Budget Measures No. 4) Bill 2014, which, at the time of writing, has been introduced but not debated in the Senate: *Journals of the Senate*, No. 61, 28 October 2014, p. 1639.

12 Pensioner Education Supplement is a fortnightly payment of \$62.40 for approved students who are undertaking at least 50 per cent of a full-time study load or \$31.20 for approved students who are undertaking at least 35 per cent of a full-time study: Department of Human Services, [Pensioner Education Supplement](#), accessed 21 January 2016.

or part-time in secondary or tertiary education while on income support payments.¹³

Education Entry Payment (Schedule 3)¹⁴

1.12 Part 1 of Schedule 3 to the Bill contains two key items that would repeal Part 2.13A of the Social Security Act (item 3) and Part VIIAA of the *Veterans' Entitlements Act 1986* (item 19). These Parts provide for the Education Entry Payment, a payment that assists eligible income support recipients with the costs of study.¹⁵ In 2014–15, about 83,000 people received Education Entry Payment.¹⁶

1.13 The Minister noted that cessation of the Pensioner Education Supplement and the Education Entry Payment would be consistent with the recommendations of the 2015 report, *A New System for Better Employment and Social Outcomes*:

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.¹⁷

Indexation (Schedule 4)¹⁸

1.14 Part 3.16 of Chapter 3 of the Social Security Act provides for the annual indexation, in line with Consumer Price Index (CPI) increases, of the basic rates in column 2 of the CPI Indexation Table (set out in section 1191). The CPI Indexation Table includes:

- income free areas—such as the pension free area (item 14), the Youth Allowance (YA) and AUSTUDY ordinary income free area (item 14AA), and the payment free area (item 14AAA), both indexed 1 July;
- YA and AUSTUDY range reduction boundary—YA and AUSTUDY range reduction boundary (item 14AB) and student income bank balance limit (item 15), both indexed 1 January; and

13 Minister, *House of Representatives Hansard*, 2 December 2015, p. 12.

14 This measure was first introduced in the Social Services and Other Legislation Amendment (2014 Budget Measures No. 2) Bill 2014 and then reintroduced in the Social Services and Other Legislation Amendment (2014 Budget Measures No. 4) Bill 2014.

15 Education Entry Payments is an annual payment of \$208.00: Department of Human Services, [Education Entry Payment](#), accessed 21 January 2016; EM, Statement of Compatibility with Human Rights, p. 7.

16 Minister, *House of Representatives Hansard*, 2 December 2015, p. 12.

17 Minister, *House of Representatives Hansard*, 2 December 2015, p. 12. Also see: Reference Group on Welfare Reform, February 2015, [A New System for Better Employment and Social Outcomes](#), accessed 21 January 2016.

18 This measure was first introduced in the Social Services and Other Legislation Amendment (2014 Budget Measures No. 1) Bill 2014 and the Social Services and Other Legislation Amendment (2014 Budget Measures No. 2) Bill 2014, and then reintroduced in the Social Services and Other Legislation Amendment (2014 Budget Measures No. 4) Bill 2014.

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- assets value limits—YA (non-independent) assets value limit (item 24), indexed 1 January.

1.15 Section 1192 of the Social Security Act sets out various rules for the indexation of the basic rates. Schedule 4 to the Bill proposes to amend section 1192 to insert three new rules which would provide that:

- the payment free area will not to be indexed on 1 July 2016, 1 July 2017 and 1 July 2018 (item 1, new subsection 1192(4AC));
- the pension free area will not be indexed on 1 July 2016, 1 July 2017 and 1 July 2018, to the extent that it relates to the amount in column 2 of Table E in point 1068A-E14 of the Pension 13 PP (Single) Rate Calculator (item 2, new subsection 1192(5AAA)); and
- the income free areas and other means test thresholds for student payments would not be indexed on 1 January 2016, 1 January 2017 and 1 January 2018 (item 2, new subsection 1192(5AAB)).

Consideration by other committees

1.16 The Parliamentary Joint Committee on Human Rights concluded that the Bill does not raise human rights concerns.¹⁹

1.17 The Senate Standing Committee for the Scrutiny of Bills had no comment on the Bill.²⁰

Conduct of the inquiry and acknowledgement

1.18 In accordance with its usual practice, the committee advertised the inquiry on its website, and wrote to 88 organisations, inviting submissions to the inquiry by 18 January 2016. The committee received 14 submissions, all of which were published on the committee's website. These submissions are listed at Appendix 1. The committee thanks those organisations who assisted with the inquiry.

19 Parliamentary Joint Committee on Human Rights, Thirty-third report of the 44th Parliament, 2 February 2015, p. 2.

20 Senate Standing Committee for the Scrutiny of Bills, Alert Digest No. 1 of 2016, 3 February 2016, p. 35.

