



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

FAMILIES, HOUSING, COMMUNITY SERVICES AND INDIGENOUS AFFAIRS AND OTHER LEGISLATION AMENDMENT (ELECTION COMMITMENTS AND OTHER MEASURES) BILL 2011

Second Reading

SPEECH

Tuesday, 22 March 2011

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

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Date Tuesday, 22 March 2011
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Questioner
Speaker Georganas, Steve, MP

Source House
Proof No
Responder
Question No.

Mr GEORGANAS (Hindmarsh) (6.22 pm)—It gives me great pleasure and a certain amount of satisfaction to be here today to speak in support of the Social Security Amendment (Income Support for Regional Students) Bill 2010 [2011]. The content of this bill was the subject of communications and discussions within my electorate of Hindmarsh during the 2010 election and people in my area did support these measures—they supported them with their votes. The interest in these policies was clearly evident after the announcement by the Prime Minister and prior to the day on which most electors cast their votes. The satisfaction that I feel in supporting this bill comes from my knowledge of the benefit that people will derive from the measures contained therein. These measures will make a material difference to many, many people's lives. People favoured these policies in the context of an election. They voted accordingly and it is satisfying to recognise that they will have the value they placed in their democratic participation meaningfully acknowledged through legislative change.

As we heard earlier from the many speakers who have spoken on this side of the House, there are two principal elements to this bill, and I would like to note them today. The first of these is the effective removal of the distinction within the family payment structure between 13- to 15-year-olds, and 16- to 19-year-olds engaged in full-time secondary study or a full-time vocational education equivalent. The impact of this measure is up to \$4,000 more per year for a family with a teenager. That is a terrific amount of money and additional assistance to help families keep their children focused on successfully completing their secondary education.

The family tax benefit part A has dropped by 75 per cent once a child turns 16, the age at which secondary schooling becomes 'voluntary'. The benefit has dropped from \$208 per fortnight to \$51 per fortnight. Rent assistance also stops when a child turns 16. This drop in family support is one of the main issues that parents consistently raise concerns about with the government.

We do need young Australians to take on many highly varied occupations and, as we have heard before in debates in this place, not all need either a university education or extensive training. There are opportunities for young people to engage in work and develop skills and a career within the workforce. Nevertheless, I think on balance we would all prefer the great majority of young Australians to complete their secondary schooling or equivalent and enjoy the experience without acute financial pressures. This bill will help families of some 590,000 teenagers avoid those financial pressures over the next five years alone.

I also hope that young people stay at school long enough to practise and learn and to get the benefits of personal reading and self-managed study that they will require. This mode of learning, evident in late secondary education but typically more so at university, will invariably be the mode of learning engaged in by the majority of people through most situations they find themselves in and it will help all people immeasurably throughout their lives.

People's lives, their work lives and their private family lives, may well be more dynamic and subject to radical change over time than ever before as the workforce and technology change. Be it as a result of increasing reliance on private wealth invested in topsy-turvy stock markets, technological revolutions, shorter careers within any one field of work, or the greater choices that are made available to people through their lives, the one thing that we can predict these days is how unpredictable life is likely to be. We fare better if we can adapt to what life throws at us. Hence, to me, learning the utility of study and how to study are the greatest and most priceless lessons of all. The lessons I hope most young people learn in later secondary education will better equip them to successfully navigate in an ever-changing world for the long haul.

Another thing that has been changing over time is how much longer our lives are likely to be. We face opportunities through considerably longer lives, but with that also comes uncertainties. With better health and greater longevity, age pensioners are not relying exclusively on their pension. Senior Australians are keeping more cash coming into their households through wages irrespective of when they 'retired'. Many cannot do that, but those who can and do should be congratulated for their ongoing ability to manage their life situation and their cash flow and the way they govern their own quality of life.

For years we have heard governments of both persuasions encouraging people who reach retirement age to continue to work and fund their lifestyles. There have been structural elements which may have discouraged pensioners from doing so in the past. People may have been able to take two steps forward only to have the impact within the social security system slide them one step back, or more. For increasing numbers of age pensioners more of what they earn over the threshold is effectively lost to the government through decreased pension payments. The age pension income test has been increased for new pensioners from 40 per cent to 50 per cent on additional income over the threshold.

I have said this before in this place: I favour a system in which the rate of withdrawal of the age pension is similar to marginal tax rates. But I do acknowledge that this change was made in September 2009 to help fund the substantial increase in the age pension at that time, further helping hundreds of thousands of pensioners doing it tough out there, especially the bulk of single pensioners who need to pay a much greater proportion of their pension on the basics, be it accommodation, vehicle or electricity costs.

Ongoing comparatively high effective marginal tax rates do, and will continue to, decrease people's incentive to engage in post-retirement work. The government in its wisdom created the work bonus system introduced as part of the Secure and Sustainable Pension Reform of September 2009. It provided additional incentives for age pensioners to engage in work by quarantining wages of a certain value each fortnight from the pension income test. People in semiretirement do not always have a steady, uniform income throughout the year. Many have a period of casual or contract work. I met someone recently who had some contract work marking exams that only came around for a short period a couple of times a year. This is all within the seasonal work market.

This type of work is labour intensive but only for a short period of time each year. The fortnightly income earned in such a period is no reflection whatsoever of what a person earns over the course of the year. It is fundamentally wrong, I believe, for these fortnightly incomes to be extrapolated and used to calculate a person's pension going forward through the year, wrongly presuming very high ongoing income.

The measure within this bill adjusts the work bonus scheme to increase the amount of income a pensioner may earn external to the pension income test to \$6,500 per year. The first \$250 earned in any one fortnight will not be treated as income for the purposes of social security and veterans' affairs payment calculations. Most importantly, where a person does not have uniform earnings of at least \$250 each and every fortnight, this bill will enable those pensioners to roll over any unused fortnightly work bonus value to successive fortnight reporting periods up to a maximum of \$6,500 per year. If you do not learn anything in one fortnight, you do not lose the potential value of the work bonus; you carry it forward through successive fortnights until you do the work.

The \$6,500 value is not limited in its application or use to the one financial year from which it was derived. The work bonus can be accrued from one financial year to the next. A person who earns wages each December, for instance, will not be limited to the value of the work bonus unused since 1 July of that year. People in this situation will have access to the value of the work bonus accrued since they last work, which would be December of the previous year.

These changes to the work bonus system will commence from 1 July 2011. We have in this bill measures that will substantially increase the capacity for people doing it tough to get by. Whether they be families raising teenagers engaged in their last year of very important secondary studies or retirees working an amount of casual or sessional work to make it just that little bit easier to make ends meet, these measures will be a great assistance to many. I wholeheartedly commended the bill to the House.