



Carers Australia

Summary of the Final Report into the Review of Australia's Welfare System

On 25 February 2015, the Reference Group on Welfare Reform released their final report into the review of Australia's welfare system, *A New System for Better Employment and Social Outcomes*.

The review's purpose has been to identify how to make Australia's welfare system fairer, more effective, coherent and sustainable and encourage people to work. The Final Report makes a range of recommendations about the architecture of the payment system, and recommends an integrated approach which builds on four pillars of reform:

- Simpler and sustainable income support system
- Strengthening individual and family capability
- Engaging with employers
- Building community capacity

The Final Report contains recommendations for the Australian Government. These are proposed changes and the Australian Government can choose whether to accept the recommendations in part or in full, or not at all. The recommendations in the report are also a long-term plan for reform of the welfare system which, if implemented, would be introduced in stages.

The Australian Government is yet to make a formal response to the Report. The Department of Social Services has stated that the Government will consider the Report's recommendations "and will make further decisions on these as part of a longer term vision of Australia's welfare system".

Carers Australia will participate in any further consultations that the Australian Government undertakes as part of its consideration of the Report.

This document provides a brief summary of the Final Report particularly as it relates to unpaid family and friend carers of people with disability, mental illness, chronic conditions and those who are frail aged.

If you'd like to make any comments on the Report, please contact Carers Australia on caa@carersaustralia.com.au

Background to the Review

In December 2013, the Australian Government commissioned a review by an independent Reference Group, comprising Mr Patrick McClure AO (Chair), Ms Sally Sinclair and Mr Wesley Aird. The Reference Group was asked to advise the Australian Government on how Australia's welfare system can:

- Provide incentives to work for those who are unable to work.
- Adequately support those who are genuinely not able to work.
- Support social and economic participation through measures that build individual and family capability.
- Be affordable and sustainable both now and in the future and across economic cycles.
- Be easy to access and understand, and able to be delivered efficiently and effectively.

The Reference Group's Interim Report was released on 29 June 2014. Carers Australia provided a written submission on the Interim Report which can be found on our website www.carersaustralia.com.au and also met with the Reference Group as part of their consultations with the sector.

Final Report of the Reference Group on Welfare Reform: *A New System for Better Employment and Social Outcomes*

Pillar One: Simpler and Sustainable Income Support System

The Final Report recommends a new payment architecture with five main payments described below:

Tiered Working Age Payment

The Working Age Payment will be the payment for working age adults who are expected to work now or into the future. It will be a means tested* **payment for people 22 and over** (which is the proposed age of independence for income support payments) to Age Pension age. See below for more information on the age of independence.

*A **means test** refers to an assessment by the government of whether an individual or family is eligible for government assistance, based on whether the individual or family possesses the means to do without that help. This can apply to personal income and/or assets, depending on the payment.

There are 3 different tiers to the Working Age Payment:

Upper Tier – limited capacity

For people with a disability who have an assessed capacity to work 8 -14 hours per week. This tier would also be available to people with a disability that severely, but not permanently, limits their work capacity to less than 8 hours per week.

Participation requirements** for this tier will reflect that people either have capacity to undertake some part time work or have very limited capacity to work in the short term but can be supported to build their capacity for some work in the future.

****Participation requirements** refer to activities or tasks that recipients of some income support payments must undertake in order to continue to receive that payment. For example, currently most recipients of Newstart Allowance must undertake a range of activities such as applying for jobs, meeting with their employment provider, or attending periodic interviews with Centrelink staff.

Middle Tier- moderate limitations

For people with a disability who have an assessed capacity to work 15-29 hours per week. This tier would also be available for people with dependent children or dependent young people under the age of 22.

Participation requirements for this tier should reflect that people with disability in this tier have capacity to work from 15 to 29 hours a week. Participation requirements of parents and guardians will vary according to the age of the child.

NB: Family Tax Benefit part B would be built into the Middle Tier for parents to ensure it is received in a timely way.

Foundation Tier – full capacity

For people with full capacity to work or study full time. Participation requirements should reflect that people in their tier have full capacity.

NB: The Reference Group does not state the specific rate at which the different tiers of this payment would be set. However, the Report does give some indication as to how income from paid work would impact on this new payment structure. For example, the Report states that in the new model, if recipients of the Working Age Payment work to their capacity, then the combined income they receive from income support and work should take them up to and over the current rate set for pensions (such as the Age Pension or the Disability Support Pension). For example, if someone on the Upper Tier payment worked for one day a week at the national minimum wage, their income (from both work and income support) would be above the pension rate which is currently around \$776 a fortnight.

Supported Living Pension

This means tested payment would be for people who:

- Are between 22 years of age and the Age Pension Age.
- Have a physical, intellectual or psychiatric impairment.
- Are permanently and severely restricted in their capacity to work defined as an expectation that this will be the case for at least another 5 years.
- Have an assessed work capacity to work less than 8 hours a week.
- Have a condition which is fully diagnosed, treated and stabilised.

Recipients of the Supported Living Pension would have no participation requirements, but could receive employment support if they wish.

NB: Permanence relates to how long an individual is limited in their capacity to work, not the permanence of the impairment itself. For example, an individual might have a severe and permanent impairment but this may not lead to permanent limitations in their capacity to work.

Child and Youth Payment

A means tested payment that:

- Is paid to people with dependent children and dependent young people under the age of 22.
- Would be paid per child, with the rate increasing as the child grows up.

- The payment would also be conditional upon the child or young person having up to date immunisations and being in school, education, or training, where they have the capacity to do so.

Carer Payment

The Reference Group have recommended that in the new system there should be a separate means tested Carer Payment. This payment would be for people:

- Who are **between 22 years and Age Pension age.**
- Provide constant care for an individual with a physical, intellectual or psychiatric disability or who is frail and elderly.

The Report states that carers would benefit initially from a 6 monthly discussion to ensure their payments are appropriate and to start making them aware of skilling and volunteering opportunities. In the future, it is suggested that the discussion could focus on building capability for work and preparing for re-entering the workforce.

The Reference Group suggest that this discussion should be with skilled staff in helping people to plan and prepare for work after a period of time out of the workforce.

The Report also recommends that access to appropriate employment support and training may also be needed to assist carers to re-engage with the workforce after long periods spent caring.

Age Pension

The Age Pension is outside the scope of the Review.

Age of Independence

The Reference group have recommended that in the new system there should be a consistent minimum age at which young people access income support in their own right. The Report states that:

- Children and young people are expected to be engaged in education so are not expected to support themselves through work below a certain age.
- In the new system income support should **not generally be available to young people under 22 in their own right.**
- Income support will still be available to young people under 22 where it has been determined they are independent. E.g. if they are parents or unable to live at home.

Supplements and Concessions

In the current welfare system there are a range of supplementary payments that are made in addition to basic income support payments. These supplements are used to assist with a range of costs such as rent or utilities.

The Report recommends that in the new system supplements should have a clearly defined purpose for specific additional costs. The Reference Group states that:

- It makes sense for the main payments to cover the general cost of living, not supplements.
 - Supplements that go to the majority of income support recipients (e.g. the Energy Supplement) should be rolled into 5 main payments.
 - It would be appropriate in the new system to cover ongoing costs of children through the new Child and Youth Payment rather than through specific supplements.
 - The Government should review all supplements and the new range of supplements should sit under 4 categories:
1. **Housing:** To assist with the costs of rental accommodation.
 2. **Child and Family:** To assist with specific extra costs related to children.
 3. **Education:** To assist with specific additional costs of children and young people, when they need to live away from home to work or study.
 4. **Carer and Disability:** To assist in caring for children and adults with disability or people who are frail and aged.

Passport to Work

The Reference Group has recommended that a new Passport to Work be implemented which:

- Provides individuals with a comprehensive and clear impact statement of how their income support will be affected as their hours of work or income change.
- Gives individuals an assurance that they can return to their former payment if a job ends or hours are reduced.
- Allows individuals to retain their eligibility for concession cards for significant periods of time, for people who return to work or increase their hours.

The Report also recommends consistent income free areas and taper rates* across all payments to reduce the complexity of the system for income support recipients. Also that income banking** should be available in the new system in recognition of casual and seasonal work and students' work patterns.

***Taper rates** refer to the amount income support payments are reduced relative to the amount of money earned from work.

**** Income banking** allows recipients of income support payments to earn money from paid work while keeping part or all of their support payment. Different payments have different income free areas, which is the amount you're allowed to earn from work before your payment is reduced. If you

earn less than the maximum amount, the difference is added to your income bank. This allows you to earn more the following fortnight without your payment being reduced.

Housing Assistance

The Reference Group recommends that in order to reduce disincentives to workforce participation, public housing should move from income based rents and Commonwealth Rent Assistance should be extended to public housing tenants. The Report also recommends a review of the levels and indexation of Commonwealth Rent Assistance to ensure it appropriately reflects costs of rental housing.

Other key recommendations of the Reference Group about payments:

- **No one worse off:** In transitioning to the new system, no person should have a reduction in their rate of payment.
- **Adjusting payments:** Payments should be adjusted to ensure that living standards of people on income support reflect broader changes in community standards and also maintain purchasing power, in line with cost of living increases. The Reference Group recommend a twin tracked approach:
 - Periodic Review of Community Living Standards at least every 4 years; and an
 - Automatic cost of living adjustment, every 6 months – applied to all payments, following a process to determine the most appropriate cost of living index for the new payment system.
- **ICT systems:** The Government should consider real time reporting and assessment of income, including better integration of tax, employment and income support systems.

Implementation

The Report recommends that the first stage of these reforms should involve the concurrent implementation of the Supported Living Pension, Working Age Payment, Carer Payment, and reform of supplements.

The second stage should involve implementation of Child and Youth Payment.

Pillar Two: Strengthening Individual and Family Capability

- **Investment approach:** The new system should aim to identify and invest in groups who are at risk of long-term income support reliance.
- **Income management:** Should be used judiciously, delivered in conjunction with financial capability and other support services.

- **Family support:** There needs to be a greater emphasis on prevention in the provision of services targeted at young children at risk of disadvantage.

Pillar Three: Engaging with Employers

- Investment in training and education should be better targeted to both current and future jobs.
- A jobs plan for people with disability and mental health conditions which includes tailored support services, an awareness raising campaign, a leaders group, industry led awards, targets across government, and a covenant in collaboration with industry, government and civil society.
- Improve the assessment and referral arrangements for jobseekers to ensure stronger linkages between Centrelink and employment services.
- Ensure there are placement and post placement support services for people with disability and mental health conditions.
- A covenant for people with disability and mental health conditions should be developed in collaboration with industry, government and civil society.

Pillar Four: Building Community Capacity

- Develop annual awards to acknowledge, showcase and promote outstanding partnerships between civil society organisations, business and government.
- Reduce red tape barriers to philanthropic giving and work with business and civil society organisations to promote the benefits of Corporate Social Responsibility.
- Expand support and eligibility for programmes that provide funding and training to enable people to set up micro businesses.
- Ensure jobseekers and disadvantaged groups have adequate information and communication technology (ICT) skills and access to ICT, in particular access to online employment and support services and job opportunities in the new system.

A plain English guide to the Report can be found at:

<https://www.dss.gov.au/our-responsibilities/review-of-australias-welfare-system/a-new-system-for-better-employment-and-social-outcomes-easy-english-version-of-the-executive-summary-of-the-final-report>