

The Senate

Community Affairs
Legislation Committee

Social Services Legislation Amendment
(Budget Repair) Bill 2015 [Provisions]

February 2016

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44th Parliament

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LIST OF RECOMMENDATIONS

Recommendation 1

2.49 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

2.50 The committee recommends that the Bill be passed.

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 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.

Chapter 2

Key issues

2.1 Submitters commented on the four measures proposed in the Bill, with all submissions expressing concerns related to issues of discrimination, equity and financial disadvantage. The key issues discussed in this chapter are:

- the proportional payment of pensions outside Australia (items 2–4 of Schedule 1 to the Bill);
- cessation of Pensioner Education Supplement (item 17 in Part 1 of Schedule 2 to the Bill); and
- the pauses on indexation (items 1–2, Schedule 4 to the Bill).

2.2 The committee has previously examined these proposed measures and reference to its conclusions in those inquiries will be made throughout this chapter, where relevant.¹

Proportional payment of pensions outside Australia

2.3 Schedule 1 to the Bill proposes to reduce, from 26 weeks to six weeks, the length of time for which recipients of Age Pension, and certain recipients of Disability Support Pension, Wife Pension and Widow B Pension, would be paid the basic means tested rate while outside Australia, from 1 January 2017.

2.4 The Explanatory Memorandum states that this measure would 'reinforce and strengthen the residence-based nature of Australia's social security system'.²

Submitters' comments

2.5 Some submitters did not support the proposal contained in Schedule 1, arguing that it would discriminate against older Australians, particularly those who were not born in Australia or who could not satisfy the Australian Working Life Residence maximum period of 35 years.

2.6 The Federation of Ethnic Communities' Councils of Australia (Federation of Ethnic Communities' Councils) argued that nearly 40 per cent of older Australians were not born in Australia. Consequently, the measure would 'disadvantage a

1 Senate Community Affairs Legislation Committee, *Social Services Legislation Amendment (Youth Employment and Other Measures) Bill 2015 [Provisions]*, August 2015; Senate Community Affairs Legislation Committee, *Social Services Legislation Amendment (Fair and Sustainable Pensions) Bill 2015 [Provisions]*, June 2015; Senate Community Affairs Legislation Committee, *Social Services and Other Legislation Amendment (2014 Budget Measures No. 1) Bill 2014 [Provisions]*, *Social Services and Other Legislation Amendment (2014 Budget Measures No. 2) Bill 2014 [Provisions]*, 12 September 2014.

2 Explanatory Memorandum, p. 2.

significant section of the Australian population who were born overseas and maintain important ties with their places of birth'.³ In its view:

...disadvantaging measures, with a large group of people having a significantly lower level of rights than another part of the population, are inequitable and do not contribute to social cohesion within Australian society.⁴

2.7 The National Welfare Rights Network highlighted that older Australians from culturally and linguistically diverse backgrounds are most likely to be adversely affected by the measure:

They are more likely to have humanitarian and compassionate reasons for travel (e.g. to visit parents and family members overseas who may be elderly and require care or other assistance). Reducing the rate of Age Pension after just 6 weeks is too short a period in such circumstances.⁵

2.8 The Refugee Council of Australia agreed, explaining:

Due to the numerous problems with family reunion, refugee community members are often required to travel overseas for long periods of time to visit their relatives and community members, as they are not able to bring their family members to Australia. This is especially important for those who have sick or dying relatives in secondary countries of asylum. As such, refugee communities may travel overseas for several months.⁶

2.9 The Welfare Rights Centre Sydney expressed the view:

...it is not unreasonable for an Age Pension recipient with close family overseas to want to spend an extended period of time with family overseas, particularly when dealing with illness or bereavement or when periods of extended caring is required.⁷

2.10 Other submitters argued that the measure would reduce the income of some older Australians who receive social security payments. St Vincent de Paul Society argued that the measure would particularly affect older Australians who come to Australia as refugees:

From what we see in our work, this is likely to affect those who came here from poorer countries as adults the hardest. It is unfair that a new Australian from a refugee background, who has had to return to their country of origin for a few months, should have their Pension cut significantly more than

3 *Submission 3*, p. 1. Also see: Combined Pensioners and Superannuants Association of NSW Inc., *Submission 2*, p. 3.

4 *Submission 3*, pp 1–2. Also see: COTA Australia, *Submission 12*, p. 1.

5 *Submission 4*, p. 3. Also see: Combined Pensioners and Superannuants Association of NSW Inc., *Submission 2*, p. 3; Australian Council of Social Service, *Submission 9*, p. 1.

6 *Submission 11*, p. 1.

7 *Submission 9*, p. 3. Also see: COTA Australia, *Submission 12*, pp 1–2, which noted also that it is not unusual for people to make one big trip to their birth country after retirement.

someone who has lived in Australia their whole life and then permanently emigrated overseas.⁸

2.11 The Federation of Ethnic Communities' Councils argued that some older Australians would receive less financial support if the measure were enacted, and argued that the current level of support would be significantly reduced and noted the Global AgeWatch Index 2015 that ranked Australia 17th in terms of providing for quality of life in older age. At the same time, the Index ranked Australia lowest in the region in the income security domain (62nd), due to a high old age poverty rate (33.4 per cent) and a pension income coverage (83 per cent) below the regional average.⁹

2.12 The Federation of Ethnic Communities' Councils submitted that 'the proposed changes to the portability of benefits would further weaken Australia's poor performance in this area'. The following illustration was provided:

...a recipient with a yearly income and asset tested rate of \$3,500 and 18 years working life in Australia would get an overseas rate of \$1,808.30 a year [$(3,500 \times 217) \div 420$]. The person in this example ordinarily gets \$134.60 per fortnight. Under the new measure...the \$1808 annual rate (roughly \$69.55 per fortnight) would apply after 6 weeks rather than the current 26 weeks. This is a significant difference in income, which would be more pronounced for individuals on a full pension with no assets.¹⁰

2.13 The Chinese Australian Services Society supported the measure proposed in Schedule 1 to the Bill, as it would 'allow for the aged population to develop a stronger tie with Australia' and strengthen the sustainability of the welfare system,¹¹ but suggested that the Bill should provide for special circumstances so that older Australians' income support payments are not affected after six weeks absence from Australia due to reasons beyond their control:

There could be a situation, when they are unable to return to Australia during an overseas trip due to a particular reason, such as a serious accident, medical emergency or natural disaster. This needs to be considered when changes are made to their payment. Therefore, we would like to suggest the Government [add] a mechanism to increase the six-week period under special circumstances.¹²

2.14 The committee notes that it has previously examined and expressed its support for the measure proposed in Schedule 1 to the Bill, as 'the measure reinforces the residence-based nature of Australia's pension system'.¹³

8 Submission 8, p. 2.

9 Global AgeWatch Index 2015, [AgeWatch report card, Australia](#), accessed 21 January 2016.

10 Submission 3, p. 2.

11 Submission 7, p. 1.

12 Submission 7, p. 2.

13 Senate Community Affairs Legislation Committee, *Social Services Legislation Amendment (Fair and Sustainable Pensions) Bill 2015 [Provisions]*, June 2015, p. 22.

Cessation of Pensioner Education Supplement

2.15 Item 17 in Part 1 of Schedule 2 to the Bill would repeal the Pensioner Education Supplement, from 1 January 2016. Notwithstanding the cessation of this payment, the Minister for Social Services (Minister) noted:

The Government remains committed to providing incentives for income support recipients to improve their employment prospects through study or training. However, more appropriate channels of Government-funded study and training assistance for income support recipients are available through employment service providers, the Higher Education Loan Program, FEE HELP and VET FEE HELP tuition loan programmes.¹⁴

2.16 In addition, the Minister highlighted that there are other income support payments (such as Youth Allowance (Student) and AUSTUDY) that are particularly targeted toward students, and which consider students' particular circumstances and needs: 'These student payments will continue and will not be affected by the removal of the pensioner education supplement'.¹⁵

Submitters' comments

2.17 Some submitters did not support the proposal to cease the Pensioner Education Supplement, from 1 January 2016. These submissions argued that people receiving the payment are financially disadvantaged and rely on this extra income to cover the on-going costs of education and training. Submitters further argued that the proposed measure contradicts the policy objective of enhanced workforce participation.

Current financial disadvantage

2.18 Two submitters—the Australian Association of Social Workers and The Salvation Army—particularly described the impecunious circumstances of people who currently receive income support and the Pensioner Education Supplement.

2.19 In 2015, the Australian Association of Social Workers and James Cook University conducted research into the financial circumstances of students, including 54 social work students who were in receipt of a Disability Support Pension. The research found that this group of students was in 'extreme financial stress':

...55% of the students indicated that they **regularly** went without food or other necessities because they could not afford them. Students also indicated that at times they had insufficient money for food (59%), clothing (67%), accommodation (43%), transport (56%) and medication (52%).

In addition, the lack of financial resources directly affected the students' study experiences: 87% of students indicated they did not have not enough

14 The Hon Christian Porter MP, Minister for Social Services, *House of Representatives Hansard*, 2 December 2015, p. 12. For further information on these and other programs see: Australian Government, [HELP Paying My Fees](#), accessed 21 January 2016; EM, Statement of Compatibility with Human Rights, p. 4.

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

money to pay for all recommended texts or educational resources, 35% had problems with accommodation caused by a lack of income and 35% felt that the lack of financial support increased the likelihood of dropping out of the course.¹⁶

2.20 Each year since 2012, The Salvation Army has conducted its Economic and Social Impact Survey, which explores the levels of deprivation and disadvantage experienced by people who have accessed its Emergency Relief Services. In 2015, the survey results revealed a 'bleak picture of entrenched and persistent poverty and disadvantage' and the 'inadequacy of income support payments':

The study showed 88% of respondents received some form of income support. Among this group, a major theme for those receiving Newstart, Disability Support Pension and Parenting payments was the inadequacy of income support and insufficient financial resources. Many of these individuals and families accessed Emergency Relief assistance as the last resort to meet their basic needs. These people had \$125 per week (median per week) to live on after accommodation expenses (\$180 median per week). This equates to just \$17.86 per day to meet all other living expenses.¹⁷

2.21 The Salvation Army argued that, within such a tight financial environment, the Pensioner Education Supplement was a 'critical payment towards the additional costs associated with education'.¹⁸

Reduction in income support

2.22 Other submitters agreed that cessation of the Pensioner Education Supplement would negatively affect people already on low incomes and inhibit their ability to undertake, or discourage them from undertaking, education and training.¹⁹

2.23 The St Vincent de Paul Society submitted that the payment is a significant amount to people on very low incomes:

For the pensioners who receive the Supplement, this represents a 9-12% cut in the income support they will receive. This is clearly significant...[and] will have enormous ramifications for these families' ability to feed and shelter themselves, let alone continue to engage in education.²⁰

16 *Submission 1*, p. 3 (emphasis in the original).

17 *Submission 6*, p. 2.

18 *Submission 6*, p. 2. Also see: The Women and Work Research Group and The Work + Family Policy Roundtable, *Submission 5*, p. 9.

19 As indicated in chapter one, the Pensioner Education Supplement represents a payment of \$62.40 per fortnight for full-time students and \$31.20 per fortnight for part-time students. About 93 per cent of payment recipients receive the higher amount: Welfare Rights Centre Sydney, *Submission 10*, p. 3.

20 *Submission 8*, p. 2. Also see: The Women and Work Research Group and The Work + Family Policy Roundtable, *Submission 5*, p. 10; Australian Association of Social Workers, *Submission 1*, p. 4, which argued also that the Pensioner Education Supplement should be increased, rather than being eliminated.

2.24 Similarly, the Combined Pensioners and Superannuants Association of NSW Inc. submitted:

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 will be a barrier to pensioners taking up training and education opportunities.²¹

2.25 Some submitters suggested that women, younger people under 25 years of age, carers and Aboriginal and Torres Strait Islander peoples would be most affected by the cessation of the Pensioner Education Supplement. For example, the Welfare Rights Centre Sydney submitted:

At June 2014 there were 46,885 people undertaking a course of study with the [Pensioner Education Supplement (PES)]. Three-in-ten (13,700) were aged under 25, indicating that this payment offers beneficial supports that assists young people to continue in education and study. Seven per cent of those studying with the PES were Indigenous. Data from Senate estimates indicates that eighty per cent [of] PES recipients are women.²²

2.26 The Refugee Council of Australia submitted that refugee communities encounter barriers to education (particularly the up-front and ongoing costs) and supports—such as the Pensioner Education Supplement—that mitigate these barriers should be maintained:

Due to conflict and time spent in refugee camps or countries of first asylum, many people arrive in Australia with disrupted education. Others may also arrive with significant skills and education, but these qualifications are not recognised in Australia. Support to continue education...[is] needed to enable many people to gain adequate skills and qualifications in Australia.²³

Transitional arrangements

2.27 Both the Welfare Rights Centre Sydney and the National Welfare Rights Network observed that the Bill does not include transitional arrangements, for those Pensioner Education Supplement recipients who are part-way through a course:

...the average time that the PES is received is 3.5 years. It is unfair to cease access to this supplement for people who are in the process of completing a course of study. When changes were made impacting single parents in 2006 and 2013, transitional rules [were made] to sensibly allow parents to complete their course.²⁴

21 *Submission 2*, p. 4.

22 *Submission 10*, p. 4. Also see: National Welfare Rights Network, *Submission 4*, p. 4.

23 *Submission 11*, p. 2.

24 *Submission 10*, p. 4. Also see: National Welfare Rights Network, *Submission 4*, p. 4.

Negative impact on enhanced workforce participation

2.28 Several submitters argued that cessation of the Pensioner Education Supplement would not assist income support recipients to acquire or improve their education and training, with a view to re-entering the workforce. The argument was that the Bill does not support people to improve their financial position and advance out of welfare dependency.²⁵

2.29 For example, the Australian Council of Social Service submitted:

Further education and skills development improves work prospects, enabling people to rely less on income support in the future. Sole parents in particular may need to obtain further educational qualifications to re-enter employment after a period of full or part time care.²⁶

2.30 In a joint submission, The Women and Work Research Group and The Work + Family Policy Roundtable stated that the Bill does not provide 'a coherent policy response to the need to increase women's employment participation':

A positive and comprehensive policy to facilitate the increased workforce participation of sole parents and other women needs to be both carer-friendly and to benefit women in all socio-economic groups. The reductions to pensions and benefits in this Bill can only increase the disadvantage of sole parents and other carers (and those who have a disability), particularly along with other proposed changes in the Social Services Legislation Amendment (Family Measures) Bill 2015 and Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill (No. 2) 2015.²⁷

2.31 The Women and Work Research Group and The Work + Family Policy Roundtable added:

...attacking sole parents' attempts to improve their education limits their options for accessing employment and, if they manage to find employment, limits them to poor quality intermittent casualised jobs. The measures in the Bill thus directly undermine the federal government's commitment to increase women's labour force participation on a sustainable basis.²⁸

2.32 Some submitters referenced the Minister's comments about the availability of 'more appropriate channels of Government-funded study and training assistance for income support recipients'. These submitters contended that the three identified channels—HECS-HELP, FEE HELP and VET FEE HELP—would not replace the income that would be lost, if the Pensioner Education Supplement were enacted.

2.33 For example, the National Welfare Rights Network noted that HECS-HELP, FEE HELP and VET FEE HELP offer assistance only for the costs of tuition:

25 Australian Association of Social Workers, *Submission 1*, p. 5.

26 *Submission 9*, p. 2. Also see: National Welfare Rights Network, *Submission 4*, p. 4.

27 *Submission 5*, p. 8.

28 *Submission 5*, p. 10.

PES is therefore a critical payment which assists with the additional costs of study and encourages and enables Disability Support Pensioners and single parents to undertake study. Encouraging study during periods of unemployment is sound policy and the centrepiece of the government's 'earn or learn' scheme directed at younger people. Maintaining PES assistance is important also for carers, particularly those who are likely to transition off carer payment and onto Newstart Allowance while still of workforce age (eg because of the life expectancy of the care receiver).²⁹

2.34 In addition, the Australian Association of Social Workers submitted that most students are likely to already be receiving assistance through two of the three identified channels (HECS-HELP and FEE HELP).³⁰

2.35 While the Chinese Australian Services Society supported the proposed measure, as a refinement of the income support system and to reduce 'those payment supplements that are no longer viable', its submission suggested:

There is evidence that active participation in social and community life improves the life quality and in some cases, the life expectancy of older people. This participation often depends on the self-development of senior citizens and the existence of appropriate support for learning.³¹

2.36 In its prior examination of the measure now proposed in Schedule 2 to the Bill, the committee was satisfied that 'other supports remain available to assist low income pension recipients and those seeking to undertake further education'.³² The committee notes the Government remains committed to providing education and training incentives to income support recipients and that there are other targeted payments available to people seeking to study and/or train.

Pauses on indexation

2.37 Items 1–2 of Schedule 4 to the Bill would pause indexation of the income free areas for all working age allowances and for Parenting Payment Single, and the income free areas and other means test thresholds for student payments, commencing 2016. The Statement of Compatibility in the Explanatory Memorandum notes:

The changes to the value of income test free areas and thresholds for certain Australian Government payments assist in targeting payments according to need. Payments will not be reduced unless customers' circumstances change, such as their income increasing in value.³³

29 *Submission 4*, p. 4. Also see: St Vincent de Paul Society, *Submission 8*, p. 3; Welfare Rights Centre Sydney, *Submission 9*, p. 2.

30 *Submission 1*, p. 4. Also see p. 5 in relation to the Education Entry Payment.

31 *Submission 7*, p. 2. Chinese Australian Services Society Limited specifically referred to the prevention of dementia-spectrum disorders.

32 Senate Community Affairs Legislation Committee, *Social Services Legislation Amendment (Fair and Sustainable Pensions) Bill 2015 [Provisions]*, June 2015, p. 22.

33 EM, Statement of Compatibility, p. 9.

Submitters' comments

2.38 Some submitters expressed the view that indexation is essential to maintain the real value of income support. Submitters—such as the St Vincent de Paul Society and The Salvation Army—commented that pausing indexation reduces the real value of income support, leaving payment recipients worse off financially. For example:

Freezing income free areas for three years essentially reduces the adequacy of private income for people affected by the means testing and income thresholds. It is a measure that reduces incomes solely for the purposes of budget savings and is essentially punishing people who are on income support.³⁴

2.39 The Welfare Rights Centre Sydney identified Newstart Allowance as a payment which would most clearly be affected by the proposed measure. Its submission stated that 'a substantial number of unemployed people, including about 45 per cent of single parents on Newstart, will be impacted by this threshold freeze'.³⁵

2.40 The Chinese Australian Services Society commended the measure for 'working towards the sustainability of our payments system' but expressed concern for families in 'special hardship'.³⁶

2.41 The Welfare Rights Centre Sydney—and other submitters—argued that the measure would be a work disincentive: it would discourage people from engaging in casual and part-time work, as any earnings would more quickly erode their income support payment. For example, the Australian Council of Social Service submitted:

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. 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.³⁷

2.42 The Combined Pensioners and Superannuants Association of NSW Inc. clarified how much Newstart Allowance recipients can earn, before the earnings begin to affect their income support payments:

...on Newstart Allowance a person may earn up to \$102 per fortnight [three hours per week] 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... To 'pause' indexation of this income free

³⁴ The Salvation Army, *Submission 6*, p. 3. Also see: St Vincent de Paul Society, *Submission 8*, p. 3.

³⁵ *Submission 9*, p. 7.

³⁶ *Submission 7*, p. 3.

³⁷ *Submission 9*, p. 2. Also see: Welfare Rights Centre Sydney, *Submission 9*, p. 7.

area for three years will be to the detriment of recipients who are able to earn some income.³⁸

2.43 The National Welfare Rights Network submitted that the rate of workforce aged payments is widely recognised as inadequate and 'to propose undermining existing free areas by freezing indexation, in the face of clear inadequacy of workforce age payments, is indefensible'.³⁹

2.44 Three submitters—the Combined Pensioners and Superannuants Association of NSW Inc., The Salvation Army, and St Vincent de Paul Society—called for the income free thresholds to be indexed to movements in the national average wage, rather than being paused as proposed in the Bill.⁴⁰

2.45 The committee notes that income support payments would not be affected by the measure proposed in Schedule 4 to the Bill, unless a person's financial circumstances change.

Committee view

2.46 The purpose of this Bill is to reintroduce measures that formed part of the Government's budget repair strategy. In addition, the Minister has noted that the Social Services portfolio is committed to fiscal discipline, to effectively reduce long-term pressures, target resources to those who most need them, and ensure the sustainability of Australia's social security safety net.

2.47 The Explanatory Memorandum has explicitly identified the savings to be achieved by the Bill and who would be affected by the proposed measures. The committee notes that submitters focussed on the latter and argued essentially that disadvantaged people would be significantly and adversely affected for a short-term policy objective.

2.48 In respect of Pensioner Education Supplement, the committee heard that it would not be fair to cease this payment for people who have commenced but not yet completed a course of education or training. The committee agrees that such a move would be unfair and counterproductive. Noting the financial circumstances of income support recipients, the committee considers that the Bill should be amended to include suitable transitional arrangements for students currently receiving Pensioner Education Supplement.

Recommendation 1

2.49 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.

38 *Submission 2*, pp 4–5.

39 *Submission 4*, p. 5. The Refugee Council of Australia referred particularly to the inadequacy of Austudy and Youth Allowance: *Submission 11*, p. 2.

40 *Submission 2*, p. 5; *Submission 6*, p. 3; *Submission 8*, p. 3, respectively.

Recommendation 2

2.50 The committee recommends that the Bill be passed.

Senator Zed Seselja

Chair

Labor Senator's Dissenting Report

1.1 Labor Senators on this committee reject the recommendations contained in the majority report.

1.2 The measures in this Bill have previously been considered through this Committee's inquiries into:

- the Social Services Legislation Amendment (Fair and Sustainable Pensions) Bill 2015;
- the Social Services Legislation Amendment (Youth Employment and Other Measures) Bill 2015; and
- 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.

1.3 Labor Senators' Dissenting Reports on each of these inquiries outline the overwhelming and near unanimous evidence provided to the Committee rejecting the measures.

1.4 To recommend passage of these measures would be to recommend the imposition of harsh and unfair cuts to low and middle income individuals and families.

1.5 This legislation makes it harder for migrant pensioners to continue to receive their pension while they are overseas. This is a cruel and unfair cut. There are many older Australians who left family or fled conflict on the other side of the world to build a better life in our country.

1.6 They have spent decades working hard, paying taxes, raising families and making Australia a better place. They deserve the pension, just like any other eligible older Australian.

1.7 This legislation will also remove important supports for age pensioners, disability support pensioners and other low-income Australians who are seeking to improve their opportunity in life by getting an education.

1.8 These measures fail the fairness test.

1.9 Moreover, it is clear that these measures do not carry the support of the vast majority of the submissions made to this inquiry.

1.10 The submitters' comments outlined in the majority report are unequivocal: these measures are fundamentally unfair. They should not be supported.

1.11 Labor Senators see no reason to repeat that evidence again. We need simply say that it is unfortunate that the majority members of the Committee have chosen to dismiss that evidence so comprehensively.

1.12 Labor Senators strongly agree with the weight of evidence presented through the course of this Inquiry, that the Bill be rejected.

Recommendation 1

1.13 Labor Senators recommend that the Senate reject the Social Services Legislation Amendment (Budget Repair) Bill 2015.

Senator Carol Brown

Senator Katy Gallagher

Senator Claire Moore

Australian Greens Dissenting Report

Introduction

1.1 **The Australian Greens do not support the recommendation of the majority report that the Social Services Legislation Amendment (Budget Repair) Bill 2015 (the Bill) be passed.**

1.2 As noted in the majority committee report, the Bill reintroduces measures that were previously in the Social Services Legislation Amendment (Fair and Sustainable Pensions) Bill 2015:

- Reducing the length of time Age Pensioners and recipients of specific other payments can spend overseas while receiving the basic means tested rate. This measure lowers that period from 26 to 6 weeks.
- Cease the Pensioner Education Supplement and the Education Entry Payment from 1 January 2016.

1.3 The Bill also reintroduces a measure from the Social Services Legislation Amendment (Youth Employment and Other Measures) Bill 2015 that would freeze specific income support parameters for three years. In particular, it would freeze the income free areas for working age allowances (including student payments), and parenting payment single.

1.4 The Government's stated purpose in introducing these measures is to improve the budget balance.¹ The Australian Greens reject this approach, and do not support the majority committee report. **The Australian Greens recommend that this bill not be passed.**

Changes to payment rates for pensioners travelling outside Australia

1.5 Currently, Age Pensioners (and a number of other income support recipients) are able to receive their full means tested rate for 26 weeks when travelling outside Australia. If they are still outside Australia after this period, they receive a lower rate based on their Australian working life residence (AWLR). The proportion of the pension rate received relates to the AWLR, with individuals with an AWLR below 35 years receiving a reduced rate.

1.6 As noted in the majority committee report, the Federation of Ethnic Communities' Council of Australia (FECCA) argued that the measure would disadvantage a significant portion of the Australian population who were born overseas.² These concerns were shared by a number of other submitters, including the National Welfare Rights Network (NWRN), the Refugee Council of Australia, the

1 Second reading speech, Christian Porter.

2 *Submission 3*, p. 1.

Welfare Rights Centre Sydney (WRSC) and the St Vincent de Paul Society.³ The Council of the Ageing (COTA) has also expressed its opposition to this measure.⁴ COTA stated:

COTA believes that this measure is excessively punitive and inequitable in its impact on Australians not born in this country and who maintain cultural and familial ties to their place of birth. As around 40 per cent of Age Pensioners were not born in Australia the impact of the measure is likely to be significant and unfairly borne by one segment of our community.

1.7 It is important to note that there is already a limit in place which restricts pension portability, based on AWLR. This measure is a tightening of an existing restriction, rather than addressing a gap in the system. It is poorly targeted, and does not recognise the range of circumstances in which pensioners may need to travel for more than 6 weeks outside Australia. A number of submissions, including the NWRN, Refugee Council of Australia and WRCS noted the need for pensioners to spend extended periods overseas, particularly in cases of illness or bereavement. The NWRN said:

They are more likely to have humanitarian and compassionate reasons for travel (e.g. to visit parents and family members overseas who may be elderly and require care or other assistance). Reducing the rate of Age Pension after just 6 weeks is too short a period in such circumstances.

1.8 **The Australian Greens do not support this measure.** It is unfair, and will have a significant impact on Age Pension recipients.

Pensioner Education Supplement

1.9 The Pensioner Education Supplement (PES) is a payment that supports eligible students with the costs of study. The Minister has stated that around 46 000 people studying while on income support receive the payment.⁵

1.10 A number of submissions to the Committee noted the already difficult situation of income support recipients,⁶ and others noted concerns about the impact of removing the payment.⁷ Most importantly, removing the PES will make it even more difficult for marginalised groups to access education.⁸ The WRCS said:

The removal of the supplement will limit the opportunity for single parents and people with disabilities to retrain or undertake a university or TAFE courses. PES assists people with disabilities and single parents to gain the skills they need to compete be attractive to employers. News of the plan to

3 Submissions as referenced in the majority committee report.

4 COTA Australia, *Submission 12*.

5 Second reading, Christian Porter.

6 Salvation Army, *Submission 6*; Australian Association of Social Worker, *Submission 1*.

7 St Vincent de Paul Society, *Submission 8*; ACOSS, *Submission 10*; WRCS, *Submission 9*.

8 WRCS, *Submission 9*; RCA, *Submission 11*.

axe the PES was, unsurprisingly, met with alarm and concern from people who were accessing this supplement.⁹

1.11 The majority Committee report recommends providing transition arrangements for those who are currently undertaking study. This would of course be appropriate if the PES is removed, however we hope it is not.

1.12 However removing the PES is fundamentally bad policy. It cuts away another important piece of an already fragile income support safety net. It makes it harder for people to survive on low payments, and in particular to access education. This measure is cruel, mean penny pinching and will be counter-productive. **The Australian Greens do not support this measure.**

The Education Entry Payment

1.13 The Education Entry Payment is a payment that helps eligible income support recipients who are studying. About 83 000 people received it in 2014-15.¹⁰

1.14 Removing this payment will hurt many vulnerable income support recipients, including single parents, and pensioners who may be struggling to access education. The Australian Council of Social Services and the National Welfare Rights Network oppose this measure.¹¹

1.15 **The Australian Greens do not support this measure.**

Freezing income free areas

1.16 Under current legislation, specific parameters in income support tests ('income free areas') are indexed by the consumer price index (CPI) annually. This means that the income tests are adjusted automatically, to match inflation. In particular, it means that the amount income support recipients can earn (before their payments are reduced) increases in line with inflation.

1.17 As ACOSS noted, freezing the indexation hurts vulnerable people through its impact on their payments:

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.¹²

9 WRCS, *Submission 9*.

10 Second reading, Christian Porter.

11 ACOSS, *Submission 10*; NWRN, *Submission 4*.

12 ACOSS, *Submission 10*.

1.18 Where adjustments to income free areas have occurred, these have typically been increases, to increase the incentives to work.¹³ As the NWRN said:

To propose undermining existing free areas by freezing indexation, in the face of clear inadequacy of workforce age payments, is indefensible.

1.19 This measure would only hurt income support recipients. Given the already poor level of support available through the income support system, this is just another cut to an already fragile safety net. **The Australian Greens do not support this measure.**

'Budget repair', and rationales for cutting away the safety net

1.20 The Minister in his second reading speech, and the majority committee report, have commented on the need for 'budget repair'. The argument that particular changes are necessary for 'budget repair' is explicitly used to support the measures in this bill, and recurs frequently in the Government's rhetoric. In particular, it is an argument deployed to justify cuts which have been rejected by the Australian public and the Senate.

1.21 The Government's action since the election shows that it has no real interest in 'budget repair'. It has deliberately taken steps which have actively worsened the budget balance, by reducing the revenue available to the Commonwealth. It has also failed to take meaningful action on significant gaps in the tax system. Its entire focus has been, instead, on measures which cut away the safety net.

1.22 This reflects an ideological approach, which is not at all concerned with an evidence based approach to budget repair. Instead the Government's approach is to cut away Government support for those who are struggling, and give bigger tax breaks and Government support to major corporations and the very wealthy. This is a fundamentally unfair policy approach. It contributes to increasing inequality, and ultimately to an unfair and divided society.

1.23 The Australian Greens reject this approach.

Recommendation 1

1.24 The Australian Greens recommend that the Social Security Legislation Amendment (Budget Repair) Bill 2015 not be passed.

Senator Rachel Siewert

13 Michael Klapdor, Work and study incentives for the unemployed and single parents, *Parliamentary Library Budget Review 2013-14*, http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/BudgetReview201314/WorkStudyIncentives (accessed 3 February 2015); WRCS, Submission 9.

APPENDIX 1

Submissions received by the Committee

Submissions

- 1** Australian Association of Social Workers
- 2** Combined Pensioners and Superannuants Association of NSW Inc
- 3** Federation of Ethnic Communities' Councils of Australia
- 4** National Welfare Rights Network
- 5** Women and Work Research Group (University of Sydney) and Work + Family Policy Roundtable
- 6** The Salvation Army
- 7** Chinese Australian Services Society Limited
- 8** St Vincent de Paul Society
- 9** Welfare Rights Centre Sydney
- 10** Australian Council of Social Service
- 11** Refugee Council of Australia
- 12** COTA Australia
- 13** National Council of Single Mothers and their Children
- 14** Confidential