Social Security Legislation Amendment Bill 1988

Date Introduced: 19 October 1988
House: House of Representatives
Presented by: Hon. Brian Howe, M.P., Minister for Social Security

Digest of Bill

Purpose

The Bill will introduce a number of changes announced in the May 1988 economic statement and the 1988 Budget and continue other reforms. Principally, an assets test will be introduced for the Family Allowance Supplement (FAS); a sole parents' pension and widowed persons' allowance will be introduced to replace some current schemes; elements of the New – Start package will be introduced; and a number of allowances will be increased.

Background

In the social security area, much emphasis has been placed recently on the government’s commitment to eliminate child poverty by 1990. Central to this plan is the FAS scheme which provides income tested, tax free assistance to low income earners. The current maximum rate of FAS is $28 per week, and the maximum rate for a family with one child is payable where family income is less than $300 per week. Above this amount the FAS phases out. In the May economic statement, it was announced that from 29 December 1988 the FAS would be subject to an assets test similar to existing assets tests. An increase in the rates of FAS was announced in the Budget, with, for example, the rate mentioned above being increased to $31 per week. Expenditure on the FAS in 1988 – 89 is estimated to be $400.8 million, an increase of 87.6% over the previous year’s figure of $213.6 million.

The decision to introduce a sole parents' pension to replace the Class A widows' pension and the supporting parents’ benefit was also announced in the 1988 Budget. The reasoning behind the decision was to remove distinctions between the two pensions which both were designed principally to assist parents with sole control of a child. The new pension will remove some dated provisions of the current schemes, such as the need to show desertion without just cause to receive the widows' pension. One of the major differences between the existing and proposed schemes is that a person may receive the payment under the proposed scheme if they have substantial care and control of the child. There is currently a requirement that the person has legal custody.
The New-Start program is designed to assist the long term unemployed and was announced in the 1988 Budget. Available to those who have been unemployed for at least 12 months, the scheme will provide assistance through an increase in training positions, the provision of a $100 payment on entering the workforce, the waiver of the one week waiting period where such people return to benefits after being involuntarily unemployed within three months of leaving benefits, and allowing such people to qualify for unemployment benefits while receiving short-term training or voluntary work. These measures are designed to reduce the cost of undertaking short-term employment.

Main Provisions

The rate of the additional pension provided in respect of the children of pensioners will be increased by clause 10 which will amend section 33 of the Social Security Act 1947 (the Principal Act). The rate in respect of children under 13 will be increased from $1144 per year to $1248 per year, while that for children between 13 and 16 will increase from $1456 to $1612 per annum. The amendments will have effect from 22 December 1988.

Parts V and VI of the Principal Act will be repealed and a new Part V, titled Sole Parents' Pension, will be inserted into the Principal Act by clause 11.

Proposed section 43 contains the definition provisions. The most important definition is that of qualifying child. This is defined to be a child under 16 who is a natural or adopted child of the person and of whom the person has legal custody. A child will also fall within this definition if the person has had substantial care and control of the child for at least 12 months and who, in the Secretary's opinion is likely to remain wholly or substantially within that person's control.

Proposed section 44 deals with qualification for the pension. The qualifications are similar to the existing pensions, and basically depend on the person being single (as defined), having a qualifying child and satisfying residency requirements. The residency requirements are dealt with in proposed section 45. The person is to be a resident on the day the application is made and satisfy one of the other matters listed in the proposed section. These include that a child became a qualifying child while the person was a resident, that the person has been a resident for the previous five years or for a continuous period of 10 years at any time; or, if previously married, the person was a resident immediately before they became single. Proposed section 46 relieves these requirements for widows who have not resided in Australia since May 1973 if they and their spouse resided in Australia immediately prior to being widowed, and the Secretary is of the opinion that the person is in special need of financial assistance. Under proposed section 47, the pension may not be payable if the person has a right to maintenance and has failed to require the payment of that maintenance.
The rate of the pension is dealt with in proposed section 48. The annual rate will be the combination of the maximum rate of the aged pension, the allowance payable in respect of the children (equal to the amount payable under section 33) and any rent assistance payable (a maximum of $780 per annum – clause 50), less any amount deducted through the operation of the income or assets tests. The latter amount will be calculated in accordance with the formula contained in proposed section 51. Basically, the formula depends on income above $2080 per annum (depending on the number of children) and any maintenance payments above the maintenance free area. Entitlement to the sole parents' pension will cease if the person is absent from Australia for longer than 12 months (proposed section 60B).

The pension will only be payable to one person in respect of a child (proposed section 52).

Proposed Part VI deals with the Widowed Persons' Allowance. This payment will be available if the person's spouse dies after 16 February 1989, the person does not have a qualifying child and satisfies the residence qualifications (see above). The pension will be at the same rate as the sole parents' pension, with any dependent children being included in the calculation.

Generally, people will cease to be eligible for a pension if absent from Australia for longer than six months, unless an appropriate certificate has been completed (proposed section 60A).

The FAS will be amended by clauses 14 to 30. The income threshold is defined to be $15 600 per year plus $624 for each dependent child other than the first (clause 14 which will amend section 72 of the Principal Act). The FAS will not be payable in respect of children who have taxable income above the level specified in the Income Tax Rates Act 1986 (i.e. currently $416 per annum) (clause 15 which will amend section 73 of the Principal Act). Section 74 of the Principal Act will be amended to increase the rate of FAS in respect of a child under 13 from $22 to $24 per week, and that for children aged 13 to 16 from $28 to $31 per week (clause 16). This amendment will have effect from 29 December 1988.

An assets test for the FAS will be introduced by clause 17. The FAS will cease to be payable where the value of the person, and their spouse if married, exceeds $300 000. In calculating this amount, the same matters are to be excluded as are excluded for other assets tests (see section 4 of the Principal Act). Proposed section 74B provides for the reduction of FAS payments where the persons' income exceeds the threshold level. The amount of the reduction will depend on the amount by which the income exceeds the threshold level.

Allowances will not be payable where the persons' taxable income cannot be ascertained (proposed section 74C).
Proposed section 74D provides for the indexation of the assets test value and the threshold income level.

Where a person has been absent from Australia for three years, and left Australia after 17 May 1986, the family allowance will cease to be payable while the person, or their child, remains outside Australia (proposed section 83 which will be inserted into the Principal Act by clause 23).

The income test for the family allowance will be indexed by clause 26 which will amend section 85A of the Principal Act.

The rate of family allowance payable for the period 29 December 1988 to 1 July 1989 is detailed in clause 28 which will substitute a new section 88 into the Principal Act. The rate of payment will depend on the number of children, with special provisions for multiple births.

Clause 37 provides that the child disability allowance will be payable at the rate of $48 on each family allowance pay day between 29 December 1988 and 1 July 1989. After that date, the rate will be $51.70.

People in an armed services reserve unit will not be required to satisfy the work test to continue to receive unemployment benefits while on training (clause 39 which will amend section 116 of the Principal Act). Similarly, the work test need not be satisfied by those in full-time training or voluntary work (proposed section 116A which will be inserted into the Principal Act by clause 40).

An additional allowance is payable in respect of the dependent children of those in receipt of unemployment or sickness benefits. The rate of the various payments will be increased by clause 41 which will amend section 118 of the Principal Act. The new rates will be the same as for the FAS. This provision will also increase the rate of the young homeless allowance from $26 to $27.85 per week.

Various allowances payable in respect of children under 18 are reduced if the parents income exceeds the threshold level. This level will be increased from $16 000 to $16 950 per year (clause 43) and the new level will be indexed (clause 44).

Where a person has been released from at least seven days imprisonment and has applied for sickness or unemployment benefits, the person will be entitled to a double benefit in respect of the first week (clause 45 which will insert a new section 122B into the Principal Act).

Section 125 of the Principal Act will be amended to remove the waiting period for long term beneficiaries who return to benefits within three months of leaving (clause 46).
Clause 52 will amend section 164 of the Principal Act to clarify and restrict the power to gain information under the Principal Act. Basically, such powers will be restricted to those cases regarding the eligibility for a benefit or the determination of the rate of benefit.

Where a long term unemployed person (i.e. one that has been on benefits for at least 12 months) commences employment, a special grant of $100 will be payable (clause 55 which will insert a new section 237A into the Principal Act).

New Schedules will be inserted into the Principal Act by clauses 58 and 59. Proposed Schedule 1B clarifies the rules relating to the Class B Widows' Pension (including such matters as residency requirements). This will bring the rules for such pensions into line with the sole parents pension. Proposed Schedule 4 contains the reciprocal social security agreement between Australia and Canada. The agreement continues the process of negotiating treaties to ensure that people have adequate coverage even if they cannot satisfy residence requirements, with each country (the past and present countries of residence) contributing to the cost.

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

4 November 1988

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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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