

Dissenting Report by the Australian Greens

1.1 The Australian Greens do not support Recommendation 2 of the Majority Committee Report on the Social Services Legislation Amendment (Payment Integrity) Bill 2017 (the Bill), which recommends the Bill be passed.

1.2 The Bill contains a package of measures that could have adverse impacts on a number of groups of vulnerable Australians.

1.3 The measures will:

- increase the residency requirements for Age Pension and Disability Support Pension applicants;
- stop the payment of the basic amount of the Pension Supplement when recipients travel overseas for longer than six weeks, or immediately when they permanently depart the country;
- align the Family Tax Benefit Part A (FTB A) income test taper rates applicable to a family's adjusted taxable income over the higher income free area; and
- double the maximum Liquid Assets Waiting Period for Newstart Allowance, Sickness Allowance, Youth Allowance or Austudy claimants.

1.4 The measure relating to the Pension Supplement was first announced in the 2016-17 Mid-year Economic and Fiscal Outlook and was contained in the Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017. The other three measures are from the 2017-18 Budget.

1.5 The Bill is another attempt by the Government to go after vulnerable and disadvantaged members of the community, specifically older Australians, migrants, people with a disability, jobseekers and students. Targeting such individuals is mean-spirited and unnecessary and the Australian Greens will continue to oppose such ideological attacks on the social safety net.

Residency requirements for Age Pension

1.6 The Bill will increase the residency requirements for the Age Pension and Disability Support Pension. Specifically a new claimant from 1 July 2018 must have:

- ten continuous years of Australian residency, at least five of which must have been during the claimant's working life (between age 16 and Age Pension age), or
- ten continuous years of Australian residency with more than five years (cumulatively) from when they were at least sixteen years old where they have not been in receipt of an activity tested income support payment (referred to as the self-sufficiency test), or
- been resident in Australia for 15 continuous years.

1.7 This will affect individuals who have lived in Australia periodically throughout their lives, but not continuously for ten years.¹

1.8 Older migrants will be particularly affected,² and claimants could see themselves having to wait until they are 80 years old before they can access Age Pension.³

1.9 The Federation of Ethnic Communities' Councils of Australia (FECCA) and National Ethnic Disability Alliance (NEDA) said in their submission:

Australians from migrant backgrounds generally retire with lower superannuation because they are predominately in low waged employment during the course of their working lives. They face significant barriers to sustainable and steady employment including non-recognition of overseas qualifications, discriminatory hiring practices and racism. Retiring with lower superannuation means that Australians from migrant backgrounds are more likely to require income support in old age.

Furthermore, these measures will disproportionately affect women who frequently bear the brunt of family care responsibilities, who are more likely to require an AP due to insufficient superannuation, and, who are less likely to be able to satisfy a 'self-sufficiency test'.⁴

1.10 The National Social Security Rights Network (NSSRN) said in its submission:

The Government has not provided an adequate explanation why the current requirements, which require a substantial period of Australian residence, are insufficient or why it believes that the hardship this schedule will cause to some older Australians is outweighed by the need for a "stronger" residence requirement.⁵

1.11 While the Government has stated '[a]ccess to special benefit will also remain for people who are not eligible for another payment and who experience financial hardship',⁶ submitters raised concerns that this payment is substantially lower than pensions.⁷ It is paid at an equivalent rate to the basic rate of Newstart Allowance but has a stricter means test, one that reduces the payment by a dollar for every dollar of income from any source.⁸ Such a payment should not be a long-term solution for individuals affected by this measure. In this regard, the NSSRN said in its submission:

1 Australian Council of Social Service (ACOSS), *Submission 6*, p. 1.

2 National Social Security Rights Network (NSSRN), *Submission 12*, p. 3.

3 ACOSS, *Submission 6*, p. 2; Volunteering Australia, *Submission 7*, p. 4.

4 Federation of Ethnic Communities' Councils of Australia (FECCA) and National Ethnic Disability Alliance (NEDA), *Submission 8*, p. 2.

5 NSSRN, *Submission 12*, p. 3.

6 The Hon Christian Porter MP, Minister for Social Services, *House of Representatives Hansard*, 21 June 2017, p. 7197.

7 Carers Australia, *Submission 2*, p. 3; NSSRN, *Submission 12*, p. 2; ACOSS, *Submission 6*, p. 2.

8 NSSRN, *Submission 12*, p. 2; ACOSS, *Submission 6*, p. 2.

It is inappropriate for any Australian to end up on this payment for an extended period of time, let alone an older person with significant health problems who is unable to work.⁹

1.12 Carers of individuals affected by this measure will likely have to provide financial support in addition to the care they provide their care recipient, while they wait between 10 and 15 years to access payment.¹⁰

1.13 A deeply concerning element of this measure is the introduction of a 'self-sufficiency test' into the income support system. This test will lead to individuals being denied a pension for a period of time purely because they needed to access an activity tested income support payment in their past.¹¹ As the Australian Council of Social Service (ACOSS) said in its submission:

Unemployment is a structural issue, not an individual issue. This proposal will disadvantage people who live in areas of high unemployment or who have been retrenched. It will also penalise people who have undertaken study.¹²

1.14 This is a significant departure from the needs-based approach of the income support system to date,¹³ and is a dangerous precedent for this Government to set.¹⁴ Current eligibility for an income support payment should not hinge on whether previous assistance has been sought through the income support system.

1.15 This measure will also increase the complexity of the income support system. Carers Australia said in its submission:

... while the Government recognises that the Australian social security scheme is already overly complex, this measure will increase that complexity by including an additional waiting period based on previous labour market activity.¹⁵

1.16 The Australian Greens do not support the increased residency requirements, which will disproportionately impact older migrants who face additional barriers to finding employment. We are concerned that the Government is relying on an inadequate, discretionary payment of last resort – the Special Benefit – to bridge any gap created by this measure. We also have serious concerns regarding the establishment of a precedent that evaluates an individual's income support history as part of their current eligibility for income support.

9 NSSRN, *Submission 12*, pp. 2-3.

10 Carers Australia, *Submission 2*, p. 3.

11 ACOSS, *Submission 6*, p. 2; NSSRN, *Submission 12*, p. 3.

12 ACOSS, *Submission 6*, p. 2.

13 NSSRN, *Submission 12*, p. 3.

14 ACOSS, *Submission 6*, p. 2; NSSRN, *Submission 12*, p. 3.

15 Carers Australia, *Submission 2*, p. 3.

Pension Supplement

1.17 The Bill will stop the payment of the basic amount of the Pension Supplement when recipients travel overseas for longer than six weeks, or immediately when they permanently depart the country. The basic amount of the Pension Supplement is equivalent to the former Goods and Services Tax supplement.

1.18 This measure will affect recipients of Age Pension, Disability Support Pension as well as some recipients of Wife and Widow B Pensions.¹⁶

1.19 As ACOSS said in its submission:

Already pensioners lose the Utilities Allowance, Telephone Supplement and Pharmaceutical Allowance after spending six weeks overseas.¹⁷

1.20 This measure will significantly impact on migrant communities, especially those who travel overseas to visit their place of birth where family members still reside, or those from migrant backgrounds who travel to care for elderly family members living overseas.¹⁸ In their submission, FECCA and NEDA argue:

...that it is cruel to place a time limit on this, especially a time limit as short as 6 weeks because it means that elderly CALD [culturally and linguistically diverse] Australians will need to make decisions about abandoning unwell or dying family members for fear of losing significant income support.¹⁹

1.21 FECCA and NEDA also said:

[t]o drastically curtail pension entitlements after just six weeks, despite many years of loyalty to Australia, is to effectively punish CALD Australians for maintaining those familial bonds across time and vast distances.²⁰

1.22 A number of submitters proposed the supplement should be added to the basic rate of pensions,²¹ and consequently subject to the normal indexation and portability rules of the basic rate of the pension.²²

1.23 If the Bill passes, individuals overseas at the time the measure comes into effect will be subjected to it.²³ This is concerning. At a minimum, pensioners already

16 NSSRN, *Submission 12*, p. 3.

17 ACOSS, *Submission 6*, p. 2.

18 FECCA and NEDA, *Submission 8*, p. 3.

19 FECCA and NEDA, *Submission 8*, p. 3.

20 FECCA and NEDA, *Submission 8*, p. 3.

21 Anglicare Australia, *Submission 5*, p. 5; NSSRN, *Submission 12*, p. 3; ACOSS, *Submission 6*, p. 3.

22 NSSRN, *Submission 12*, p. 3.

23 Social Services Legislation Amendment (Payment Integrity) Bill 2017, Explanatory Memorandum, p. 9.

overseas should be protected from the proposed change. This would be 'in accordance with the ordinary approach to portability changes in social security legislation.'²⁴

1.24 The Australian Greens did not support this measure in the Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017 and we do not support this measure now. We are concerned that it particularly disadvantages CALD Australians.

Taper rates for FTB A

1.25 In relation to FTB A, the Bill will align the income test taper rates applicable to a family's adjusted taxable income over the higher income free area.

1.26 There are currently two different income tests used to calculate a higher-income individual's FTB A entitlement – Method 1 and Method 2. For individuals where Method 2 applies, a comparison is required between this rate and their potential rate under Method 1 (disregarding clause 24G) as they will receive the higher rate from the two income tests. This measure modifies how the individual's potential rate under Method 1 for the purposes of the comparison is calculated so that each dollar of their income over \$94,316 (the current higher income free area) will reduce their potential rate by 30 cents (rather than 20 cents).

1.27 The Method 1 income test will remain unchanged, as the changes apply to the Method 2 rate calculator.

1.28 As the NSSRN said in its submission:

This measure is likely to mainly affect larger families with three or more children and incomes over the higher income free area, and over about \$100,000. Larger families are more likely to have Method 1 applied, as their maximum basic rate is higher (as it is a per child rate).²⁵

1.29 This means that even though the families that will be affected have higher household incomes, these incomes are required to go further.²⁶

1.30 The Australian Greens recognise that this measure follows the passing of various other savings measures relating to Family Tax Benefit, including closure of the Energy Supplement to new recipients of Family Tax Benefit and the closure of the FTB A Supplement to those earning over \$80,000 a year.

1.31 In its submission Anglicare Australia said:

It is a further cut on top of recent other Family Tax Benefit changes to approximately 100,000 middle income families at a time of wage stagnation and concerning levels of household debt.²⁷

24 NSSRN, *Submission 12*, p. 3.

25 NSSRN, *Submission 12*, p. 4.

26 NSSRN, *Submission 12*, p. 4.

27 Anglicare Australia, *Submission 5*, p. 5.

1.32 ACOSS does not have a final view on this measure but have called on the Government to model the impact of the change on larger families and release this modelling.²⁸ NSSRN does not oppose the measure on the condition that normal indexation on the basic rates of payment and the higher income free area resume.²⁹

1.33 Anglicare Australia and Catholic Social Services Australia both oppose this measure.³⁰

1.34 We are concerned about the impacts of this measure on large families, particularly following the other recent cuts to Family Tax Benefit. We therefore agree with ACOSS's call on the Government to model the impact of the change on larger families and release this modelling.

Liquid Assets Waiting Period

1.35 The Bill will double the maximum Liquid Assets Waiting Period (LAWP) for Newstart Allowance, Sickness Allowance, Youth Allowance or Austudy claimants from 13 weeks to 26 weeks.

1.36 The effect of the LAWP is to delay the payment of income support until the individual, member of a couple or single parent family concerned has utilised cash or readily realisable assets available to them. This includes their savings, which they will be forced to rely on more heavily as a consequence of this measure. This measure will see some claimants wait up to six months to access income support, including families.³¹

1.37 Currently, the maximum waiting period of 13 weeks applies if an individual has \$11 500 or more in liquid assets, or the member of a couple or single parent family has \$23 000 or more in liquid assets. Under this measure, the new maximum LAWP will apply where an individual has more than \$18 000 in liquid assets, or where the member of a couple or single parent family has more than \$36 000 in liquid assets.

1.38 It is possible that those affected by this measure will see their funds deplete or exhaust before they are able to access income support.³² This will have a significant impact on the ability of those affected to financially withstand an unforeseen event that requires a substantial, upfront payment such as an appliance breaking down and needing to be either repaired or replaced, or moving house.³³

1.39 As ACOSS said in its submission:

28 ACOSS, *Submission 6*, p. 3.

29 NSSRN, *Submission 12*, p. 4.

30 Anglicare Australia, *Submission 5*, p. 5; Catholic Social Services Australia, *Submission 1*, p. 2.

31 ACOSS, *Submission 6*, p. 3.

32 NSSRN, *Submission 12*, p. 5.

33 NSSRN, *Submission 12*, p. 5; ACOSS, *Submission 6*, p. 4.

The latest HILDA data show that 12% of survey respondents did not have \$500 in savings for an emergency, and that 25% of people who are unemployed were deprived of two or more essential items. It is likely that this schedule will increase the number of households experiencing deprivation.³⁴

1.40 The Parenthood gave evidence at the inquiry hearing in Melbourne. Ms Lessio, the Acting Executive Director, said:

I cannot imagine not having an income for six months. So many people in our nation are living pay cheque to pay cheque, and very few of them would have circumstances in which they could support themselves for six months. I know that the liquid assets waiting period talks about money that you might have in a bank account somewhere, but it also includes money that the employer owes you, and in circumstances where businesses go out of business and employees are left with nothing, they might be owed money but they may never see that money. It's a dangerous situation that we're putting people in, and I don't believe that the role of government is to put people in desperate situations; I believe the role of government is to support people in desperate situations.³⁵

1.41 While the rules relating to the LAWP allow for the waiting period to be reduced or completely waived if the claimant experiences severe financial hardship through having incurred reasonable or unavoidable expenditure, reasonable expenditure is capped at the rate of the relevant income support payment.³⁶ For Newstart Allowance claimants this would be \$267 a week.³⁷ This is not a reasonable rule.³⁸ As NSSRN said in its submission:

In effect, most of an ordinary person's normal expenses are deemed to be unreasonable. This measure does not include a proposal to reform this test, which also affects people who are made redundant.³⁹

1.42 The Henry Tax Review recommended a move towards a comprehensive means test, one that would remove the LAWP.⁴⁰ A number of submitters recommended that the Government adopt the recommendation of the Henry Tax Review, rather than double it.⁴¹

1.43 ACOSS said in its submission:

34 ACOSS, *Submission 6*, p. 4.

35 *Committee Hansard*, 31 August, pp. 1-2.

36 ACOSS, *Submission 6*, p. 4.

37 ACOSS, *Submission 6*, p. 4.

38 NSSRN, *Submission 12*, p. 6; ACOSS, *Submission 6*, p. 4.

39 NSSRN, *Submission 12*, p. 6.

40 Ken Henry et al, 'Australia's Future Tax System' (Pt 1) (Report to the Treasurer, Commonwealth of Australia, December 2009), p. 97.

41 NSSRN, *Submission 12*, p. 6; ACOSS, *Submission 6*, p. 4.

Means tests are a far fairer way of targeting assistance at those most in need. People with modest assets should have access to income support payments considering payments are inadequate to meet essential costs of living.⁴²

1.44 NSSRN said in its submission:

Removal of the liquid assets waiting period would also help simplify and streamline the system, stated aims of the current Minister for Social Services. Its removal from youth allowance would further align the means testing arrangements between youth and family assistance payments and streamline the transition between the two payments, a key area of complexity in the current system. It would also remove a waiting period which penalises savings and therefore tends to undercut other means testing arrangements for youth payments designed to support students to engage in part-time or fluctuating work around their studies.⁴³

1.45 The Australian Greens do not support the measure, which will see claimants waiting up to six months to access income support, including families.

Recommendation 1

1.46 The Australian Greens recommend that the Senate not pass the Social Services Legislation Amendment (Payment Integrity) Bill 2017.

Senator Rachel Siewert

42 ACOSS, *Submission 6*, p. 4.

43 NSSRN, *Submission 12*, p. 6.