



## **Submission to Senate Education, Employment and Workplace Relations Committee: Social Security Amendment (Supporting More Australians into Work) Bill 2013**

The Bill amends the Social Security Act 1991 as follows to implement policies announced as part of the 2013-14 Budget:

- *An increase of the income free area that applies for recipients of Newstart Allowance, Widow Allowance, Partner Allowance, Parenting Payment (Partnered) and Sickness Allowance. The income free area would increase from \$62 to \$100 per fortnight, from 20 March 2014, and would be subject to annual indexation.*
- *Extension of the eligibility for the Pensioner Education Supplement to single principal carer parents receiving Newstart Allowance Payments, from 1 January 2014.*
- *a 12 week extension of eligibility for the Pensioner Concession Card to single parents who are no longer qualified for Parenting Payment Single because their youngest child has turned 8 years of age, and who do not qualify for another income support payment due to earnings. This measure would commence on 1 January 2014.*

This Bill represents the Government's response to two developments:

1. Advocacy by ACOSS and a wide range of bodies representing community, business and unions for a substantial increase of \$50 per week in the maximum single rate of social security 'allowance' payments such as Newstart Allowance and Youth Allowance, in order to ease the most severe poverty in Australia, and to index Allowance payments to wage movements as well as inflation in order to prevent the gap between pensions and allowances from growing.
2. The losses of income support experienced by over 100,000 sole parent families as they are moved from Parenting Payment Single to Newstart Allowance following the introduction of the *Social Security Amendment (Fair Incentives to Work) Bill (2012)*.

### **(1) Policy context: Inadequacy of Allowance payments**

The adequacy of these payments was the subject of a major Senate Committee Inquiry last year, for which ACOSS prepared a substantial submission<sup>1</sup> (attached).

The current weekly rate of Newstart Allowance for singles is \$249 per week or \$35 a day. Whether this is supplemented by other payments (which are designed to help with additional costs), it is clearly inadequate for people to avoid poverty and search for employment. This was the main finding of the abovementioned Inquiry, which concluded that:

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<sup>1</sup> Australian Council of Social Service (ACOSS) 2012: *Submission to the Senate Inquiry into the Adequacy of the Newstart Allowance: ACOSS Paper 192* Available at: [http://acoss.org.au/papers/surviving\\_not\\_living](http://acoss.org.au/papers/surviving_not_living)



*'On the weight of evidence, the committee questions whether Newstart Allowance provides recipients a standard of living that is acceptable in the Australian context for anything but the shortest period of time.'*<sup>2</sup>

In 2009, the Government acknowledged the inadequacy of the single pension rate by raising it by \$32 per week above inflation, but it did not raise the lower Allowance payments (or the Parenting Payment Single for sole parents). As a result of this decision and the inferior indexation arrangements for Allowance payments, the gap between the maximum single rates of pensions and allowances is now \$150 per week and growing. This is inequitable, and now operates as a real barrier to supporting people into paid employment. One in eight people, including one in six children<sup>3</sup>, are living in poverty and an increase in the lowest social security payments would have the most immediate and direct impact in reducing poverty.

Over 80% of Newstart and Youth Allowance (Other) recipients are paid the maximum rate as they have not been able to secure any significant source of private income. The number of recipients of these payments is now approximately 783,000, of whom approximately 470,000 (or 60%) have received the payment for more than a year. The number of recipients has risen by almost 20% in the past year, largely due to the recent transfer of many sole parents from Parenting Payment Single to Allowance payments.

## **(2) Policy context: reductions in income support for single parents**

Following the introduction of the *Social Security Amendment (Fair Incentives to Work) Bill (2012)*, over 100,000 sole parent families will typically lose around \$60 per week if they received the maximum rate of Parenting Payment (\$40 to \$50 a week taking account of increases in other payments announced in last year's Budget) as they are moved from Parenting Payment Single to Newstart Allowance<sup>4</sup>. Disposable income losses are greater (up to \$120 per week) for those with part-time earnings. Those in full-time study were also expected to lose the \$31 a week Pensioner Education Supplement.

This is not a workforce participation measure. There is no change in their activity requirements and very little change in their employment supports. This is essentially a budget savings measure at the expense of many of the poorest families in Australia: the most recent of a series of policy decisions over the last decade exploiting the gap between pensions and Allowance payments to make Budget savings.

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<sup>2</sup> Senate Employment References Committee, 'Report on the adequacy of the allowance payment system', p52

<sup>3</sup> Australian Council of Social Service (ACOSS) 2012: *Poverty in Australia 2012* Available at:

[http://acoss.org.au/papers/poverty\\_in\\_australia\\_2012](http://acoss.org.au/papers/poverty_in_australia_2012)

<sup>4</sup> Australian Council of Social Service (ACOSS) 2012: *Sole parents won't be helped to find paid work by cutting their payments* Available:

[http://acoss.org.au/papers/sole\\_parents\\_wont\\_be\\_helped\\_to\\_find\\_employment\\_by\\_cutting\\_their\\_payments](http://acoss.org.au/papers/sole_parents_wont_be_helped_to_find_employment_by_cutting_their_payments)



ACOSS initiated the referral of this Bill to the new Joint Committee on Human Rights. The Bill was the subject of the first ever hearing held by the Committee.<sup>5</sup> The Committee found that: *'if Newstart combined with other benefits is not sufficient to provide an adequate standard of living for affected individuals, the measure to remove the grandfathered Parenting Payment provisions risk being incompatible with the obligation in article 9 of the International Covenant on Economic, Social and Cultural Rights to ensure minimum essential levels of social security.'*<sup>6</sup>

The Committee recommended that consideration of the Bill be deferred until the concurrent Senate Inquiry into the Adequacy of Allowance Payments (see above) was completed. As noted, that Inquiry found that the Newstart Allowance was inadequate.

Similarly, ACOSS made a submission to the Inquiry into the Bill by the Education, Employment and Workplace Relations Legislation Committee.<sup>7</sup> That Committee also recommended that consideration of the Bill be deferred until the concurrent Senate Inquiry into the Adequacy of Allowance Payments was completed, while stating that: *The committee notes, but is not convinced by, the department's assertion that this measure is fair and would promote workforce participation*<sup>8</sup>.

Subsequently, ACOSS and a number of organisations wrote to the United Nations Special Rapporteur on Human Rights. This resulted in a letter from the Special Rapporteur to the Australian Government (attachment 5), which in part states that: *the Committee on Economic, Social and Cultural Rights (CESCR) has noted that one of the elements that the right to social security (including the right to social assistance) must comply with is "adequacy"*.<sup>9</sup>

The measures in the current Bill are the Government's second policy response to the community concerns outlined above. In last year's Budget the Government introduced a small quarterly Allowance supplement of \$210 per year for singles (equivalent to \$4 per

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<sup>5</sup> Parliamentary Joint Committee on Human Rights Hearing, 21 June 2012. Transcript available at: <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query%3DId%3A%22committees%2Fcommjnt%2F9ae0f94c-616c-4170-a780-a0ce7c56f700%2F0000%22>

<sup>6</sup> Parliamentary Joint Committee on Human Rights, 'Interim Report—Social Security Legislation Amendment (Fair Incentives to Work) Bill 2012', p3.

<sup>7</sup> Australian Council of Social Service (ACOSS) 2012: *Sole parents won't be helped to find paid work by cutting their payments* Available:

[http://acoss.org.au/papers/sole\\_parents\\_wont\\_be\\_helped\\_to\\_find\\_employment\\_by\\_cutting\\_their\\_payments](http://acoss.org.au/papers/sole_parents_wont_be_helped_to_find_employment_by_cutting_their_payments)

<sup>8</sup> Senate Education, Employment and Workplace Relations Legislation Committee (2012): *Social Security Legislation Amendment (Fair Incentives to Work) Bill 2012 [Provisions]*

<sup>9</sup> Letter from Maria Magdalena Sepúlveda Carmona, United Nations Special Rapporteur on extreme poverty and human rights; and Kamala Chandrakirana, Chair-Rapporteur of the Working Group on the issue of discrimination against women in law and in practice to the Australian Government dated 19<sup>th</sup> October 2012. Available at: [https://spdb.ohchr.org/hrdb/22nd/public - UA Australie 19.10.12 \(2.2012\).pdf](https://spdb.ohchr.org/hrdb/22nd/public - UA Australie 19.10.12 (2.2012).pdf)



week) or \$350 for couples (\$7 per week). ACOSS welcomed this payment as a small step to improve the adequacy of Allowance payments, and strongly supports its retention.

While these policies will improve the living standards and work incentives of people receiving Allowance payments in a small way, they do not resolve the central flaw in our income support system for people of working age: allowances for single people remain \$150 per week lower than even the frugal pension payments.

### **(3) Proposed increase in the income test free area for Allowance payments**

ACOSS welcomes the proposed increase of the income free area for allowance recipients from \$62 to \$100 a fortnight and its indexation to the CPI. The free area has not increased in real terms for over 30 years. Increasing it will allow people to take up low-paid employment for up to three hours a week without losing income support. It would also increase the disposable incomes of those allowance recipients with larger part time earnings. The measure would thus modestly improve incomes and work incentives for the 20% of Allowance recipients who have part time earnings. However, it would do nothing for the 80% of recipients in the deepest poverty.

It would be naïve to think that poverty among allowance recipients can be eliminated at a stroke by improving people's work incentives and employment prospects. As noted, 60% of recipients have received these payments for over a year. A growing proportion of recipients have disabilities, are of mature age, are raising young children alone, or live in regions where job opportunities are very limited. ACOSS would prefer people to have their own independent income rather than rely on income support and advocates improvements in employment assistance, especially to services for people unemployed long-term. However, it is well established that improvements to employment services or work incentives will, at best, only improve people's employment prospects at the margin. In the meantime, a large number of people are living below the poverty line for extended periods of time. This is unacceptable.

### **(4) Proposed extension of Pensioner Education Supplement and Pensioner Health Cards to some sole parents on Allowance payments**

The second two items of Schedule 1 of this Bill go a small way towards restoring payments lost by sole parents as a result of the *Social Security Amendment (Fair Incentives to Work) Bill*.

ACOSS supports the reinstatement of the \$31 per week Pensioner Education Payment (PES) for sole parents who have children over the age of eight, who are studying full-time to improve their skills and employment prospects. The PES is a modest but vital support with the costs of training such as fees, text books and transport.



To improve the employment prospects of sole parents lacking recent paid employment experience, ACOSS also advocates the introduction of a program similar to the former Employment Preparation program, along with additional vocational training places earmarked specifically for this group. These proposals are outlined in the attached ACOSS submission to your Committee in regard to the *Social Security Amendment (Fair Incentives to Work) Bill*<sup>10</sup>.

The proposed temporary extension of eligibility for the Pensioner Concession Card to sole parents who have lost access to income support (and hence access to concession cards) as a result of the Social Security Amendment (Fair Incentives to Work) Bill (2012) is also welcome but does not go far enough to restore their income losses.

On a wider note, it is inequitable that recipients of Allowance payments (other than sole parents and people with a partial work capacity), who are at least as likely to struggle with medical and public utility costs as those receiving pension payments, receive lower subsidies for these services via the Health Care Card.

#### **Recommendations:**

1. That Schedule 1 (increase of the income free area) be supported, while noting that an increase in the maximum single rate of Allowance payments is also essential.
2. That Schedule 2, Item 1 (extension of the eligibility for Pensioner Education Supplement to sole parents receiving Newstart) be supported, while noting the adverse impact of the transfer of sole parents from pension to Allowance payments.
3. That Schedule 2, Item 3 (extension of eligibility for the Pensioner Concession Card) be supported, while noting the inequity of providing a lower level of subsidised services for Allowance recipients than for those on pension payments.

#### **Attachments**

Attachment 1: Australian Council of Social Service (ACOSS) 2012: *Submission to the Senate Inquiry into the Adequacy of the Newstart Allowance: ACOSS Paper 192*

Attachment 2: Australian Council of Social Service (ACOSS) 2012: *Sole parents won't be helped to find paid work by cutting their payments: Submission to the Senate Community Affairs Committee regarding the Social Security Amendment (Fair Incentives to Work) Bill.*

Attachment 3

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<sup>10</sup> Australian Council of Social Service (ACOSS) 2012: *Sole parents won't be helped to find paid work by cutting their payments* Available: [http://acoss.org.au/papers/sole\\_parents\\_wont\\_be\\_helped\\_to\\_find\\_employment\\_by\\_cutting\\_their\\_payments](http://acoss.org.au/papers/sole_parents_wont_be_helped_to_find_employment_by_cutting_their_payments)



(a) Australian Council of Social Service (ACOSS) 2012: *Supplementary Submission to the Inquiry by the Parliamentary Joint Committee on Human Rights into the Social Security Legislation Amendment (Fair Incentives to Work) Bill 2012*

(b) Australian Council of Social Service (ACOSS) 2012: *Second Supplementary Submission to the Inquiry by the Parliamentary Joint Committee on Human Rights into the Social Security Legislation Amendment (Fair Incentives to Work) Bill 2012*

Attachment 4: Parliamentary Joint Committee on Human Rights 2013: *Examination of legislation in accordance with the Human Rights (Parliamentary Scrutiny) Act, 2011: Social Security Legislation Amendment (Fair Incentives to Work) Act 2012. Final Report.*

Attachment 5: Letter from Maria Magdalena Sepúlveda Carmona, United Nations Special Rapporteur on extreme poverty and human rights; and Kamala Chandrakirana, Chair-Rapporteur of the Working Group on the issue of discrimination against women in law and in practice to the Australian Government dated 19<sup>th</sup> October 2012.