Social Security and Veterans’ Affairs Legislation Amendment Bill 1989

Date Introduced: 12 April 1989
House: House of Representatives
Presented by: Hon. Brian Howe, Minister for Social Security

Digest of Bill

Purpose
The Bill will implement a number of the measures concerning the social security portfolio announced by the Treasurer in the Economic Statement delivered on 12 April 1989. The main measures to be implemented by this Bill are an increase in allowances for certain dependent children, the indexation of such benefits, and the bringing forward of the indexation period in respect of certain benefits.

Background
In the April Economic Statement the Treasurer announced a range of tax and social security measures that were principally aimed at increasing the disposable income of families, particularly those with dependent children, though most taxpayers will receive some benefit. The full implementation of the measures will involve amendments to a number of Acts as well as administrative action.

The most contentious area dealt with by this Bill concerns assistance for families and certain election promises made by the Government with regard to children living in poverty. To achieve its aims, the Government set the target of assistance to needy families (i.e. those that fall below the means test levels) of at least 15% of the married pension rate for young children and 20% for those 13 to 15 years old. This Bill will achieve those levels from the start of 1990 through increases in the family allowance (FA) and the family allowance supplement (FAS). The rate of FA in respect of the first and second children will be increased to $9 per week (compared to the current rates of $5.25 and $7.50 respectively), the rate for the third child will remain constant at $9 per week, and that for the fourth child will rise from $9 to $12 per week. For subsequent children, the rate will increase from $10.50 to $12 per week. The FAS was introduced in December 1987 and is payable to those who fall below the income threshold and the assets test level. The FAS is payable at two different rates, for children aged 12 years and below and aged 13 to 15 years. From December 1987 to December 1988, the rates were $22 and $28 per week respectively. From December 1988 the rates were increased to $24 and $31 per week.
week. In the April Economic Statement, it was announced that the rate for children aged 13 to 15 will be increased to $34.10 per week. There will be no increase for younger children as the new FA rate combined with the current level of FAS will exceed the lower level of the married pension rate that has been set by the government.

Other measures announced in the April Economic Statement relate to the indexation of certain benefits. Direct indexation will be introduced for a number of benefits related to dependent children, principally the FA, any additional pension received due to dependent children and certain other benefits, such as the double orphans allowance. The FAS will not be directly indexed but will be linked to the rate of pension, which is indexed, to maintain the relativities referred to above. In another move related to indexation, the date on which certain benefits are indexed will be moved forward progressively so that, by the end of 1990, the date is 12 weeks before the current date. In the 1986–87 Budget, the indexation date was moved back by six weeks.

Main Provisions

Social Security Act 1947
Section 33 of this Act, which deals with the rate of pensions, will be amended by clause 6 to insert new provisions relating to the additional amount payable in respect of dependent children. Under the amendments, the additional payments will be the same as those calculated under proposed new sub-section 74(1) (see below). The amendment will commence from 1 July 1989.

Section 34 of this Act deals with the indexation of pensions, including the aged, invalid and widows pensions, and supporting parents’ benefits. Clause 7 will amend this section to progressively bring forward the date on which indexation occurs. By 1990, the date will have been advanced, in four steps, by 12 weeks.

Proposed section 34A will index the additional allowance payable to unmarried people in respect of dependent children. The provision will commence on 1 January 1990 (clause 8).

Clause 11 will amend section 74 of this Act which deals with the rate of FAS. From 1 July 1989, the maximum rate of FAS will be increased to $34.10. From 1 January 1990, the rates will be determined in accordance with proposed sections 74AA and 74AB, which will be inserted into this Act by clause 12. Proposed section 74AA deals with the rate for those children under 13 years of age. The aim of the proposed section is to ensure that, from the start of 1990, the total amount payable under FA and FAS will be at least 15% of the married pension rate (proposed sub-section 74AA(1)). To achieve this, the rate of FAS will be the greater of the previous years amount and the indexed amount. The
The rate of FA is dealt with in clause 14 which will amend section 88 of this Act. The effect of the amendments will be that the fortnightly rate for the first three children will be $18, and the rate for subsequent children will be $24 per fortnight. The rate for children in institutions will be $24 per fortnight. The amendments will apply from 1 July 1989.

Proposed section 89 will index the rate of FA from 1 January 1990 (clause 15). Similarly, clause 16 will provide for the indexation of the double orphan's pension, while clause 18 will perform the same function in respect of the handicapped child's allowance.

The additional amount payable to those in receipt of the unemployment or sickness benefit for dependent children will be altered by clause 19 which will amend section 118 of this Act. The new rates will be in line with those described above for the FAS.

Section 119 of this Act deals with the indexation of unemployment and sickness benefits. Clause 20 will amend this provision to bring forward the indexation date in a manner similar to clause 7.

**Veterans' Entitlements Act 1986**

The amendments to this Act will perform essentially the same functions as the previous amendments, i.e. the indexation date will be brought forward, allowances for dependent children will be calculated in the same manner and the orphan's pension will be indexed.

**Social Security and Veterans' Entitlements (Maintenance Income Test) Amendment Act 1988**

Section 21 of this Act contained transitional provisions to ensure that a person would not suffer a reduction in total income due to the introduction of the maintenance income test. The amendments contained in clause 31 will ensure that the indexation provisions to be introduced by this Bill will also not adversely affect a person's entitlements.

For further information, if required, contact the Education and Welfare Group.

8 May 1989

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This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

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