

29 Jun 2017

Committee Secretary
Senate Standing Committees on Community Affairs

By email: community.affairs.sen@aph.gov.au

Dear Committee Secretary

NSSRN submission to the inquiry into the *Social Services Legislation Amendment (Ending Carbon Tax Compensation) Bill 2017*

Overview of the Bill

1. The National Social Security Rights Network (NSSRN) is a national peak organisation in the area of income support law, policy and administration. Our members are community legal services across the country which provide free and independent legal assistance to current and former social security and family assistance recipients. We draw on this front line experience in developing our submissions and policy positions.

2. The *Social Services Legislation Amendment (Ending Carbon Tax Compensation) Bill 2017* (the Bill) seeks to abolish the energy supplement for new recipients of social security payments, as well as certain income support payments under veterans' entitlement, military compensation and farm assistance legislation, from 20 September 2017. Energy supplement has already been abolished for new recipients of family tax benefit.

3. The Bill defines new recipients of these payments as recipients who first received a payment on or after 20 September 2016. In other words, the Bill would abolish the energy supplement for future recipients of social security and other income support payments, as well as a cohort of current recipients who began to receive these payments after 19 September 2016.

4. Recipients who were receiving a social security or other payment (with energy supplement as a component of the rate) on 19 September 2016 are classified as "transitional energy supplement" recipients and remain eligible for the energy supplement provided, generally, they remain qualified for payment and do not have their payment cancelled. If their payment is cancelled and they later claim a payment, they are no longer eligible for the energy supplement.

5. The Government estimates savings of \$993.4 million from 2016-17 to 2019-20. The savings come from lower payments to new recipients of income support payments and recipients who lose their transitional status because, for example, they take up work but later lose their job.

6. In justification for this measure, the explanatory memorandum states that the measure contributes to the ongoing sustainability of the social security system and the original package of measures which included the energy supplement was introduced to compensate for the carbon tax which no longer exists.

NSSRN response to the Bill

7. This Bill reintroduces the Government's proposal to abolish the energy supplement for social security recipients and recipients of a range of other income support payments. The NSSRN has consistently opposed this proposal. It has rightly been rejected by the community and this Parliament as harsh and unfair. It should be rejected again.

8. It is particularly disappointing to yet again see the measure justified, in part, by the repeal of the carbon tax. This justification has been repeatedly and comprehensively debunked by experts and in the media. In short, the repeal of the energy supplement does not simply remove extra compensation which is no longer needed. It is a real cut to a range of social security payments which were not fully indexed at the time the supplement was introduced.¹

9. Age and disability support pensioners and single parents are currently in the process of being paid the one-off energy assistance payment of \$75 for singles and \$125 for couples (combined). However, this one-off payment is far outweighed by the ongoing loss of energy supplement if this Bill proceeds. For a single pensioner, for example, the energy supplement is worth about \$366 per year.

10. Recipients of newstart allowance, youth allowance and other working age payments were excluded from the energy assistance payment, as were carer payment recipients (despite generally being classed as pensioners). They receive nothing to compensate for rising energy costs, and are now to lose the energy supplement.

11. Linking the savings from this Bill to the "sustainability" of the social security system is also unhelpful to any reasonable debate about spending on social security and other areas of welfare spending such as aged care or the National Disability Insurance Scheme (NDIS). As Professor Peter Whiteford as shown in detail, there is simply no evidence that social security and welfare spending is growing unsustainably and growth in spending is attributable to the NDIS, rather than the social security budget.² A sensible debate about sustainability and welfare spending needs to start with accurate facts about overall social security and welfare spending and areas of growth in that spending.

12. Abolishing the energy supplement will have a harsh and unfair impact on new income support recipients. There is a particularly harsh impact on recipients of newstart allowance and other working age payments due to the continued failure to address the adequacy of these payments. This policy failure ignores the reality that many recipients of newstart allowance have significant long-term health problems or disabilities and other barriers to sustained employment and spend long periods in receipt of payment.

13. Finally, despite the Government's professed simplification agenda this Bill adds to the complexity of the social security system. The family assistance system has already been made more complex by the abolition of energy supplement for new recipients. This Bill proposes to introduce the same complexity into the social security system.

¹ For example David Plunkett, "Malice or Misunderstanding? Government's Carbon-Price Compensation Under-Compensation" Austaxpolicy: Tax and Transfer Policy Blog, 8 June 2016, available from: <http://www.austaxpolicy.com/malice-or-misunderstanding-governments-carbon-price-under-compensation/>.

² Professor Peter Whiteford, "Budget explainer: has there been a blowout in social security and welfare spending?", The Conversation, 18 April 2017, available from: <https://theconversation.com/budget-explainer-has-there-been-a-blowout-in-social-security-and-welfare-spending-75055>.

14. We urge the Committee to recommend that this Bill not proceed and that instead the Government take urgent steps to ensure the adequacy of the income support system for all Australians.

Contact for this submission

Matthew Butt
Executive officer
National Social Security Rights Network
T: 0448 007 201
E: eo@nssrn.org.au