



Carers Australia

**Submission to the Senate Standing Committee on Community
Affairs Inquiry into the Social Services and Other Legislation (2014
Budget Measures) Amendment Bills No. 1 and No. 2**

August 2014

Carers Australia is the national peak body representing the diversity of Australians who provide unpaid care and support to family members and friends with a

- disability
- chronic condition
- mental illness or disorder
- drug or alcohol problem
- terminal illness
- or who are frail aged.

Carers Australia believes all carers, regardless of their cultural and linguistic differences, age, disability, religion, socioeconomic status, gender identification and geographical location should have the same rights, choices and opportunities as other Australians.

They should be able to enjoy optimum health, social and economic wellbeing and participate in family, social and community life, employment and education.

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Introduction

Carers Australia welcomes the opportunity to make a submission to the Inquiry.

Carers Australia's most fundamental concern with the social security Budget changes is that they do not seem to take adequate account of the great economic and psychological hardship which will be imposed on the poorest Australians well in advance of creating the means of alleviating that hardship, such as securing a greatly improved and more flexible employment market. Carers will not be exempt from the consequences.

Among the changes which will directly affect carers of people with disability, chronic illness, mental illness, terminal illness or who those who are frail aged are the following:

- The reduction in the value of income support accessed by the poorest carers through new indexation arrangements for the Carer Payment and Carer Allowance. (Only 29% of Australia's 770,000 primary carers receive wages and salary as their main source of income and 55% are reliant on Government pensions or allowances, just under 240,000 of whom are on Carer Payment)¹
- The introduction of new compulsory education and work requirements for access to Newstart, which many carers may not be able to fulfil due to their caring responsibilities. (Many carers who provide substantial amounts of care but do not meet the requirements for Carer Payment are on Newstart - estimated to be about 18,000 in 2012)²
- The introduction of a lengthy waiting period before the Newstart Allowance becomes available; bearing in mind that many young carers transitioning to Newstart will not have had the employment opportunities to reduce the length of their wait time.
- The abolition of education assistance programs which are currently available to recipients of income support, including carers.
- Changes directed to reducing the number of people on the Disability Support Pension which will also have flow on effects to their carers, including having to make up for any subsequent household income shortfall. (Data from the 2009 Household, Income and Labour Dynamics in Australia (HILDA) Survey revealed that carers who, while on a non-allowance payment themselves, lived in a household with someone on an allowance, were severely financially stressed. Three out of five reported not being able to pay electricity, gas or telephone bills on time because of a shortage of money, more than half had to seek financial assistance from family and friends and almost a third had to approach welfare or community agencies for help)³

While we realise that the primary goal of these social security changes is to reduce the social welfare burden on the economy, this appears to have been done in a somewhat arbitrary way. Moreover, the framing of many of the new provisions seems to be at odds

¹ Australian Bureau of Statistics Survey of Disability, Ageing and Carers, 2012

² Household, Income and Labour Dynamics in Australia (HILDA) Survey, 2009

³ Ibid

with other government goals. These broader goals include: reducing red tape and administrative complexity; supporting people on social security benefits to engage in education; encouraging people with disability to exercise more choice and control in maximising their chances of participating in economic and community life; and tailoring financial supports and social security participation requirements to individual circumstances.

Importantly, it should also be noted that, were these measures to be passed now, the impact would pre-empt the outcomes of the more comprehensive Review of Social Welfare which is still in the public consultation phase.

Commentary on individual Budget amendments which are of particular concern to Carers Australia have been arranged according to the order of Schedule changes to the Social Security Act. These are:

- Schedule 4 – Disability Support Pension - Social Services and Other Legislation Amendment (2014 Budget Measures No.1) Bill 2014
- Schedule 1 – Indexation and deeming thresholds - Social Services and Other Legislation Amendment (2014 Budget Measures No.2) Bill 2014
- Schedule 6 – Pensioner Education Supplement & Schedule 7 – Education Entry Payment - Social Services and Other Legislation Amendment (2014 Budget Measures No.2) Bill 2014
- Schedule 8- Age requirements for various Commonwealth payments - Social Services and Other Legislation Amendment (2014 Budget Measures No.2) Bill 2014

Issues

Social Services and Other Legislation Amendment (2014 Budget Measures No. 2) Bill 2014

Schedule 4 – Disability Support Pension

Summary:

This Schedule introduces changes in relation to the disability support pension, from 1 July 2014, to review disability support pension recipients under age 35 against revised impairment tables, and apply program of support requirements.

The Schedule imposes new Disability Support Pension (DSP) participation requirements on recipients under the age of 35 who are deemed to be able to work for at least 8 hours a week and do not have a dependent child under the age of 6. Recipients would be required to participate in an approved employment or training program (Program of Support). For people lodging a claim for the DSP (who are required to participate in these programs for up to 18 months before qualifying for the pension), the scope of employment and training programs that qualify as 'Programs of Support' is narrowed to programs fully or partly funded by the Commonwealth.

Comment:

Carers Australia supports the provision of education and employment support for recipients of the Disability Support Pension (DSP) - regardless of their age or level of impairment - to help build their capacity to engage with the workforce.

However we have serious problems with the proposed to the new provisions on a number of grounds.

- The legislative changes pre-judge the outcomes of the Government's Review of Social Welfare which is currently in the public consultation phase.
- The crude targeting of DSP recipients under the age of 35 makes little sense to us (except from the purely fiscal objective of minimising welfare payments in the long term). Implicitly this measure seems to rest on the assumption that people with a disability under the age of 35 are more likely to move into employment than older DSP recipients; perhaps because they are less likely to be long-term unemployed and/or because they are more employable because of their comparative youth. We are unaware of evidence to support either of these assumptions.
- People with episodic disability – for example, people with mental health conditions or those who suffer from episodic physically incapacitating episodic conditions such as epilepsy – may be deemed capable of meeting the requirements of the new compulsory Programs of Support without consideration that their levels of disability will vary substantially and unpredictably over any given period. If these people are unable to meet the requirements of their Program of Support due to fluctuating changes in their condition, they are at risk of losing their access to the pension. In this context we note the point made by the Mental Health Council of Australia in its submission to the Inquiry:

“Evidence indicates that people with mental illness were disproportionately affected by the imposition of ‘breach penalties’ (from July 2000) for not meeting mutual obligation requirements for people on activity tested allowance payments, including the loss of a proportion of payments for a designated period and the imposition of an eight week non-payment penalty.”⁴

- The narrowing of the scope of what is considered as a ‘Program of Support’ for DSP recipients to those programs wholly or partly funded by the Commonwealth is at odds with prevailing approaches to establishing more innovative and flexible pathways to assisting people with a disability to participate in economic life (see, for example, the approach of the National Disability Insurance Scheme and sections on pathways to employment in the McClure Interim Report).
- To date Program of Support participants have, by and large, had poor employment outcomes; including those involved in the Disability Employment Service (DES). While the Government has committed to improving existing Commonwealth programs which provide job support, this is an aspiration at this point. It is unreasonable and unjust to expect DSP recipients to improve their employment outcomes in circumstances where the means for them to do so are not yet available.

Social Services and Other Legislation Amendment (2014 Budget Measures No. 2) Bill 2014

Schedule 1 –Indexation and deeming thresholds

Summary:

This amendment replaces the current formula for the indexation of pensions with CPI-only indexation from 1 July 2017. In addition, commencing on 1 July 2017 indexation of the income and assets test free areas for all pensioners (other than Parenting Payment Single) and the deeming thresholds for all income support payments will be suspended.

Comment:

This provision will significantly downgrade the real value of the Carer Payment, Disability Support Pension, Age Pension, Parenting Payment Single, and Veterans’ Affairs pensions. If pensions are no longer indexed to the highest of Male Total Average Weekly Earnings (MTAWE), the Consumer Price Index (CPI) or the Pensioner Beneficiary Living Cost Index (PBLCI), these payments will not keep pace with the real cost of living.

The inadequacy of CPI as a tool for the indexation for income support was noted by the Harmer Pension Review which pointed out that the single Age Pension – indexed at Average

⁴ Mental Health Council of Australia (MHCA) submission to the Senate Standing Committees on Community Affairs Inquiry into the Social Services and Other Legislation Amendment (2014 Budget Measures No. 1) Bill 2014

Male Weekly Earnings – had risen by 20% in real terms over the previous decade compared to less than 0.5% for Newstart Allowance which is linked to CPI.⁵ How many Australians would agree that their real cost of living had risen by only 0.5% over a decade? ACOSS estimates that over 10 years, pensioners on average would be \$80 a week worse off if the pension indexation was to also shift to CPI only.⁶

The Government has estimated that this measure will save \$449 million over four years and will affect around 3.8 million payment recipients.⁷ That saving will be achieved at the expense of many financially vulnerable Australians, with 42 per cent of people living on the DSP and 45 per cent of those on the Parenting Payment living in poverty in 2012.⁸ Many carers are also already struggling financially, with almost two thirds of Australia's 770,000 primary carers in the lowest two household income quintiles.⁹ For recipients of the Carer Payment who are looking after someone with a disability on the DSP, the impact of these measures on household income will be considerable.

The CPI is not a cost-of living index but a price index designed to measure price movements in relation to a specific basket of goods and services.

Simultaneously the government intends to introduce changes to the pharmaceutical benefits scheme co-payments and a co-contribution for accessing medical care. These measures will drive up the costs of living for pensioners at the same time as their relative income will decline.

Schedule 6 – Pensioner Education Supplement & Schedule 7 – Education Entry Payment

Summary:

Schedule 6 abolishes the Pensioner Education Supplement (PES) from 1 January 2015 and Schedule 7 abolishes the Education Entry Payment from the same date. It is asserted that more appropriate channels of Government-funded study and training assistance for income support recipients are available through employment service providers and the FEE HELP and VET FEE HELP tuition loan programmes.

Comment:

The Pensioner Education Supplement helps students with the ongoing costs of full-time or part-time study in a secondary or tertiary course. Those eligible for the Supplement include recipients of the Carer Payment, the Disability Support Pension, Newstart Allowance (as a

⁵ Harmer, J. *Pension Review Background Paper*, Department of Families, Housing, Community Services and Indigenous Affairs, August 2008, p.

15.

⁶ ACOSS Budget Bills Brief: Pension Indexation, and Assets and Income Tests for Payments

⁷ Department of Social Services: *Budget Measures 2014 Implementation Briefing*, power point presentation, DSS Budget Measures Stakeholder Consultation, June 16 2014.

⁸ ACOSS (2014): *Budget Bills Brief: Pension Indexation, and Assets and Income Tests for Payments*, p4.

⁹ Australian Bureau of Statistics: Survey of Disability and Caring (SDAC) 2012.

single principal carer) and others. Approximately 42,000 people would be affected by the cessation of this payment.¹⁰

The Education Entry Payment (eligibility for which is in part dependent on eligibility for the Pensioner Education Supplement) also assists with education expenses, and is paid once a year to eligible recipients. Approximately 92,000 people on Newstart Allowance and other allowances who are enrolled in education courses will lose \$208 per year in assistance for education expenses.¹¹

Abolishing these payments will have adverse impacts on the ability of certain income support recipients to engage in education and training that may improve their employment prospects.

The proposal to cease these payments is also at odds with the Government's intention to remove disincentives for people to engage in education and training.

As National Disability Services (NDS) notes in its submission to this Inquiry, the PES allows participants to lease or purchase essential items (including computers and printers and other equipment required for particular courses) which are out of scope in a number of alternative Government programs which offer educational support.

Nor are the FEE HELP and VET FEE HELP tuition loan programs suitable substitutes since they are confined to covering the cost of fees and to a relatively small sub-set of educational providers.

Schedule 8- Age requirements for various Commonwealth payments

Summary: This Schedule provides that, from 1 January 2015, young unemployed people aged 22 to 24 would no longer be eligible for Newstart Allowance or Sickness Allowance until they turn 25 years of age and would, instead, be able to claim and qualify for Youth Allowance.

Comment: The proposal to increase the age of eligibility of the Newstart Allowance by two years will reduce the allowance currently available to 22-24 year olds by at least \$2500 per year (i.e. the difference between the Newstart rate and the Youth Allowance rate).¹²

For those young carers aged between 22 and 24 who are living with their parents (classified as 'dependents' for the purposes of the Youth Allowance) the difference between their current entitlement and the new entitlement could be much more, as their parents' income (over approx. \$49,000 a year) would be taken into account. (Newstart eligibility requirements do not encompass the concept of "dependents".) These would include young carers of a family member with a disability, chronic illness, mental health condition or who is frail aged and who do not qualify for the Carer Payment but who still may have a substantial caring role support in the family home. This caring role may encompass both a family member with a disability and other members of the family, such as the frail aged and

¹⁰ Senate Community Affairs Legislation Committee, Budget Estimates 2014-15, Department of Human Services, 6 June 2014.

¹¹ ACOSS (2014): *Budget Bills Brief: Abolition of Pension Education Supplement and Education Entry Payment*, no page.

¹² ACOSS (2014): *2014-15 Budget Analysis*, p12.

siblings. It has always seem anomalous to Carers Australia that young people who contribute so fundamentally to the sustainability of their families should be dismissed under the term “dependent” in any usual sense of the term.

In addition, the Federal Budget has discontinued funding for Youth Connections and related youth employment programs making it correspondingly harder for this cohort to succeed in transitioning to employment.

Schedule 9- Exclusion periods –and learn, earn or Work for the Dole

Summary: This Schedule makes amendments to require young people with full capacity to earn, learn, or Work for the Dole from 1 January 2015.

Comment: It is Carers Australia’s view that the measures contained in this Schedule will have few of the desired effects.

The waiting period will promote hardship

The relationship between removing jobseekers’ access to income support and improving the likelihood that they will transition into work is highly contentious. In fact, for those who have no support networks to fall back on, it will further entrench them in poverty. Individuals whose basic needs are not being met are not in a position to become work-ready.

Access to Newstart Allowance is a vital safety net for thousands of Australians. Removing that access for 26 weeks a year (and potentially more if other waiting periods are added) will not help jobseekers find work. The rationale that all young unemployed people are out of the workforce by choice is flawed. It ignores the structural factors that produce and contribute to the unemployment rate, and assumes that the failure of young people to find employment is largely behavioural. Recent research attributes the increase in the unemployment rate in Australia almost entirely to the slower economic growth since 2008. This development has had the biggest impact on young job seekers transitioning into the workforce.¹³

The allocation of funding for emergency relief support to those affected is not sufficient to replace ongoing income support currently provided by Newstart Allowance. As the Australian Council of Social Services (ACOSS) notes in its submission to **the** inquiry:

“[E]mergency relief is generally charitable relief in the form of small cash grants or vouchers to assist with food, rent or utility bills. This is not an entitlement and people must apply with the welfare agency each time they experience hardship.”¹⁴

Furthermore, jobseekers are required to continue to undertake job search activities without any access to income support. It is generally the case that a successful job seeker requires transport costs, the means to be contacted (phone or email connection); access to job searches, the means to submit an application electronically, appropriate clothes and

¹³ Borland, Jeff: *Unemployment is hitting youth hard: this is what we should do*. The Conversation, June 20 2014. <http://theconversation.com/unemployment-is-hitting-youth-hard-this-is-what-we-should-do-27590>

¹⁴ Australian Council of Social Service (ACOSS) Submission to the Social Security Budget Bills Inquiry, July 2014, p.15

grooming, and a place of residence. It cannot be assumed that all unemployed young people can access these requirements.

We also note that, while those who are the principal carer of a child will be exempt from the waiting period, this does not include other caring roles such as caring for a friend or relative with a disability, mental illness, chronic condition, or the frail aged.

Carers Australia has particular concerns about the impact of this measure on young carers. For the many young carers who have been unable to participate in the workforce due to their caring role, these measures will see them lose vital income support for up to six months. This unfairly punishes young Australians who have been contributing to the care of a family member. Most young carers in receipt of either Carer Payment or Carer Allowance care for a single parent and are nine times more likely than their non-carer peers to be living in locations of high socio-economic disadvantage.¹⁵ Consequently, this measure could have a considerable negative financial impact on already struggling households.

Blanket provisions to force young people into education and training in order to receive income support should not be supported

These measures will see young people forced into education and training in order to receive vital income support - regardless of relevance or suitability of these participation requirements for future employment.

The provision rests on the assumption that all young people have equal access to education and training opportunities. This is not the case. Receiving Youth Allowance generally requires being accepted into a fulltime approved course. Even where fees are covered by HECS or HELP, students face numerous out-of-pocket expenses for books and resources. Those who don't live close enough to an approved educational institution may not have the financial resources to move closer, and for others there may still be considerable transport costs associated with attending classes. For young people with caring responsibilities, undertaking full-time study might simply not be an option.

Carers Australia also shares the concerns of many others in the sector at the cessation of the Youth Connections program which provides career counselling and social support to young people who have left school early or are at risk of doing so. This program has had a demonstrated employment benefit – with 94% still in employment six months after participating – and compares favourably to work for the dole where only 22% secures a job after participating.¹⁶ Closing a program such as Youth Connections at the same time as cutting access to income support for young people is clearly at odds with the government's policy objective to increase the employment rate of this cohort.

¹⁵ Bray, Rob (2013): *Young carers in receipt of Carer Payment and Carer Allowance 2001 to 2006: characteristics, experiences and post-care outcomes*. ANU Social Policy Evaluation, Analysis and Research Centre, FAHCSIA Occasional Paper No.47, p132-33.

¹⁶ ACOSS (2014): *Budget Bills Brief: 6-month wait for payments for unemployed young people*, p4.

New Work for the Dole provisions are misguided

One of the few detailed empirical studies on the effects of the Work for the Dole program on young unemployed people in Australia found that work for the dole is “associated with a large and significant adverse effect on the likelihood of exiting unemployment payments.”¹⁷

This observation confirms findings from the US and Europe that forcing jobseekers to work for the dole causes a reduction of their efforts to search for paid employment.¹⁸

Carers Australia also has concerns about the vulnerability of jobseekers undertaking work for the dole schemes as they would be more susceptible to exploitation by employers, poor working conditions and mistreatment. The provision of only one Work for the Dole Coordinator per region would not be sufficient oversight.

In addition, Carers Australia also has concerns about jobseekers with caring responsibilities being forced to undertake work for the dole activities when this may jeopardise the health and wellbeing of the person they care for. Eligibility for the Carer Payment is very stringent and not all carers meet the threshold, even though they provide substantial amounts of care which are often required at particular times in the working day and working week. In 2012 it was estimated that there were just under 18,000 people with caring responsibilities who were on Newstart Allowance.¹⁹

We note that the Minister for Employment has recently conceded in media interviews that some unemployed people would not be asked to join a Work for the Dole program because of their individual circumstances – including caring responsibilities.²⁰ Depending on how these exemptions are determined, this would go some way toward alleviating Carers Australia’s concerns – at least with respect to carers.

¹⁷ Borland, Jeff; Tseng, Yi-Peng: *Does ‘Work for the Dole’ work?: an Australian perspective on work experience programmes*, in: *Applied Economics*, 2011, 43, pp4353-4368, p4353.

¹⁸ Borland & Tseng (2011), p4364.

¹⁹ This estimate is based on unit record data from the Household Income and Labour Dynamics in Australia (HILDA) 2009 study.

²⁰ *The Guardian*, 29 July 2014