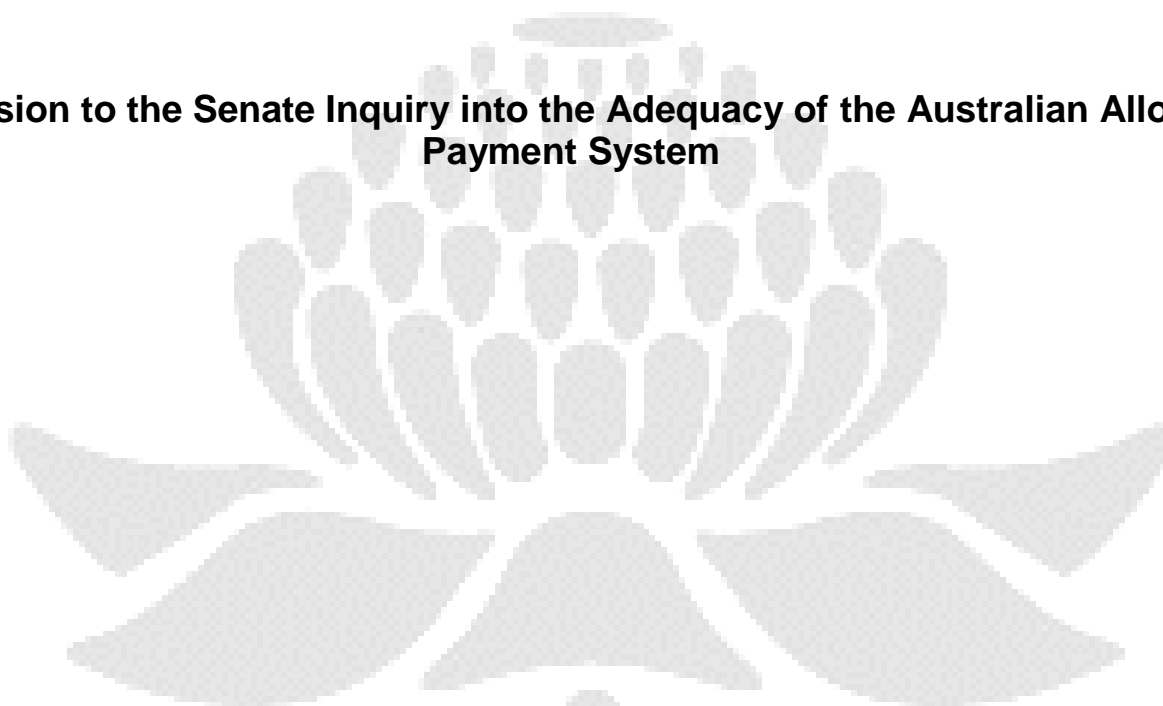


# Combined Pensioners & Superannuants Association

OF NEW SOUTH WALES INC



## Submission to the Senate Inquiry into the Adequacy of the Australian Allowance Payment System



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**Combined Pensioners & Superannuants Association of NSW Inc (CPSA)**

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## Summary of Recommendations

**Recommendation 1:** *Newstart and similar Allowances should be set at a level where households are able to adequately feed and house themselves and where they have the wherewithal to pay for the costs associated with finding work.*

**Recommendation 2:** *An independent body be set up to determine the payment rates for Allowances and a mechanism to maintain their adequacy over time.*

**Recommendation 3:** *The scope of concessions and rebates available to Low Income Health Care Card holders should be extended to provide similar benefits as the Pensioner Concession Card.*

**Recommendation 4:** *Lawmakers should take note of the significant public and community support for Newstart and similar Allowances to be raised to a level where households have adequate money to feed and house themselves and where they have the wherewithal to pay for the costs associated with finding work.*

**Recommendation 5:** *The Liquid Asset Waiting Period for Newstart and similar Allowances be removed.*

**Recommendation 6:** *The amount of allowable liquid assets for Newstart and similar Allowances be substantially raised.*

**Recommendation 7:** *That a floating pension age be considered, taking into account the type of work people have performed throughout their working life and their likelihood of gaining employment.*

**Recommendation 8:** *Reporting of income to Centrelink should take into account the date someone is paid rather than when the hours were worked.*

**Recommendation 9:** *Taper rates should be eased to not only act as an incentive to picking up part-time work but to ease people into employment.*

**Recommendation 10:** *An immediate increase of \$50 a week be granted to Newstart recipients.*

## About CPSA

CPSA was founded in 1931 in response to pension cuts. CPSA is a non-profit, non-party-political membership association which serves pensioners of all ages, superannuants and low-income retirees. The aim of CPSA is to improve the standard of living and well-being of its members and constituents. CPSA has approximately 140 Branches and affiliated organisations with a combined membership of over 29,000 people living in all parts of NSW. CPSA welcomes the opportunity to make comment to the Senate Inquiry on the adequacy of the allowance payment system for job seekers and others. This submission will focus on making recommendations about the appropriateness and adequacy of the Newstart Allowance (herein referred to as Newstart) as a form of income security, outlining how the demographic of those relying on Newstart has changed and the implications of this.

### a) Adequacy of the Allowance Payment System

Current allowances, such as Newstart, do not provide people with the level of income required to be able to pay for mortgages, rates and rent, putting people's housing in jeopardy. The ability to pay for health care and for adequate and appropriate food is also compromised. The cost of basic requirements for attending job interviews, such as appropriate clothes and transport costs to reach interviews, can be prohibitive on Centrelink allowance payments.

The ABS 2009-10 Household Expenditure Survey found that over a 12 month period, 78.7% of Newstart Allowance recipients reported three or more indicators of financial stress.<sup>1</sup>

Financial stressors included but were not limited to:

- Seeking financial help from friends or relatives (27%);
- Being only able to afford second hand clothes most of the time (46.1%), or
- Seeking assistance from a welfare/community organisation (14%).

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<sup>1</sup> Australian Bureau of Statistics (2011), *Household Expenditure Survey, Australia*, Cat. No. 6530.0.

More than half of all unemployed people (56.8%) were unable to raise \$2,000 in an emergency and two in five (40%) couldn't pay an electricity, gas or telephone bill on time. One in eight (12.5%) failed to pay car registration or insurance on time.<sup>2</sup>

The gap between pensions and allowances is currently \$132.90 per week and continues to rise to the detriment of those on the lower allowance payments. In 1997 the Newstart Allowance was 91 per cent of the Age Pension, but currently, due to the different indexation methods used, the Newstart Allowance is 65% of the Age Pension. People on pensions struggle to pay for basic goods and services, with many falling below the poverty line. Obviously, people on allowances such as Newstart struggle even more.

**Recommendation 1: *Newstart and similar Allowances should be set at a level where households are able to adequately feed and house themselves and where they have the wherewithal to pay for the costs associated with finding work.***

There is no guarantee that indexation of increased Newstart and similar Allowances according to CPI will maintain their adequacy over time.

An independent body, similar to the Remuneration Tribunal that sets pay rates for federal politicians, should be established to determine the increased rate of Newstart and similar Allowances as well as an indexation or other mechanism to ensure that recipients are able to maintain a moderate standard of living and stay above the poverty line.

**Recommendation 2: *An independent body be set up to determine the payment rates for Allowances and a mechanism to maintain their adequacy over time.***

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<sup>2</sup> Australian Bureau of Statistics (2011), *Household Expenditure Survey, Australia*, Cat. No. 6530.0.

The gap between pensions and allowances is actually much larger when supplements and concessions are taken into account.

While single pensioners receive an automatic supplement of \$30.10 a week, some Newstart recipients may apply for \$3 to help them pay for essential pharmaceuticals or \$4 to offset their telephone connection fee if they have a child under the age of 8. For the long-term unemployed, there are \$10 supplements if they participate in an approved program. While some Newstart recipients are able to access a Pension Concession Card, most are only eligible for a Low Income Health Care Card, which provides a person with fewer and lower discounts than those available to a pension cardholder.

Long-term unemployed older people who own their own home or are still struggling to pay off their home are not eligible for council rate rebates. CPSA would like to see these people eligible for council rate rebates offered in their state. For those renting, the low rate of rent assistance creates difficulties for people in maintaining their homes. Similarly CPSA would like unemployed people to be eligible for similar transport concessions that pensioners receive, particularly as the cost of transport is often prohibitive for unemployed people looking for work.

**Recommendation 3: *The scope of concessions and rebates available to Low Income Health Care Card holders should be extended to provide similar benefits as the Pensioner Concession Card.***

In a survey conducted by The Australia Institute, it was found that respondents believed, on average, that the amount required to meet the cost of living was \$454 per week, approximately three quarters of the minimum wage and 186 per cent of the Newstart Allowance.<sup>3</sup> This demonstrates that public opinion supports a rise to the Newstart Allowance and demonstrates its perceived inadequacy by the general public.

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<sup>3</sup> The Australia Institute (2011) Online Survey of 1,034 Australians in September.

**Recommendation 4: *Lawmakers take note of the significant public and community support for Newstart and similar Allowances to be raised to a level where households have adequate money to feed and house themselves and where they have the wherewithal to pay for the costs associated with finding work.***

#### **b) Allowances as a support into work**

Due to the low payment level of allowances, their effectiveness at facilitating transitions between working and other activities are limited.

The OECD has expressed concern about the adequacy of Newstart and its effectiveness at providing the financial resources required to assist Australians in finding work.<sup>4</sup>

A study by the National Welfare Rights Network asked Australians what they would choose to go without if they found themselves having to live on the adult single rate of Newstart Allowance. Forty five per cent said they would stop studying or training reflecting that the lower payments do not encourage skills development as they are too low to meet the costs involved.<sup>5</sup>

Furthermore, despite political rhetoric, anecdotal evidence has shown that the low levels of allowance payments can often act as a disincentive to people finding work. As mentioned, people are unable to maintain good health, adequate housing and may have difficulty maintaining necessities to apply for jobs such as internet and phone connections. They may also find it difficult to pay transport costs to attend interviews.

CPSA would like to see the liquid asset waiting period removed as the way the system currently stands, retrenched workers and those with modest savings are forced to use any savings they have accrued before being able to access this modest payment.

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<sup>4</sup> OECD (2010) 'Enhancing Labour Utilisation in a Socially Inclusive Society', *Economic Surveys: Australia*, p. 127.

<sup>5</sup> National Welfare Rights Network (2011) *Life is no picnic on just \$243 a week: poll reveals poverty and despair on Newstart*

Those applying for Newstart after low paid work for a number of years are particularly disadvantaged by the Liquid Assets Waiting Period. This money may have taken years to save and may be the buffer someone has when they do not earn enough to cover unexpected expenses. In particular, being able to continue maintaining their housing is crucial. The ability to hold onto some savings would assist people to make mortgage repayments, pay council rates and rent, thereby assisting people to remain above the poverty line.

**Recommendation 5: *The Liquid Asset Waiting Period for Newstart and similar Allowances be removed.***

**Recommendation 6: *The amount of allowable liquid assets for Newstart and similar Allowances should be substantially raised.***

**c) The impact of the changing nature of the labour market and the changing demographic of those receiving allowances**

With 63 per cent of Newstart recipients on the payment for more than one year, it is becoming clear that Newstart is no longer predominantly a payment to assist people between jobs.<sup>6</sup>

Importantly, 28.5 per cent of people classified as long-term Newstart recipients are over 50 years of age.<sup>7</sup> These people face age discrimination in the work place, and with many unable to find suitable work they are forced to use any retirement savings they may have accrued and must rely on this much lower payment until they reach pension age. While CPSA recognises that single people over 60 years of age who have been on the payment for more than nine months

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<sup>6</sup> Australian Government, Department of Families, Housing, Community Services and Indigenous Affairs (2011) *Statistical Paper No. 10, Income support customers: a statistical overview*, p. 43, Available at: <http://www.fahcsia.gov.au/about-fahcsia/publications-articles/research-publications/social-policy-research-paper-series/statistical-paper-no-10>

<sup>7</sup> Australian Government, Department of Families, Housing, Community Services and Indigenous Affairs (2011) *Statistical Paper No. 10, Income support customers: a statistical overview*, p. 42, Available at: <http://www.fahcsia.gov.au/about-fahcsia/publications-articles/research-publications/social-policy-research-paper-series/statistical-paper-no-10>



are entitled to a slight rise in what they are paid, the extra \$20 they receive per week does not make a significant impact on assisting older people in keeping up with the rising costs of living as well as the higher costs that can come with ageing.

For example, someone who has done manual labour for 40 years is less likely to be able to find suitable employment in their 60s than someone who has done office work so should be eligible for the Age Pension at an earlier age. This has been successfully implemented in France and recognises that people's working lives have an impact on their health and wellbeing as well as their employability later in life.

**Recommendation 7: *A floating pension age be considered, taking into account the type of work people have performed throughout their working life and their likelihood of gaining employment.***

The assumption embedded within Australia's social security system that moving people off Centrelink payments into employment of any kind is beneficial does not take into account the effects of people moving into unsuitable and insecure work. People moving off Centrelink allowances into casual work along with the current reporting arrangements disadvantage low income people. Centrelink currently requires people to report as they work, not when they are paid. As a result, if the reporting cycle and an individual's pay cycle do not match up, they can go without funds for significant periods of time; not being paid either their allowance or by their employer.

**Recommendation 8: *Reporting of income to Centrelink should take into account the date someone is paid rather than when the hours were worked.***

The steep taper rates and allowable earning working credits for those on Newstart negatively affect the ease with which people can move into work. A person on Newstart can earn only \$31

a week before their payment is reduced. In 1982 this figure was \$30, only increasing by \$1 over a 30 year period, despite the dramatic rise in the cost of living over this period.

When someone returns to work they quickly not only lose their eligibility to allowances but also concession cards which dramatically increase the costs of travel to and from work via public transport and medical costs. For people living in public housing their rent also increases. For people who are on short term contracts, the burden of reapplying for Newstart and being subject to the Liquid Asset Waiting Period is also a disincentive.

**Recommendation 9: *Taper rates should be eased to not only act as an incentive to picking up part-time work but to ease people into employment.***

**Recommendation 10: *An immediate increase of \$50 a week be granted to Newstart recipients.***