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Australia: Marking Time – Again?

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LIST OF ABBREVIATIONS

ABS	Australian Bureau of Statistics
AUD	Australian Dollar
CPI	Consumer Price Index
DSS	Department of Social Services
FTB	Family Tax Benefit
GP	General Practitioner
MYEFO	Mid-Year Economic and Fiscal Outlook
PM	Prime Minister

1. THE CURRENT ECONOMIC, POLITICAL AND SOCIAL SITUATION

1.1. Overview

The 2015 calendar year proved to be tumultuous politically, with the Government joining its predecessor in replacing, at the second attempt, a first term Prime Minister (the unpopular Tony Abbott from the right of the party) with a popular moderate (Malcolm Turnbull). The economy also experienced rather tepid growth and low consumer confidence as the transition away from reliance on the resources boom proved more challenging than anticipated (for a recent economic analysis: Robinson & Tsiaplias et al. 2015). In welfare, the reforms from the Government's May 2014 unpopular first Budget largely remained blocked by the upper house of Parliament (the Senate) due to the perceived unfairness of the measures for people on lower incomes, despite passage of toned down versions of a few of the less egregious elements (Phillips & Boyd-Caine et al. 2015).

Less than was initially anticipated came from the end of 2014 'Christmas' Cabinet reshuffle, which saw a change in the Minister for Social Services. The new Minister, Scott Morrison, had foreshadowed introduction in the 2015-16 Budget of a 'families package' of enhanced family payments, child care benefits and a rethinking of the then Prime Minister's 'signature' generous policy of earnings-related parental leave in place of current arrangements. The families' package in the May 2015 Budget did dump the former PM's 'Rolls Royce' parental leave scheme and propose a significant boost to child care payments. However funding of these child care reforms was initially made conditional on passage of the blocked welfare reforms (mainly cuts to family payments) which the Senate continued to balk at until passing a few measures very late in the year, while further savings were to come from entirely withdrawing parental leave payments from approximately 80,000 people entitled to parental leave under wage bargaining. So passage of these reforms largely stalled until some progress was made at the tail end of the year.

Simplification and other reforms recommended in the latest McClure review of welfare were also subtly 'talked up' by the then Minister Morrison. However, by September 2015, he had become Treasurer in the new Turnbull Ministry, leaving a first time Minister (Christian Porter) with ongoing carriage of whatever behind the scenes work had been undertaken on larger welfare reform issues. Over most of the year the Government had become virtually totally reform averse, after the former PM came close to losing his post in early February 2015 (in an 'empty chair' contest, with no other declared candidate) but the election of Prime Minister Turnbull in mid-September dramatically improved its political fortunes and revived prospects for genuine policy review.

It remains possible that 2016 will reignite the Government reform agenda which went into hibernation during 2015. Certainly the new Prime Minister has significant political capital as a popular moderate change agent, publicly committed to a high growth, innovative society with a generous safety net. But a Federal Election is due towards the end of 2016 and the new PM's more progressive agenda does not comport with the 'new conservative vision' of welfare of his predecessor Tony Abbott (Carney 2015a) or with the party platform which brought the Coalition parties to office (Carney 2014). The short time prior to the next Election and the commitments of stability made to the conservative side of the party room on the change of leadership therefore may combine to prevent much reform. This may restrict any 2016 announcements to White Paper

proposals which outline the broad contours of any proposed changes to welfare, taxation and federalism arrangements, to be taken to the Election for endorsement and subsequent implementation in the event that its wins a second term of office.

1.2. Statistical Measures

Economic conditions in Australia are comparatively strong by international standards, but reflect significant continuing decline from the heights of the living standards enjoyed at the peak of the resources boom (for an accessible historical review: Megalogenis 2015).

The December 2015 mid-point of fiscal year Budget update (MYEFO) reinforced the sluggish nature of the economic transformation following the end of the resources boom. Treasury figures revealed an AUD2.3 billion further deterioration in the projected deficit over the four year forward estimates compared to that published in the May 2015 Budget. Growth projections for 2015-16 as announced in the May Budget were subsequently trimmed in the MYEFO by 0.25 points (down from 2.75 to 2.5 per cent: MYEFO 2015: 5), and were cut by half a per cent not only for the out year of 2016-17 (from 3 to 2.75 per cent) but also for each of the two following years (from 3.5 to 3 per cent: *ibid*, 8, 16).

Further declines in commodity prices and projected tax receipts (particularly company tax) cut projected revenue by AUD34 billion over the forward estimates (*ibid*, 18, 40, 46-49 [similar to the AUD31.6 deterioration in the previous MYEFO]). This added another AUD61 billion to the deficit over the next 10 years (raising it from AUD201 billion to AUD263 billion: MYEFO 2015: 86), reprising the AUD43 billion decline over the forward estimates at the same time in the previous year (MYEFO 2014: 2, 22-23, 45). Refusal of the upper house of Parliament to pass all the revised savings measures contained in the May 2015 Budget, despite having knocked the rougher edges off the harsh 2014 Budget, added AUD1.5 billion to the deficit over the forward estimates (MYEFO 2015: 32-33). As a result, the prospect of returning a Budget surplus has moved out to at least 2020-21 (MYEFO 2015: 19), having already been pushed out to 2019-20 in December 2014 (MYEFO 2014: 31).

Seasonally adjusted unemployment in October 2015 was 6.1 per cent (ABS 2015c) slightly down on the 6.2 per cent figure for the same time in 2014 (ABS 2014c), and it dropped slightly to 6 per cent for November 2015. Future unemployment is predicted to ease slightly and hit brief peaks of 6 per cent in mid-2016 and mid-2017, but this is an upwards revision from the May Budget's expectations of 5.8 per cent (MYEFO 2015: 3). The October 2015 workforce participation rate of 65.0 per cent (ABS 2015c) was higher than the 64.6 per cent for the same time in 2014 (ABS 2014c), returning close to the rate last seen in 2012 (65.1 per cent: ABS 2012) after three years of reversal of the gains in participation achieved in recent decades (having risen from 63.3 per cent in 1995 to reach 65.0 by 2006: ABS 2006; 2007).

Inflation in the major capital cities, as measured by the 'consumer price index' (CPI), slowed to 1.5 per cent over the period September 2014 to September 2015 (ABS 2015b), down from the 2.3 per cent over the equivalent period for the previous year (ABS 2014b) or the 3.5 per cent and 3.6 per cent experienced in 2009 and 2010 (ABS 2011). The central bank cash rate of interest dropped to 2.0 per cent, following two 0.25 basis point reductions in February and May 2015, compared to its 2.5 per cent level in the previous year.

Economic growth as at June 2015 for fiscal year 2014/15 was 2.4 per cent seasonally adjusted (ABS 2015a) compared to 3.1 per cent for the previous fiscal year (ABS 2014a); and, as already mentioned, the May Budget predictions of a gradual improvement in future years towards 3 per cent annual growth was shaved by 0.25 points for the current fiscal year and 0.5 points in the following two fiscal years after that, following the release of the December 2015 'mid-year' fiscal outlook revisions.

2. POLICY AND PROGRAM CHANGES

The year opened in February with the release of the Final Report of the Reference Group on Welfare Reform (Australia 2015b) but the oxygen was sucked from the government in the same month when then Prime Minister Abbott survived the 'empty chair' challenge to his leadership, pushing his leadership further towards embracing a populist right wing policy agenda which concentrated on defence and anti-terrorism.

The only significant or major policy development during the calendar year was the May Budget's release of a childcare reform package, to be paid for by passage of tightening of family benefit payments (FTB) — mainly through restricting access by higher income families and by dramatically lowering the age at which payments would cease for the youngest child. Introduction of the *Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015* was delayed until the closing days of the Parliament, while the Government negotiated passage of a cut-down version of the FTB and other saving measures (passed in late December). Although the childcare reforms were not successfully enacted during 2015, the pressures on child care are such that the Government is likely to make the necessary concessions to ensure its passage in the upper house. This appears likely once the Senate committee considering the current Bill brings down its recommendations, anticipated to occur in March 2016.

2.1. Childcare Reform

The 2015-16 Budget announced a five year \$3.5 billion package of child care reforms to start in July 2017, aimed at providing more program flexibility while also increasing the focus on employment (Australia 2015a). The package largely reflected the recommendations of a 2014 Productivity Commission Report released to the public in late February 2015 (Productivity Commission 2014b). The new expenditure was to be funded from other savings measures from the blocked 2014-15 Budget (including restricted eligibility for FTB and freezing of income disregard and indexation adjustments).

In place of three current arrangements — a Child Care Benefit, a Child Care Rebate and a Jobs, Education and Training Child Care Assistance Program¹ — a single Child Care Subsidy would be provided, based on family income (for a summary of the scheme and reactions to it: Sheppard 2015).

¹ The means tested Child Care Benefit provided 24 hours of care without an activity test; the non-means tested Child Care Rebate subject to one partner engaging in some, even if minimal, work or training activity; while the Jobs, Education and Training Child Care Assistance Program Helps with the cost of approved child care for eligible parents undertaking an approved activity: see <http://www.humanservices.gov.au/customer/services/centrelink/jobs-education-and-training-child-care-fee-assistance>.

The subsidy is capped at a maximum hourly fee for approved care (\$11.55 for long day care; \$10.70 for family day care; and \$10.10 for after school care) but the subsidy tapers from a high of 85 per cent of the actual fee for a family on around AUD65,000, down to 50 per cent for family incomes of AUD170,000 or more. Families with an income of AUD185,000 or more would have the annual per child payment capped at AUD10,000 per child.

Except for low income families (under AUD65,000) who would be eligible for a safety net of 12 hours a week, everyone else would have to meet an activity test, gearing the number of subsidised hours to the level of activity. Acceptably activity includes working, looking for work, training, studying or undertaking other recognised activities such as volunteering. The scheme ties the subsidy to the level of activity. It entails subsidising up to 50 hours of childcare a week for people engaged in at least 25 hours a week of activity; up to 36 hours for 8-24 hours of activity; and up to 18 hours for 4-8 hours of activity.

In November 2015 Cabinet tweaked the package in an attempt to overcome various objections, including that the scheme overlooked shift workers (people on fluctuating incomes will now be permitted to average activity levels over 3 months rather than over a fortnight); that it was unreasonable to expect older people to undertake activities (providing 50 hours a week without activity testing for grandparents who are primary carers and on income support); and that it was too generous to high income families (tapering the 50 per cent subsidy once family income exceeds \$250,000 p.a. and dropping it to 20 per cent at an income of \$340,000).

2.2. Other measures

A number of welfare measures did pass through the Parliament during the 2015 calendar year, including amalgamating the Social Security Appeals Tribunal with other specialist tribunals to form a super-tribunal (the Administrative Appeals Tribunal with its newly named divisions), along with the passage of the less contentious Budget 'savings measures' (those directed at wealthier recipients (for details see 4.1 below). And, as previously foreshadowed (Carney 2015a), based on the recommendations of the Forrest review (2014: 27) and its election platform (Mendes 2014: 6), the Government successfully passed legislation authorising proceeding with selected trials of a 'healthy welfare' smartcard (which is unable to be redeemed for expenditure on non-essentials like alcohol, drugs or gambling).

In a little heralded tightening of the access to disability payments (the disability support pension), medical assessment is no longer based on a report form completed by a treating doctor (usually a general practitioner – GP) summarising the applicant's medical history and attaching any relevant medical reports. Instead, unless qualification is 'manifest', medical reports accompanying an application will be referred on to a government appointed medical practitioner who may seek clarification from the clinicians who prepared those reports (DSS 2015: para. 1.1.D.180), but only *after* a government job capacity assessor has concluded that the person is medically qualified. Announced in the 2014 MYEFO, the change initially applied only to applicants under the age of 35, but from July 1 2015 it extended to all applicants (Butt 2015).

This change, which was able to be effected administratively without the need for any amending legislation, is likely to result in fewer grants. This is because job capacity assessors will lose access to the GP's overall synthesis which may have tipped the balance towards correctly granting the claim (a false negative not reviewed) while any false positive due to their lack of medical training will be scrutinised.

3. MAJOR POLICY CHANGES IN PROSPECT

The future may hold more prospects of change than was evident during 2015.

3.1. The McClure Report

As explained by the Australian Institute of Health and Welfare in its July 2015 biennial report on the state of Australia's welfare:

While Australia's welfare 2015 shows that most of us are doing well, the report also profiles some of the most vulnerable Australians. Feature articles and snapshots on Indigenous Australians, vulnerable young people, people with mental illness or disability, Australia's homeless population, and those experiencing domestic and family violence, highlight the diversity of disadvantage that exists in our communities. (AIHW 2015: viii)

The Final Report of the McClure Panel released in February 2015 (Australia 2015b), develops interesting ideas about how welfare may better protect such vulnerable people in a changed employment and social environment.

One prominent theme in the Final Report is the need for greater flexibility and tailoring of income and other supports around the needs of the individual. For people of working age, one innovative expression of this would be a 'passport to work'. The passport to work is a tailor-made and up-to-date statement of how the level of social security payments would be affected by any hours of part time work or other income, along with clear statements about retention of concession cards and fall-back entitlements to welfare in the event of work not panning out as hoped (Australia 2015b: 39, 75, 98-99). The passport would carry 'real time' data based on accessing up-dates on-line or through an app.

The Final Report expanded further on its embrace in the Interim report of a need to invest in enhanced services and supports for people with complex or entrenched barriers to participation (based on EU and New Zealand 'investment' strategies for avoiding long-term dependency), by elaborating its risk-based actuarial conception of investment. As a very small first step towards progressing this idea the 2015-16 Budget allocated nearly AUD34 million over four years to undertake the actuarial work to flesh out the idea of putting a 'value' on the risks (i.e. the price of lost productivity and expenditure on welfare support) in the absence of investment in the welfare of the individual, so that cost-benefit measures can be introduced which 'reduces future liability associated with long term income support dependence by targeting investment to build peoples self-reliance' (Australia 2015b: 26, further 121-131). However as the Parliamentary Library points out,

such an 'actuarial' version of an investment strategy has its critics due to its narrow economic lens (Arthur 2015).

On the issue of the structure of income support payments the Final Report maintained its strong support for a simplification agenda of rationalisation of the current 20 or so benefit categories and associated means tests, supplements and other rules (Australia 2015b). However it proposed five rather than its original suggestion of four main payments: (i) a 'working age payment' with three tiers of generosity (a 'foundational' rate of payment for disabled people able to work 30 hours or more, or being without care of a dependant child or young person; a 'middle' rate for those with a work capacity of 15-29 hours; an 'upper tier' rate for those able to work only for 8-14 hours a week); (ii) a disability payment called a 'supported living pension' for people able to work *less* than 8 hours a week over the next 5 years; (iii) an age pension; (iv) a child and youth payment for guardians of people under 22; and the newly added fifth payment: (v) a 'carer payment' for people aged over 22 with carer responsibilities (Australia 2015b: 82-92).

On people of working age with disabilities the Final Report sensibly eased its original idea in the Interim report of confining the disability payment to those without *any* capacity for work and assessed as being *permanent* (Australia 2014: 6, 47, 51-52 [the current disability support pension's work capacity criterion is an inability to work for 15 hours over the next 2 years]). Instead its proposal for accessing the non activity tested 'supported living pension' is a higher threshold of impairment table points (30 points rather than the current 20 points for qualification based on more than one impairment table; 20 if under a single table), having under 8 hours of work capacity, and assessing the permanence of incapacity over a five year rather than the current two year window (Australia 2015b: 86-87). People currently on the disability pension but having lesser impairment ratings (20-30 points) or greater work capacity (9-15 hours) than the proposed new levels would generally qualify for the upper tier level of 'working age payment' (with no reduction in current rates of payment) but would have access to tailored work re-entry support and workforce expectations.

With respect to compliance with social security obligations, the Final Report of the McClure Panel was entirely silent; not one word was written about it. This contrasts with the Interim Report's endorsement of keeping a graduated penalty regime which was 'progressive, with timely, lighter measures first [and] the strongest sanctions ...reserved for serious non-compliance', including behavioural conditions and sanctions imposed by employment providers to impose sanctions but with more 'timely' impacts on payments (Australia 2014: 10, 81, 160), subject to protections to avoid adverse impacts on children and the vulnerable (ibid, 10, 81). The passage of measures contained in the *Social Security Legislation Amendment (Strengthening the Job Seeker Compliance Framework) Act 2014* (No. 131 of 2014) to tighten sanctions on non-attendance at appointments and to make sanctions more timely, might account in part for this silence. However there also appears to be a welcome change of tone and some softening of thinking about sanctions-led behavioural change, with the Final Report devoting a lot of space to the needs and vulnerabilities of those with mental illness (a group heavily represented among those incurring welfare sanctions).

3.2. Tax Reform White Paper

The Taxation White Paper, promised by the Abbott Government for 2015, fell victim to the political timidity infecting the last seven months of his Prime Ministership, following the unsuccessful but too close for comfort leadership ballot in February. To placate vested interests and lobby groups, the major reform options — whether to the rate and base of the consumption tax, the superannuation contribution tax concessions favouring the rich, or provisions permitting negative gearing of investment properties (reducing income tax by offsetting rental losses) — had all been ‘ruled out’, along with many other structural reform suggestions from the 2010 Henry Report on *Australia’s Future Taxation System* (Australia 2010). This made the reform task incredibly challenging in any event.

In a refreshing indication of political and public policy maturity, the Turnbull Government has refused to rule *any* option out, while emphasising that the ultimate test will be the fairness of the overall package when it is released in 2016. The new leadership team has already held a consultative forum with business, unions and the welfare sector, which identified a number of ‘consensus’ options acceptable to all three groups. However it remains to be seen whether major reforms will eventuate.

3.3. Re-balancing Federalism

The promised plans for ‘new federalism’ reform anticipated to be unveiled during 2015 also failed to materialise. Designed to better align the revenue base of each level of government (national, state/territory, and local government) with its responsibilities for welfare and other services, and to address the ‘split’ responsibilities (especially evident in education and health: Carney 2013b) — the plans fell victim to the leadership tensions. While some groundwork was laid in the report of the National Commission of Audit (2014: Ch 6) and some preliminary work was undertaken by the forum of heads of governments (COAG), the main work of government is yet to be released. Although the work is understood to be well advanced, it now seems unlikely to appear much in advance of the 2016 Federal Election.

4. THE LEGISLATIVE FRAMEWORK

No change has been made in the basic architecture of the legislation governing social security payments (for details of all payments, see: Carney 2013a). The legislation continues to be administered by the Department of Human Services through a statutory agency called Centrelink.

Decisions made by officers of Centrelink are reviewable on their merits, with two levels of merits review. The first tier (since July 2015 the Social Services and Child Support Division of the Administrative Appeals Tribunal) now schedules single member hearings for the vast majority (now 86%) of appeals (Carney & Bigby 2014), with a further level of merits review to the General Division of the Administrative Appeals Tribunal (further, Pearce 2015).

Social security law is currently found in five enactments, each of which is frequently amended:

- *Social Security Act 1991 (Cth)*
- *Social Security (Administration) Act 1999 (Cth)*
- *Social Security (International Agreements) Act 1999 (Cth)*
- *Family Assistance Act 1999 (Cth)*
- *Family Assistance (Administration) Act 1999 (Cth)*

4.1. Recent Amending Acts

- *Tribunals Amalgamation Act 2015 (Act No 60 of 2015)*

This Act merged, from July 2015, the lower tier review undertaken by the formerly free-standing and specialist Social Security Appeals Tribunal ('SSAT') into the generalist Administrative Appeals Tribunal (the 'AAT', which already served as the second tier of merits review of social security decisions). The merger, which also absorbed the Migration Review Tribunal and Refugee Review Tribunal, translates the SSAT into the newly named Social Services and Child Support Division of the AAT, without altering any of its operational details other than very minor changes for consistency with the other Divisions of the AAT. It is based on recommendations of the National Commission of Audit (National Commission of Audit 2014) and is consistent with those of the Productivity Commission (Productivity Commission 2014a).

- *Social Services and Other Legislation Amendment (Seniors Supplement Cessation) Act 2015 (Act No 91 of 2015)*

This Act, an element of a blocked 2014 Bill, ends (from September 2014) a quarterly monetary supplement paid to people of pension age but not qualified for pension due to their means (self-funded retirees) who nevertheless are entitled to a fringe benefit (a health care card) under its more generous means test.

- *Social Services Legislation Amendment (Defined Benefit Income Streams) Act 2015 (Act No 107 of 2015)*

This Act introduces, from January 2016, a 'cap' (of 10% of the gross amount) on the amount of a defined benefit income stream able to be excluded from being counted in the income test for determining the rate of pension payable. It is a social equity measure which better aligns treatment of defined benefit pensions with other sources of self-funded retirement income.

- *Social Services Legislation Amendment (Fair and Sustainable Pensions) Act 2015 (Act No 110 of 2015)*

This Act adjusts, from January 2017 the asset test 'free area' (disregard) figure and tightens the taper rate applying once that free area is exceeded, while entitling those losing pension the ability to access the fringe benefits of the Seniors Health Card.

- *Social Services Legislation Amendment (No 2) Act 2015 (Act No 128 of 2014).*

This Act removes, from 1 July 2015, a 'holding payment' of residential care subsidy made, at 30% of the full rate, for up to 7 days before a person enters care, and continues (with some streamlining) for a further two years the 'income management' provisions.
- *Social Services Legislation Amendment (Cost of Living Concession) Act 2015 (Act No 142 of 2015).*

This Act, from September 2015, exempts from inclusion as income for the purposes of means testing, a payment made by the South Australian state government, called the 'cost of living concession payment', which replaced a former concession on local government rate payments.
- *Social Services Legislation Amendment (Low Income Supplement) Act 2015 (Act No 143 of 2015)*

This Act, from July 2017, removes the 'low income supplement', an annual lump sum paid to compensate low-income households for the impact of the since repealed price placed on carbon emissions.
- *Social Services Legislation Amendment (Debit Card Trial) Act 2015 (Act No 144 of 2015)*

This Act authorises the trialling, in up to three locations, of the 'cashless welfare' arrangement where 80% of a person's social security entitlement is able to be accessed only through a debit card (issued by the major banks and indistinguishable from other debit cards) which does not permit cash withdrawals and is unable to be transacted for purchase of alcohol or at gambling outlets (the remaining 20% is accessible in cash). Proposed by the Forrester *Review of Indigenous Jobs and Training*, the scheme extends to anyone within the trial site having their welfare income managed in this manner.
- *Social Services Legislation Amendment (No Job No Pay) Act 2015 (Act No 158 of 2015)*

This Act implements the 2015 Budget announcement of a tightening of, and a broadening of the range of payments caught by, a child immunisation precondition to receipt of social security. It applies, from January 2016 an obligation to be fully immunised to child care benefit and child care rebate, in addition to FTB Part A payments, and limits exemptions to those certified by a medical practitioner on medical grounds (removing a conscientious objection ground).
- *Social Services Legislation Amendment (More Generous Means Testing for Youth Payments) Act 2015 (Act No 159 of 2015)*

This Act implements, from January 2016, a 2015 Budget measure of removing from the parental means test for a dependent young person, the previous inclusion of family assets and the ability to look at 'actual expenditure' (including money raised on loan), replacing it with measures mirroring those for qualification for Family Tax Benefit Part A payments, and by no longer including maintenance income (but replacing it, from January 2017, with treatment akin to that for FTB Part A), and

altering the 'pooling arrangement' for when there are other FTB children apart from the person on youth payment.

- *Labor 2013-14 Budget Savings (Measures No 2) Act 2015 (Act No 169 of 2015)*

This Act implements MYEFO and Budget student payments savings measures announced while Labor was in office, but later opposed after losing office, including replacing start-up scholarships by income-contingent loans; removing discounts for pre- or early payment of Higher Education Contribution Scheme or equivalent charges (the scheme of deferred student contribution towards university education); extending provision for interest charges on debts of student payments; and imposing an efficiency dividend on higher education payments made to higher education institutions.

- *Social Services Amendment (Family Payments Structural Reform and Participation Measures) Act 2015 (Act No 173 of 2015)*

This Act implements, from July 2016, the tightening of eligibility to Family Tax Benefit Part B payments and makes others of the proposed FTB changes which proved acceptable to the non-government parties in the upper house. As discussed in more detail under the Bill of the same name (see E 2 below), FTB Part B is withdrawn from couples (other than grandparent carers). Some rates increase slightly, from various start dates, and other adjustments are made to better align these payments with youth allowance conditions.

4.2. Significant Bills Defeated in the Senate or Awaiting Passage

- *Social Services Legislation Amendment Bill (Youth Employment and Other Measures) Bill 2015*

This Bill added a number of 2015 Budget measures to the remainder of the previously rejected measures contained in the *Social Services and Other Legislation Amendment Bill (Budget Measures No 4) Bill 2014*, such as indexing pension increases by reference to the lower consumer price index rather than average weekly male earnings and continuation of gradual increases in the pension age to peak at 70 rather than 67 years. The Bill softened some of the previously rejected measures, such as by excluding widow allowance from the one week waiting period on working age payments, and imposing a 4 week (previously 6 month) waiting period for young people applying for unemployment payments (youth allowance) for the first time; but the Bill retained others essentially unchanged, such as delaying until January 2016 (due to defeat of the original date), the increase to 25 (from 22) in the qualifying age for unemployment (newstart allowance) and sickness allowance; and freezing income free (disregard) areas for all working age and youth payments (but with a new January 2016 start date for the youth payment change). The inclusion in this Bill of the abolition of the low income supplement was later split off and enacted in a separate measure.

- *Social Services Amendment Bill (Family Payments Structural Reform and Participation*

Measures) Bill 2015

This Bill proposed to implement the signature family payments (FTB) reform of the 2015 Budget, achieving savings over the forward estimates of 1.3 billion for the Part B FTB changes, and 4 billion for the changes to Part A and B supplements. The package proposed to add slightly to expenditure by increasing, from July 2018, the FTB Part A rate by \$10.44 a fortnight for a young person under 18 living at home (to align with the higher youth allowance and eliminate a disincentive to continue education). The new rate structure intended to operate from July 2016 also included one small increase (a \$1,000 pa boost for a family with a child under 1) but proposed big cuts to rates for single parent families or grandparents caring for a youngest child aged 13-16 (down from \$2,737 to \$1,000), while removing Part B altogether for couples (other than grandparents). With regard to supplements, the Part A supplement was to drop to \$602 from July 2016, to \$303 in 2017 and be abolished from July 2018, with the Part A supplement dropping to \$303, then \$153, and likewise being eliminated from July 2018.

In November, to pass the Part B savings for couples, this measure was split off, as foreshadowed in the press (Ireland 2015). Then in early December 2015, the government announced that grandparent or great-grandparent carers and single parents over 60 would continue to receive the \$2,784 Part B rate, rather than drop to \$1,000 as the youngest child turns 13. These measures were enacted in the *Social Services Amendment (Family Payments Structural Reform and Participation Measures) Act 2015*.

- *Social Services Legislation Amendment (Youth Employment) Bill 2015*

This Bill reintroduced, with minor modifications, measures in the defeated *Social Services Legislation Amendment (Youth Employment and Other Measures) Bill 2015* together with additional measures, including the exclusion of widow allowance from the one week waiting period for working age payments; raising the age for qualification for newstart and sickness allowance; setting a four week (rather than 6 month) waiting period for new applicants for youth allowance, along with an obligation to comply with 'activation' activities during this non-payment pre-qualification period (Rapid Activation).

- *Social Security Legislation Amendment (Stronger Penalties for Serious Failures) Bill 2015*

This Bill proposed to build on measures enacted following passage of a 2014 Bill by the same name, which intensified compliance penalties for refusal of suitable work or three participation failures within a six-month period, by removing the ability to stop the further accrual of the loss of payment penalties simply by rectifying the breach, and by removing the financial hardship waiver of the 8 week non-payment penalty (applicable when liquid assets are less than AUD2,500). The new Bill proposed to add sanctions and penalties to the existing non-payability in the event of failures to agree to an imposed Employment Pathway Plan; make 'acting in an inappropriate way' at appointments a basis for non-payment penalties; withhold payments until job search efforts are deemed satisfactory; make it mandatory to lose

payment for 8 weeks for refusing a job offer (rather than end it on undertaking compliance); deduct penalties from the payment for the fortnight in which the breach takes place; and eliminate current differences between harsher 'activity breach' penalties and the less harsh 'administrative breach' penalties.

- *Fairer Paid Parental Leave Bill 2015*

This Bill proposed to introduce, from July 2016, new backdating and other improvements to the existing 18 week Paid Parental Leave scheme primarily administered by employers, instead having it paid by the government agency (Centrelink), but with dollar for dollar deduction of any equivalent private employer paid leave (currently paid in addition). For a brief critique (MacDonald 2015).

- *Social Services Legislation Amendment (Fair and Sustainable Pensions) Bill 2015*

This Bill contained a variety of measures including a proposal to reduce, from January 2017, the length of time during which a pension with 'unlimited' portability would continue to be paid at the basic means tested rate (to drop from 26 to 6 weeks) before being adjusted proportionally to reflect the length of the person's Australian 'working life residence period'; and to cease both the pensioner education supplement and the education supplement payments.

Other changes, such as capping deductions from defined benefit pensions for income test purposes; tightening eligibility for fringe benefits under the Seniors Health Card and the Health Care Cards; and changes to remove the entitlement of Card holders to the Seniors supplement, passed into law after being split off into new Bills.

- *Social Services Amendment Bill 2015*

This Bill proposed to remove eligibility for social security for people charged with an offence but being detained due to mental illness.

- *Social Services Amendment (Miscellaneous Measures) Bill 2015*

This Bill would entrench in law a policy that the discretionary hardship payment (Special benefit) is not payable to someone serving out a non-payment 'income maintenance' waiting period due to receipt of termination payouts such as accrued leave; would align timelines around FTB reconciliations; allow for new apprenticeships to be designated by way of a legislative instrument; would insist that full-time study be built from a single course of study rather than combinations; and would make various minor amendments.

- *Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015*

This Bill would provide for the main elements of the *Jobs for Families Child Care Package* announced in the 2015-16 Budget (see B 1 above for further details).

- *Social Services Legislation (Budget Repair) Bill 2015*

This Bill reintroduces defeated proposals to reduce overseas portability from 26 to 6 weeks; terminate pensioner education supplement and the education entry payment; and (with new start dates) freeze the level of the 'free of income test' levels for working age payments, parenting payment single and student payments.

5. CONCLUSION

Malcolm Turnbull's September ascension to the party leadership, and Prime Ministership, certainly changed the tone of public policy debate. His vision of an innovative and agile high productivity economy, with a generous safety net and a focus on fairness, was backed by refusal to narrow debates by 'ruling out' consideration of unpopular policy options. In tax this includes keeping open an increase in the rate or broadening of the base of the consumption tax (the goods and services tax) or removal of generous tax concessions favouring higher income earners such as negative gearing (deducting investment rental losses against other income) and superannuation concessions. Along with a consultative style, a willingness consider issues on their merits, and the positioning of the government as a liberal party of the centre of politics, the change of national leadership may yet deliver meaningful welfare reform.

However the early signals in the form of the savings measures announced in the December 2015 mid-year budget review (MYEFO) were disappointingly familiar, such as the claimed AUD704 million to be achieved over three years by a 'crack-down' on welfare overpayments through the decades old strategy of cross-matching with tax and employee pay data (MYEFO 2015: 42). This may reflect the short time between the change of leadership and MYEFO, a lack of departmental policy capacity to counter the economic fiscal orthodoxy of Treasury, or just the phenomenon known as path-dependency.

One apparently intractable example of the latter (at least when tackled in isolation), was the total failure of a campaign for a modest rise in working age payments, pushed jointly by the peak welfare lobby and peak employer and business organisations. Despite the growing impoverishment of people reliant for long periods on working age payments, as the differing method of indexation of rates causes them to drop well below pensions and other non-working-age payments, the campaign was a dismal failure, due it is suggested to the historical values and architecture of Australia's welfare state, with its preeminent focus on 'welfare through employment' (Mendes 2015).

Coupled with the rise of the 'new Puritanism' (Larkin 2014) associated with 'conditional' welfare such as income management (Billings 2011; Bielefeld 2014) and 'healthy welfare' smartcards (Carney 2015b), and the 'diversification' of welfare models (MacGregor 2014) — this all suggests that welfare reform in Australia may be no easy task even for a progressively minded Turnbull Government.

While the very plausible reform blueprint advanced in the Final report of the McClure Panel Australia (2015b) is very cognizant of all of these challenges, it remains to be seen whether 2015 was simply a short 'marking of time' while reformers gathered their breath (and their wits) or denoted a reversion to type.

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