



NATIONAL
WELFARE RIGHTS
NETWORK

2015-2016 FEDERAL BUDGET SUBMISSION

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Overview

Last year the Government introduced a budget which proposed to make permanent, structural changes to social security which would leave some of the poorest families and individuals with less income. For example, the budget proposed measures which denied income support to some young people for six months or more, reduced essential social security and family assistance payments, and removed vital supports needed to take part in education and improve employment chances, such as the Pensioner Education Supplement and the Education Entry Payment.

Last year's 2014-2015 Federal Budget was one of lost opportunities; it focused too much on spending cuts which targeted the poorest groups in our community and too little on where the heart of the problem lies – declining revenue.

NWRN calls on the Government to ensure that the 2015-2016 Federal Budget measures in the social security portfolio are fair, balanced and squarely based on need. We urge the Government to focus on measures to address declining revenue as the primary focus of "budget repair". Those measures would include cutting over- generous tax concessions that overwhelmingly benefit people on higher incomes such as unfair superannuation concessions, the treatment of private trusts and companies and negative gearing. On 20 January 2015 an article in the Australian "reported the Treasurer signalling a further round of welfare reforms with an emphasis on means testing. The Treasurer was also reported as saying: *"it is better to help those most vulnerable with more than to just have a wide net where there are a huge number of people who get less"*.¹

The National Welfare Rights Network (NWRN) supports reforms which better target government spending based on need. We agree there is some scope for reform of the pension assets test. Reverting to the 2007 assets test tapers, as recommend by the NWRN, would result in around \$2 billion in savings, according to answer at Senate Estimates last year.² This reform would provide more than enough revenue for the \$51 per week increase to the single rate of Newstart Allowance and related allowances, would cost \$1.8 billion per annum. We note also that ACOSS has identified \$13 billion in savings in various taxation, superannuation and related areas in its Budget Priorities Statement 2015-16.

However, there are few savings left to be found in the social security portfolio. Australia has one of the most targeted welfare systems in the world. In *Growing Unequal?*, the OECD found that Australia's welfare system is more targeted than other nations, as "in a typical country, 22% of total income is from the government in the form of such benefits, compared to 14% in Australia". It also stated "Australia targets these benefits much more tightly on low-income households than in any other country in the OECD. 40% of total spending on cash benefits goes to the poorest 20% of the

¹ Adam Creighton, *Treasurer to target tax creep* The Australian 20 January 2015

² Senate Community Affairs Committee, Answers To Estimates Questions On Notice, Social Services Portfolio, 2014-15 Budget Estimates Hearings, Question No. 353.

population." Australia is ranked as the third lowest spending country when it comes to welfare expenditure, at just 8.3% of economic output on income support, far less than almost every other advanced countries, where the average spend was 13.2% in 2013.

In countries like Australia where most welfare transfers "are already mainly received by low-income groups", cuts in such welfare spending "are much more likely to widen income inequalities."³

Many people on social security benefits are living in poverty. More than one-third of those relying on social security payments now live below the poverty line, including 52% of those on Newstart Allowance, 45% of those receiving the Parenting Payment, and 42% of those on the Disability Support Pension.⁴

One of our priority spending proposals is therefore that the Government respond to the call from people and organisations across Australia to increase the single rate of Newstart Allowance, Youth Allowance and similar payments by \$51 per week and to benchmark the single rate to 66.3% of the couple rate (the same relativity that currently applies to pensions). Moreover, inadequate allowance rates are compounding barriers to work. The Business Council of Australia's Jennifer Westacott notes: "The Newstart Allowance has not increased in real terms for some time and is clearly inadequate. Entrenching people into poverty by expecting them to live on around \$35 a day is not acceptable and only makes it more difficult for them to find work."⁵

We also propose increased investment in training and skills and an expansion of the wage subsidy program to assist jobseekers into work. Funds for Work For The Dole should be reinvested into a national wage subsidy scheme.

With over 105,000 people needing shelter each night and more than half a million experiencing "rental stress" we propose an increase to Rent Assistance to improve housing affordability and reduce homelessness.

Funding to Department of Human Services to administer Social Security payments, particularly in regional and remote areas should be increased. DHS requires more funding for Authorised Review Officers to deal with appeal backlogs, to reduce telephone and face to face wait times. We also propose a number of improvements that would increase employment and participation outcomes for Indigenous people living in rural and remote communities.

NWRN is opposed to a number of major social security measures from last year's Budget which have not been passed by the Parliament, including:

- The six month waiting period for job seekers under 30;
- Limiting eligibility to FTB Part B for families with children under six;
- Indexing pensions to the lower CPI instead of wages;
- Increasing the eligibility age for the Age Pension to 70 years;

³ Ibid.

⁴ Australian Council of Social Service, *Poverty Report*, 2012.

⁵ Business Council of Australia, *Time is Right to Give the Welfare Safety Net a Health Check*, 27 June 2012.

- Freezing the maximum rates of family payments and annual supplements;
- Raising the eligibility age for Newstart from 22 to 24; and
- Axing the Pensioner Education Supplement.

Finally, a survey recently released by ACOSS reveals that 80% of frontline agencies are unable to meet current levels of demand with the resources they have. Of almost 1,000 community service workers from around the country the survey shows that 43% of services are simply unable to meet the needs of people coming to them for help. A further 37% could 'almost' meet demand. Only 20% reported being able to meet demand fully. We call on the Government to halt the deep and sustained cuts to community services and advocacy organisations that traditionally work alongside Government and offer advice about service delivery reform and policy directions.

As the Government considers the findings and recommendations of the McClure Welfare Review report, it must engage with and tackle the fundamental problem of adequacy of income support and the effectiveness of the employment services sector. These should be its Budget spending priorities. We call on Government to resist the temptation to freeze the indexation of pensions to address the structural gap with allowances because this will only entrench inadequacy for pensioners. The scope for simplification of the social security system is necessarily limited when it is ultimately the careful targeting of social security spending that creates complexity.

National Welfare Rights Network members provide direct frontline legal services in social security and family assistance law. Our budget submission includes a number of recommendations, based on our client's experiences, that would address anomalies, gaps and inequities in the social security law. While the cohorts of people involved are small, the people affected are our most vulnerable and marginalised in our community.

Savings measures

Apart from the savings measures recommended in this submission in relation to the senior's supplement, the pension assets test and the abolition of income management, the NWRN notes that ACOSS has provided the Government with a range of substantial savings measures in its 2015 Budget submission.

Summary of Recommendations

1. that the rate for all allowance payments for single people be increased by \$51 per week from March 2016;
2. that the single rate be benchmarked to 66.3% of the combined married couple rate of Allowances as is the case for pension payments (and a higher rate in the case of sole parents);
3. that from March 2016 Newstart Allowance, Youth Allowance and all related payments (including Austudy, ABSTUDY and Special Benefit) should be indexed six monthly to movements in wages or to CPI (whichever would index higher);
4. that the Government reverse its decision to benchmark pensions to the CPI;
5. that funding for the NDIS should not be sourced from reductions to the welfare budget;
6. that the Government review and increase funding to employment services for people with disability, increase employer incentives and ensure adequacy of income support for people with disability who are looking for work;
7. that the Government establish employment targets for people with disabilities in the Australian Public Service, in particular the DHS and DSS;
8. that the Government expand wage subsidy schemes and employer incentives for employment of people with disabilities;
9. that the government review the harsh compliance regime for currently exists for “2008-2011 starter” disability support pensioners;
10. that Government initiatives to improve employment and training opportunities be expanded;
11. that existing aged-based Wage Subsidy programs be rolled into a National Wage Subsidy Program, and half of the funds for each Wage Subsidy placement should be paid after three months of employment;
12. that seventy-five per cent of Commonwealth funds earmarked for Work for the Dole programs should be redirected to a National Wage Subsidy Program;
13. that existing Supplementary Payments for job seekers (eg. Work for the Dole Supplement and Language, Literacy and Numeracy Supplement) should be simplified, increased to \$30 per fortnight, and indexed to the Consumer Price Index;
14. that the Commonwealth reintroduce a national Youth School Transitions Program that provides targeted supports and employment assistance to vulnerable and marginalised young people;
15. that supports for Indigenous employment and training be improved, particularly for remote areas;
16. that the Government adopt measures to improve housing and rental affordability by:
 - increasing the maximum rate of Rent Assistance by 30%,
 - indexing Rent Assistance to movements in national rents and
 - repealing the ‘sharers’ Rent Assistance rules;

17. that the Government fund a 10 per cent increase in the number of Authorised Review Officers;
18. that funding for more traditional non-digital service delivery be increased to ensure timely access to face to face and telephone services where needed;
19. that the Government increase funding for more permanent job capacity assessors and better resourced remote servicing teams;
20. that current exemptions from the Disability Support Pension (DSP) program of support rules be extended to people incapable of improving their capacity to prepare for, find or maintain work by participation in a "program of support (POS)", irrespective of whether they had participated in a 'program of support' at the date of claim;
21. that the social security act be amended to ensure that a person who meets all requirements for DSP other than POS is be paid at a rate equivalent to the rate of DSP;
22. that the provisions for calculating preclusion periods be amended so that they are recalculated when the pension cut-off is indexed, and to exclude legal costs from the gross lump sum used to calculate the preclusion period;
23. that income maintenance periods be abolished or, in the alternative, that requirements for waiving or reducing income maintenance periods be aligned to the same special circumstances test that currently exists for compensation preclusion periods;
24. that the government expand its weekly data matching program to include providers of vocational education and training;
25. that the exemption from the newly arrived residents waiting period be restored for 309 and 820 visa holders for Special Benefit payment only;
26. that the Government increase funding for Welfare Rights caseworkers across Australia by \$1.5 million per annum;
27. that the recommendations relating to 2014 Budget Bills measures contained in the NWRN Submission to the Senate Standing Committee into Community Affairs be adopted and implemented;
28. that the Government abolish Compulsory Income Management and introduce a genuinely voluntary scheme of income management for people who believe they would benefit from this program. In the alternative, that the government move to a case-by-case income management model;
29. that the Senior's Supplement be abolished from 21 September 2015;
30. that the Government review the pension assets test as recommended by the Henry Tax Review.

PART 1 *Spending priorities*

1.1 Increase Newstart Allowance

Unemployment payments were last increased in real terms in 1994 by a mere \$2.95 per week. 52% of people living on Newstart Allowance are living in poverty.

In November 2012 a Senate Committee looked into the adequacy of the Newstart Allowance (NSA). It reported that at around \$250 per week for a single person, NSA was inadequate to live on. The Senate Committee received compelling arguments and evidence on the benefits that would flow from increasing this payment.

An increase to allowance payments would directly assist the nation's poorest families, including the 130,000 single parent families who have been pushed onto the lower Newstart Allowance since 2006. An across-the-board increase to single allowance payments would also bring financial relief for over 140,000 people with disabilities on the Newstart Allowance as well as young people and mature age workers trying to find a foothold in the labour market.

The NWRN recognises that it may be appropriate to phase in such an increase. The indexation of all allowance payments to wage movements in addition to prices would assist in preventing the current \$166 per week gap between pensions and allowances from rising in an unsustainable manner.

The structural inequity in the single rate must also be addressed. The Government should adopt the recommendation of the Henry Tax Review that the single rate be benchmarked to 66.3% of the combined married couple rate of Allowances as is the case for pension payments (and a higher rate in the case of sole parents).

Recommendation 1: that the rate for all allowance payments for single people be increased by \$51 per week from March 2016.

Recommendation 2: that the single rate be benchmarked to 66.3% of the combined married couple rate of Allowances as is the case for pension payments (and a higher rate in the case of sole parents).

These increases should apply to recipients of Newstart Allowance, Widow Allowance, Sickness Allowance, Special Benefit, Crisis Payment, and Youth Allowance (Other) recipients living independently of their parents.

1.2 Indexation of pensions and allowances

Well-designed indexation of social security payments provides an important buffer against poverty and is critical in maintaining the purchasing power of people seeking to survive on low, fixed incomes. Government policy should be to adopt a consistent approach to indexing that is built on two core principles: equity and adequacy.

There is an urgent need to review the indexation of all Allowance payments, to ensure that people are provided with sufficient money to meet basic costs of living and of looking for work. The Henry Tax Review highlighted indexation as a critically important feature, and supported a regular review of indexation arrangements.

The McClure Review of Australia's social security system is exploring how payments are indexed. The Government may be attracted to the idea of freezing indexation for some groups of people on the Disability Support Pension, or linking them to a less generous indexation formula. This would, over time, see the gap between pensions and allowances diminish however in doing so it would spread inadequacy further and entrench poverty among disability pensioners. A much fairer option would be to maintain existing pension indexation and rates. Freezing the payments of hundreds of thousands of people with disabilities is an unfair way for Government to fix a flaw in our welfare system. People with disabilities should not have to have their payments cut.

The Harmer Pension Review noted that the single Age Pension has risen by 20% over the previous decade, whereas the Newstart Allowance – which is linked only to the Consumer Price Index – rose by less than 0.5%.⁶ We note our commentary in 1.1 above about the number of people now living in poverty on Newstart Allowance.

We propose that all allowance payments be indexed using wage movements in addition to CPI (whichever would index higher). This will assist in preventing the current \$166 per week gap between pensions and allowances from rising in an unsustainable manner and begin to address the poverty and inequity caused by inadequate and inequitable indexing arrangements to date.

Recommendation 3: that from March 2016 Newstart Allowance, Youth Allowance and all related payments (including Austudy, ABSTUDY and Special Benefit) should be indexed six monthly to movements in wages or to CPI (whichever would index higher)

Recommendation 4: that the Government reverse its decision to benchmark pensions to the CPI

1.3 People with disabilities – DSP and the NDIS

The Federal Government has signalled its intention to revise income support arrangements and has flagged overhaul of Australia's social security system, with a Taskforce headed by Patrick McClure due to report in February 2015.

In June 2014, there were 830,454 DSP recipients and just 8.2 per cent, or 67,684 reported any earnings from paid employment. Almost half (45%) of people with a disability live in or near poverty; more than double the OECD average of 22%. Australia ranks 21st out of 29 OECD countries in employment participation rates for those with a disability. We rank 27 out of 27 in terms of the correlation between disability and poverty.

⁶ Harmer, J. *Pension Review Background Paper*, Department of Families, Housing, Community Services and Indigenous Affairs, August 2008, p. 15.

The Government has suggested in the media recently that reductions in the welfare budget would need to occur in order for funding support for the National Disability Insurance Scheme (NDIS) to be guaranteed into the future.

The support provided by the NDIS and the DSP do not overlap and cuts to one should not pay for the other. The NDIS pays for disability services and functional support (eg provision of in home care, purchase of a wheelchair), while the DSP provides income support for the basic necessities of life such as food, shelter, clothes and so on.

Despite claims of a payment that is ‘out of control’, the DSP actually only increased by a mere 1.1 per cent in the last financial year, when there were 830,454 people on the DSP as of June 2014.

The Government has signalled its intention to encourage greater opportunities for economic and social participation for people eligible for the Disability Support Pension. The NWRN supports this goal, where it is realistic and achievable.

In 2014 NWRN commissioned independent qualitative research into the experiences of people on the DSP. The research was conducted by Dr May Lam, a former Policy Advisor and Deputy CEO of Jobs Australia and contractor to the DEEWR. The report highlights the need for better employment services, more job opportunities via employer incentives, and adequate income support which meets the higher costs of living with disability and provides adequate financial security to transition back to work. It casts doubt on the presumption that the social security system is the best tool for activation and recommends a number of lines of enquiry into the proposed model of activation.

It also found that investigation into the capacity of employers to take up the labour of those with partial work capacity is warranted current given that government employment policies have emphasised the need for employer demand-driven services.

The government needs to review and increase funding to employment services for people with disability, increase employer incentives and ensure adequacy of income support for people with disability who are looking for work. The Government should lead the way in the employment of people with disabilities by establishing employment targets in the Australian Public Service and in particularly the Department of Human Services and the Department of Social Services. The Government should also encourage Australia’s largest employers to employ more people with disabilities including mental health conditions.

Finally, we note that the compliance regime for certain Disability Support Pensioners is unreasonably harsh. Unlike traditional compliance penalties, which have a graduated system of warnings and financial penalties, the penalty for non-compliance is currently: first failure - suspension with back-pay; second failure – suspension without back-pay; third failure – loss of qualification for disability support pension. We note the findings of our commissioned report into the DSP which questioned the efficacy of using the social security compliance system as a way to increase participation for people with disabilities.⁷

Recommendation 5: that funding for the NDIS should not be sourced from reductions to the welfare

⁷ Lam, M. “Living on the Disability Support Pension” published by the National Welfare Rights Network, 2014.

Recommendation 6: that the Government review and increase funding to employment services for people with disability, increase employer incentives and ensure adequacy of income support for people with disability who are looking for work

Recommendation 7: that the Government establish employment targets for people with disabilities in the Australian Public Service, in particular the DHS and DSS

Recommendation 8: that the Government expand wage subsidy schemes and employer incentives for employment of people with disabilities.

Recommendation 9: that the government review the harsh compliance regime for currently exists for “2008-2011 starter” disability support pensioners.

1.4 Improve employment assistance for job seekers

The new Minister for Social Security, Scott Morrison has flagged that "getting as many Australians as are able off welfare and into work will be one of my core goals," while the both the Prime Minister and the Treasurer have said that jobs would be a major priority for the coming year. If we are to build a more prosperous, productive and fairer society, Australia does need to address growing poverty, inequality and the lack of jobs for those who are able to work.

Two-thirds of all unemployed people on the Newstart Allowance and Youth Allowance have been looking for work for more than 12 months. The vast majority of people in this situation need and want to find sustainable jobs so that they can pay their bills and afford food, accommodation, clothes and support their families.

From 1 July 2015, a new employment services model will replace the current Job Services Australia model. The new model is an improvement on the old model in many respects, with streamlined arrangements and less burdensome ‘red tape’ for providers. The new scheme seeks to deliver improved outcomes for job seekers with greater financial rewards for genuine employment outcomes.

Many unemployed people are required to participate in Work for The Dole (WFTD) scheme for six months of each year. The Government is to invest over \$900 million in WDTF programs, yet evidence indicates that this scheme delivers persistently poor employment outcomes when compared to other employment programs on offer. Only 19 per cent of those participating in Work for the Dole schemes were employed three months later, according to data from June 2014.⁸ Supplements for activities such as WFTD are unindexed so have remained at only 10.40 per week for many years.

Post-Program Monitoring Surveys from DEEWR reveal far better outcomes for job seekers who have participated in Wage Connect. Forty-seven per cent of participants in the Wage Connect Scheme (or 3,779 of the total 8,084) were in employment after the end of the six-monthly wage subsidy period.

There is other evidence that supports the view that wage subsidies provide far superior employment outcomes, and more value for money, than anything offered by a WFTD program. Data provided to

⁸ Department of Employment, *Labor Market Assistance Outcomes*, June 2014, p.

the Senate in late 2014 reported on the outcomes from wage subsidies using Employment Pathway Funds. It found that from 1 July 2013 to 31 August 2014, 29,903 job placements were subsidised with wage subsidies through the Employment Pathway Fund. Estimates data reveals that 65 per cent (14,406) achieved a 26 week outcome.⁹

Wage subsidy programs provide unemployed people with the chance to gain real skills and on-the-job experience and evidence shows that people with recent experience are much more likely to be considered by a future employer. The programs also provide jobseekers with a foothold in the workplace and a chance to demonstrate their job readiness to employers.

A period of paid work experience in regular employment can significantly improve the job prospects of long-term unemployed people and this type of program could be extended to young people generally.

NWRN welcomes the Government's commitment to wage subsidies which are a feature of the new reiteration of the employment services system from July 2015.

The Government could improve the effectiveness of the existing Tasmanian Wage Subsidy Scheme and proposed new aged-based schemes by introducing a streamlined wage subsidy program aimed at long term unemployed people. The Government should also adjust funding arrangements for wage subsidy programs, so that small and new providers are not forced to carry the financial burden of the scheme. We propose that providers have access to a portion of the subsidy early during the life of the subsidy.

The Government has tightened funding for training in the new 2015 employment services model. This was done in response to valid concerns that some providers were endlessly moving young people through a succession of training courses, which provided limited practical benefit for the individual, but came at great cost to the . It is proposed that training be restricted to preparation for an identified job. This new restriction on accessing vocational education and training will make it difficult for many job seekers, and particularly young people, to gain the skills and experience that they need to break into the labour market. Young people with limited skills will be placed at a disadvantage. Mature age people may be denied opportunities to re-skill and find later-life careers.

We urge the Government to provide access to genuine training options for job seekers with limited skills. Funds should be provided for suitable and relevant training for eligible job seekers, with a focus on providing young people with job-ready skills and ensuring that they build 'life-skills'. The training should provide essential skills and experience, whether or not it is linked to a job specific job.

<p>Recommendation 10: that Government initiatives to improve employment and training opportunities be expanded.</p>
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⁹ Senate Standing Committee on Education and Employment, Questions on Notice, Supplementary Budget Estimates 2014-2015, *Question No. EM1668_15*.

Recommendation 11: That existing aged-based Wage Subsidy programs should be rolled into a National Wage Subsidy Program, and half of the funds for each Wage Subsidy placement should be paid after three months of employment.

Recommendation 12: That seventy-five per cent of Commonwealth funds earmarked for Work for the Dole programs should be redirected to a National Wage Subsidy Program.

Recommendation 13: That existing Supplementary Payments for job seekers (eg. Work for the Dole Supplement and Language, Literacy and Numeracy Supplement) should be simplified, increased to \$30 per fortnight, and indexed to the Consumer Price Index.

1.5 Improve employment assistance and training for young people

In some parts of Australia, youth unemployment affects one-in-five young people.

The unemployment rate for young people aged 15-24 years is more than twice the national average at 13.1 per cent. Overall, 30 per cent of young Australians are either unemployed or under-employed. More than 50,000 young people aged 18 to 24 have been out of work for more than 24 months.

There were 106,000 young unemployed people receiving the Youth Allowance as at November 2014. Young unemployed people receive the lowest rates of social security of all people – with the over 18 ‘Independent’ rate of Young Allowance being just \$426 per fortnight – \$48 a week less than the inadequate Newstart Allowance.

Many young people need extra support, especially with the transition from school to work.

With the right help, young people thinking of leaving school early may make the decision to stay at school or in training.

The NWRN urges the Federal Government to provide support for a National Youth Transitions Program, to assist with the difficult transition from school to paid work that offers opportunities for employment, education and skills and training.

Recommendation 14: That the Commonwealth reintroduce a national Youth School Transitions Program that provides targeted supports and employment assistance to vulnerable and marginalised young people.

1.6 Improve Indigenous Employment and Training programs

Recent reports have revealed that the growth in Indigenous employment over the past 15 years has stalled. More Aboriginal and Torres Strait Islander people are currently in work than in previous years, but the growth in jobs has not kept up with population increases.¹⁰

The Government's Review of Indigenous Employment and Training provides an ideal opportunity to improve genuine opportunities for employment and community participation.¹¹

NWRN proposals for improving employment and participation outcomes for Indigenous people living in rural and remote communities include:

- increasing funding and more effective support for long term and disadvantaged job seekers;
- addressing the challenges facing the system because of increasing levels of disadvantage among job seekers, in particular, larger cohorts with a disability;
- locating service providers in local communities where people live;
- increasing awareness of and access and availability to Indigenous interpreters;
- encouraging greater take-up of Language, Literacy and Numeracy programs and design programs for Indigenous job seekers;
- the critical importance of disclosure and appropriate referral, streaming and assessment, and the need for appropriately trained employment consultants;
- re-focussing initial engagement with job seekers on building relationships, genuine partnerships and trust;
- improve the quality of Registered Training Organisations;
- improve job seeker awareness of their ability to change service providers and increasing awareness of complaints mechanisms;
- better use of the internet and greater use of social media, including development of a new "Job Assist" App, to support job seekers in their search for work; and
- expanding 'wrap-around' services for vulnerable, disadvantaged and 'hard to reach' job seekers through the national rollout of successful programs like Local Connections To Work.

Indigenous Australians are over-represented in the imposition of penalties under social security legislation with 22% of all eight week non-payment periods for those in receipt of income support being imposed on Indigenous Australians.¹² Furthermore, 25% of all job seeker penalties are imposed on Indigenous Australians who comprise just 10% of all unemployed people nationally.

It is critical that a national solution be found to what are seemingly intractable problems. This means a focus on community-led identification and solutions, building community resilience and cultural competency.

¹⁰ Karvelas, P. *Indigenous jobs gap widens*, 23 January 2014.

¹² Department of Education, Job Seeker Compliance Data, Various Quarters, 2012-13.

Recommendation 15: That supports for Indigenous employment and training be improved, particularly for remote areas.

1.7 Rent Assistance

Over 1.3 million households rely on Commonwealth Rent Assistance. One million Australians are paying rents high enough to be eligible for the maximum rate of Rent Assistance. At June 2014, the Rent Assistance program had reduced the proportion of renters in housing stress from 67.4 per cent to 40.3 per cent. This translates into a 27 per cent reduction in housing stress or 352,911 households. Rent Assistance helps to improve the affordability of housing; however, it does not prevent everyone from experiencing housing stress. Forty per cent of households, 523,000 households are in 'housing stress', and paying in excess of 30 per cent of their income in rent.

There is a strong link between housing unaffordability in the private rental market and low rates of income support payments. Unemployed people on the Newstart Allowance are twice as likely to be in housing stress compared to Age Pensioners, while 68 per cent of those on Youth Allowance – the lowest of all social security payments – are in housing stress.

In June 2012, there were 164,323 people on waiting lists for social housing. People can wait up to 10 years on public housing wait lists, and there is a shortage of over half a million rental properties for people on low incomes.

1-in-8 people eligible for Rent Assistance (13.2 per cent) over 171,000 people, are paying more than 50 per cent of their income in rent. Private rental costs are particularly high for people reliant on the Newstart and Youth Allowance, and at June 2014, 1 in every 4 were paying in excess of half of their weekly income to keep a roof over their head.¹³

Many single renters who share accommodation are hit by harsh and unfair 'sharers' Rent Assistance rules which reduce the rate of Rent Assistance paid by a third. Introduced in 1997 after the 1994 Commission of Audit, over 190,000 people are affected by these rules, as at June 2014.

Rent Assistance plays a critical role in assisting low income and disadvantaged tenants with high housing costs. NWRN recommends three measures to improve housing affordability for low income and disadvantaged renters:

- Increase the maximum rate of Commonwealth Rent Assistance by 30 per cent. This would mean an increase in the maximum rate of Rent Assistance by \$22 per week.
- Index Rent Assistance to a Rental Costs Index, instead of the Consumer Price Index.
- Abolish the 'sharers' Rent Assistance rules.

¹³ Senate Community Affairs Committee, Answers To Estimates Questions on Notice, Social Services Portfolio, 2014-15 Supplementary Estimates Hearings, Question No: 487.

We also recommend that the Productivity Commission undertake a review of the effectiveness of Commonwealth housing assistance (including the appropriate roles of State and Territory Governments).

Recommendation 16: That the Government adopt measures to improve housing and rental affordability by:

- increasing the maximum rate of Rent Assistance by 30%,
- indexing Rent Assistance to movements in national rents and
- repealing the 'sharers' Rent Assistance rules.

1.8 Improve Centrelink services

Over 7 million people receive some type of social security or family assistance payment via Centrelink. In 2013–14 the Department for Human Services reported an operating surplus of \$132.6 million after adjustment for unfunded depreciation and the revaluation of assets. However, there are a number of essential DHS services which are currently under-resourced. It is critical that this operational surplus and other funds as necessary be redirected to fund DHS to provide high quality and timely services.

Reviews

Centrelink decisions can adversely affect people's lives in the short and long term. It is therefore important that people have access to a fair and impartial review system in Centrelink, and that an independent system separate from Centrelink is available when things go wrong. It is also important that review decisions are undertaken in a timely and procedurally fair manner. There is currently a backlog of many thousands appeals, with people waiting up to six months or more for their appeal to be progressed.

Over the past few years the Centrelink internal review system has left many experiencing lengthy delays for critical decisions about a person's income support left in the balance. The number of Authorised Review Officer (ARO) reviews on hand as at week ending 29 August 2014 was 15,841, when compared to week ending 28 June 2013, reviews on hand have decreased by 35.3 percent. The Department of Human Services target for internal review is to have completed three quarters of reviews within 35 days. At August 2014, the Department was falling way short of this target, when the average review took 102 days to complete. There were 123,032 completed internal reviews in 2013-14, about 500 less than the previous year.

Access to face to face and telephone services

About 1-in-3 Australian's receives some support from Centrelink or the Family Assistance Office. Social Security payments help millions of individuals and families to meet their expenses and keep a roof over their head. In 2013-14, the Department of Human Services dispensed around \$135 billion in social security entitlements millions of Australian's in need.

The agency also handled nearly 5 million calls a month and it processed more than 3.7 million Centrelink claims for payments. In 2013-14, the Department of Human Services met 20 out of 24 key performance indicators.¹⁴ Satisfaction with Centrelink staff remains high – above 85 per cent.

Unfortunately the failings related to key areas involving stakeholder experience, services at Centrelink offices and customer satisfaction. Centrelink received a large number of complaints about its services and practices, with 52,763 complaints in 2013-14, an increase of 14.1 per cent on the previous year.

The three main areas of complaint by volume were:

- access to phone services, including complaints about an engaged signal, call disconnection and on-hold waiting times (23.5 per cent)
- staff knowledge and practice (17.8 per cent)
- decision making (15.8 per cent)

A key area where the Human Services agency was found not to up to the mark related to face-to-face service at Centrelink offices, with a blow-out in average wait times at the counter. Centrelink also failed in the achievement of call service standards when answering providers (though average speed to answer customer calls were on target).

The Commonwealth Ombudsman received 6,804 complaints about DHS programmes in 2013-14, about 5 per cent less than the 7,192 complaints in 2012-13. Complaints about Centrelink accounted for 73% of the complaints about DHS, followed by Child Support with 21%.

Remote servicing

Australia is a vast country and the challenges for remote servicing are considerable. However current resourcing for remote servicing teams is insufficient. For example, we understand from DHS that there are currently only 3 permanent Assessment Services Staff (Job Capacity Assessors) currently servicing the entire Northern Territory. While we acknowledge that their services may be supplemented with additional staff on a needs basis from time to time, it is quite clear to us based on feedback from our members providing welfare rights services in the Northern Territory, that more permanent staff are needed to service remote communities. While assessments can be conducted via video conference where available and via telephone, it is preferable that job capacity assessments be conducted in person wherever possible.

Recommendation 17: That the Government fund a 10 per cent increase in the number of Authorised Review Officers.

Recommendation 18: That funding for more traditional non-digital service delivery be increased to ensure timely access to face to face and telephone services where needed.

Recommendation 19: That the Government increase funding for more permanent job capacity assessors and better resourced remote servicing teams.

¹⁴ Department of Human Services, *Annual Report 2013-14*, p. 2.

1.9 Extend exemptions from the DSP ‘program of support’ rules

Currently, a DSP claimant cannot seek an exemption from the POS requirement on the basis of their inability to benefit from a POS, unless they are participating in a POS at the time of claim. There is a cohort of people who were not participating in a POS at date of claim but have 20 (or often more) points across numerous impairment tables, are unable to benefit from a POS program, and should be exempted on the basis of their inability to benefit from a POS.

Instead, such a person must (pointlessly) register with a POS provider and go through the process of lodging a fresh DSP claim before the existing exemption can even be considered. This is a true example of bureaucratic red tape which severely impacts this vulnerable group and inflates the number of DSP claims being lodged.

Removing the requirement that the person be participating in a POS at the time of claim would not open floodgates to this exemption. Only 3.95 of people have their claims rejected solely because of failure to meet the POS. It would continue to be the case that few people will be able to prove that they cannot benefit from something that they have not tried.

However for those people with compelling evidence that they cannot improve their capacity to prepare for/find/maintain work capacity by participation in a POS, an officer of the DHS should be able to make an assessment as to whether an exemption should apply without first requiring the person to register with employment services and lodge a fresh claim.

Recommendation 20: extend the current exemptions from the program of support rules to people incapable of improving their capacity to prepare for, find or maintain work by participation in a “program of support”, irrespective of whether they had participated in a DSP ‘program of support’ at the date of claim.

1.10 Fix horizontal equity problem arising from DSP ‘program of support’

There is a horizontal equity problem with the current Program of Support (POS) arrangements which affects a small number of people with high levels of disability.

The cohort we are concerned with are people who meet all the criteria for DSP, except that they have not yet completed a POS and are not exempt from the requirement. It is a small group. We understand that the numbers of people rejected solely on the ground of failing to meet POS requirements is around 3.9%.

The horizontal equity problem arises from the fact that people with the same or similar levels of disability are paid at different rates. Take two people with the same level of disability. Both have 20 points or more across multiple tables. Both are unable to improve their work capacity via a POS. The first person previously completed a POS and will have immediate access to DSP. The second person must wait a further 18 months before accessing DSP, living on considerably less than the first person, despite having the same level of disability and incapacity to work.

We propose that a person who meets all requirements for DSP other than POS should be paid at a rate equivalent to the rate of DSP, a “DSP POS Provisional” rate of some kind.

While we understand the fiscal constraint under which the DSS is operating, we believe that the cost to government would be very small indeed. Furthermore, there is a precedent for such an approach already operating. The under 35’s POS provisions recently introduced to the *Social Security Act 1991* are an example of applying a POS requirement to people receiving the DSP.

As the independent report “Living on the Disability Support Pension”¹⁵ shows, adequate rates of income support are critical for people with disabilities who are trying to prepare for a transition back into the workforce.

Recommendation 21: Amend the social security act to ensure that a person who meets all requirements for DSP other than “program of support” requirements is be paid at a rate equivalent to the rate of DSP.

1.11 Fairer compensation preclusion rules

A person who receives a lump sum compensation payment will generally have to serve a lengthy period during which they cannot access income support payments (a compensation preclusion period).

The period is calculated by dividing the compensation amount by the weekly pension cut off amount, which is regularly indexed.

However, this calculation is only done once at the beginning of the period. A person with a long preclusion period can be severely disadvantaged as the pension cut-off rises, but their compensation preclusion period remains unchanged. Preclusion periods can last for decades, depending on the amount of compensation. Particularly affected are people who had their preclusion periods calculated prior to the pension reforms of 2007. Such people have significantly longer preclusion period than those who received their compensation after the divisor increased significantly after those reforms.

A second issue is the treatment of legal costs. A person whose settlement is inclusive of costs is disadvantaged over a person whose settlement is exclusive of legal costs, because the former has their legal costs included in the gross lump sum used to calculate the preclusion period whereas the latter does not.

Moreover, in our experience, legal costs can vary significantly, from roughly 7% of the lump sum to 40%.

Removing legal costs from the calculation of the preclusion period would create equity and fairness in the treatment of compensation.

¹⁵ Lam, M. “Living on the Disability Support Pension” published by the National Welfare Rights Network, 2014.

Recommendation 22: Amend the provisions for calculating preclusion periods so that they are recalculated when the pension cut-off is indexed, and to exclude legal costs from the gross lump sum used to calculate the preclusion period.

1.12 Fairer treatment of termination and redundancy payments

When a person receives a termination payment (which may include redundancy and leave payments such as annual or long service leave), the person will be required to live off those termination payments during the “income maintenance period” calculated by DHS according to the statutory formula.

Income maintenance periods, like compensation preclusion periods, may be very long (often a year or more). However, unlike compensation recipients, who are notified of their preclusion period prior to even receiving their compensation, people who receive termination payments will not be notified before they receive their termination payment.

This is because the Act requires insurers and compensation payers to notify DHS when compensation will be paid. There is no such obligation on employers. From time to time when there are mass redundancies, DHS will provide information to workers prior to or during the redundancy process (eg closure of a large manufacturing plant). However, there is no other system in place to ensure that people know about an income maintenance period before they receive it and spend the money.

Our legal services see many cases where people have spent redundancy payments without knowing that they will have to serve a waiting period. They live in absolute poverty with no income at all. In many such cases, people used their redundancies to pay off their existing debts. There are often other factors at play also, such as ill health or disability, reduced decision making capacity, financial exploitation, straitened financial circumstances, responsibility for children and dependents, lack of English or low educational attainment, addictions, incorrect advice, strong personal and cultural obligations to provide for family, emotional issues or depression and anxiety, difficulty adjusting to unemployment and/or illness or disability.

We consider that income maintenance periods should be abolished altogether (we note that the liquid assets test and the ordinary income and assets tests would still apply). Our reasoning is that the income in question is income from work and should be treated on the same basis as other employment income.

The current provisions for waiving or reducing an income maintenance period are insufficient as they consider only the expenditure of the funds and do not consider the overall circumstances of the person. A “special circumstances” discretion like the one that exists for compensation preclusion periods is warranted, because in effect, income maintenance periods are more like compensation preclusion periods than other waiting periods.

The current legislative criteria for reducing an income maintenance period should be replaced with a general “special circumstances” provision.

Recommendation 23: that income maintenance periods be abolished, or in the alternative, that requirements for waiving or reducing income maintenance periods be aligned to the same special circumstances test that currently exists for compensation preclusion periods

1.13 Expand data matching to prevent overpayments to VET students

The extension of the Government's data matching program to universities has resulted in a huge reduction to the number of people coming to us for advice about youth allowance, austudy and abstudy debts incurred while studying at university.

However, the number of people seeking our assistance with debts incurred while studying with Vocational Education and Training providers, particularly self-paced online courses such as those offered by TAFE OTEN NSW have risen dramatically. The people we see are often vulnerable and marginalised and have chosen such courses because they have struggled in traditional face to face courses and university courses. In addition to the student confusion and/or lack of capacity to understand qualification and reporting requirements, many of the overpayments also result from administrative error by the DHS and insufficient provision of information to students by DHS or the VET provider.

We therefore recommend that the government expand its weekly data matching program to include providers of vocational education and training (at least at first the major providers such as TAFE NSW).

Recommendation 24: that the government expand its weekly data matching program to include providers of vocational education and training.

1.14 Restore the residence exemption for visa subclass 309 and 820

Prior to 2012, a 309 or 820 visa holder was automatically exempt from the two year waiting period for Special Benefit. The qualification criteria for Special Benefit are so restricted that only people in very dire circumstances can access it. We do not propose that the automatic exemption apply to all payments (eg Newstart Allowance) only that it apply once again for Special Benefit to ensure the most vulnerable families can access the income support payment if they meet the stringent criteria for Special Benefit. This means that reintroducing the exemption would not be opening the floodgates so that all 309 or 820 visa holders access payment, only to those able to meet the high bar set by special benefit qualification criteria.

We did not oppose this measure when it was introduced in 2012. However, since the removal of the exemption, our members have received a constant flow of calls from couples and families who are surviving on a single income support payment (and, if there are children, Family Tax Benefit). This is placing vulnerable new families with children in extreme poverty during the important early stages of their life.

Recommendation 25: that the exemption from the newly arrived residents waiting period be restored for 309 and 820 visa holders for Special Benefit payment only.

1.15 Help for people with Centrelink and income support problems

The National Welfare Rights Network (NWRN) is a network of 14 community legal centre members and three affiliate members including some Aboriginal Legal Services. Our members specialise in social security law and its administration by the Department of Human Services (DHS). Our members are located across Australia. The Network also develops policy and advocates for beneficial law reform.

NWRN member organisations provide casework assistance to their clients. They conduct training and education for community workers and produce high quality information and publications to help social security recipients and community organisations understand the system.

In 2014 NWRN commissioned Susan Bell Research to conduct independent qualitative and quantitative research into services provided by our members. Susan Bell Research is a respected independent research company which is regularly commissioned by the Commonwealth Government to conduct research into consumer experiences in the financial services sector.

The quantitative research found that **NWRN is meeting a gap that is not filled by other legal advice or complaints services**. Sixty percent of ‘advice’ clients had approached other organisations in the past about the same problem they contacted the NWRN member centre about: Centrelink 30%, Legal Aid 18%, other CLCs 9% and the Ombudsman 5%. Of those clients who had contacted other organisations, 77% had not found the specialist legal assistance they needed. It also found that legal assistance providers including Legal Aids, Community Legal Centres and Tribunals make referrals to NWRN member centres as specialist service in this field.

The qualitative research found that outcomes from NWRNs early intervention model results in significant flow on effects for clients and community. The casework interviews revealed that of the clients interviewed:

- 20% were now able to provide for their children
- 20% had reduced family tension
- 20% either kept their home or were no longer homeless
- 20% had returned to work or study
- 30% or more were no longer considering suicide
- 10 % were eating properly
- 10% became volunteers
- 6% reconnected with supports
- NB Multiple outcomes for some clients mean the percentages exceed 100.

Each year, Welfare Rights caseworkers assist thousands of people with Centrelink problems. Welfare Rights services are cost-effective and efficient. NWRN’s 14 member casework services are, in the main, funded under the Community Legal Services Program. Members of the National Welfare Rights Network receive recurrent funding under the CLSP for welfare rights services.

Centrelink administration and practices could be significantly improved by an expansion of independent social security advice and casework.

The value and contribution of the work performed by the NWRN has been recognised by the OECD who said in a report that the NWRN's "input into policy formulation process, informed by feedback from their street-level operations, give society a good return on a relatively small investment."¹⁶

An additional investment of \$1.5 million for front-line casework services would mean that tens of thousands of Centrelink recipients throughout Australia would be able to gain independent advice and casework assistance each year. A tangential yet beneficial outcome would be significantly increased independent casework data on which to base feedback and advice to the Department of Human Services and the Department of Social Services about emerging problems and potential solutions.

The Welfare Rights program should be expanded by \$1.5 million per year. The expansion of funding would enable a significant increase in the capacity of Welfare Rights services to both assist greater numbers of client, and allow greater expansion of services and supports to people in regional and remote areas.

Recommendation 26: that the Government increase funding for Welfare Rights caseworkers across Australia by \$1.5 million per annum.

PART 2 Budget Measures stalled in Senate

NWRN remains opposed to a number of major social security measures from last year's Budget which have not been passed by the Parliament, including:

- The six month waiting period for job seekers under 30;
- Limiting eligibility to FTB Part B for families with children under six;
- Indexing pensions to the lower CPI instead of wages;
- Increasing the eligibility age for the Age Pension to 70 years;
- Freezing the maximum rates of family payments and annual supplements;
- Raising the eligibility age for Newstart from 22 to 24; and
- Axing the Pensioner Education Supplement.

The NWRN provided a detailed analysis of these measures in its submission to the Senate Standing Committee into Community Affairs Inquiry which can be accessed [here](#).

Recommendation 27: that the recommendations relating to 2014 Budget Bills measures contained in the NWRN Submission to the Senate Standing Committee into Community Affairs be adopted and implemented.

PART 3 Revenue Measures

¹⁶ OECD, *Activating Job Seekers: How Australia Does It?*, 20120, pp. 68-69.

3.1 Review into taxation and family payments required

The Government will release its Taxation White Paper in early 2015. We urge the Government to initiate a transparent review of our taxation system with public submissions and community meetings which would feed into an options paper for broader community consultation. It is critical to build on, and not seek to replicate the work and analysis that has already been undertaken by the Henry Tax Review.

The NWRN is a long-standing member of the Australian Council of Social Service (ACOSS). Like ACOSS, we believe that the Government needs to focus on the revenue side, as well as the spending side of the equation.

3.2 Abolish or reform Income Management

Nationally, hundreds of millions of dollars have been spent on income management to date without hard evidence to suggest that income management is having a positive impact on people's lives. The cost of income managing some people is over 60% of the basic yearly rate of the Newstart Allowance. Between 2005-06 and 2014-15, Income Management will cost \$1 billion according to estimates by the Parliamentary Library.¹⁷ This does not reflect the total cost to government, only the budget outlays for new measures.

At August 2014, there were 24,897 people subject to income management Australia-wide. Four in every five people subject to income management reside in the Northern Territory.¹⁸

The number of people on 'voluntary' income management continues to decline. Voluntary participation fell from 4,560 in April 2011 to 3,770 in October 2013, a fall of 18%. Just 31 people have managed to achieve the maximum \$500 in savings to qualify for the 'matched savings' scheme.

Two recent evaluations into income management have found the scheme wanting. A report into 'Place-Based Income Management' by Deloitte Access Economics found that those who volunteered for income management may have received some benefits from participating, but young people subject to mandatory triggers experienced problems as a result of their participation program.¹⁹

The most recent evaluation of New Income Management in the Northern Territory report released by the Department of Social Services in late 2014 found "no evidence of changes in spending patterns, including food and alcohol sales, other than a slight possible improvement in the incidence of running out of money for food by those on Voluntary Income Management, but no change for those on compulsory income management. The data show that spending on Basics Card on fruit and vegetables is very low."²⁰

¹⁷ Buckmaster, L. Ey, C and Klapdor, M. *Income management: an overview, Background Note*, Parliamentary Library, June 2012, p. 40.

¹⁸ Senate Community Affairs Committee, Estimates Hansard, Tabled Documents at Hearings, 23 October 2014, [here](#)

¹⁹ Deloitte Access Economics, *Place-Based Income Management Baseline Evaluation Report*, September 2014, [here](#)

²⁰ Ibid, p. xx.

The income management scheme was found to have failed and caused difficulties for many people:

- Income Management has made little difference to alcohol sales, and “rather than building capacity and independence, for many the program has acted to make people more dependent on welfare”.
- “Building capacity is a challenging process that requires time and resources, and it cannot be developed by simply imposing restraints.
- Measures of well-being at the community level show no evidence of improvement, including for children.
- While people lived access to fee-free banking, particularly in remote locations, people experienced problems with the BasicsCard including the imposition of minimum purchase limits, card surcharges, and limited access to outlets that accepted the card. People also reported having to purchase items at higher costs at approved merchants.
- Payment of rent was a problem for some, particularly where landlords required cash payments.

Other key findings from the report:

- Around two-fifths of people on income management thought that it had made things better for them; about one-third thought that it had made no difference, and about one-quarter thought that income management had made things worse for them.
- Mixed sentiments were reflected in many other areas, with substantial groups reporting that they felt more in control of their lives and money and that it was good for their children, and substantial groups reporting the opposite.
- A substantial group of people subject to income management felt that it is unfair, embarrassing and discriminatory.

Money management programs were found to be unsuccessful in building “ financial capabilities”.²¹ Over 29,400 people having been on the compulsory measures, yet only 1,139 people (4 per cent) had completed an Approved Money Management course. As of August 2014, just 45 people have obtained a Matched Savings Payment, and only of these were by Indigenous recipients.²²

The evaluators believed that income management failed to reach the objectives set for it because “several of the policy assumptions and assessments that were made when designing income management have turned out to be incorrect”.²³ These included that:

- Most people under Compulsory Income Management were not spending half of their income on “prescribed goods”, such as tobacco and alcohol.
- The expectation that income management would prevent harassment and financial abuse.
- The belief that offering savings incentives and imposing spending restrictions would assist individuals to develop financial management skills, “which turned out to be incorrect.”²⁴

²¹ Ibid, p. xxi.

²² Senate Community Affairs Committee Answers To Estimates Questions On Notice Social Services Portfolio, 2014-15 Supplementary Estimates Hearings, Number: 2 Question No: 518.

²³ Ibid, p. 320.

²⁴ Ibid, p. 320.

Given the evidence of the ineffectiveness of income management and the high cost of administration – of up to \$7,900 per person each year – there is a strong case for abolition or reform of the scheme. At the very least, this evidence should act as a constraint on moves to expand the scheme more widely.²⁵

NWRN recommends:

1. abolishing income management, or
2. moving to an incentive based voluntary income management model, or in the alternative
3. moving to a true case-by-case income management model (rather than declared areas or targeting specific cohorts of people)

The NWRN preference is for the second above-listed option, however frankly, any of the above would offer significant budget savings and be preferable to the existing income management regime.

Recommendation 28: that the Government abolish Compulsory Income Management or introduce a genuinely voluntary scheme of income management for people who believe they would benefit from this program. In the alternative, that the government move to a case-by-case income management model.

3.3 Abolish the Seniors Supplement

The Seniors Supplement is available to all Commonwealth Seniors Health Card (CSHC) holders or Department of Veterans' Affairs Gold Card holders.²⁶ It worth \$886.60 per year for a single person and \$668.20 per year each if partnered. It is paid each quarter and is non-taxable. Individuals can qualify if their income as a single person is less than \$51,500 or \$82,400 as a couple combined. There is no assets test.

Around 290,000 people receiving the Seniors Supplement, costing \$240 million in 2013-14 FAHCSIA estimates that the Commonwealth Seniors Card is worth around \$1,200 per year for each recipient.²⁷

Also available with the card is cheaper prescription costs of just \$5.90 per script, whereas working people on much less incomes pay \$37.20 per script.

As a matter of general principle, the NWRN supports benefits based on need as opposed to age alone. We therefore recommend abolition of the seniors supplement.

Recommendation 29: that the Senior's Supplement be abolished from 21 September 2015.

²⁵ Australian National Audit Office, ANAO Audit Report No. 19 2012–13, *Administration of New Income Management in the Northern Territory*, 2013, p. 94.

²⁶ The Seniors Supplement would continue to be paid to Veteran Gold Card holders.

²⁷ Productivity Commission, *An Ageing Australia: Preparing for The Future*, November 2013, p. 157.

3.2 Reform the pension assets test

Historically, the Age Pension has been well-targeted, with its role as primarily relieving poverty among Australia's older population. In recent years, benefits have been extended to older people who arguably are not in need of additional support. The costs of services and support for an ageing population calls into question successive policies which have reduced the tax paid by senior Australians, and currently only one in five retirees pays any income tax.

The NWRN has consistently argued for the Commonwealth Government to wind back excessive government support for retirees with substantial assets and incomes that make them ineligible for assistance through the Age Pension means tests. We supported the recent tightening of eligibility for the Commonwealth Senior's Health Care Card.

The assets test for pensions is generous when compared to allowances, which have no taper but rather cease to be payable entirely at the threshold where pensions only begin to taper. No payment is paid to a single, non-homeowner unemployed person when assets reach \$348,500, yet a part pension is paid to a single non-homeowner until their assets reach \$918,250. A non-home owning couple can have assets of \$1,292,000 and still receive a part pension, while for couples under the assets test, no payment is made when assets reach \$433,000. Assets over the limit will reduce the pension by \$1.50 per fortnight for every \$1,000 above the limit. Before September 2007, this rate was \$3.00 per fortnight.

NWRN believes that it is appropriate to undertake a tightening of the assets test, to return the thresholds to pre-2007 levels. Reverting to the 2007 assets test tapers, as recommend by the NWRN, would result in around \$2 billion in savings, according to answer at Senate Estimates last year.²⁸

This reform would provide more than enough revenue for the \$51 increase to the single rate of Newstart and related allowances, would cost \$1.8 billion per annum.

Over the medium term, consideration should be given to introducing a combined assets and income test, and the deeming provisions, that has operated successfully since their introduction in 1991, should be extended to include a broader range of assets.

NWRN believes on grounds of generational fairness and equity, that there is room for limiting the benefits available for asset holding pensioners under the current arrangements. Hence NWRN believes that reforms of the assets test, as recommended by the 2009 Henry Tax Review, should be explored.

Table 1: Pension and Allowance Treatment Assets Test Limits, July 2007 and January 2015

²⁸ [Senate Community Affairs Committee, Answers To Estimates Questions On Notice, Social Services Portfolio, 2014-15 Budget Estimates Hearings, Question No. 353.](#)

	January 2015 For part pension assets must be less than		July 2007 For part pension assets must be less than		January 2015 For Allowance assets must be less than	
Family situation	For Homeowners	For Non-homeowners	For Homeowners	For Non-homeowners	For Homeowners	For Non-homeowners
Single	\$771,750	\$918,250	\$166,750	\$343,750	\$202,000	\$348,500
Couple (combined)	\$1,145,500	\$1,292,000	\$531,000	\$652,000	\$286,500	\$433,000

Recommendation 30: that the Government review the pension assets test as recommended by the Henry Tax Review