

# Submission on the Budget Savings (Omnibus) Bill 2016



Please find below a brief submission on the *Budget Savings (Omnibus) Bill 2016*. ACOSS would have liked to have provided more detail about the Bill's measures but due to the extremely tight deadline (four working days between calling for submissions and submission deadline) was unable to provide further information. ACOSS expresses dissatisfaction with the process because it hinders stakeholder engagement and the development of evidence-based policy. We also note that there is no distributional analysis on the impact of the measures in this Bill. A significant number of measures contained in this Bill will impact negatively on people on low incomes (or there is a significant risk that they will do so). It is essential that, before the Committee forms a view on the social security measures, it obtains a distributional analysis of the impact of each measure. It should also consult with affected groups to ensure that people on low incomes are not disadvantaged.

ACOSS notes that, in stark contrast to the extraordinarily short timeframe for the Committee to accept submissions and deliberate on this Bill (which forms the only consultation with stakeholders), the Government is engaging in extensive deliberations about the 2016 Budget superannuation changes which stand to affect the top 4% of superannuants. The Government is also continuing with its proposal to give people with incomes of \$80,000 or more a \$6 per week tax cut at a cost of \$4 billion over the forward estimates. This figure exceeds the savings derived from cuts to social security payments in the Omnibus Bill (which amount to over \$3 billion) and many of the cuts stand to disadvantage people on low incomes.

Business, union and community service sectors have agreed that "People on low incomes or who are otherwise vulnerable should be protected from the impacts of fiscal reform."<sup>4</sup> We urge the Committee and all parliamentarians to assess the measures in this Bill by reference to this test. On this basis, this submission rejects outright a number of measures contained in the Bill, and, in relation to other measures, highlights potential risks to people on low incomes which the Committee and the Parliament should consider.

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<sup>4</sup> National Reform Summit Communique, endorsed by ACOSS, the Business Council of Australia, the Australian Council of Trade Unions, the Australian Industry Group, the Australian Chamber of Commerce and Industry, National Seniors, the Council on the Ageing and the Australian Youth Affairs Coalition at 10, available at <http://www.acoss.org.au/wp-content/uploads/2015/08/National-Reform-Statement-full.pdf>.



ACOSS remains extremely concerned that the Government continues to focus on income support payments in its efforts to restore the Budget to surplus. While there is scope for reform of the payments system to reduce complexity and improve equity, Australia has the most tightly targeted income support system in the world, which means that cuts to payments disproportionately affect people on low incomes. At the same time, serious inadequacies in payments remain unaddressed – most notably the below poverty line Newstart Allowance which remains at just \$38 a day, with a further cut proposed in this bill. We will not support further net budget savings in the income support system. The biggest problem in the social security system is inadequacy of payments, including the Newstart Allowance. Where there is a case for further tightening of social security, this should only be pursued if it directly leads to lifting inadequate income support payments to an acceptable rate.

### **Parts 1-6 of Schedule 21: closing carbon tax compensation to new welfare recipients**

ACOSS strongly opposes the removal of the Energy Supplement to new income support recipients on the basis that it will reduce income support payments, most of which are already below the poverty line. This measure will affect 2.2 million people over the forward estimates, including Age Pensioners, Disability Support Pensioners, Carer Payment recipients, family payment recipients, Parenting Payment and recipients of Newstart and Youth Allowance.<sup>5</sup>

Removal of the Energy Supplement will cut the rate of the \$38-per-day Newstart Allowance by \$4.40 per week and abolish the first real increase to the payment in over 20 years. It will also see the payment drop to a rate lower than it would have been if there had been no carbon price or compensation due to the adjustment to indexation when the Energy Supplement was introduced.<sup>6</sup> It will plunge people living on already inadequate Allowance payments further into poverty. This cannot be supported.

Family payment recipients will incur the largest drop in payments. For example, a Parenting Payment Single recipient with two children aged 4 and 6 will lose \$10.90 per week or \$566 per year. A single pensioner will lose \$7.05 per week and a household with a Carer and Disability Support Pensioner will lose \$10.60 per week.

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<sup>5</sup> Department of Social Services 'Community Affairs Legislation Committee', 6 May 2016 <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22committees%2Festimate%2Fdefed424-187d-4867-b69b-1db271dd8152%2F0005%22>

<sup>6</sup> Plunkett, D (2016) 'Malice or Misunderstanding?' <http://ravebydave.blogspot.com.au/2016/05/malice-or-misunderstanding.html>



Pensioners with no other income or limited assets are generally not in a position to increase their income and many live below the poverty line. The latest ACOSS Poverty Report found that the incomes of Carer Payment recipients, Disability Support Pensioners and Age Pensioners were between \$93 and \$165 per week below the poverty line after housing costs were taken into account.<sup>7</sup> Pensioners who rent are particularly disadvantaged because of the lack of affordable and accessible housing.

The Energy Supplement is being removed on the grounds of the absence of a carbon price, but tax cuts compensating for the carbon price will continue, which see someone on \$60,000 paying \$9.65 per week less in tax than with no compensation.<sup>8</sup> Continuing assistance through the tax system undermines the Government's argument that the Energy Supplement is no longer needed because there is no carbon price. The Government's inconsistency in how it treats the carbon price compensation by targeting people on the lowest incomes for cuts while leaving middle-income earners untouched illustrates the inequity of Schedule 21.

Cessation of the Energy Supplement to new income support claimants will create two levels of payment because existing recipients will continue to receive the supplement. This creates inequity as two people in the same circumstances will receive different rates of payment and will add further complexity to an already complicated income support system.

ACOSS also opposes the linkage of savings delivered through cutting income support payments to funding of the National Disability Insurance Scheme (NDIS). People with disability stand to be one of the largest cohorts of payment recipients who lose income through the abolition of the Energy Supplement. They should not be targeted for budget savings to fund the care and support they are entitled to receive under the NDIS.

### **Schedule 9: Dental services**

ACOSS has long advocated for improved access to oral health care services in Australia, particularly for people living with low incomes. More than one in three Australians delay or avoid dental treatment because they cannot afford it, and

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<sup>7</sup> ACOSS (2014) 'Poverty in Australia 2014'  
[http://www.acoss.org.au/images/uploads/ACOSS\\_Poverty\\_in\\_Australia\\_2014.pdf](http://www.acoss.org.au/images/uploads/ACOSS_Poverty_in_Australia_2014.pdf) p.37

<sup>8</sup> The Australia Institute (2016) 'Inequality and poverty in Australia: The case against removal of the clean energy supplement' <http://www.tai.org.au/content/inequality-poverty-australia-case-against-removal-clean-energy-supplement> p. 4



waiting lists for public dental services range from between 9 months to 3 years (depending on location), with people in rural and remote areas generally subject to longer waiting times due to lack of services. People with particularly poor oral health and least likely to be able to access proper care and treatment include people on lower than average incomes, people living in rural and remote areas, Aboriginal and Torres Strait Islander people, aged care facility residents, people with disabilities, young adults on income support payments and sole parents (and their children). For example:

- + 27.9% of adults with lower household income (up to \$20,000) experience severe impact on quality of life due to oral health conditions compared with 7.5% of adults with higher household income (over \$80,000);
- + The adult Aboriginal and Torres Strait Islander population has 2.3 times more untreated tooth decay than non-Indigenous people; and
- + Public dental patients are more likely than other people in Australia to have dental decay.

Access to timely and appropriate dental care is particularly important for children and young people. Half (50.9%) of Australian children aged 5-6 years have a history of tooth decay in their baby teeth. Research suggests that poor oral health in childhood can affect school performance, social skills and self-esteem and is a significant predictor of long-term dental health problems.

In 2013, ACOSS strongly welcomed the Dental Health Reform Package, which finally guaranteed for the first time a minimum level of access to dental care for two-thirds of the children in Australia, many of whom would otherwise have gone without regular dental care; and included a commitment to meet the oral health needs of adults experiencing poverty and inequality, who had gone without dental care for too long. Perhaps most importantly for ACOSS, the reform comprised a major structural change that provided a policy framework through which to work towards universal dental care in Australia.

As such, ACOSS is opposed to the abolition of the Child Dental Benefits Scheme and National Partnership Agreement on Adult Public Dental Services and their replacement with the Child and Adult Public Dental Scheme, which will reduce the quantum of funding for public dental services and reduce access to quality dental health services for people on low incomes. While the new scheme has been presented as a spending measure worth \$1.7 billion over the forward estimates, it represents a real cut in funding for public dental services (from \$615m per annum



currently allocated to the Child Dental Benefits Scheme alone to \$425m per annum to the new scheme or approximately \$1bn over 5 years). At the same time, there is a real risk that expanded eligibility criteria and the exclusive allocation of funding to public dental services under the new scheme will combine to place additional pressure on overloaded State and Territory public dental systems, thereby increasing already lengthy waiting times and further reducing access to services, particularly for people living with the lowest incomes and in rural and remote areas.

### **Schedule 16: Carer Allowance**

This measure will disadvantage approximately 40,000 carers each year who will no longer be able to backdate the Carer Allowance for up to 12 weeks. ACOSS notes the potential impact on low-income carers who experience financial disadvantage because of loss of employment income when they take on a caring role and the additional costs associated with caring. We also note that no distributional analysis of the impact of this change has been provided and recommend that such analysis should be undertaken before consideration of this change.

### **Schedule 20: Psychiatric confinement**

ACOSS opposes this measure because it will discourage people in psychiatric confinement from undertaking rehabilitation and is discriminatory against people with disability or mental illness who have been charged but not convicted of a serious crime.

ACOSS is concerned that this measure will have a severe and adverse impact on people with serious mental health conditions, reducing resources available to support their successful return to the community by withdrawing support during the time of confinement. It will also impair people's capacity to maintain housing while they are in confinement, increasing the risk of homelessness on return to the community. ACOSS is particularly concerned about potentially reduced access to payments to people who are confined periodically who will have to support themselves in the community on the days they are not confined. This could mean that the measure will treat affected people less favourably than those found guilty of a criminal offence and in periodic detention who are paid social security payments for the days they are not detained.<sup>9</sup> This is a complex area in which there may be

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<sup>9</sup> Australian Government (2016) '3.1.4.10 Situations that Constitute Being in Gaol or Psychiatric Confinement' <http://guides.dss.gov.au/guide-social-security-law/3/1/4/10>



significant unintended and harmful effects from the changes proposed, and we urge the Committee to give due consideration to these risks and reject the proposal.

### **Schedule 13: Debt recovery**

While ACOSS does not specifically object to this measure, it is concerned about aggressive debt recovery techniques being implemented that could place disadvantaged people into further hardship. ACOSS also notes that the Department of Human Services is poorly resourced to manage its existing client base, which impacts on its ability to follow up on debts and prevent debts from occurring. The National Welfare Rights Network and its respective state centres are also inadequately resourced to manage the caseload of income support recipients who have an issue with Centrelink, including those relating to debt. This increases the risk that income support recipients' rights are not upheld and that they are underpaid or mistakenly accrue debts.

### **Schedule 10: Newly arrived resident's waiting period**

This measure will impact approximately 5,700 people each year and threatens to place affected families on low incomes in severe financial hardship.<sup>10</sup> Current rules allow family members of Australian citizens or permanent residents to be exempt from the two-year waiting period to access social security payments. This will be removed, with an exception for family members of refugees or former refugees.

There is also a valid concern that denying family members access to income support payments for two years could heighten the risk of domestic violence and prevent people from leaving abusive situations because they are financially dependent on their family member. ACOSS understands three-quarters of people who will be affected by this change are women.<sup>11</sup>

### **Schedule 17: Indexation of family tax benefit and parental leave thresholds**

This measure would freeze the higher income free area for Family Tax Benefit Part A and the primary earner limit for Family Tax Benefit Part B for a further 3 years, to 2019 and to freeze the Paid Parental Leave income limit for a further 3 years until

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<sup>10</sup> Senate Community Affairs Committee (2016) 'Answers to estimates questions on notice – Social Services portfolio' Question no. SQ16-000154

<sup>11</sup> Ibid.



2020. This will extend the freeze introduced in the 2014 Budget and mean that income tests will be frozen for 5 years with the effect of further tightening access to these payments. While those directly affected will generally be on higher incomes (e.g. for FTB A above \$94,316 per annum) we are concerned about further savings being made in the family payments system in the absence of investment to address inadequacies in the system, including the level of assistance for single parents and older children.

### **Schedule 18: Pension means testing for aged care recipients**

This measure will make it more difficult for Age Pensioners to pay for residential aged care accommodation fees and retain the former family home. The structure of the aged care fee means test already makes it difficult for an Age Pensioner to not have to sell the home to fund the cost of their residential aged care accommodation. However, this measure will make retaining the home near impossible because it will reduce the income they have to pay for their accommodation via a Daily Accommodation Payment (DAP). Age Pensioners on low incomes and with limited assets will be forced to sell their home to pay for their accommodation via a Refundable Accommodation Deposit (RAD) because it will be the better option financially.

In short, this measure further restricts choice on how to pay for residential aged care for people on low incomes. This stands in direct contrast to the spirit of the 2014 *Living Longer Living Better* aged care reforms, which was to give residential aged care residents more choice in how they pay their fees.

### **Schedule 11: Student start-up scholarships**

ACOSS is concerned about the impact of this measure on students on low incomes who do not have the support of family to assist them with large upfront education costs. This measure is estimated to affect 80,000 students. Again, there is no distributional analysis of the impact of the removal of the scholarships and ACOSS suggests that such analysis should be conducted before proceeding with this proposal.



### **Schedule 5: Australian Renewable Energy Agency's finances**

Finally, ACOSS shares the concerns expressed by Climate Institute, WWF-Australia, and the Australian Conservation Foundation about the proposal to dramatically reduce funding to the Australian Renewable Energy Agency (ARENA). ACOSS is a strong advocate for effective action on climate change. We know that people on low incomes are the first and worst affected by climate change and the least able to adapt to both its direct effects and the policy responses implemented to address it. ARENA has a vital role in supporting investment in large-scale and innovative renewable energy projects and the broader transition to a clean energy future and should be adequately resourced.