

Australian Labor Party Senators' Dissenting Report

1.1 Labor Senators on this committee reject Recommendation 2 of the majority report, that the Bill be passed.

1.2 The committee heard evidence from a wide variety of community organisations that the changes in the Bill are unfair, and would result in groups of Australians facing significant financial pressures.

1.3 Catholic Social Services Australia said that this Bill places 'the burden of budget repair on those who can least afford it, while providing tax cuts to the wealthy and businesses, [which] is wrong morally and economically.'¹

1.4 St Vincent de Paul said:

By increasing waiting periods and reducing access to support payments, the proposed measures would further erode an already fragile social safety net, contributing to inequality and disproportionately impacting on people on low incomes. Such proposals are morally, socially and economically indefensible.²

1.5 The Federation of Ethnic Communities' Councils of Australia told the committee that they view the changes in this Bill as discriminatory, in particular that:

...the extension of the residency requirements for qualification for DSP and age pension and the removal of the pension supplement after six weeks of travel overseas disproportionately impact culturally and linguistically diverse communities and are therefore discriminatory in nature.³

1.6 The committee also heard strong opposition to the Bill from the National Social Security Rights Network, who said that 'this Bill simply appears to be an ideological attack on the social safety net.'⁴

Schedule 1: Enhanced residency requirements for pensioners

1.7 The Department of Social Services submitted that approximately 2300 people each year would be required to wait longer before becoming eligible for the Age Pension or the Disability Support Pension as a result of increasing the required period of residence from 10 to 15 years.⁵

1.8 The committee heard evidence about the difficulties older migrants will face as a result of extending the residency requirements.

1 Catholic Social Services Australia, *Submission 1*, p. 3.

2 St Vincent de Paul, *Submission 13*, p. 1.

3 Dr Emma Campbell, Director, Federation of Ethnic Communities' Councils of Australia, *Committee Hansard*, Thursday 31 August 2017, p. 6.

4 Anglicare Australia, *Submission 5*, p. 6.

5 Department of Social Services, *Submission 11*, p. 3.

1.9 The Federation of Ethnic Communities Council Australia told the committee that 'in general older Australians find it very difficult to find work, so those of a CALD [culturally and linguistically diverse] background will struggle even more.'⁶

1.10 The committee heard that some Australians will be forced to rely on their family for support in lieu of the Age Pension. The Federation of Ethnic Communities' Councils of Australia explained that:

...older migrant Australians will become more reliant upon their families to support them...but as with any family, young people now in Australia...have to move often in order to secure employment, and they're not often in a position to take care of their older relatives, either practically or financially.⁷

1.11 The committee also heard that Special Benefit, the discretionary payment that some affected retirees may be eligible to receive, would not be sufficient to alleviate the financial hardship caused by being ineligible to receive the age pension.

1.12 The Australian Council of Social Service said that '[t]he rate of payment of special benefit, even if they are getting the maximum amount, falls well short of what someone needs to cover the cost of essential goods and services.'⁸

1.13 The committee heard that 'migrants contribute economically and socially through their familial contributions as carers, volunteers, business people and philanthropists'⁹ after they arrive in Australia.

1.14 Catholic Social Services Australia wrote that 'the rationale for the waiting period is overly harsh and has little bearing on whether a person is in need of income support.'¹⁰

1.15 Experts on Australia's Social Security system, the National Social Security Rights Network and the Australian Council of Social Services also expressed concern at the structure of the measure's 'self-sufficiency test'.

1.16 They told the committee that making future eligibility for access to social security contingent on whether a person had accessed the system in the past was troubling.

1.17 The National Social Security Rights Network explained:

The Australian system is based on residence and need. It has a very strong emphasis on residence already. Most of the older migrants who have the misfortune to need to access our system within the first 10 years in Australia are covered by an assurance from their families. So there is no

6 Dr Emma Campbell, *Committee Hansard*, Thursday 31 August 2017, p. 11.

7 Dr Emma Campbell, *Committee Hansard*, Thursday 31 August 2017, p. 11.

8 Dr Cassandra Goldie, Chief Executive Officer, Australian Council of Social Service, *Committee Hansard*, Wednesday 30 August 2017, p. 5.

9 Dr Emma Campbell, *Committee Hansard*, Thursday 31 August 2017, p. 6.

10 Catholic Social Services Australia, *Submission 1*, p. 2.

cost to the taxpayer because the money is recovered from the family. So it's hard to see the case for strengthening the requirements. It's particularly hard to see the need or benefit that comes from introducing income support history into the test. It's a departure from a very fundamental principle.¹¹

1.18 The Australian Council of Social Services said that 'it starts to introduce an approach to social security which says that, because you had to come here for help in the past, you've had enough.'¹²

1.19 Labor Senators note the concerns held by the Senate Scrutiny of Bills Committee about this measure, that 'while not technically retrospective, may raise questions as to the fairness of applying a change in the law to individuals who have arranged their long-standing affairs on the basis of the existing law.'¹³

1.20 Labor Senators note further that the Senate Scrutiny of Bills Committee did not consider that the administrative complexity of grandfathering the changes in this measure alone was not sufficient justification for neglecting to include grandfathering arrangements.

Schedule 2: Stopping the payment of pension supplement after six weeks overseas

1.21 The committee heard that ceasing to pay the pension supplement after a recipient had been overseas would disadvantage pensioners as 'people's costs don't necessarily decline because they are spending that period of time overseas.'¹⁴

1.22 The committee heard that the pension supplement is an important element of the age pension and should not be cut. The Federation of Ethnic Communities' Councils of Australia explained:

For the individuals who have to survive on the age pension, that additional supplement is critical. They would have also suffered in terms of having to save up to go overseas in the first place and probably for a long period of time. Every dollar counts when you're living on the age pension so it is punitive and cruel to take away that additional amount just because someone, for very good reasons, is having to spend an extended period of time overseas.¹⁵

1.23 The Federation of Ethnic Communities' Councils of Australia stated that older Australians from diverse cultural backgrounds are often required to travel overseas for more than six weeks in their retirement to undertake family responsibilities. The Federation explained further that:

11 Mr Matthew Butt, Executive Officer, National Social Security Rights Network, *Committee Hansard*, Wednesday 30 August 2017, p. 2.

12 Dr Cassandra Goldie, *Committee Hansard*, Wednesday 30 August 2017, p. 4.

13 Scrutiny Digest Number 8, 9 August 2017, p 22.

14 Ms Charmaine Crowe, Senior Policy and Advocacy Officer, Australian Council of Social Service, *Committee Hansard*, Wednesday 30 August 2017, p. 6.

15 Dr Emma Campbell, *Committee Hansard*, Thursday 31 August 2017, p. 14.

...this may be a last trip either for themselves or to see a family member who is dying or at the end of life. So to penalise them for staying longer than six weeks is cruel for the family member that they are uniting with and for these Australian individuals.¹⁶

1.24 The committee also heard that this measure will leave age pensioners who have chosen to retire overseas, worse off, as they will no longer receive the pension supplement as a result of this change, which does not grandfather the supplement for existing recipients.

1.25 The National Social Security Rights Network told the committee that this is:

...contrary to normal practice, it applies to you if you've already permanently departed Australia. What this measure will do is reduce the payment that's already been made to people who have previously chosen a country or returned to their country of residence on the faith of the system when they left.¹⁷

Schedule 3: Taper rate for Part A rate of family tax benefit

1.26 The committee heard evidence against accepting the changes to calculation of Family Tax Benefit Part A in this Bill.

1.27 The committee heard that the families impacted by this measure have already faced several cuts, which 'when they add up together it's actually a significant hit on family budgets.'¹⁸

1.28 The Parenthood explained that:

...families seem to be bearing the brunt of savings measures, and that's a difficult situation to put them in when their costs are at their highest, factoring in raising children, having them in child care and school, and most likely paying off HECS debt.¹⁹

1.29 The committee heard that families are continuing to be impacted by the rising cost of living.

1.30 The Parenthood said:

We know that families are spending twice as much on their childcare bills as they are on their groceries-some of them three times as much-and so any little effect multiplied out across a year can cause substantial stress to families.²⁰

1.31 Catholic Social Services Australia also told the committee that this change would have a significant impact on the budgets of Australian families. Catholic Social Services Australia said:

16 Dr Emma Campbell, *Committee Hansard*, Thursday 31 August 2017, p. 14.

17 Mr Matthew Butt, *Committee Hansard*, Wednesday 30 August 2017, p. 6.

18 Ms Nicole Lessio, Acting Executive Director, The Parenthood, *Committee Hansard*, Thursday 31 August 2017, p. 2.

19 Ms Nicole Lessio, *Committee Hansard*, Thursday 31 August 2017, p. 2.

20 Ms Nicole Lessio, *Committee Hansard*, Thursday 31 August 2017, p. 2.

Almost 25 000 families with an average household income of \$125 490 will lose their payments entirely under the proposed measure and 71 800 families with an average income of \$107 622 will have their payments reduced by an average of \$50 a fortnight (\$1300 [a] year). This is in addition to other recent changes to payments, such as loss of supplements.²¹

Schedule 4: Liquid assets test waiting period

1.32 The committee received evidence from a number of sources that extending the liquid assets test waiting period would push vulnerable Australians further in to financial hardship.

1.33 The Australian Council of Social Services told the committee that there is already a high level of deprivation among social security claimants. They explained that:

...the latest HILDA data shows that a full 25 per cent of people who are unemployed are already being deprived of two or more essential items. In addition, the evidence shows that about 12 per cent of people at the moment could not raise \$500 in the event of an emergency.²²

1.34 The Parenthood condemned this Schedule, and said that extending the liquid assets test waiting period is a measure which is:

...designed to put vulnerable people in an even more desperate position than they already find themselves. Making people wait six months for income support is dangerous and risks leaving people with absolutely nothing.²³

1.35 The committee also heard that it is possible that assets are calculated at a higher level than accurately reflects a claimant's ability to access those funds. This is particularly the case where a claimant has been made redundant. The Parenthood told the committee that:

[i]f...you're owed \$12,000 in back pay and holiday pay and all of those things and companies aren't actually paying out, I want to make sure that we understand that liquid assets include that particular statement and that it's not terribly liquid if the money itself isn't there.²⁴

1.36 Catholic Social Services Australia provided the committee with calculations to show the impact the extended liquid assets test waiting period would have on a person with dependants, living in the Australian Capital Territory. They wrote:

Even with savings of \$36,000...for a person with dependents it would not take long to expend these savings. For example, using the Household Expenditure Measure, a person with two dependants in the ACT, renting and having a basic lifestyle would need a minimum of \$21,792 over a 6

21 Catholic Social Services Australia, *Submission 1*, p. 2.

22 Dr Cassandra Goldie, *Committee Hansard*, Wednesday 30 August 2017, p. 2.

23 Ms Nicole Lessio, *Committee Hansard*, Thursday 31 August 2017, p. 1.

24 Ms Nicole Lessio, *Committee Hansard*, Thursday 31 August 2017, p. 3.

month period. This assumes there are no contingencies such as medical bills, costs of retraining or vehicle repairs and maintenance. After 6 months, over 60% of the savings would have been spent just with basic household expenditure. This leaves this household financially vulnerably with a small buffer to manage contingencies whilst on income support.²⁵

1.37 The committee heard that the effect of extending the liquid assets test waiting period would be to 'make people run down their savings even further, further reducing the capacity for people already of limited resources to be able to meet basic costs and unanticipated one-off expenses'²⁶ such as repairing or replacing a vital home appliance or paying a rental bond.

1.38 The National Social Security Rights Network said that,

The social security system is not fit for purpose if it erodes people's ability to deal with one-off and extraordinary expenses. Measures like this, which undermine people's savings, can have the effect of pushing people into improvident lending practices and a range of other negative situations, which are of concern to the community, government and parliament.²⁷

Recommendations

1.39 The committee received evidence from a variety of sources which suggested that the changes contained in the *Social Services Legislation Amendment (Payment Integrity) Bill 2017* were unfair and would push vulnerable Australians into poverty.

Recommendation 1

1.40 Labor Senators on this committee recommend that the Senate reject the Bill.

Senator the Hon Lisa Singh

Senator Murray Watt

25 Catholic Social Services Australia, *Submission 1*, p. 3.

26 Dr Cassandra Goldie, *Committee Hansard*, Wednesday 30 August 2017, p. 1.

27 Mr Matthew Butt, *Committee Hansard*, Wednesday 30 August 2017, p. 3.