Payment Integrity Bill 2019

What does the bill do?

The Payment Integrity Bill cuts income support payments to pensioners and some people accessing Newstart, Austudy, Youth Allowance, and Sickness Allowance.

These cuts would be realised via three measures:

1. Extending the residency requirements to access the Age and Disability Support pensions;
2. Cutting the GST Supplement paid to pensioners who have leave Australia for six weeks or more; and
3. Doubling the Liquid Assets Waiting Period from 13 to 26 weeks.

These measures are expected to cut $291.5 million from income support over the forwards.

ACOSS recommends this bill be opposed.

Schedule 1: Enhanced residency requirements for pensioners (cuts $32.3m over 4 years)

ACOSS recommendation: oppose

Schedule 1 lengthens the residency requirements for access to the pension from 10 to 15 years.

At the moment, people need the following to qualify for a pension:

- Ten years' continuous residency at any stage, or
- A total of ten years residency, with at least five years served continuously.

This schedule will tighten these requirements so that people must have:

- Ten years' continuous residency with at least five years served during the ages of 16 and Age Pension age (currently 65.5), or
- Ten years' continuous residency at any stage, with fewer than five years in receipt of income support, or
- 15 years' continuous residency.

The government expects this to affect 730 people in the first year of operation, and 2,390 people over the forwards. Almost all affected would be people trying to claim the Age Pension.

ACOSS strongly opposes this measure. It will deny people aged 65 and over, and people with a disability in serious financial hardship, access to a pension. It will be mostly older people who are affected, who have very limited opportunity to get sufficient paid work. Furthermore, the government has failed to explain why we need to extend the residency test in the first place. Considering the small number of people affected, we clearly do not have a problem with people accessing pensions without spending at least 10 years in Australia.

While the government claims that people who do not qualify for a pension under these changes would have access to Special Benefit, it fails to acknowledge that Special Benefit is notoriously difficult to access and is totally inadequate. Only 50% of applicants for Special Benefit are successful, largely because of its strict qualification criteria. Special Benefit is paid at the allowance rate, almost $190pw below the pension, and a dollar-for-dollar in-kind means test applies. As a result very few people receive the maximum rate of payment, as lodging, meals and anything else provided in kind to the person is factored into the means test.

The other deeply concerning element of this schedule is denying a pension to people on the basis of having previously received an activity-tested payment for five years or more (Austudy, Newstart, Youth Allowance and Special Benefit). It also sets a dangerous precedent in our social security system whereby eligibility for income support is conditional on prior receipt of a payment.

Schedule 2 – stopping the payment of the GST Supplement to pensioners who spend 6 weeks or longer overseas (cuts $154.4m over the forwards).

ACOSS recommendation: oppose

Currently, pensioners continue to receive the GST Supplement after spending six weeks overseas, but lose access to the Utilities Allowance, Telephone Supplement and Pharmaceutical Allowance (which together with the GST Supplement, form the Pension Supplement). This schedule will stop payment of the GST Supplement after six weeks of being overseas.

An estimated 175,000 pensioners will be affected in the first year, with 80,000 affected thereafter.

The GST Supplement is currently $11.95 for singles per week and $19.70 per week for couples (combined).

In our view, this cut should be opposed. Instead, the GST Supplement should be rolled into the base rate to simplify the system and would therefore continue to be paid after six weeks overseas.

Schedule 3 – Doubling the Liquid Assets Waiting Period to six months (cuts $104.8m over the forwards).

ACOSS recommendation: oppose

The government proposes to double the Liquid Assets Waiting Period, which would see people wait up to six months to access payments including Newstart, Austudy and Sickness Allowance.

Currently, people with liquid assets of over $5,000 (single) or $10,000 (couple/person with dependent child) may be required to serve a Liquid Assets Waiting Period (LAWP).

The maximum waiting period is 13 weeks. The waiting period is calculated according to how much cash assets people have over the thresholds. A single person with liquid assets of $11,500 or more must wait three months before payment. This is in addition to the Ordinary Waiting Period of one week.

In line with the Henry Review, we call for the abolition of the LAWP. 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.

Lengthening the period of time someone must wait for income support will see them deplete modest savings. This reduces their capacity to manage unexpected costs (such as repairs, replacing whitegoods, medical expenses or moving house). 2017 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 cut would increase the number of households experiencing deprivation.