



Social Security Amendment (Liquid Assets Waiting Period) Bill 2009

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Social Security Amendment (Liquid Assets Waiting Period) Bill 2009

Date introduced: 12 March 2009

House: House of Representatives

Portfolio: Education, Employment and Workplace Relations

Commencement: The substantive measures in the Bill will commence on 1 April 2009.

Links: The [relevant links](#) to the Bill, Explanatory Memorandum and second reading speech can be accessed via BillsNet, which is at <http://www.aph.gov.au/bills/>. When Bills have been passed they can be found at ComLaw, which is at <http://www.comlaw.gov.au/>.

Purpose

To increase the asset thresholds that are used in the determination of liquid assets waiting periods for people claiming Newstart Allowance, Youth Allowance, Austudy Payment and Sickness Allowance.

To add the surrender value of a life insurance policy to the list of exempt assets for the purposes of the liquid assets waiting period.

Background

Basis of policy commitment

In order to secure the passage of the February economic stimulus package through the Senate the government made a number of commitments to the Greens and the independents. The relaxation of the liquid assets thresholds was part of a set of measures agreed with the Greens at that time.¹

1 For a summary of the agreements made with the Greens and independents, see: Coorey Phillip, 'Bringing it Home' *Sydney Morning Herald*, 14 February 2009. Full text at: http://parlinfo.parlInfo/download/media/pressclp/D6SS6/upload_binary/d6ss60.pdf;fileType=application/pdf#search=%22liquid%20assets%22 accessed 18 March 2009.

Warning:

This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.

This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

History of the Liquid Assets Waiting Period

From February 1991 a liquid assets test was applied to Unemployment Benefit recipients by the Hawke ALP Government. Claimants with liquid assets (cash and deposits with financial institutions) of \$5 000 if single or \$10 000 if married or single with dependants were required to serve an additional waiting period of four weeks. The legislation concerning this measure was the *Social Security and Veterans' Affairs Legislation Amendment Act (No.2) 1990*.

From September 1997 the liquid assets test was amended by the Howard Coalition Government so that people with liquid assets of over \$2500 if single or \$5000 if partnered were subject to waiting periods of from one to thirteen weeks depending on the amount they had.

An income maintenance period was also introduced. Leave payments were treated as income from the date they were received for the period for which they were calculated. Eligible termination payments rolled over into an appropriate fund were exempt.

Position of significant interest groups, parliamentary parties and independents

The change to the liquid assets waiting period has been supported by some welfare agencies who feel that there is no good reason for unemployed people to be required to run down their assets before gaining assistance.

The Greens are naturally supportive and would like further measures to assist the unemployed at a time when the economic downturn is increasing unemployment levels.²

The Coalition did not oppose the Bill in the House of Representatives.

Financial implications

The Bill will cost an estimated \$29.21m over three years.

Main provisions

Item 1 of Part 1 of Schedule 1 inserts **new paragraph 14A(1)(dac)** into the definition of liquid assets in the *Social Security Act 1991*. This change excludes the surrender value of a life insurance policy from the definition.

2 Conners, Emma, 'Welfare Changes Herald a Rush', *Australian Financial Review*, 6 March 2009.

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Item 3 inserts **new subsections 14A(6A) and (6B)**. These subsections provide for the doubling of the amount of exempt assets for the period 1 April 2009 until 31 March 2011. Subsection 6B includes a provision for the end date to be extended by legislative instrument.

Item 4 inserts **new paragraph 19B (fc)**. This changes the definition of liquid assets for the purposes of the carer receiver assets test to exclude the surrender value of a life insurance policy from the definition.

Item 6 of Part 2 provides transitional provisions to ensure that a waiting period that started before 1 April 2009 and would have ended before that date if the provisions of part 1 applied will end on 31 March 2009. The provisions of Part 1 will also continue in effect for waiting periods that commence before 31 March 2011 and have not been completed by that date.

Part 3 contains technical amendments to the citation of the *Household Stimulus Package Act (No.2) 2009* in a number of Acts.

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