Submission to the Senate Community Affairs Legislation Committee on the *Social Services Legislation Amendment (Budget Repair) Bill 2016*

September 2016
Introduction

The St Vincent de Paul Society welcomes the opportunity to provide feedback on the Social Services Legislation Amendment (Budget Repair) Bill 2016.

The St Vincent de Paul Society (the Society) is a respected lay Catholic charitable organisation operating in 149 countries around the world. Our work in Australia covers every state and territory, and is carried out by more than 65,000 members, volunteers and employees. Our programs assist millions of people each year, including people experiencing poverty and homelessness, people living with mental illness, migrants and refugees, and women and children fleeing family violence.

As an organisation committed to social justice and overcoming the causes of poverty and inequality, we recommend that the Social Services Legislation Amendment (Budget Repair) Bill 2016 be rejected. The position of the Society has consistently been that income support payments should be paid at a level that ensures human dignity and an adequate standard of living. That is, regardless of age, gender, physical or mental disability, family status, country of origin, or how they are or aren’t employed, all members of the community deserve support from their government to ensure they enjoy a basic standard of living.

This Bill tears away at this notion, cutting payments to those who need them the most. It reintroduces a number of the 2014-15 Budget measures that the failed to get through the previous Parliament, including:

- restrictions on the portability of payments of pensions outside of Australia for people born overseas;
- axing the Pension Education Supplement;
- axing the Education Entry Payment; and
- freezing the indexation of income free areas and thresholds (for three years) for working age payments, Parenting Payment Single and student payments.

All of these proposed measures will reduce income support and assistance to those on the lowest incomes, serving to deepen the hardship and despair experienced by people whose income is already often well below the poverty line. Measures that target people born outside of Australia are, moreover, discriminatory and inequitable, undermining the universal and non-discriminatory basis of Australia’s social security system.

Additional measures in this Bill contradict the policy objective of supporting workforce participation and inhibit people on income support from undertaking education and training. The proposal to freeze the indexation of income test free areas would create a disincentive for engaging in casual and part-time work, as any earnings would more quickly erode income support payments. Abolishing the Pensioner Education Supplement and the Education Entry Payment would also weaken supports to participate in education and improve employment opportunities. Such measures are likely to undermine the efforts of people to secure paid work, rendering their financial situation ever more precarious.

In summary, we strongly urge the Committee to reject this Bill in its entirety. The proposed measures would further erode an already fragile income support safety net, contributing to inequality and disproportionately impacting on people on the lowest incomes. If passed, this Bill will
make it harder for people to survive on already low payment levels, as well as making it more difficult to access education and participate in the labour market.

Our concerns about the specific measures in this Bill, as well as the Government’s stated rationale for these measures, are elaborated on in more detail below.

The flawed rationale for dismantling Australia’s social safety net

This Bill is being considered alongside a raft of proposed cuts to the social security system that disproportionately affect households experiencing the greatest deprivation and poverty. If passed, the Bill will result in more than $580 million being slashed from the social security system over the next four years. If the Parliament passes the raft of cuts that are currently proposed by the Government, a total of $7 billion will be slashed over the next four years from social security payments.

The government has justified these massive cuts to social security on the grounds of “budget repair”. In his second reading speech, the Minister used the rhetoric of budget repair, maintaining that the cuts proposed in the Bill are necessary to “support the sustainability of the social security system and of the nation’s budget”. The current Bill is, therefore, part of the Government’s overall approach to Budget repair which seeks savings by disproportionately reducing the incomes of the poorest and most vulnerable members of our community.

We believe this approach is fundamentally flawed and unfair. There are alternative ways of reining in the deficit and repairing structural deficiencies in the budget that do not require cutting support payments. ACOSS has estimated that tightening the tax treatment of capital gains, negative gearing, superannuation, work-related deductions, and private trusts and companies could save approximately $12 billion per year. By introducing a range of revenue-raising and alternative cost-saving measures, the government could substantially reduce the budget deficit and improve the sustainability of the pension and support payments system, without discriminatorily limiting the right to social security.

The Government has, however, failed to take meaningful action on significant gaps in the tax system, including generous concessions that see billions of revenue forgone each year to Australia’s wealthiest households. Instead, the Government has focused on cutting away at an already fragile social safety net. At the same time, it has proposed tax cuts for middle income earners that will cost $4 billion over four years, in addition to business income tax cuts costing $5 billion over four years. Such measures undermine any argument that the Government is adopting a fair and sustainable approach to “budget repair”. We believe that reducing Government support for social security recipients on the lowest incomes, while failing to tackle tax concessions for higher socio-economic groups, is a fundamentally unfair strategy for reducing the budget deficit.

In a context of growing inequality, the Government’s approach also has profound implications for the extent of poverty and disparity between the wealthiest and the least wealthy. Around 2.5 million people in Australia are living below the poverty line, including 603,000 children. Social security payments, including the Age and Disability Pensions, Parenting Payment Single, Carer Payment and Allowances provide a vital shield against poverty. However, these support payments are frugal by international standards and, in some cases, are well-below what is needed to meet essential living costs. One of the key factors driving poverty in Australia is the inadequacy of income support
payments, particularly for people who are young, unemployed, have a disability or are raising children alone. ³ For people living on these meagre payments, the depth of deprivation and financial hardship undermines their capacity to participate in the labour market and the wider community.

There is also evidence that older members of the community are vulnerable to poverty and hardship. A report released by Per Capita and the Benevolent Society earlier this month documents the unacceptable levels of poverty experienced by older Australians reliant on the Age Pension.⁵ While the circumstances of Age Pensioners are diverse, a significant proportion struggle to meet basic living costs, forcing them to compromise on heating and utilities, choose between food and medication, and to forego other day-to-day costs in ways that contribute to social isolation and poor health.⁵ This report echoes OECD data that shows that, in 2012, over a third of Australians over the age of 65 lived below the poverty line, which is the second highest rate in the OECD.⁶ The OECD also found that the Australian Government spends 3.5 per cent of GDP on the Age Pension, which is less than half the OECD average of 7.9 per cent.⁶

Contrary to Government rhetoric, Australia’s social security system is already highly targeted, with support to the bottom 20 per cent of households more concentrated than any other OECD nation.⁷ Our social security expenditure is also low by OECD standards (at 8 per cent of GDP, compared to the 12 per cent average across the OCED). Given the already lean and highly targeted nature of the social security system, further cuts to social security are likely to have a larger impact on income inequality and poverty than in any other country within the OECD.⁸

The continuation of an unbalanced approach to “fiscal repair” which relies exclusively on spending cuts is economically, socially and politically irresponsible. With our spending already so tightly targeted to people on lower incomes, such an approach will only further hurt the people who we should be supporting to improve their living standards.

The measures proposed in this Bill are, in short, part of a raft of cuts that will entrench poverty and disadvantage, and result in an even bigger gap between those with the most and those with the least. The justification that such measures are necessary to rein in the budget deficit are indefensible, and reflect a fundamentally unfair policy approach that will contribute to increasing inequality and, ultimately, to an unfair, unjust and divided society.

**Response to specific measures**

**Proportional payments of pensions outside Australia**

Schedule 1 of the Bill reduces the portability of payments for recipients of the Age Pension and some recipients of the Disability Support Pension, Wife Pension and Widow B Pension. Currently, these recipients continue to be paid their basic means-tested rate for 26 weeks after leaving Australia. The Bill reduces this period to six weeks, after which the payment is adjusted according to the length of time a person has resided in Australia during their working life. People who have lived in Australia

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¹The figure of 34% in poverty that has been calculated by the OECD is based on an analysis of all people aged over 65 – not just people receiving the Age Pension. Those who qualify for the age pension generally have a lower income than those who don’t qualify, so the poverty rate of Age Pensioners would in fact be significantly higher than the overall rate of people aged over 65.
for less than 35 years of their working life (i.e. between the age of 16 and 65) will receive a reduced pension.

The Society opposes this measure on two fundamental grounds. Firstly, for pension recipients on low incomes, the measure will reduce an already meagre payment, thereby compounding the hardship and inadequacy of current payment levels. As indicated above, more than a third of people aged over 65 are living in poverty, with Australia’s income poverty rates for Age Pensioners among the highest in the OECD. The proposed changes to the portability of benefits will further weaken Australia’s poor performance in this area.

Secondly, the Society believes that this measure is discriminatory, punitive and inequitable in its impact on pension recipients who were not born in this country. The severity of the cuts to pensions will vary, not on the basis of need, but rather on how much of their adult life a person has spent in Australia. Pension recipients who have worked in Australia for less than 35 years will be penalised, with more recent cohorts of migrants experiencing the greatest reduction in their pension. In contrast, recipients who were born in Australia and who have worked here for 35 years will not have their pension payments reduced.

The Australian Government’s differential treatment of people born overseas is already reflected in the waiting period of ten years before people born overseas can access the Age Pension and Disability Support Pension. Measures which further reduce payments to people from migrant and refugee backgrounds risks creating a two-tier system that discriminates between those who have had the fortune of living their entire life in Australia, and those who only arrived in recent years. Such an approach is discriminatory and inequitable.

The Society has particular concerns about people on low incomes who are born overseas and reliant on the full pension, and who may need to travel to due to familial obligations or for compassionate and humanitarian reasons. Family issues, such as caring responsibilities and bereavement, may dictate the need for overseas stays to be for extended periods of time. The Bill, however, makes no provision for such circumstances.

From what we see in our work, this measure is likely to have the greatest effect on those who have migrated from Australia from poorer countries, particularly those from a refugee background. Due to restrictions on family reunion for people from refugee backgrounds, refugee community members are not able to bring their family members to Australia, and are therefore often compelled to travel overseas for extended periods to visit family members and relatives. This is particularly important for those who have sick or dying relatives in secondary countries of asylum. However, the passage of this Bill will impact on their ability to receive the pension overseas, placing further barriers on people visiting and/or caring for their family members.

The Explanatory Memorandum asserts that individuals who have spent part of their working life in another country should be able to receive a pension from these countries when overseas. We believe this assertion is unfounded, particularly for those from poorer countries or refugees who have had to flee their country due to persecution, often at the hands of their government. Further, most of the countries from which refugees have fled do not have a social security or pension system and, for those who have spent considerable time in a secondary country of asylum, the prospects of accessing any payment from their country of origin is remote. States that do have some form of
pension do not necessarily provide payments to an individual who takes up permanent residence or citizenship elsewhere.

The Explanatory Memorandum also maintains that the Bill is consistent with Australia’s human rights obligations. However, we believe that the differential treatment of pension recipients who were not born in Australia is discriminatory and contravenes Australia’s obligations under the International Covenant on Economic, Social and Cultural Rights (ICESCR). Under this Covenant, which Australia ratified in 1975, the Government is legally bound to guarantee the right to social security “without discrimination of any kind as to race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status” (ICESCR, Article 2(2) and Article 9).

The implications of the right to social security are spelt out more fully in a statement on the content and application of the right to social security by the UN Committee on Economic, Social and Cultural Rights. This statement emphasises that State parties to the ICESCR must guarantee that the right to social security can be exercised without discrimination of any kind, and must not be subject to arbitrary and unreasonable restrictions. Specifically, the statement stresses that access to social security must not be restricted on the basis of social or migration status, and that the Covenant contains no express jurisdictional limitation. In other words, states have a proactive obligation to ensure that particular groups who have traditionally faced difficulties accessing this right do not face discrimination, including minority groups and people from migrant, refugee or asylum seeker backgrounds:

Whereas everyone has the right to social security, States parties should give special attention to those individuals and groups who traditionally face difficulties in exercising this right, in particular women, the unemployed, workers inadequately protected by social security, persons working in the informal economy, sick or injured workers, people with disabilities, older persons, children and adult dependents, domestic workers, home workers, minority groups, refugees, asylum seekers, internally displaced persons, returnees, non-nationals, prisoners and detainees.

In paragraph 12 of the statement, the UN Committee states that retrogressive measures taken in relation to the Right are prohibited under the Covenant. The progressive realisation of the Right, as provided by the Covenant, implies that States should avoid reducing the coverage provided under the social security system by any "deliberate retrogressive measures":

There is a strong presumption that retrogressive measures taken in relation to the right to social security are prohibited under the Covenant. If any deliberately retrogressive measures are taken, the State party has the burden of proving that they have been introduced after the most careful consideration of all alternatives and that they are duly justified by reference to the totality of the rights provided for in the Covenant in the context of the full use of the State party's maximum available resources. The Committee will look carefully at whether: (a) there was reasonable justification for the action; (b) alternatives were comprehensively examined; (c) there was genuine participation of affected groups in examining the proposed measures and alternatives; (d) the measures were directly or indirectly discriminatory; (e) the measures will have a sustained impact on the realization of the right to social security, an unreasonable impact on acquired social security rights or whether an individual or group is deprived of access to the minimum

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1 This statement is known as the General Comment 19 on the Right to Social Security under article 9 of the International Covenant on Economic, Social and Cultural Rights, and was adopted on 23 November 2007 by the UN Committee on Economic, Social and Cultural Rights. A General Comment is an authoritative statement by a treaty body of the content and application of a particular right and may be relevant both to the interpretation and application of international and domestic law and policy.
essential level of social security and (f) whether there was an independent review of the measures at the national level.10

We believe that the proposed restrictions on the portability of pensions outside Australia constitute a “deliberate retrogressive measure”, as defined by the UN, and that Australia has not met the strict criteria which would justify the adoption of such a measure. We note also that there are several treaties relating to the protection of refugees and other non-citizens, and that certain aspects of those treaties directly relate to the area of social security. For example, the 1951 UN Convention Relating to the Status of Refugees and the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families and the Convention Relating to the Status of Stateless Persons, not only prohibit discrimination against refugees or other non-nationals, but also require States to provide certain positive benefits to refugees and migrant workers on par with citizens. These treaties emphasise that states have a positive obligation to ensure that non-citizens and people from refugee and migrant backgrounds – particularly refugees and asylum-seekers – are able to claim the right to social security.11

The UN Committee on Economic, Social and Cultural Rights has previously expressed concern that Australia’s social security system does not provide universal coverage and that the inadequacy of certain benefits “does not provide an effective income support system”, including for people from defined social groups. We believe that reducing payments to pension recipients on the basis that they were born overseas is discriminatory and inconsistent with our obligations under international law.

**Abolition of the pensioner education supplement**

At a cost to income support recipients of a quarter of a billion dollars, the second Schedule of the Bill abolishes the Pensioner Education Supplement. This Supplement is paid to people who are studying, including Disability Support Pensioners, Age Pensioners, Parenting Payment Single recipients, carers and widows. According to the Minister for Social Services, around 46,000 people who are studying while on income support receive this payment. The Minister maintains that the payment is unnecessary at just over $62 per fortnight (or $31 for those studying part-time), and that the government already provides sufficient support for study through the provision of student loans.

We believe the proposal to cut the Pensioner Education Supplement is grossly misguided and unfair. First, recipients of the Supplement are financially disadvantaged and usually reliant on this extra income to cover the ongoing costs of education and training. For those struggling to meet living costs on meagre income support payments, $60 a fortnight represents a significant amount. For pension and Single Parenting Payment recipients, the loss of this Supplement represents a 8-12 per cent cut in the income support they would receive. This has enormous ramifications for the recipients’ and their families’ ability to feed and shelter themselves, let alone continue to engage in education.

Many people, especially sole parents, rely on the Supplement to make the costs of study feasible and, based on an analysis of current recipients, it is women and people with disabilities who will be hit hardest by this measure. Among those receiving the Supplement, 43 per cent are Parenting Payment Single recipients; 41 per cent receive the Disability Support Pension; and 9 per cent receive carer payments.12 Data from Senate estimates reveals that 80 per cent of those receiving the Supplement are women.12 Seven per cent of those studying with the Supplement are also Indigenous.12
The implications of this Bill for single unemployed parents – and, by extension, for their children – is of particular concern. Poverty rates among unemployed single parents are ten times higher than for lone parents in paid work.\textsuperscript{13} Compared to employed single parent families, unemployed single parent families are much more likely to be headed by a parent under the age of 30 who has no post-school qualifications and/or has Year 10 or below as their highest level of school education.\textsuperscript{13} Sole parents face substantial financial barriers to accessing further education and training and, on this basis, the Government extended the Supplement to single parents on Newstart in 2014. This followed on from a Senate Inquiry into the adequacy of the Newstart Allowance, which documented the profound hardship and poverty experienced by single parents on income support and their children. In early 2014, around 1,400 single parents were receiving the Supplement, and it was estimated that about 25,000 single parents on Newstart would undertake a course of study with the Supplement over the next few years. It is deeply troubling that in the future, study may be out of reach for these parents if the Supplement is terminated.

For these reasons, we argue now, as we did then, that this supplement – with its aim of improving access to education, and therefore job prospects, must be extended to all people on low incomes: not only pensioners, but also all Newstart recipients. We see no justification for withholding this assistance from people who have been excluded by an unequally resourced education funding model that already favours people on higher incomes.\textsuperscript{14}

In short, the removal of this Supplement will limit the opportunity for income support recipients to access education and training. It will further reduce already inadequate levels of income support for disadvantaged people trying to make ends meet while furthering their education.

This would appear to be at odds with the Government’s stated aim of getting income support recipients into further education and training in order to facilitate their entry into the labour market. Further education and skill development can improve employment prospects, thereby enabling people to rely less on income support in the future. Thus, removing a Supplement that supports further education for people reliant on income support is not only callous and unfair, but is counterproductive and in conflict with the Government’s stated commitment to increasing the workforce participation of sole parents, people with a disability and other income support recipients. This suggests that the removal of the Supplement is purely a savings measure, regardless of its impact on people eager to study and enter the workforce, and not based on any formal evaluation or assessment of its impact.

Finally, we question the Government’s claim that the Supplement is unnecessary as there are “more appropriate channels of Government-funded study and training assistance for income support recipients”.\textsuperscript{15,16} The Minister has suggested that HECS-HELP, FEE HELP and VET FEE HELP would replace the income that would be lost if this Bill was passed. However, these programs only provide assistance for the costs of tuition – they do provide assistance with the upfront and ongoing costs of participating in education, such as textbooks materials, course and materials fees, transport and the costs of computers and printing.

The Society believes the Pension Education Supplement is essential and must be retained in order to assist people to participate in education and improve their employment prospects.
Abolition of the education entry payment

The Education Entry Payment assists with education expenses and is paid once a year to eligible recipients. For working age allowances such as Newstart, it is paid to long-term income support recipients who have been receiving benefits for more than 12 months. It can also be paid to a range of other payment recipients, including Parenting Payment Single, Disability Support Pension, Carer Payments, and Widow Pension. There are around 90,000 recipients of the Education Entry Payment, which provides $208 to each recipient per annum.

Taken together, the removal of the Education Entry Payment and the Pensioner Education Supplement will compound the financial barriers that income support recipients face in accessing education. We note that the removal of these two payments is occurring at the same time that recipients are being subject to numerous other cuts to support payments. The combined loss of these education-related payments, together with other cuts to payments, will push recipients into deeper poverty and make pursuing education and training, which is essential to improve work prospects, more difficult.

The Government has failed to provide an evidence base to justify the removal of these payments. What evidence does the government have that these two payments have not been effective for assisting vulnerable Australians into study and improving their employment prospects? Rather than responding to this question, the Government has claimed that, as per the justification for axing the Pensioner Education Supplement, the removal of the Education Entry Payment can be justified by the availability of HECS-HELP, FEE HELP and VET FEE HELP. However, as stated above, these payments do not cover the upfront and ongoing costs of attending education, and the Government has made no financial impact assessment to justify the removal of these additional support payments.

We note that an additional argument used by the Government to support the removal of this payment is that it “will help to simplify the income support system by reducing the number of payment supplements”. However, simply reducing payments for the sake of simplicity, irrespective of whether or not such reduction helps or hinders in alleviating poverty and assisting people into work or study, is not a sound or defensible approach to developing social policy.

Pause in indexation of income free areas

Under current arrangements, income free areas and means test thresholds are indexed annually in line with the Consumer Price Index (CPI). Schedule 4 of the Bill will place a three-year freeze on the indexation of the income free areas for all working age allowances and for Parenting Payment Single, as well as the income free areas and other means test thresholds for student payments.

The Society has consistently advocated that the indexation of payments – including income free areas and means test thresholds – is essential, and that the indexation must be adequate and commensurate with increases in the cost of living. When the government does not index its support, or indexation is paused, by definition the real value of support drops. Current indexation according to the Consumer Price Index (CPI) is already below real increases in the cost of living. The Society believes that all payments, income-free areas and means test thresholds should be indexed to average wages, so that this support moves in line with average incomes and the actual cost of living.
By freezing the indexation of income free areas, this measure will reduce in real terms the amount that people on income support can earn before their payments are reduced. It will, therefore, reduce the adequacy of already inadequate payments for people affected by means testing and income thresholds. It will reduce the incomes of people already experiencing hardship for the purposes of budget savings, and is essentially punishing people who are on low incomes.

We note that this measure will likely have the greatest impact on Newstart recipients and sole parents who are already living on inadequate levels of income support. The rate of the Newstart Allowance is just $38 per day, and has not been increased in real terms for over twenty years. Achieving budget savings through the ad-hoc freezing of indexation for such payments is unfair, inequitable and bad policy.

We note that this measure may also increase the number of payment recipients immediately losing access to state concessions that are based on receiving the full rate of payment, such as transport concessions for Newstart recipients in NSW.

In addition, freezing the income free areas and means test thresholds will effectively constitute a work disincentive, as engaging in any form of paid employment will more quickly erode income support payments. For example, the current income free area for Newstart Allowance is just $7.40 per day, which equates to $102 per fortnight. This enables Newstart recipients to work just three hours per week at the minimum wage before they exceed the threshold. Putting a freeze on the indexation will reduce an already low threshold.

In short, we strongly oppose this measure which is unfair, inequitable and lacking any sound justification.
REFERENCES

1 The Hon Christian Porter MP, Minister for Social Services (Minister), House of Representatives Hansard, 1 September 2016.
15 Explanatory Memorandum, Social Services Legislation Amendment (Budget Repair) Bill 2016.
16 The Hon Christian Porter MP, Minister for Social Services (Minister), House of Representatives Hansard, 1 September 2016.