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HOUSE OF REPRESENTATIVES

PROOF

BILLS

**Social Services Legislation Amendment
(Welfare Reform) Bill 2017**

Second Reading

SPEECH

Wednesday, 6 September 2017

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

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Speaker O'Brien, Ted, MP	Question No.

Mr TED O'BRIEN (Fairfax) (12:00): The member for Longman started off her speech with an extraordinary claim that the government has done nothing for the economy. Like other members opposite, the member for Longman, no doubt, has very limited understanding of the economy. However, let me point out that in the last financial year 240,000 new jobs were created—240,000 new jobs! We know from various recent surveys that investment is up, particularly in the non-mining sector. We have a new set of national accounts out, looking at the June quarter, which show economic growth at 0.8 per cent and show a 1.2 per cent increase in total wages paid. Let's have a look at this claim that the government does nothing for economic growth. Is growth up? Absolutely. Jobs, are they increasing? Absolutely. And is investment increasing? Absolutely. And I don't mind the member starting her speech with that because it's flawed, therefore, from the very beginning.

Then, of course there are the crocodile tears about the very bill we're speaking about today. There's no doubt the Labor Party love to talk about the word 'inequality' but, as we have seen, the members opposite have chosen the wrong course. There is an extent to which there is inequality and people in our country who are vulnerable and need help. There is a choice to make: you can be passive and watch, or you can proactively help. This bill is all about taking that second option. It is about the government proactively looking at helping the situation. And so this bill, the Social Services Legislation Amendment (Welfare Reform) Bill, brings together a suite of timely reforms and fulfils a firm budget commitment to improve the welfare system, to make it more straightforward and better focused on helping Australians transition from welfare to work.

The Australian welfare system has for decades, ramping up over time, achieved an enormous redistribution of wealth to provide a level of support for the welfare of individuals and families courtesy of the Australian taxpayers sharing a significant proportion of their personal incomes. The cost of the welfare system, our social safety net, is equivalent to 90 per cent of all personal income taxes paid in Australia. It is far and away the largest portion of federal government outlays, far bigger than expenditure on health, or defence or anything else. Taxpayers, therefore, require that their government from time to time review welfare structures and methods to ensure that the level of support is sustained and fit for purpose and that it is justifiable expenditure, reaching those who need it and those who are indeed deserving of it.

The coalition undertook such a review of a significant element of the welfare payment system in 2014. The reforms proposed in this bill flow principally from the work of the Reference Group on Welfare Reform, led by Patrick McClure, a former head of Mission Australia. He was asked by the Abbott government to undertake a root-and-branch review of the working-age elements of the welfare system. The aged pension, which is the largest single welfare expenditure, was not part of that review and is being dealt with separately by the government for the same reasons—to ensure that money is appropriately targeted and spent.

Mr McClure and his reference group determined that the system was indeed in need of major reform in order to better protect sustainability, manageability and fairness. They reported that ad hoc changes over time had led to 'unintended complexities, inconsistencies and incoherencies'. As a result, they said, disincentives were created for people to work. The system had fallen out of step with labour market realities and community expectations in terms of the fundamental purpose of most forms of support for people of working age—to give them a significant degree of support with intent that encourages and supports them to return to the workforce where they are capable of doing so.

The conclusion, therefore, was that without reform, the fiscal, economic and social sustainability of that part of the safety net dealing with working-aged Australians would be compromised. And that's unthinkable in a country — (*Quorum formed*) They just keep doing it. Every single time that the coalition points out that Labor want to keep people down whereas we lift them up, they call a quorum. They're ashamed. If I were on their side, I, too, would be awfully ashamed.

As I was saying, here we have a situation where it would be absolutely unthinkable if the social safety net that we have in this country is compromised. Thus, the need for reforms that this bill represents. It has to be taken into account that our safety net in Australia is an expensive one. Welfare spending by the federal government, the taxpayer, in 1999-2000 was \$90 billion. In 2015-16, it was \$155 billion. It is so clear that the stakes in managing this amount of money are enormous. They require the sort of rigorous oversight represented by the measures in this bill. Clearly, and especially in light of an ageing population and a massive commitment to improved spending for the disabled through the NDIS that is now ramping up rapidly, we need to be doing everything we can to ensure that benefits are fair, fit for purpose and, above all, sustainable. These realities show the significance and the importance of this bill. It represents a necessary, timely and comprehensive reform of working-age welfare payments that makes the system simpler and more sustainable. It makes it a system which has a stronger focus on the crucial task of supporting people to make the transition from welfare to employment.

A major measure here to simplify the system is the introduction, from March 2020, of a single jobseeker payment that replaces seven existing payments. The Newstart allowance, sickness allowance, wife pension, bereavement allowance and widow B pension will cease in March 2020, to be replaced by the new single-payment format, which will reduce administrative complexity. There will, for the first time, be a single set of rules and rates for people of working age with the capacity to work, based largely on the existing Newstart eligibility requirements.

A major thrust of the bill, also reflected in many separate measures, is that it firmly entrenches long-term employment as the best outcome for people who enter the welfare system, with special emphasis on mutual obligation principles. If a job is available and the recipient is able, they should take it, rather than become long-term welfare recipients. One of the special measures in this area goes to the activity test, which currently provides Newstart support for older but still working-age Australians in the bracket of 55- to 59-year-olds who are said to have met the activity test if they do 30 hours of voluntary work a fortnight. From September next year, in order to give added emphasis to the thrust of the bill that a job is the best form of welfare, paid work of 30 hours a fortnight, or a combination of paid and voluntary work with the voluntary component no greater than 15 hours, will enable the recipient to continue receiving that support.

In the same vein of encouraging paid work for those who are able to undertake it, there will be a stronger emphasis on the responsibilities of those with alcohol or drug problems. This is an important measure, given their disproportionate representation in the welfare system. People who are unemployed are 2.4 times more likely to be drug or alcohol dependent, and that cohort is much more likely, while on welfare, to use that dependency as an excuse for not engaging in obligations to seek work. This gets to the heart of what this measure is all about, because it comes down to helping people. We know that the best way of ensuring people can get on top of their addiction is to improve their ability to find a job. Again, a job is the best form of welfare.

Today's bill proposes that Newstart and youth allowance recipients who return a positive drug test during a two-year trial program across three locations will have their payments placed on income management to limit their ability to buy drugs. Should a second drug test prove positive, then the recipient will be referred for professional treatment, which will then form part of their mutual obligations. Again, this is not a punitive measure, nor is it designed to stigmatise or unfairly penalise welfare recipients suffering from substance abuse. It is aimed squarely at helping those Australians held back by alcohol, held back by drugs. It is aimed at getting them back into the workforce for their benefit—and, indeed, for the long-term benefit of the country and the Australian taxpayer, who can no longer simply and indefinitely fund this problem.

Mutual obligation, beyond the substance abuse measures, will also be extended more widely by the bill, to apply more stringently to all recipients. Most of our two-thirds attend all their required appointments in relation to the search for employment, and a suspension of payments for the one-third who miss too many of those appointments is typically enough to get them back on track, but there is a minority that is just gaming the system.

The bill establishes a demerit system so that those who are constantly avoiding their mutual obligation requirements will be monitored and more stringently penalised. These are all very worthwhile measures, and the core issues here in this bill are essentially (1) the maintenance of a welfare safety net that is fair and fit for purpose and (2) that taxpayers rightly deserve that the government of the day acts on its obligation to ensure that the very significant cost of that safety net is no higher than it needs to be. I commend the bill to the House.