SOCIAL SECURITY

Maintain the single rate of pension at 25 per cent of male total average weekly earnings

Function: Social Security and Welfare

Financial Implications ($m)

	1997-98	1998-99	1999-00	2000-01
Social Security	57.3	409.2	639.6	942.3
Veterans' Affairs	6.5	41.0	59.9	87.3
TOTAL	63.8	450.2	699.5	1,029.6

Note: In the 1996-97 Budget provision was made in the Forward Estimates for this measure by inclusion of the estimated effects in the Contingency Reserve.

Explanation

Currently the *Social Security Act 1991* and the *Veterans' Entitlement Act 1986* include provision for the indexation, on the basis of increases in the Consumer Price Index (CPI), of pensions and allowances each March and September and for Family Payments each January. While not currently provided for in legislation, the Government also uses a wages benchmark to maintain the adequacy of pensions, relative to wage rates in the community.

The benchmark for the single rate of pension is 25 per cent of Male Total Average Weekly Earnings. Any benchmark increases to the single rate of pension will flow on to all married pensioners and above minimum rate Family Payment recipients, through links that these payments have to the single rate of pension.

This measure, which was announced prior to the Budget, provides for legislation to maintain the single rate of pension at 25 per cent of Male Total Average Weekly Earnings, with associated flow-ons to the married rate of pension and above minimum rate Family Payment. It will result in there being legislative backing to ensure that pensions and above minimum rate Family Payment increase proportionally with increases in wages. The requisite legislation has been introduced into the Parliament.

At the time of each CPI adjustment there will be an additional increase, if required, to maintain the benchmark. The requirement for, and the size of, increases to meet the benchmark is dependent on future movements in Male Total Average Weekly Earnings relative to the CPI.

The current estimates for CPI and Male Total Average Weekly Earnings form the basis of the budgetary costs shown above. The actual costs may vary from these, as any increase in pensions will be based on the actual (published) movements in the CPI and Male Total Average Weekly Earnings series.

SOCIAL SECURITY

Pay all Department of Social Security payments fortnightly in arrears

Function: Social Security and Welfare

Financial Implications ($m)

1997-98	1998-99	1999-00	2000-01
0.2	19.7	-100.8	-18.9

Explanation

Currently there are three different payment cycles under which social security payments are made. These are :

- the two different payday-based cycles (relating to the pension and the families paydays which occur on alternate Thursdays), which are based on a person's eligibility for the payment on the actual payday. If the person is entitled to payment on the actual payday, they are paid a full fortnight's payment; and
- the period-based payments (allowances), which are paid two weeks after the day on which the person becomes entitled to payment (that is two weeks in arrears). The period-based payments paydays are spread throughout the fortnight.

From 1 July 1999, all social security pensioners and families customers will be moved to a period-based payment cycle, under which they will be paid two weeks in arrears. This will establish a clear and logical relationship between the number of days a person is qualified for payment and the amount of money he or she receives.

The measure will simplify the payments cycle. The current interaction between the three different payment cycles is complex and leads to anomalies. For example, problems arise where a person's eligibility changes and he or she moves from a period-based to a payday-based payments cycle.

In addition, the measure will spread the processing workload more evenly across the fortnight. The Department of Social Security and financial institutions will no longer have to deal with extreme processing 'peaks' in the lead up to each respective pension and family Thursday payday. People will experience shorter queues in banks and other financial institutions. Small businesses will also benefit from the evening out of Social Security payments.

There are around four million existing pension and family payment customers who all get paid on a Thursday. A large proportion will be asked to accept a change of payday. The payday adjustment will be made so that no loss of payment occurs at the point of changeover to the new payment cycle for this group.

Under the new arrangements no existing social security recipient will be subject to a reduction in entitlements which they have already begun to receive.

The large saving in 1999-2000 of around $101 million mainly reflects the removal of a 27th payday for family payments in that year under the new arrangements. This will not result in any reduction in fortnightly entitlements for family payment recipients in that year.

SOCIAL SECURITY

Introduce a Bonus Plan for persons deferring retirement

Function: Health, Social Security and Welfare

Financial Implications ($m)

	1997-98	1998-99	1999-00	2000-01
Health and Family Services	0.0	-0.6	-1.7	-2.5
Social Security	2.4	-16.9	-36.8	-36.0
Veterans' Affairs	1.4	-3.9	-3.9	-3.5
TOTAL	3.8	-21.4	-42.4	-42.0

Explanation

The concept of a Bonus Plan for those deferring retirement was set out in the election document, *Meeting our Commitments*.

Currently over 80 per cent of the population of Age Pension age is in receipt of the pension. This measure encourages greater self-provision by older persons, promotes continued participation in the workforce, and achieves budgetary savings.

Under the measure a bonus will be provided to all those who continue to work while they defer take-up of the Age or Service Pension. Accrual of entitlement to the bonus can only begin after the date of commencement of the scheme, 1 July 1998, and after the date on which a person qualifies for the pension on age and residency grounds. The earliest date for bonus payment will be 1 July 1999.

The bonus is a lump sum paid at the time of receipt of the pension. It increases for each full year of deferral for work, up to a maximum of five years. Work is defined as paid employment for at least 25 hours per week.

The amount of the bonus will be equivalent to 9.4 per cent of Age or Service Pension entitlement (excluding add-ons such as Rent Assistance) at the time of take-up, for each year of deferral, multiplied by the number of years deferred. The actual amount paid will hence vary according to the amount of pension to which the person is entitled, and the number of years for which the pension is deferred.

For those deferring for five years, the lump sum bonus will, for example, be equivalent to 47 per cent of annual pension entitlement at the time of take-up multiplied by 5. A person eligible to receive $300 per fortnight after five years deferral would, for instance, receive a bonus of around $18,300.

It is estimated that around 22,000 people who are eligible for the bonus will defer their receipt of Age or Service Pension in 1998-99, and that the average length of deferral will be three years.

SOCIAL SECURITY

Simplify and amend date of effect rules for income support payments

Function: Social Security and Welfare

Financial Implications ($m)

	1997-98	1998-99	1999-00	2000-01
Social Security	0.2	5.5	-23.9	-26.8
Veterans' Affairs	3.2	5.7	-1.3	-1.6
TOTAL	3.4	11.2	-25.2	-28.4

Explanation

Standardised 'date of effect' rules will be introduced for Department of Social Security (DSS) and Department of Veterans' Affairs (DVA) payments from 1 July 1999.

'Date of effect' rules determine when a customer's payment commences, ceases or varies following a change in their circumstances. Currently, date of effect rules vary across payments.

Under the measure:

- if a DSS customer's entitlements decline because of a change in their circumstances (such as a rise in his/her other income), the change in rate will apply from the date of the event. If the customer notifies the Department within 7 days of the event however, no reimbursement will be required of any monies received in that period; and
- if a DSS customer is entitled to an increase in payment, this will be from the date of the event where the person notifies the Department within 7 days of the event, and from the date of notification in other cases.

For DVA customers, in situations where entitlements either decline or increase, the change in payment will apply from the payday following the date of the event.

The new arrangements will reduce the number of days for which a DSS or DVA customer can receive a payment which does not reflect their changed circumstances.

They simplify the date of effect provisions by making them consistent across different payments for each Department. The current provisions are complex and can lead to inequities in the application of the rules and confusion for customers.

SOCIAL SECURITY

Revised arrangements for Financial Information Service and Migrant Liaison Officers

Function: Social Security and Welfare

Financial Implications ($m)

1997-98	1998-99	1999-00	2000-01
-4.2	-4.3	-4.3	-4.4

Explanation

As a consequence of changed requirements, this proposal reduces the number of Department of Social Security (DSS) Financial Information Service (FIS) officers and Migrant Liaison Officers (MLOs) by 25 per cent from July 1997.

FIS officers provide free advice to DSS customers and others approaching retirement on matters such as the operation of the pensions and allowances income and assets test and the advantages and disadvantages of different types of investments. Customers with complex financial affairs are also referred to FIS officers by other DSS staff for assistance with pension eligibility assessment.

This proposal recognises that fewer FIS officers are needed to service customers because of such factors as the introduction of extended deeming in July 1996 which has simplified the income testing arrangements for financial products. Under extended deeming all financial investments are assessed for income testing purposes at specified rates of return (currently 4 per cent or 6 per cent, depending on the size of the investment), rather than the actual rate of return received by individuals.

Migrant Liaison Officers in DSS and the Department of Employment, Education, Training and Youth Affairs (DEETYA) promote the availability of services to ethnic communities and provide feedback on service delivery issues affecting migrants and refugees from a non-English speaking background. MLOs from the two Departments are being transferred to the new Commonwealth Services Delivery Agency, which is to begin operations from 1 July 1997. The Agency will provide a single point for the delivery of a number of Commonwealth payments and services, including DSS income support payments, DEETYA student assistance payments and certain employment functions. As DSS and DEETYA MLOs perform similar roles, a smaller number will be required in the new Agency to achieve the same outcomes.

SOCIAL SECURITY

Reform of the income and assets test treatment of income streams by the Department of Social Security and the Department of Veterans' Affairs

Function: Social Security and Welfare

Financial Implications ($m)

	1997-98	1998-99	1999-00	2000-01
Social Security	6.7	-0.9	-6.4	-9.9
Veterans' Affairs	0.9	0.2	0.1	0.1
TOTAL	7.6	-0.7	-6.3	-9.8

Explanation

Income streams are income producing investment products such as superannuation pensions, allocated pensions (superannuation pensions purchased with an eligible termination payment) and annuities (generally, pensions purchased with ordinary, after-tax money). Currently the means test treatment of income streams by the Departments of Social Security (DSS) and Veterans' Affairs (DVA) is highly complex, with there being at least six different income test and five different assets test treatments of these products. The present arrangements also contain loopholes which can be exploited for avoidance purposes.

This measure, which is to apply from 1 July 1998, will simplify the means test treatment of income stream products, close off loopholes in the current legislation, and will provide DSS and DVA with flexibility to accommodate new products, unlike current arrangements where new products can be developed to exploit weaknesses in the system.

The measure divides income streams into broad categories. The first category is lifetime income products, and products with a term of life expectancy (or at least 15 years where life expectancy exceeds this) which are purchased at Age Pension or Service Pension age or over. These products will be subject to an income test but will be assets test exempt (provided they have certain characteristics such as being non-commutable, no residual capital value, size of payment in a year is fixed and limited reversionary benefits). The income test treatment for these income streams will be based on the gross annual payment to the individual less a deduction based on purchase price.

Defined benefit superannuation pensions (that is, superannuation pensions whose size is dependent on the person's salary at retirement) will also be exempt from the assets test and the income test will be based on the gross annual payment received by the individual less a deduction based on the person's own contributions.

All other income streams will be included in both the assets test and the income test. The income test treatment for investments with a term greater than five years will be based on the gross annual payment to individuals less a deduction based on purchase price. Investments with a term of five years or less will be subject to the deeming provisions generally applying for income test purposes to other financial investments held by individuals. Under the deeming provisions these income stream products will be assessed for income testing purposes at specified rates of return (currently 4 per cent and 6 per cent, depending on the size of the investment), regardless of the actual payments received by individuals.

The measure will implement a graduated system of income and assets test treatment which will provide an incentive for people to invest in longer-term income stream products. Lifetime (and life expectancy) income stream products will be subject to the most favourable treatment, while other products with a term in excess of five years will be treated more favourably than products with a term less than five years.

The Ministers for Social Security and Veterans' Affairs will have a discretionary power to exempt some existing holders of income stream products from the new income and assets testing arrangements. The Ministers will be able to apply this discretionary power in situations in which individuals have purchased products under contracts which genuinely cannot be broken or where individuals would face a significant penalty by changing their current arrangements. This will assist in ensuring that no existing holders of income stream products are unfairly penalised through the introduction of the new system.

SOCIAL SECURITY

Revised arrangements for carers of adults and children with disabilities

Function: Health, Social Security and Welfare

Financial Implications ($m)

	1997-98	1998-99	1999-00	2000-01
Health and Family Services	-0.3	20.4	22.8	25.7
Social Security	-2.8	-23.2	-28.5	-33.5
TOTAL	-3.1	-2.8	-5.7	-7.8

Explanation

This measure puts in place improved arrangements for carers. Currently there are three main forms of financial assistance for carers:

- Domiciliary Nursing Care Benefit is a supplementary payment available to people who care for older people and people with a disability who remain in the community rather than enter institutional care. It is a non-income and assets tested amount of $58.30 a fortnight;
- Child Disability Allowance is a supplementary payment available to people who care for a child with a disability who requires substantially more than the care and attention needed by a child of the same age who does not have a disability. It is a non-income and assets tested amount of $74.90 a fortnight; and
- Carer Payment is an income and assets tested payment providing a basic level of income support for a person providing full-time personal care or supervision to a severely disabled or frail aged person. The maximum single rate of payment is $347.80 a fortnight.

These payments recognise the important role played by carers and complement other forms of Commonwealth support such as respite services, community care services and the Carer Resource Centres announced in the 1996-97 Budget. These programmes together form the basis of a broad approach to supporting carers in the community.

The measure outlined here has three main elements - a considerable increase in the rate of Domiciliary Nursing Care Benefit; improved access to Carer Payment for high needs groups; and better targeting of Child Disability Allowance.

Domiciliary Nursing Care Benefit

This initiative will improve the consistency of support provided to carers, especially between carers of adults and of children. From July 1998 the rate of the Domiciliary Nursing Care Benefit (DNCB) will increase by about $16.60 a fortnight so that it aligns with the rate of Child Disability Allowance (CDA). This represents an increase of 28 per cent and provides additional recognition for the valuable role played by carers of adults with high care needs. Over 45,000 eligible carers of older people and adults with a disability will benefit from this increase.

Carer Payment

Carer Payment will be extended from July 1998 to carers of children under the age of 16 with profound disabilities. From March 1999 Carer Payment will also be available to carers who are required to care for an adult as well as care for, or supervise the care of, a child.

From July 1998, people in receipt of DNCB, CDA and/or Carer Payment will be able to temporarily cease providing care for periods of respite or hospitalisation for up to 63 days a year without losing their entitlement. Currently, those receiving DNCB and CDA are entitled to cease caring for 42 days a year, while for those on Carer Payment the entitlement is 52 days (from July 1997).

Child Disability Allowance

Child Disability Allowance is also being reformed to ensure better targeting of this payment. In recent years, growth in CDA customer numbers and expenditure has been high. For example, in the five years to January 1997 customer numbers doubled, reaching 102,000. Australian Bureau of Statistics research showed that, of the children who qualified for CDA in 1993, close to 21 per cent had no handicap, did not require personal help or supervision and had no difficulty in performing self-care, mobility or verbal communication tasks.

Better targeting will be achieved through the introduction of Child Disability Tables which measure the impact of a child's disability on his or her functional ability in communication, mobility, self care and community living skills and social behavioural skills.

New claimants will be assessed for eligibility under the Tables from July 1998. Those who do not qualify for CDA but who have a chronic illness will have access to a Health Care Card, which provides low-cost pharmaceuticals under the Pharmaceutical Benefits Scheme.

Prior to 1 July 1998, all currently qualified CDA children will be reviewed against the present criterion of 'requiring substantially more care and attention than other children of the same age' to ensure that they have an ongoing entitlement. All qualified CDA children as at 1 July 1998 will then be able to continue receiving CDA until 30 June 2003 without any further medical reviews. Non-medical reviews (for example, care and custody, child turning 16) will still be required. Thereafter the entitlement of this group will be reassessed on the basis of the Child Disability Tables.

A single rate of CDA will also be payable from July 1998 to the carers of children who individually do not qualify under the Child Disability Tables but whose combined score exceeds the threshold for payment. This will help families with mildly disabled children whose combined score represents a significant carer burden.

Currently, customers qualifying for CDA may apply for up to 12 months arrears of the payment. This compares with three months maximum arrears for other social security payments. Under the revised arrangements, from January 1998 the maximum arrears payable for CDA will be reduced to six months. This will still enable carers to delay making a claim for CDA while they obtain a diagnosis of their child's disability and adjust to the resultant impact on the family.

SOCIAL SECURITY

Amendments to migrant two-year waiting period for social security payments

Function: Health, Social Security and Welfare

Financial Implications ($m)

	1997-98	1998-99	1999-00	2000-01
Health and Family Services	8.1	0.9	2.8	2.8
Social Security	106.0	59.5	40.3	40.0
TOTAL	114.1	60.4	43.0	42.8

Explanation

This measure sets out the amendments made by the Government to the proposal, which it announced in 1996, to require newly arrived migrants, other than refugees and humanitarian migrants, to wait for two years before they could become eligible for social security payments. The proposal aimed to provide an incentive for migrants to Australia to ensure they could provide for their own income support.

The proposal would have applied a two-year waiting period to Newstart Allowance, Mature Age Allowance (granted after 1 July 1996), Sickness Allowance, above minimum rate Family Payment, Maternity Allowance, Parenting Allowance, Partner Allowance, Child Disability Allowance, Carer Pension, Disability Wage Supplement, Widow Allowance (excluding cases where both the claimant and her former partner were Australian residents when they separated), Double Orphan Pension, Mobility Allowance, Youth Training Allowance and Special Benefit (except for those whose circumstances change significantly for reasons beyond their control following arrival). A two-year waiting period was also applied for access to Health Care Cards and the Commonwealth Seniors Health Card.

In addition, the proposal removed the existing exemption from a waiting period for spouses whose partner had been an Australian resident for at least 26 weeks before their arrival.

Legislation to effect the proposal was included in the Social Security Legislation (Newly Arrived Residents Waiting Periods and Other Measures) Bill 1996 introduced into Parliament in March 1996. The Senate requested a number of amendments to this Bill, some of which were accepted by the Government and subsequently passed into legislation. The changes accepted by the Government were to exempt above minimum rate Family Payment, Maternity Allowance, Child Disability Allowance and Double Orphan Pension from the two-year waiting period.

The costs set out in the above table reflect the loss of savings against the original measure announced by the Government, including from delaying its date of implementation. However, overall the measure, as modified, is estimated to achieve savings of $35.3 million in 1997-98, $143.2 million in 1998-99 and around $167 million from 1999-00.

SOCIAL SECURITY

Amendments to activity test penalty periods for Newstart Allowance

Function: Social Security and Welfare

Financial Implications ($m)

1997-98	1998-99	1999-00	2000-01
31.9	30.3	31.8	29.0

Explanation

This measure sets out the amendments which have been put forward by the Government to its 1996-97 Budget proposal to tighten the Newstart Allowance activity test. The proposal aimed to ensure that only those people who are entitled to social security assistance receive it, thereby improving the targeting and overall integrity of the social security system.

The proposal comprised a mixture of administrative and legislative elements:

- the main administrative elements are closer monitoring and verification of claims about job search efforts through the use of Job Search diaries, increased issuing of Employer Contact Certificates and the establishment of a telephone contact service for employers; and
- the main legislative elements are strengthened penalties for failure to satisfy the activity test with non-payment periods increased to six weeks for the first offence, and 13 weeks for second and subsequent offences.

The administrative elements of the package commenced progressively from 29 July 1996. The legislative elements were due to commence 1 January 1997.

Legislation to effect the original measure was included in the Social Security Legislation Amendment (Budget and Other Measures) Bill 1996. The Senate subsequently requested amendments to the provisions of the Bill relating to the increase in non-payment penalty periods for failure to satisfy the activity test. The Government introduced an amended Bill into the Parliament in March 1997, which takes into account these requests.

Under the amended proposals the new penalty periods will be based on a combination of rate reduction and non-payment:

- the first activity test breach within a two-year period will result in an 18 per cent rate reduction for 26 weeks;

- the second activity test breach within a two-year period will result in a 36 per cent rate reduction for 26 weeks; and
- third and subsequent activity test breaches within a two-year period will result in a non-payment period of 13 weeks.

The costs set out in the above table reflect the loss of savings against the original measure announced in the 1996-97 Budget as a result of the amended proposals which the Government has now introduced. However, overall the measure, as modified, is estimated to achieve savings of $102.5 million in 1997-98 rising to $117.4 million by 2000-01.

SOCIAL SECURITY

Apply consistent hardship rules to waiting periods for Newstart Allowance and related payments

Function: Social Security and Welfare

Financial Implications ($m)

1997-98	1998-99	1999-00	2000-01
0.5	0.1	9.9	9.6

Explanation

This measure will rationalise the rules for the waiver, on hardship grounds, of the waiting periods applying prior to the receipt of Newstart Allowance and related payments such as Sickness Allowance. The waiting periods affected are:

- the ordinary one-week waiting period, which can apply to all claimants;
- the liquid assets waiting period, which applies to those with significant cash or bank deposits or readily realisable assets; and
- the income maintenance period, which will apply to those receiving lump sum payments (generally on termination of employment), such as accrued annual and long service leave. The income maintenance period, which replaces the annual leave waiting period in September 1997, was announced in the 1996-97 Budget.

Current legislation allows for any of these waiting periods to be waived when they cause severe financial hardship, but the waiver rules are different for each of the three, resulting in inconsistencies and unnecessary complexity.

This measure will establish the short term available funds test (namely whether a person has less than the equivalent of two weeks' allowance payment) as the common criterion for determining whether the person is in severe financial hardship and therefore eligible for waiver of waiting periods.

It will also introduce a further requirement for waiver of the liquid assets waiting period and the income maintenance period that expenditure, which results in hardship, has been for purposes that were unavoidable and essential.

This measure will also make possible the partial waiver of the liquid assets waiting period, a change from the current legislation under which it must be waived in full, regardless of when hardship is established during the waiting period.

The new arrangements will apply in full from 1 July 1999.

Approximately 51,000 new grant customers (about 35,000 of whom are Newstart Allowees) will benefit, with most gaining $145 (i.e. one week's allowance). The remaining Newstart customers will benefit by $290 (i.e. two weeks' payment).

SOCIAL SECURITY

Consistently treat lump sums for Social Security recipients as either income over 12 months or as a deemed asset

Function: Social Security and Welfare

Financial Implications ($m)

1997-98	1998-99	1999-00	2000-01
1.5	-3.7	-6.2	-6.3

Explanation

The objectives of this measure, which will take effect from 20 March 1998, are to provide equitable and consistent treatment of lump sum amounts between pensioners and allowees (such as Newstart Allowance recipients), reduce complexity and simplify administration. The measure applies to lump sums received by people after they have qualified for a social security payment.

Currently, most lump sum amounts received by pensioners and allowees are apportioned as income over a 52-week period starting from the date on which the person is entitled to receive that amount. However, for allowees, remuneration related lump sums (for example commissions and royalties) are treated as income in the fortnight received.

Under this measure, lump sum amounts across all payment types will be treated as income over a 52-week period with the exception of one-off lump sums such as windfall gains, legacies and lump sum superannuation payments (including arrears or commutations of superannuation), which will continue to be exempt from the income test when received and be assets tested. Any such lump sum which is invested would have the normal deeming rules applied whereby they would currently be assessed under the income test at a rate of return of either 4 per cent or 6 per cent. Customers in receipt of pensions will not be affected by the measure.

SOCIAL SECURITY

Expansion of temporary activity test exemptions in special circumstances

Function: Social Security and Welfare

Financial Implications ($m)

1997-98	1998-99	1999-00	2000-01
-0.9	-1.3	-1.4	-1.4

Explanation

This measure, which takes effect from 20 October 1997, enables an additional period of exemption from the Newstart Allowance activity test in a limited number of circumstances. Under the activity test, individuals are required to be actively seeking work or undertaking another activity designed to improve their chances of finding work, in order to continue to receive payment.

Currently, an unemployed person may be exempt from the activity test for a maximum of 13 weeks where the circumstances arising are unforeseen and cause major disruption. Examples of circumstances where an exemption would be granted include jury duty and customers with temporary caring responsibilities. The measure will now allow the exemption to extend beyond 13 weeks in situations such as these.

The measure also provides an activity test exemption for expectant mothers from six weeks prior to the expected date of confinement to six weeks after the birth of the child.

The additional exemptions will remove the requirement for the customers concerned to move onto the hardship payment, Special Benefit, which has a less favourable income test than Newstart Allowance.

It is expected that around 2,400 people will benefit from these changes at any point in time. However, overall the measure results in outlays savings because fewer people will transfer to Special Benefit which is a more costly payment to administer than Newstart Allowance.

SOCIAL SECURITY

Increase Australian Taxation Office Employment Declaration Form matching with Department of Social Security data

Function: Social Security and Welfare

Financial Implications ($m)

1997-98	1998-99	1999-00	2000-01
-27.9	-27.4	-28.2	-28.9

Explanation

This measure builds on initiatives in the 1996-97 Budget in response to *Meeting Our Commitments* which identified the scope for savings from administrative efforts to ensure the integrity of the social security system.

Employment Declaration Form (EDF) matching identifies Department of Social Security customers who have undisclosed income from employment. EDF data is matched fortnightly against Department of Social Security records and matched cases are sent to regional offices for review of entitlement.

The measure provides on-going funding for the processing of an additional 70,000 EDF reviews a year from 1997-98, following on from an additional 75,000 reviews in 1996-97.

The measure will help to ensure that incorrect payments in the social security system are minimised. No customer with a legitimate entitlement will be worse off under the proposal. As a result of the additional reviews, it is expected that over the two years 1996-97 and 1997-98 a total of around 5,500 customers will have their payments either cancelled or reduced.

SOCIAL SECURITY

Apply preclusion periods to high income seasonal or intermittent workers

Function: Social Security and Welfare

Financial Implications ($m)

1997-98	1998-99	1999-00	2000-01
0.8	-5.0	-5.7	-6.0

Explanation

The application of preclusion periods will ensure that Newstart Allowance payments for the unemployed are focused on those in real financial need by preventing higher income seasonal, intermittent or contract workers from immediately accessing Newstart Allowance during the 'off season' or between contracts. It will also exclude higher paid workers, who have their leave entitlements cashed out in their salary payments, from receiving Newstart Allowance over Christmas shutdowns.

In both cases, a formula will be provided in the legislation to allow for a preclusion period based on the income received from employment. The formula will only apply to single people on incomes above average weekly earnings and couples with income twice average weekly earnings.

Other seasonal workers, who receive a small retainer during the season and a large lump sum distribution from the season's profit, will be separately addressed under the measure 'Consistently treat lump sums for Social Security recipients as either income over 12 months or as a deemed asset'.

Under the new arrangements, which will take effect from 1 July 1998, all seasonal or contract workers will be required to complete a form detailing their assets and cash flows when they claim Newstart Allowance.

SOCIAL SECURITY

Continue funding for the Family Service Centre and Retirement Service Centre pilots

Function: Social Security and Welfare

Financial Implications ($m)

1997-98	1998-99	1999-00	2000-01
1.9	0.0	0.0	0.0

Explanation

This measure maintains funding for the existing pilots of Family Service Centres and Retirement Service Centres for a further 12-month period to assess the merit of these arrangements in the new Commonwealth Services Delivery Agency. The Agency, which is to begin operations within the Social Security portfolio from 1 July of this year, will provide a common interface for Social Security income support, child care assistance, student assistance and certain employment services and its establishment will enable a greater customer focus to be given to the delivery of these services.

Further Information

In 1995-96 the Department of Social Security began trialling new concepts of service delivery. Fourteen pilot Family Service Centres and six pilot Retirement Service Centres have been established in locations around Australia.

Family Service Centres aim to make it easier and simpler for families to access payments and services provided by the Commonwealth, State and local governments and community agencies. The Child Support Agency, Department of Employment, Education, Training and Youth Affairs and Department of Immigration and Multicultural Affairs are among the range of Government agencies which have provided services to families through the Family Service Centres.

Retirement Service Centres aim to provide a 'single office' concept of service delivery to retirees and pre-retirees in relation to Social Security, Veterans' Affairs, taxation and superannuation matters. The Centres provide information and services to enable informed decisions by retirees and pre-retirees about retirement planning.

While most of the Family Service Centres and Retirement Service Centres are located in existing Department of Social Security regional offices, some are located in other venues such as shopping centres.

SOCIAL SECURITY

Pay Family Payment above the minimum rate when a child and/or parent/s go overseas for up to eight weeks

Function: Social Security and Welfare

Financial Implications ($m)

1997-98	1998-99	1999-00	2000-01
4.2	6.8	7.0	7.1

Explanation

Above minimum rate Family Payment is provided to assist low income families with the costs of raising their children. It is paid at $96 per fortnight for each child under 13, $124.90 per fortnight for each child aged 13 to 15, and $60 per fortnight for secondary students aged 16 to 18.

Under current arrangements, payment of above minimum rate Family Payment is permitted for up to 13 weeks when one or both parents travel overseas and the child remains in Australia. However, if the child travels overseas with or without his or her parent(s), above minimum rate Family Payment is not paid while the child is overseas.

The measure, which takes effect from 1 January 1998, will remove this anomaly and result in a more consistent approach by making above minimum rate Family Payment available for up to eight weeks when parents and/or their children travel overseas. As a result of the measure assistance will, for example, continue to be available where children travel overseas for medical treatment, undertake educational visits, or visit relatives overseas.

It is estimated that around 25,000 children travelling overseas each year, whose families currently do not receive above minimum rate Family Payment during that period, would be eligible for up to eight weeks payment. For a child travelling overseas for the full eight weeks, the average financial gain for a family would be around $660.

SOCIAL SECURITY

Improvements to the Data-matching Programme and increased review activity

Function: Social Security and Welfare

Financial Implications ($m)

1997-98	1998-99	1999-00	2000-01
-16.1	-31.6	-39.4	-40.4

Explanation

This measure builds on initiatives in the 1996-97 Budget in response to *Meeting Our Commitments* which identified the scope for savings from administrative efforts to ensure the integrity of the social security system.

The Data-matching Programme detects incorrect payments of income support through checking the identity and income information provided by people receiving government financial assistance. The Programme uses tax file numbers to verify the information clients give the Department of Social Security.

The measure consists of two elements:

- the *Data-matching Program (Assistance and Tax) Act 1990* will be amended to remove references to specific payment and programme types dealt with by the Department of Social Security, thus removing the need to make legislative amendments each time a new payment is created or an old payment is renamed. Other amendments will also be made to this Act to streamline the administration of the Program by allowing for the transfer of data between agencies via secure on-line computer connections; and
- the measure will also provide on-going funding for the processing of an additional 50,000 Data-matching Program reviews annually.

The measure helps to ensure that incorrect payments in the social security system are minimised. No customer with a legitimate entitlement will be worse off under the measure. It is expected that around 11,000 of the additional customers being reviewed annually will have their payments either cancelled or reduced.

SOCIAL SECURITY

Parenting Payment simplification and rationalisation package

Function: Social Security and Welfare

Financial Implications ($m)

1997-98	1998-99	1999-00	2000-01
4.0	-1.0	-1.8	-2.1

Explanation

Currently there are two payments for parents who remain at home to care for their children. Sole Parent Pension is available to single parents in this situation while Parenting Allowance is available to partnered parents. Recipients of either payment have similar requirements for government assistance, with some recipients moving between the two payments as their situations change.

This measure, which takes effect from March 1998, moves towards a common income support payment for those with child rearing responsibilities by replacing Sole Parent Pension and Parenting Allowance with a single Parenting Payment. In doing so it will align a number of conditions that currently vary between the two payments:

- residency requirements - the length of time people are required to live in Australia before qualifying for payment, will be aligned at two years (a reduction from five years in the case of Sole Parent Pension);
- portability provisions - the length of time the payment can be received while the recipient is overseas, will be aligned at 26 weeks (an increase from 13 weeks in the case of Parenting Allowance and a reduction from 12 months in the case of Sole Parent Pension);

- an income maintenance period (under which lump sum payments such as accrued annual leave and long service leave are treated as income for a period equal to the number of weeks of unused leave received from their employer), will now be applied to Sole Parents Pensions, in line with the current practice for Parenting Allowance recipients; and
- the assets test applied to Sole Parents Pensions will be aligned with the current test for Parenting Allowance recipients (assets over $124,000 for homeowners or $212,500 for non-homeowners will result in a sudden-death cut-off of payment, rather than the tapered cut-off beginning at the same limits that currently applies to Sole Parent Pensioners).

Other differences between Sole Parent Pension and Parenting Allowance, including rates of payment, income testing arrangements, and access to concession cards, are being retained under the new Parenting Payment.

The creation of a single Parenting Payment will simplify and make more consistent income support arrangements for those with child rearing responsibilities, and ease transitions as separation and repartnering occurs.

The measure also involves changes to the Jobs, Employment and Training (JET) programme. JET Advisers currently assist Sole Parent Pensioners and some other income support recipients in finding employment or gaining skills to find employment. The measure will fund additional JET assistance for Parenting Payment recipients. Assistance will be focussed on those who have a youngest child aged either 6 or 12 and are earning less than $150 per week. Funding will also be provided for JET Advisers to purchase pre-vocational training assistance (such as computer familiarisation training to update office skills) to assist JET participants to develop skills to obtain employment and minimise their dependence on income support.

SOCIAL SECURITY

Tightening of the hardship provisions for minimum Family Payment and Maternity Allowance

Function: Social Security and Welfare

Financial Implications ($m)

1997-98	1998-99	1999-00	2000-01
0.1	-3.5	-3.6	-3.7

Explanation

Family Payments provide financial assistance towards the costs of raising children. Minimum Family Payment is paid at $23.40 per child per fortnight. Above minimum Family Payment, which is restricted to low income earners, is $96 per fortnight for each child under 13, $124.90 per fortnight for each child aged 13 to 15, and $60 per fortnight for secondary students aged 16 to 18.

Maternity Allowance is a lump sum payment of $870.30 available on the birth of a child, eligibility for which is linked to that for minimum Family Payment. From January 1998 Maternity Allowance will be paid in two instalments, one of $750 upon the birth of a child, and a further instalment of $200 at 18 months, receipt of which will be linked to immunisation of the child.

This measure, which takes effect from January 1998, improves the targeting of minimum Family Payment by tightening the hardship provisions for this payment under its assets test.

Currently a family with assets of $406,000 or more (excluding the family home) is generally not entitled to minimum Family Payment unless one of two hardship provisions apply.

The first hardship provision applies if:

- the value of the family's assets is more than $602,500; and
- the family's liquid assets (i.e. cash and assets easily disposed of such as motor vehicles) are less than $6,000 for a single person or $10,000 for a couple; and
- the amount of estimated income for the current financial year is less than $15,647 (for a family with one child).

The second hardship provision applies if:

- the value of the family's assets is more than $406,000 but less than $602,500; and
- the liquid assets criteria and/or the current income levels specified above are not met but estimated income for the current financial year is less than an income ceiling of $65,743 (for a family with one child).

The measure modifies the second hardship provision by reducing the income ceiling from $65,743 (for a family with one child) to $27,125 a year (for a family with one child) plus $4,399 a year for each additional child.

The new assets test hardship provisions will continue to allow entitlement to minimum Family Payment for those families with substantial assets but modest incomes, but exclude those with both substantial assets and higher income levels.

The current income test limits for receipt of minimum Family Payment ($65,743 plus $3,288 for each child after the first) will remain unchanged.

SOCIAL SECURITY

Rental assistance to people living in public housing - Remove double subsidy

Function: Education, Social Security and Welfare

Financial Implications ($m)

	1997-98	1998-99	1999-00	2000-01
Employment, Education, Training and Youth Affairs	-0.1	-0.2	-0.2	-0.2
Social Security	-21.1	-58.0	-59.7	-61.2
Veterans' Affairs	-0.0	-0.1	-0.1	-0.1
TOTAL	-21.2	-58.3	-60.0	-61.5

Explanation

Currently, housing assistance in Australia is provided primarily through two major channels. First, the States provide public housing for low income tenants at subsidised rentals through their housing authorities with support from the Commonwealth through grants under the Commonwealth State Housing Agreement (CSHA). Second, the Commonwealth provides rent assistance to those who rent their accommodation in the private rental market, and receive income support payments through the Departments of Social Security, Veterans' Affairs and Employment, Education, Training and Youth Affairs.

Rent Assistance is specifically denied to public housing tenants on the basis that this group is already subsidised by the housing authorities. In general, sub-letting is only allowed when the respective housing authority has authorised it. In these circumstances, the housing authority assesses additional rent at around 10 to 25 per cent of the income of the sub-tenant. Existing legislation allows income support recipients to receive Rent Assistance if living with and paying rent to the primary tenant of the public rental dwelling. There is no good reason to pay Rent Assistance to people living in public rental housing when the accommodation has already been substantially subsidised by the State housing authority.

The measure will stop the situation where the Commonwealth is effectively paying two subsidies in respect of some public housing. As from 1 January 1998, Rent Assistance will not be paid to sub-tenants living in public rental dwellings where the primary tenant pays subsidised rent to a State housing authority. However, if the primary tenant pays market or unsubsidised rent the sub-tenant will not be affected by this measure. This measure will require the cooperation of State and Territory housing authorities.

SOCIAL SECURITY

Funding arrangements under the Commonwealth State Housing Agreement

Function: Housing and Community Amenities

Financial Implications ($m)

1997-98	1998-99	1999-00	2000-01
-50.0	-50.0	-50.0	-50.0

Explanation

The Commonwealth and States agree on the need for reform to improve the management and equity of public housing. As the Commonwealth and the States have been in the process of discussing public housing reform, funding had only been agreed until the end of 1997. The interim Commonwealth State Housing Agreement (CSHA) runs until the end of the 1998-99 financial year.

The Commonwealth is proposing that a package of measures involving a staged restructure of arrangements under the CSHA be developed. This package would involve a range of microeconomic reforms which will be developed with the Commonwealth working directly with the States.

On the basis of State commitment to negotiations on the development of reforms, the Commonwealth is offering to provide funding of $975.0 million in 1997-98 and $964.4 million in 1998-99 under the interim CSHA. This includes funding for the Aboriginal Rental Housing Programme and the Crisis Accommodation Programme at the current levels. Funding for 1999-00 and 2000-01 is provisional and subject to negotiation with the States at a later date.

The overall funding levels for the CSHA have been reduced by $50 million a year, recognising that there is scope for greater efficiencies through the reforms of public housing that are expected to be implemented in the next few years. There is scope to improve the cost-effectiveness of public housing management and the targeting to those with greatest need. The development of concrete options in this area is a key task facing Housing Ministers.

SOCIAL SECURITY

Extend the period of the income test for the 'low income' Health Care Card from four to eight weeks

Function: Health, Social Security and Welfare

Financial Implications ($m)

	1997-98	1998-99	1999-00	2000-01
Health and Family Services	0.0	-1.7	-1.8	-1.8
Social Security	0.2	0.1	0.0	0.0
TOTAL	0.2	-1.5	-1.8	-1.8

Explanation

The Health Care Card provides recipients with access to pharmaceutical prescriptions at concessional rates funded by the Commonwealth, as well as access to some State-based transport and other concessions. Health Care Cards are automatically issued to people who receive Social Security allowances such as Newstart Allowance and those who receive above minimum rate Family Payment.

The Health Care Card may also be claimed, for six months at a time, by low income earners not in receipt of the above Social Security payments but with average income over the four weeks prior to claim of no more than $285 per week for singles and $475 per week for couples (plus $34 per week for each child). The card is intended to assist longer term recipients of low incomes.

Under this measure, which applies from 1 July 1998, the period over which average weekly income is measured to qualify for a low income Health Care Card will be extended from the current four weeks to eight weeks. By calculating the average income over a longer period, the measure will assist in preventing the manipulation of income by some claimants, especially casual workers, in order to obtain eligibility for the card. As a result, there will be improved targeting of Health Care Cards to those in real financial need.

SOCIAL SECURITY

Increased efficiency dividend on Department of Social Security running costs

Function: Social Security and Welfare

Financial Implications ($m)

1997-98	1998-99	1999-00	2000-01
-0.8	-0.8	-0.9	-0.9

Explanation

Currently most budget-funded agencies pay an efficiency dividend of 1 per cent a year (ongoing) of their total running costs, unless specifically exempted by Cabinet.

This measure recognises that the Department of Social Security is making efficiency gains and that some of the returns from these efficiencies will be made available to the Budget for allocation to higher priority areas.

This measure applies a one-off additional 1 per cent efficiency dividend to the base running costs of the Department of Social Security, separate from and exempting the Commonwealth Services Delivery Agency, in 1997-98. This reduction rolls through to also reduce the base running costs of the forward estimates.