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Submission to the Senate Community Affairs
Legislation Committee on the
***Social Services Legislation Amendment (Payment
Integrity) Bill 2017***

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Introduction

The St Vincent de Paul Society (the Society) welcomes the opportunity to provide feedback on the *Social Services Legislation Amendment (Payment Integrity) Bill 2017*.

As an organisation committed to social justice and overcoming the causes of poverty and inequality, we recommend that the *Social Services Legislation Amendment (Payment Integrity) Bill 2017* 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. Payments should be available on the basis of need, not according to arbitrary or discriminatory criteria such as migration history, family status, or prior employment history. Accordingly, we oppose legislative measures that reduce payments to the most vulnerable families and individuals in our communities, particularly given the woeful inadequacy of existing payment levels for income support.

The four schedules that comprise this Bill seek to:

- extend the time people have to reside in Australia before they can access the Age Pension and Disability Support Pension;
- stop the payment of pension supplements after six weeks absence overseas;
- increase the taper rate of family tax benefit part A for middle-income families; and
- lengthen the liquid assets waiting period for people applying for unemployment and student benefit payments.

According to the Government, these measures are “simple and fair”¹, encourage “greater self-reliance” and “reinforce the residence based nature of Australia’s social security system”.² If passed, at least \$800 million will be slashed from the social security and family payments systems over the forward estimates.³ According to the Minister for Social Services, such cuts are necessary to “safeguard the long-term sustainability of our welfare payments system” and to “keep spending under reasonable control”.²

Despite the Government’s rhetoric, the Society believes this Bill is deeply unfair, inequitable and unnecessary. By increasing waiting periods and reducing access to support payments, the proposed measures would further erode an already fragile social safety net, contributing to inequality and disproportionately impacting on people on low incomes. Such proposals are morally, socially and economically indefensible in a context of growing inequality, stagnating wages growth and below poverty-level support payment rates. Measures that disproportionately affect people from migrant backgrounds are, moreover, divisive and inequitable, undermining the universal and non-discriminatory basis of Australia’s social security system.

We believe the Government’s approach is fundamentally flawed and unfair. Contrary to the Minister’s assertions, there is little evidence of unsustainable growth in social security and welfare spending.^{4,5} When inflation is taken into account, most areas of welfare spending are *declining* as a proportion of government spending, particularly in relation to unemployment benefits and family payments.⁴ Moreover, there are alternative ways of reining in the deficit and repairing structural deficiencies in the Budget that do not require cutting support to the most disadvantaged and vulnerable in our communities. 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.⁶ 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.

Against a background of unacceptable levels of inequality and poverty in Australia, the changes to pension eligibility and proposed increases to payment waiting periods are of particular concern. Around 2.99 million people in Australia are living below the poverty line, including 731,000 children.⁷ Family assistance and social security payments provide a vital shield against poverty. However, these payments are frugal by international standards and, in some cases, well-below what is needed to meet essential living costs.^{7,8} 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.⁷ For people living on these meagre payments, the depth of deprivation and hardship undermines their capacity to participate in the labour market and the wider community.

We are concerned that several provisions in this Bill will have a discriminatory and disproportionate impact on certain segments of our society, particularly vulnerable people from migrant backgrounds and women. These measures coincide with a renewed push from the Federal Government to restrict access to citizenship and redefine visa arrangements in ways that reinforce exclusion and compound the marginalisation of the most vulnerable and disadvantaged migrant cohorts.⁹ This includes the withdrawal of social security and other social protections to certain classes of residents and asylum seekers, along with proposals to restrict access to permanent residency (and to thereby limit access to the basic social supports that are available to permanent residents).^{10,11} Such measures risk creating a two-tier class of residents and fostering social divisions.^{12,13} In the context of an increasingly toxic political debate around migration, we believe many of the Government's current proposals around migration and citizenship represent a disturbing development in Australia's social and political landscape, and one that we believe must be actively resisted.

Several of the proposed measures in this Bill also target older members of the community who are vulnerable to poverty and hardship. A report released by Per Capita and the Benevolent Society documents the unacceptable levels of poverty experienced by older Australians reliant on the Age Pension.¹⁴ 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.¹⁴ 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.*¹⁵ The OECD also reported 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.¹⁵

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.¹⁶ 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 OECD). Given the already lean and highly targeted nature of the

* The 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.

family assistance and social security system, further cuts to payments are likely to have a larger impact on income inequality and poverty than in any other country within the OECD.¹⁷

This Bill perpetuates an unbalanced approach to “fiscal repair” which relies exclusively on social spending cuts. The Society believes that this approach 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.

We note, moreover, that no modelling or evidentiary analysis has been provided to evaluate the effects of the measures proposed in this Bill. There is, however, clear evidence that the rates of current income support payments are grossly inadequate. We believe this underscores the need for an independent commission or statutory body tasked with evaluating the adequacy of payment levels in the light of the best available evidence and data on the costs of living, and setting income support and family payment rates accordingly.

The measures proposed in this Bill are, in short, neither simple nor fair. The Government’s justification that the proposed cost-savings are necessary to rein in welfare spending are indefensible, and reflect a fundamentally unfair policy approach that will contribute to increasing inequality and, ultimately, to a more unfair, unjust and divided society.

Who we are

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 64,000 members, volunteers, and employees. Our people are deeply committed to social assistance and social justice, and our mission is to provide help for those who are marginalised by structures of exclusion and injustice. Our programs assist millions of people each year, including people living with mental illness, people who are homeless and insecurely housed, migrants and refugees, women and children fleeing violence from men, and people experiencing poverty.

Response to specific measures

Schedule 1 - Enhanced residency requirements for pensioners

The Society opposes this schedule, which would cause significant hardship to vulnerable and elderly members of the community. We also believe the proposed changes to pension eligibility set a dangerous precedent by denying access to social security based on prior receipt of income support. In addition, this measure adds unnecessary complexity to the pension system and is discriminatory, with a disproportionate impact on vulnerable migrant cohorts.

Currently, to be eligible for the Age or Disability Support Pension, a claimant must have been an Australian resident for at least ten years. For at least five of these years, there must have been no break in their residency. Under the proposed changes, new claimants will be not eligible for the age pension or disability support pension unless they can demonstrate at least *ten* years of continuous residence in Australia and, in some circumstances, up to fifteen years continuous Australian residence. Specifically, to qualify for a pension payment, a new claimant must have:

- ten years continuous Australia residency, with at least five years during their Australian working life (i.e., between age 16 and age pension age); or
- ten years continuous residency at any stage, provided they meet a new “self-sufficiency test”, which requires fewer than five years in which they have received an activity-tested income support payment; or
- fifteen years of continuous Australian residency.

According to the Explanatory Memorandum, these changes are necessary to “strengthen the residence connection” of pensioners.³ The Government contends that the so-called “self-sufficiency test”, which makes eligibility contingent on an individual’s history of claiming income support, is necessary as “those choosing to migrate to Australia should be self-sufficient to the greatest extent possible”.²

We contest the stated rationale for these changes and are deeply concerned about the potential impact on disadvantaged and vulnerable migrant cohorts. Poverty rates among people who rely on the Age and Disability Support Pensions are already unacceptably high. We believe that migrant Australians should not be further disadvantaged in their old age or because they require support for living with a disability. Nearly forty per cent of people receiving the Age Pension were not born in Australia. As indicated above, the rate of poverty among old age pensioners in Australia is also unacceptable high and well-above the OECD average. With already high poverty rates among pensioners, the proposed changes risk deepening the inequalities and injustices of the current pension system.

While there is considerable diversity among older Australians from migrant backgrounds, research shows that they tend to experience higher levels of disadvantage and other risk factors than older Anglo-Australians.¹⁸ Further, evidence from comparable countries demonstrates that long-term denial of access to welfare payments, in particular the Age Pension for immigrants, can increase poverty in old age, particularly for female migrants.^{19,20,21}

The Society are concerned that those rendered ineligible under the proposed new rules will be pushed into destitution and severe financial hardship. We believe the existing residence

requirements are already unduly harsh and punitive, resulting in appalling living conditions and deprivation for elderly migrants – some of whom come into contact with our support services.

As the Explanatory Memorandum indicates, those individuals who cannot meet residence requirements may still be able to access Special Benefit Payments. However, Special Benefit is a last resort payment, usually paid below the poverty-level Newstart Allowance (due to strict means testing arrangements), with access stringently administered by the Department of Human Services. This payment is inadequate and does not provide appropriate long-term support for people of retirement age who have low prospects of entering the labour market. Nor is the Special Benefit Payment sufficient for people with disabilities or health issues, who are typically unable to meet the costs of rent, transport, and meals, let alone any additional cost relating to healthcare and medications.

In our experience, such adverse consequences are particularly evident for elderly migrants who arrive in Australia under the contributory parent visa scheme (visa subclass 143). Under this scheme, older migrants must have an assurer (typically their adult child) who guarantees to provide financial support, or to repay any recoverable social security payment made to the migrant parent during the first ten years of Australian residence. Elderly migrants who arrive via this scheme are at elevated risk of elder abuse²² – a risk that we believe will be further heightened under the changes proposed in this Bill.

The vulnerability of elderly migrants arriving under the contributory parent visa scheme arises from a constellation of factors, including language barriers, health problems, lack of knowledge of the Australian legal system, unfamiliarity with government and community services, and a lack of support networks in the wider community. Their vulnerability, moreover, is compounded by the residency requirements that bar access to the social security system.²² These requirements, which render them dependent on children or other family members, act as deterrent to seeking help or escaping from violence or abuse. Further, there is evidence that elderly migrants who experience abuse are reluctant to claim the Special Benefit Payment, as it results in a debt being raised against their child or assurer (who is required to repay the amount the aged parent receives under the Special Benefit).²²

The changes to pension eligibility may also impact on migrants with disability who experience family violence and, as a result, may have little option but to remain in the violent relationship. A person with disability is particularly vulnerable due to dependency on a carer – who may be the person using family violence – and may face difficulties in accessing services and support. For these reasons, the Australian Law Reform Commission has previously recommended that the residency requirements for pensions be reviewed and reconsidered. As the Commission noted in their 2012 review of Commonwealth laws relating to family violence:

the effect of denying the Disability Support Pension resulted in the inability to access other services, for example equipment such as Post-School Options Programs, Home and Community Care and the Program of Appliances for Disabled Peoples... [Further], the qualifying residence period for Disability Support Pension becomes more complicated if the person is in Australia as a secondary visa holder because the person is dependent on the 'abusive partner for residence, communication, housing and financial support'.²³

Another group who will be disproportionately impacted by the proposed eligibility changes are women from disadvantaged migrant backgrounds. Within culturally and linguistically diverse communities – as with the broader population – women are more likely to rely on the Age Pension

because they have less superannuation (from lower paid jobs and from fewer years working). While people who have migrated to Australia often face a number of barriers to the labour market (including discrimination, the failure to recognise overseas qualifications, a lack of local work experience, and limited English-language proficiency), it is recognised that these barriers are even more pronounced for women who have migrated to Australia.^{24,25} As the Assistant Minister for Social Services and Multicultural Affairs, Zed Seselja, noted earlier this year:

In Australia there are almost equal numbers of tertiary educated migrant men and women. Despite this, highly skilled migrant women have difficulties transitioning into the labour market and face higher unemployment rates. In addition, migrant women generally have lower workforce participation rates, lower earnings and poorer working conditions.²⁶

In addition to facing discrimination and structural barriers to employment, women are also more likely to experience periods of income support due to their family care responsibilities.²⁵ Migrants with children often face intense work and family dilemmas because they lack the wider social and family network of established residents.²⁵

Women are therefore more vulnerable to economic insecurity and should not be punished in old age for being migrants, or because they cannot meet the requirement of five cumulative years without income support payments during the requisite 15 years continuous residency. It is profoundly inequitable and unacceptable that women should be punished and rendered destitute or financially vulnerable due to their migration history or need for income support.

Moreover, in denying access to income support, the proposed changes pose grave risks to women from migrant backgrounds who experience family and domestic violence. Due to the lack of financial support and prospects of destitution, women who do not meet the proposed eligibility criteria will face difficulties leaving their relationships in cases of violence and abuse.

Despite the discriminatory and pernicious consequences of the proposed changes, the Explanatory Memorandum maintains that the Bill is consistent with Australia's human rights obligations. We contest this, and believe that the differential treatment of pension claimants on the basis of their migration and income support history is discriminatory and contravenes Australia's obligations under the International Covenant on Economic, Social and Cultural Rights (ICESCR).²⁷ 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 United Nations (UN) Committee on Economic, Social and Cultural Rights.^{†,28} 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. While the Convention does provide scope for the targeting of payments, the statement stresses that access to social security must not be restricted on the basis of social or migration status, and that states have a proactive obligation to

[†] 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.

ensure that particular groups who have traditionally faced difficulties accessing this right do not face discrimination, including minority groups, women, non-nationals and people from migrant 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.²⁸

The UN statement also pays specific attention to gender issues, noting the obligation to ensure the right to social security is “enjoyed without discrimination, and equally between all men and women” (para. 29). Despite this obligation, the ‘Statement of compatibility with Human Rights’ that accompanies the Bill gives no consideration to the disproportionate impact of the Government’s proposal on women.

In paragraph 12 of the statement, the UN Committee states that retrogressive measures taken in relation to the Right to Social Security 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 essential level of social security and (f) whether there was an independent review of the measures at the national level.²⁸

We believe that the proposed restrictions on pension eligibility 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.[‡]

It is disappointing that the discriminatory nature of the proposed changes, including their disproportionate impact on women, is omitted from the ‘Statement of compatibility with human rights’, which is included in the Explanatory Memorandum that accompanies the Bill.³ As the *International Covenant on Economic, Social, and Cultural Rights* makes clear, the right to social security encompasses the right to access and maintain benefits without discrimination in order to secure protection from: (a) lack of work-related income caused by sickness, disability, maternity, employment injury, unemployment, old age, or death of a family member; (b) unaffordable access to health care; and (c) insufficient family support, particularly for children and adult dependents.²⁷

[‡] Moreover, the Government’s claim that their approach is consistent with the prolonged residency requirements adopted in some other OECD countries is misleading. Australia has a non-contributory social security scheme: pensions are offered on the basis of need, rather than workforce attachment. This differs from other countries that have contributory schemes, or a combination of both non-contributory and contributory pension schemes.

In addition to the adverse effects on vulnerable and economically disadvantaged migrants, the Society opposes this measure as it makes access to payments contingent on a person's history of receiving income support. Under this Bill, access to a pension payment can be denied on the basis of a person having previously received an activity-tested payment. This sets a dangerous precedent in our social security system, penalising people because they have previously received income support. Such an approach is at odds with the principle of needs-based social security, and feeds into stigmatising and divisive rhetoric that denigrates people who access social security. As Peter Whiteford has noted, while the Government's rhetoric of "lifters" and "leaners" may have been dispensed with, the dichotomy between "them" and "us" remains an underlying signal. The notion that people must prove they can be "self-sufficient" before they access social security perpetuates a divide between the "deserving" and "undeserving" poor – a divide which the Society strongly repudiates.

A person's history of receiving income support should not determine their eligibility for payments. Access to support should be based on need, and should not be denied or delayed because an individual has had the misfortune to lose a job, fall ill, live in a region of high unemployment, or experience another circumstance that prevents them from supporting themselves through work. Nor should a person be penalised if they have previously undertaken training or study.

Ultimately, this measure is unfair, unnecessary, and will add unjustified complexity to an already complex eligibility framework for pension payments. It undermines the needs-based principle of Australia's social security system; will create severe hardship among vulnerable members of the community; and is discriminatory, punitive and inequitable in its impact on pension recipients from migrant backgrounds.

Schedule 2 - Stopping the payment of pension supplement after six weeks overseas

The Society opposes this measure, which will stop the payment of the Pension Supplement to claimants after six weeks of temporary absence overseas, or immediately upon permanent departure from Australia.

The Pension Supplement was introduced in 2009 as part of a pension reform package that rolled the telephone, utilities and pharmaceutical allowances and goods and services tax (GST) supplements into a single supplement. Currently, pension recipients who are overseas for longer than six weeks continue to be paid the Supplement at a reduced rate (the 'Pension Supplement Basic Amount', or 'Basic Amount'). The Basic Amount is \$22.94 per fortnight for singles, and \$37.70 per fortnight for couples (combined). This basic amount represents the former GST supplement and is currently paid indefinitely to claimants who are overseas.

The Society opposes this measure on two fundamental grounds. Firstly, it will end the payment of the Supplement altogether, thereby imposing an additional financial burden on pension recipients who already struggle to survive on meagre incomes. 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 will further weaken Australia's poor performance in this area.

An additional concern is that this measure is likely to have a disproportionate impact on pension recipients from migrant backgrounds. We have particular concerns about people on low incomes who are born overseas and reliant on the full pension, and who may need to travel 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 Supplement overseas, placing further barriers on people visiting and/or caring for their family members.

The Australian Government's differential treatment of people who migrate to Australia is already reflected in the lengthy waiting periods that migrants must endure before they can access the Age Pension and Disability Support Pension – a waiting period that this Bill seeks to extend even further. Measures which impose additional cuts to 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.

Schedule 3 - Taper rate for Part A rate of family tax benefit (Method 2)

The financial pressures on low- and middle-income families in Australia are considerable. In recent years, the steady erosion of Australia's family payments system has added to the hardships experienced by low-income families, contributing to unacceptably high rates of child poverty. This trend, coupled with rising costs of living and growing educational disparities, poses profound challenges in terms of inequality and the future cohesion and prosperity of Australia.

In this context, we are concerned about the prospect of further cuts to the family payments system, and believe any proposals require careful deliberation and analysis. Under this schedule, the amount of family assistance payments received by middle-income families will diminish. This reduction comes off the back of a series of cuts to family payments, including cuts to the end-of-year supplement for Family Tax Benefit (FTB) Part A for households with incomes of \$80,000 and above. In addition, the Government has placed a two-year freeze on FTB starting from 2017-18, and is not proceeding with the previously announced increase to the rate of FTB. Such cuts coincide with several other changes, such as the increase to the Medicare Levy, which impact heavily on middle-income families.

The proposed changes to the taper rates for FTB Part A will reduce the amount by which payment levels taper off for families with a total income of \$94,316 or more. Although such families fall within the middle-income bracket, those with several children may nevertheless experience considerable financial pressures due to ongoing cost pressures and the reduction in payments. We note that NATSEM's modelling of the distributional impacts of the 2017 budget found that:

[the] FTB freeze and the FTB-A taper change will disadvantage families at the middle-income range... Households in this income range tend to be families with children. Couples with children in the middle-income quintile are likely to lose around \$150 a year due to the indexation freeze, \$240 due to the taper rule change. This is on top of the increase in the Medicare levy increase, which will tax families in the middle-income quintile for another \$340.²⁹

We oppose the Government's continual erosion of the family payments system. While we support a carefully targeted and means-testing approach to family payments, it is imperative the effects of changes such as those included in this schedule are modelled and considered in conjunction with other budgetary measures that impact on families with school-age children. While this Bill will not affect families on the lowest incomes, it will affect those on moderate incomes with several children, and who may face considerable financial pressure.

Accordingly, we cannot support this Schedule. A proper assessment of the proposed changes to the taper rate would benefit from publicly available modelling that shows the distributional impacts of this and other budgetary measures on families with children. We encourage the Government to undertake and release such modelling and, in the meantime, urge the Committee to recommend that this Schedule be rejected.

Schedule 4 - Liquid assets test waiting period

The Society has long called for the existing Liquid Assets Waiting Period (LAWP) to be eased, and therefore opposes this attempt to extend the waiting period.

This measure will increase the maximum LAWP from 13 weeks to 26 weeks from 20 September 2018. Currently, a person's liquid assets, if high enough, will affect how long they need to wait before receiving certain payments. The waiting period starts to apply at \$5,500 for a single person with no dependent children, and \$11,000 for couples or a single person with a dependent child.

Under the changes proposed in this schedule, the maximum six month waiting period will apply where a person's liquid assets reach \$18,000 for a single person with no dependent children, and \$36,000 for couples or a single person with a dependent child. This measure will affect new claimants of Newstart Allowance, Sickness Allowance, Youth Allowance and Austudy.

We oppose this measure on a number of grounds. Firstly, it will contribute to poverty and financial instability among those affected, forcing them to deplete or exhaust their modest savings, or to go into debt or rent arrears, before they can access income support. Current levels of income support are well below the poverty line and inadequate to meet basic living costs. For those without any savings buffer, surviving on such meagre income support payments alone is near impossible. We believe people with modest assets should not be denied access to income support, nor should they be forced to deplete any savings they have, given that current payment levels are insufficient to meet basic living costs.

The Society believes the existing LAWP is harsh and unjustified, and we note that it is in *addition* to other waiting periods that claimants are subjected to, including the Ordinary Waiting Period of one week which people must serve if they are accessing an allowance or parenting payment. The savings threshold at which the LAWP takes effect (\$5,500 for a single person) is low, and the threshold at which the proposed maximum waiting period of six months (plus other waiting periods) will apply (\$18,000 for singles) constitutes a modest level of savings. Lengthening the period of time that a

person must wait for income support increases the likelihood that they will deplete their savings, leaving them less able to meet unexpected costs, such as medical expenses, car repairs, the replacement of whitegoods, or the costs of moving house.

Financial insecurity and the lack of any savings buffer has profound implications for those on income support. In our experience, the insecurity and stress that this creates can erode the well-being of individuals and families. This can give rise to adverse spill-over effects and more entrenched social and economic problems, such as homelessness, depression and anxiety, family breakdown and material deprivation – problems that can also undermine a person’s capacity to look for employment. This in turn places greater pressure on charities and other sections of the services sector, including emergency relief services. As HILDA data from 2014 reveals, 12 per cent of households do not have savings for an emergency, and 25 per cent of people who are unemployed are unable to afford two or more essential items.³⁰ We believe that this measure will increase the number of individuals and families experiencing deprivation.

In our view, such risks are not mitigated by existing waiver arrangements for the LAWP. According to these arrangements, the LAWP can be only waived for someone who has depleted their savings through “unavoidable or reasonable expenditure”. Under current social security law, any weekly expenditure above the poverty-level Newstart Allowance (i.e. above \$267 per week) is deemed to be unreasonable. Under this definition, most of a person’s basic living expenses would be deemed unreasonable.

Lengthening the time that a person must wait to receive income support will be particularly detrimental for those in insecure forms of employment. The decline in full-time and secure employment is mirrored by the growth in precarious, temporary and insecure employment, with increasing numbers of people locked in a pattern of short-term employment punctuated by periods of unemployment.³¹ Extending the LAWP will disproportionately affect those trapped in this cycle of insecure employment, making it even more difficult for individuals and families to move out of poverty and achieve a savings buffer to sustain them through periods of unemployment.

In addition, extending the waiting period will effectively penalise those with savings, thereby undermining other means-testing arrangements for youth payments which are designed to support students to engage in part-time or fluctuating work around their studies.

A further consequence of extending the LAWP is that it will delay access to employment support services. In general, access to Australian Government employment services is linked to receipt of income support, which results in a delay before a person can begin to receive help to find a job.⁵ As a result, a person who is unemployed may have to wait up to 27 weeks** before they can access employment services. This contradicts the Government’s stated policy objectives in other areas of employment policy, where rapid connection to employment services is encouraged or mandated. It is also at odds with the stated rationale for provisions within the *Social Services Legislation Amendment (Welfare Reform Bill) Bill 2017*. This Bill requires people to attend an appointment with a jobactive provider before they can receive a payment because, according to the Government,

⁵ There are exceptions to this, such as people who are unemployed because they were made redundant.

** This 27-week waiting period includes both the maximum 26-week LAWP and the Ordinary one week Waiting Period.

“connecting more quickly with employment services improves the job seeker’s employability and their chances of finding and obtaining employment”.³²

The Society also challenges the Government’s claim that a harsher liquid assets test is necessary to promote “self-reliance before welfare”. We do not believe the Government’s proposal is a path to self-sufficiency. Rather, it provides a one-way street to poverty that impacts on long-term unemployment, poor health, depression and homelessness. As indicated, forcing people to deplete their savings undermines their ability to meet their basic needs and actively look for work. This policy approach also contradicts the Government’s stated aim of increasing self-sufficiency among older Australians. The LAWP effectively forces displaced mature-aged workers to deplete their asset base – a process in conflict with the current policy aim of ensuring financial independence into retirement.

Finally, a key shortcoming of the LAWP identified by the Henry Tax Review is that it “can result in inconsistent and inequitable treatment of some people with relatively small levels of savings”.³³ For example, while a person with liquid assets marginally below the threshold will receive full income support, a person with assets marginally above the threshold will receive no support. As the Henry Tax Review also noted, the LAWP does not consider assets such as the family home, and a comprehensive means test would “provide a better measure of means for people applying for allowances, removing the need for the liquid assets waiting period”.

Ultimately, this measure lacks a sound justification and is purely a cost-cutting exercise. While it may provide a short-term gain to the budget bottom line, it will deliver long-term costs by further exacerbating the conditions in which people enter into poverty and long-term unemployment.

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