



Australian Council of Social Service

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Committee Secretary
Senate Standing Committees on Community Affairs
community.affairs.sen@aph.gov.au

Dear Committee Secretary

Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017

Thank you for the opportunity to participate in this inquiry. ACOSS is a national voice in support of people affected by poverty, disadvantage and inequality. Our vision is for a fair, inclusive and sustainable Australia where all individuals and communities have the opportunities and resources they need to participate fully in social and economic life.

ACOSS opposes the *Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017* and recommends that it be rejected by the Parliament.

The Bill includes the remaining zombie measures that have failed to pass Parliament since the 2014 budget as well as other social security cuts announced since. These measures would reduce the incomes of millions of people who can least afford it, with over 2 million people affected by the loss of the Energy Supplement alone. The Bill includes a range of measures that cut payments to people on the lowest incomes, including people living on the \$38-per-day Newstart Allowance, who would lose at least \$4 per week. At the same time, the Bill links these cuts to boosting child care funding and the Minister has linked the Bill to funding the National Disability Insurance Scheme (NDIS). This would result in funding for critical social infrastructure coming directly from the incomes of people in the bottom 20 per cent. Funding for child care and the NDIS cannot come at the expense of some of the most disadvantaged people in our country. By combining these measures, the government is applying inappropriate political pressure at the expense of fairness.

We discuss each of the measures below.

Schedules 1, 2 and 3 – family payment measures

Schedule 1 increases FTB Part A by \$10 per week for each child up to age 19 years, costing an additional \$2.3 billion over the forward estimates. However, Schedule 1 does not offset the losses for all families receiving FTB under Schedule 3, which phases out the end of year supplements (\$726 per child per year for Part A and \$354 per family for Part B) over two years. Families will be at least \$210 per child per annum worse off because of the loss of the supplements.

A dual income family with one primary school aged child would be \$210 a year or \$4 a week worse off. A single income family with a child in primary school would be \$560 a year worse off, or \$10 a week.



Schedule 2 abolishes FTB Part B for single parents under 60 years of age at the beginning of the calendar year their youngest child turns 17. This is a softening of the previous measure that reduced FTB Part B by almost two thirds for sole parents whose youngest child was 13 or over. However, this measure incurs the package's single largest cut to income for people affected.

A sole parent (under 60) with one child turning 17 years would lose roughly \$3,400 per year (factoring in the loss of supplements and \$10 per week increase in FTB Part A).

ACOSS has long advocated for reform of the family payments system to address the high level of child poverty in Australia. Instead of addressing child poverty, we are deeply concerned that the proposed package would instead cause serious financial harm to many low income and vulnerable families. Since 2009, at least \$12 billion has been cut from the family payment system. These latest cuts would take another \$2.7 billion out of the system and would hurt those on the lowest incomes.

ACOSS is particularly concerned about the impact on single parent families who have already experienced a number of cuts to payments in the last decade and are at high risk of poverty. ACOSS's latest *Poverty in Australia* report found that there are 731,000 Australian children living in poverty, representing 17.4% of children under the age of 15.¹ This figure has increased by two percentage points over the past ten years. Forty per cent of all children in single parent families in Australia live in poverty. Far from addressing these alarming statistics, these measures are regressive and would increase poverty rates among families that already experience high levels of poverty and deprivation.

Schedule 4 – child care measures

For discussion of our position on the child care measures, please refer to our previous submission on the Bill, which is attached.

Schedule 5 – Reduce portability of pensions outside of Australia

This would mean a person on the Age Pension can only receive their payment at the means-tested rate while outside of Australia for six weeks, instead of the current period of 26 weeks. It would also apply to other payments with less limited portability, including the Disability Support Pension.

We are concerned about the impact on people with low incomes, particularly those born overseas, who are reliant on the full pension. It is not uncommon for people to need to travel to fulfil family or other responsibilities for extended periods (including the provision of care, or to obtain care and support for themselves that is not available in Australia). After six weeks, their payment may be reduced if they have spent less than 35 years in Australia between the ages of 16 and pension age. This would particularly disadvantage more recent cohorts of migrants.

¹ ACOSS (2016) 'Poverty in Australia' <http://www.acoss.org.au/wp-content/uploads/2016/10/Poverty-in-Australia-2016.pdf>



Approximately 40% of all pensioners were born overseas.² It is expected that this measure would affect 190,000 pensioners over the next four years³, and save \$213.9 million.

Schedules 6 and 7 – Cease the Pensioner Education Supplement and the Education Entry Payment

This would remove study assistance available to people who rely on income support. There are 33,000 people currently receiving the Pensioner Education Supplement (PES), most of whom receive Parenting Payment Single, Disability Support Pension and Carer Payment. There are 83,000 recipients of the Education Entry Payment, which amounts to \$208 per year.⁴

The combined loss from removing these payments would be up to \$35 per week. This would particularly disadvantage sole parents who are already facing payment cuts. Sole parents have also lost the Low Income Support Bonus and new recipients would lose the Family Tax Benefit Energy Supplement payment, which adds up at least \$350 per annum. This would make it more difficult to pursue education and training, which is essential to improving work prospects.

Around 40% of PES recipients are sole parents and another 40% are Disability Support Pensioners. The remainder are carers and widows. Three quarters of recipients are women.⁵

Sole parents in particular may need to obtain further educational qualifications to re-enter employment after a period of full or part time care. While the Explanatory Memorandum to the Bill argues that ‘more appropriate’ funding is available through other programs (HECS-HELP, FEE HELP and VET FEE HELP), these provide assistance only with course costs. None provides assistance with other ongoing costs of education, like education materials, transport and the costs of computers and printing. These supplements play an important role in assisting people to improve their work prospects and must be retained.

The Explanatory Memorandum also states that removal of the Education Entry Payment would simplify the income support system. While this may be the case, simplification of the income support system should not be achieved by removing payments and reducing people’s already low incomes.

²Department of Social Services (2013) ‘Income support customers: a statistical overview 2013’, <http://data.gov.au/dataset/25665603-f4b0-43ce-906c-156e3331245d/resource/815ffabc-fb97-4dca-aedc-4750f9c65c38/download/sp12accessiblepdffinal.pdf> p.6

³ Minister for Social Services (2016) Second Reading speech ‘Social Services Legislation Amendment (Budget Repair) Bill’ 2016 <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22chamber%2Fhansard%2F5ad84e4d-3946-42fa-bf30-ffdec783bc3d%2F0053%22>

⁴ Ibid.

⁵ Senate Community Affairs Committee (2014) ‘Answers to Questions on Notice’, 2013-14 Additional Estimates Hearings, Question No. 655



Schedule 8 – Freeze indexation of income free areas

Freezing indexation of income free areas would reduce the amount that people on income support can earn before their payments are reduced. This would reduce the overall income for people partly reliant on income support as well as those in paid employment.

This would mostly impact Newstart recipients and sole parents, most of whom are already living on inadequate incomes. It would have a flow on effect of preventing payment recipients from accessing state concessions that are based on receiving a full rate of payment, such as transport concessions for Newstart recipients in NSW.

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. People on allowances are already relying on inadequate levels of income support. Any measure which further reduces the adequacy of incomes for people partly reliant on allowances should be strongly opposed.

Schedule 9 – cessation of the energy supplement from September 2016

ACOSS strongly opposes the removal of the Energy Supplement to new income support recipients on the basis that it would reduce income support payments, most of which are already below the poverty line. This measure would affect 2.2 million people over the forward estimates, including Age Pensioners, Disability Support Pensioners, Carer Payment recipients, family payment recipients, Parenting Payment and recipients of Newstart and Youth Allowance.

Removal of the Energy Supplement would cut the rate of the \$38-per-day Newstart Allowance by \$4.40 per week and abolish the first real increase to the payment in over 20 years. It would also see the payment drop to a rate lower than it would have been if there had been no carbon price or compensation due to the adjustment to indexation when the Energy Supplement was introduced. It would plunge people living on already inadequate Allowance payments further into poverty. This cannot be supported.

Family payment recipients would incur the largest drop in payments.

A Parenting Payment Single recipient with two children aged 4 and 6 would lose \$10.90 per week or \$566 per year. A single pensioner would lose \$7.05 per week and a household with a Carer and Disability Support Pensioner would lose \$10.60 per week.

Pensioners with no other income or limited assets are generally not in a position to increase their income and many live below the poverty line. ACOSS's 2016 *Poverty in Australia* Report found that the incomes of Carer Payment recipients, Disability Support Pensioners and Age Pensioners were between \$93 and \$165 per week below the poverty line after housing costs were taken into



account.⁶ Pensioners who rent are particularly disadvantaged because of the lack of affordable and accessible housing.

Schedule 9 would stop payment of the Energy Supplement from September 2017 but, rather than applying only to new income support claimants, it would apply to anyone who started receiving a payment from 20 September 2016. These people would therefore experience a loss in income. Cessation of the supplement would also create two levels of payment because most existing recipients would continue to receive the supplement. This would create inequity as two people in the same circumstances would receive different rates of payment and would add further complexity to an already complicated income support system.

Schedule 10 – cessation of pension supplement after six weeks of being overseas

In effect, this measure would only apply to the GST component of the Pension Supplement as the rest of the supplement is already no longer payable after six weeks overseas. While in theory this measure should not disadvantage pensioners whilst overseas because they are not paying GST, in practice it reduces their income. This underscores the need for supplements to be rolled into the base rate.

Many affected by this measure may be affected by the reduced portability (and reduced pension) in Schedule 5.

Schedule 11 – automation of income stream review process

ACOSS does not have a firm view on this measure, but expresses concerns about the accuracy of an automated process in assessing revenue streams. Considering the mistakes that have been made in automation of Centrelink debt assessments, there is good reason to hold concerns about the Department of Human Services' capacity to accurately assess income via an automated system.

Schedule 12 – seasonal horticultural work income exemption

This measure would allow approximately 7,600 people receiving an unemployment payment each year access an income bank of \$5,000 if they undertake seasonal horticultural work 120 kilometres away from their home. ACOSS is broadly supportive of this measure in light of the strict income test for people receiving unemployment payments, but we believe this type of policy should be broadened to apply to all people receiving an unemployment payment.

We propose that Newstart and Youth Allowance (Other) payments have an income bank of \$4,000 that accrues over time to enable all receiving an unemployment payment to undertake casual or sporadic work without incurring a sharp or total loss of payment. An income bank would also reduce the likelihood of people receiving unemployment payments accruing a debt. For further discussion of this proposal, please refer to our 2017 Budget Priorities Statement.⁷

⁶ ACOSS, Ibid.

⁷ ACOSS (2017) 'Budget Priorities Statement' http://www.acoss.org.au/wp-content/uploads/2017/02/ACOSS_Budget-Priorities-Statement_2017-18-FINAL.pdf p.48



This kind of measure must be carefully thought through because it sets a precedent of directing people who are unemployed into a specific industry. Such measures should also be considered in terms of how it would assist people get secure, sustainable and meaningful work.

Schedules 13, 14, 15 and 16 – waiting periods, age requirements for young people accessing income support and Rapid Activation

These schedules would disadvantage at least 270,000 people who are unemployed and people receiving parenting payments by denying them income support for between one week and five weeks.⁸ ACOSS strongly opposes denying people in need income support.

These measures include:

- a four-week wait for young people to access unemployment payment;
- a one week ordinary waiting period to be served in addition to four-week wait for relevant income support recipients;
- increasing Newstart eligibility age to 25 (from 22), placing young people who are unemployed on the lower rate of Youth Allowance (Other); and
- A Rapid Activation program for young people locked out of paid work.

People aged up to 25 who are unemployed and considered 'job-ready' would be denied income support for five weeks. Unlike in New Zealand, where young people may be denied income support for up to four weeks, there is no option within these measures to reduce the waiting period by completing training or a careers course. These measures would also apply to people transitioning from Youth Allowance (student and apprentice) to Youth Allowance (Other) because they cannot find work immediately after the finish studying. These people would also lose any supplementary payment during this time including Rent Assistance and the Energy Supplement.

A 22-year-old who cannot find work after leaving education would lose at least \$1,320 upfront and \$47 per week thereafter. If they rent privately, they would lose over \$1,530 upfront by being denied income support (including rent assistance) for five weeks.

Rather than help people find work, this measure would make it more difficult as people try to find a way of covering the cost of food and shelter.

The government expects around 75,000 young people to be affected by this cut and has included emergency relief funding of \$8 million in anticipation of people being destitute.⁹ This measure effectively legitimises destitution as a valid employment policy.

⁸ Minister for Social Services (2016) Second Reading speech, Social Services Legislation Amendment (Youth Employment) Bill 2016

<http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22chamber%2Fhansard%2F5ad84e4d-3946-42fa-bf30-ffdec783bc3d%2F0057%22>

⁹ Ibid.



Schedule 13 also tightens the rules around exemptions from the ordinary one week waiting period so that severe financial hardship no longer satisfies exemption criteria. People in severe financial hardship must also show that they have either:

- been a victim of domestic violence in the four weeks before making a claim;
- are in severe financial hardship because they incurred unavoidable or unreasonable expenditure in the previous four weeks; or
- satisfied circumstances prescribed by legislative instrument.

ACOSS is concerned that these criteria would lead to people being denied waiting period exemptions when they are in urgent need of income support, including those experiencing domestic violence. People are often reluctant to disclose domestic violence, but this measure would require them to prove its occurrence by, for example, getting a social worker to verify the claim.

Importantly, these criteria for an exemption from the ordinary one week waiting period do not seem to apply to the four-week waiting period for people affected. Therefore, someone may qualify for an exemption from the one-week wait on the basis of being in severe financial need and a victim of domestic violence, but then have to wait for four weeks for a payment. This is dangerous and could see people staying in abusive situations because they cannot access income support despite being recognised by the Department of Human Services as needing it.

The unspoken assumption behind this policy, that youth unemployment is mainly caused by a lack of willingness to seek employment, is flawed and unproven. As Professor Jeff Borland argues following a careful examination of the unemployment statistics, the current rate of youth unemployment can be fully explained by inadequate demand for labour since the Global Financial Crisis.¹⁰ This has particularly affected young people entering the labour force for the first time, together with those who have lost casual jobs, since employers have responded to the downturn by retaining existing permanent staff in preference to hiring new employees. Therefore, the main solution to high youth unemployment levels is (as after previous downturns) stronger growth in jobs.

Youth and Newstart Allowance are already well below the poverty line and should be increased rather than denied to young people locked out of paid work. This measure undermines our social safety net and strikes at the heart of a key principle of our social security system; that income support is available to people who need when they need it.

Schedule 17 – Paid Parental Leave

This measure would boost government-funded Paid Parental leave by an extra two weeks to 20 weeks. While we support reform to strengthen the existing scheme, especially for those with no or minimal access at present, we do not accept that this should be funded through a retreat from universalism, given the very modest starting point and the budget alternatives available. It was a

¹⁰ Borland J (2014), 'Labour market snapshot #6', April,
https://docs.google.com/file/d/0B_H1wGTm98W3R1hJbFVBVzJPVnc/edit



very important component of the scheme (designed by the Productivity Commission) that it be paid alongside any employer entitlements. We note that the current scheme is already subject to a means test, with women earning more than \$150,000 per annum not eligible.

In analysing the proposed changes, it is important to note that the current government funded Paid Parental Leave scheme, which provides 18 weeks of pay at the minimum wage without superannuation (of which two weeks can be claimed by the carer's partner), is not generous by global standards. Australia is ranked second to last among OECD nations with only the United States behind us (which lacks any national government funded scheme).¹¹ The Australian scheme falls short of the International Labour Organisation's recommended 18 weeks at normal pay and the World Health Organisation's recommended minimum of a 26 weeks period for breastfeeding and maternal bonding. The proposed 20 weeks of government-funded Paid Parental Leave would still see the scheme fall short of these international standards.

Given this context, the government's objective at this time should be to work towards strengthening the current scheme to meet recommended minimum global standards, not to weaken current entitlements to achieve budget savings. We therefore reject the savings measures in the current bill. We do, however, support the proposed changes to backdating provisions and the work test for those in which would make the system fairer and more flexible.

In designing families policies, it is important to make a distinction between services and payments which should be provided on a broadly universal basis for economic, employment or child development reasons, in which we include Paid Parental Leave and child care, and those which should appropriately be targeted according to means, in which we include family tax benefit payments, for example. Paid parental leave should be a universal workplace entitlement. On the other hand, we have supported reforms to redistribute family tax benefits from some families on relatively high incomes to boost the incomes of those on the lowest incomes while strongly opposing cuts to families in the bottom 20%.

Fundamentally, we reject any attempt to reduce the budget deficit by undermining key policies to support women and children through the life-course, including Paid Parental Leave, family payments and child care for low-income families.

An alternative approach

ACOSS has recently released a comprehensive set of alternative proposals for the 2017 Federal Budget. Our proposals set out a range of measures that would set the Budget on a trajectory

¹¹ OECD 'Length of maternity leave, parental leave and paid father-specific leave'
<http://www.oecd.org/gender/data/length-of-maternity-leave-parental-leave-and-paid-father-specific-leave.htm>



towards surplus over the medium term through good policy. [We encourage the Committee to consider our alternative proposals.](#)¹²

We urge the Committee to oppose the *Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017*.

Yours sincerely,

Cassandra Goldie
ACOSS CEO

¹² ACOSS (2017) Budget Priorities Statement 2017-18, February, http://www.acoss.org.au/wp-content/uploads/2017/02/ACOSS_Budget-Priorities-Statement_2017-18-FINAL.pdf