

**Review of the Social Security Commission
Bill 2018
Submission to the House of Representatives
Standing Committee on Social Policy and
Legal Affairs
March 2019**



About ACOSS

The [Australian Council of Social Service \(ACOSS\)](#) is a national voice in support of people affected by poverty, disadvantage and inequality and the peak body for the community services and civil society sector. Our vision is for a fair, inclusive and sustainable Australia where all individuals and communities have the opportunities and resources they need to participate fully in social and economic life.

Recommendations

The Bill be passed with the following amendments:

1. Amend the definition of 'social security payment' to include payments in the Family Assistance Act 1999 to ensure family payments are included in the Commission's terms of reference. Specifically, payments to be included are:
 - Family Tax Benefit, parts A and B (as well as any add-on payments tied to FTB such as the Energy Supplement, end-of-year supplements and Rent Assistance).
 - Newborn upfront payment
 - Stillborn baby payment
2. Amend section 11 (3) to omit 'and any other sources of income that may be available to the recipients', and include 'the Commission must ensure that social security payments on their own meet the benchmark for an acceptable standard of living to ensure those who do not have access to other sources of income meet the acceptable standard of living.'
3. Include the effect of waiting periods on the adequacy of income support payments within the Commission's terms of reference.
4. Ensure that the Commission is able to commission research to help determine adequacy of income support payments.

ACOSS supports a Social Security Commission

ACOSS strongly supports this bill to establish a Social Security Commission. ACOSS has long called for a Commission to provide independent advice on payment adequacy and other settings. An independent body to advise the Parliament on issues surrounding payments would help remove the politics from the setting of payment rates, indexation and other elements of social security.

There is a clear need for independent expert advice to be provided the Parliament about social security. The politicisation of payments has led to some payments being more generous than others, despite recipients being in similar circumstances. For example, pensions paid to single older people, carers and people with disability are now \$180 per week more than allowances for single people who are unemployed, sick or caring for school-aged children. This is the result of more generous indexation arrangements and an historic increase to pensions in 2009. Allowances, despite being paid at much lower rates, were excluded from these reforms. Allowances are now less than \$15,000

per annum, which is well below the poverty line, and are totally inadequate to cover the cost of essentials like housing, food and utilities.¹

Means-testing arrangements are much more generous for pensions compared with allowances, and, in general, conditions tied to allowances are more onerous or paternalistic, while pensions are often exempted from these conditions (particularly the age pension).

The Commission will need to consider base rates of payment as well as supplementary payments. It will be important for the Commission to make recommendations about the adequacy of base rates by household type (eg., single, couple, etc.). In doing so, it will also need to consider the extra costs associated with different circumstances, including housing costs, disability, caring responsibilities, single parenthood, and job search. In addition, the Commission should consider uniform indexation arrangements to ensure that payments keep pace with cost of living and community living standards.

While some differences in payments recognise the circumstances of people receiving them (eg., Age Pensioners are not expected to engage in paid employment, while people receiving Newstart are expected to look for paid work), subsequent governments have chosen to keep allowances paid at an inadequate rate. These are political decisions, not based on expert advice. If this bill is legislated, our parliament will at the very least have an independent body reporting against the adequacy or otherwise of our social security payments, which in any given year seven million of us access.

Family payments should be considered by the Commission

While the Commission will consider all payments under the Social Security Act, this Act does not include family payments, which are administered under the A New Tax System (Family Assistance) Act 1999. Family payments under the Family Assistance Act include Family Tax Benefit parts A and B, FTB end-of-year supplements, family rates of Energy Supplement and Rent Assistance, and other payments like the newborn upfront payment and stillborn baby payment. These payments, especially FTB, are crucial for low-income families, and should form part of the Commission's remit.

ACOSS recommends that the definition of 'social security payment' be amended to include income support payments under the A New Tax System (Family Assistance) Act 1999.

Payment adequacy should be considered on its own without reference to private income people may or may not receive

Part two, Section 11 (3) of the bill states that "the Commission must take into account to the extent it considers appropriate, the terms upon which each payment reviewed is provided (including means-testing for the recipient or withdrawal of payments) and any other sources of income that may be available to the recipients."

ACOSS is concerned about the inclusion of the term 'any other sources of income that may be available to the recipients'. All base rates of income support are means-tested, and Australia holds the gold medal for means testing, with the most targeted system of income support in the OECD. The means testing arrangements should form the sole basis that the Commission assesses the effect of other income (or assets) the income support recipient receives (or holds). Otherwise there could be scope for income support payment adequacy to be assessed on the basis of income sources that

¹ Peter Saunders, Megan Bedford (2017) 'Budget Standards: A new healthy living minimum income standard for low-paid and unemployed Australians', University of NSW <https://www.sprc.unsw.edu.au/research/projects/a-new-healthy-living-minimum-income-standard-for-low-paid-and-unemployed-australians/>

should not be considered when assessing if someone has an adequate standard of living. This includes family resources that the person may or may not have access to (other than that assessed under the Social Security Act), unpaid child support, income that may be available in a shared living arrangement (eg., kitties for bills, food, etc.) and superannuation that someone under the preservation age may or may not be able to access if in financial hardship.

The means-testing arrangements for payments for people expected to engage in paid work will need to be structured so that paid work is rewarded and payments are appropriately targeted. However, this should not detract from the need for the Commission to assess payment adequacy on its own, as opposed to taking into account other sources of income that may be available to the recipient.

ACOSS recommends that the words 'and any other sources of income that may be available to the recipients' be omitted. ACOSS suggests that the following be included in section 11 (3) 1: 'the Commission must ensure that social security payments on their own meet the benchmark for an acceptable standard of living to ensure those who do not have access to other sources of income meet the acceptable standard of living.'

Other points to consider regarding the bill

Legislated waiting periods

The bill does not specifically mention the impact of waiting periods on the overall adequacy of payments for people who are in financial need. Most payments attract a waiting period of some kind, even where the person is financially eligible for income support. Working-age payments have at least a one-week wait regardless of the person's financial means, in addition to a waiting period of up to 13 weeks if more than \$5,000 in liquid assets is held. Waiting periods for recent migrants have been extended to four years for payments including Newstart and Special Benefit.

Clearly waiting periods have an impact on the standard of living for people who do not have sufficient private means to get by. ACOSS recommends that the Commission consider the impact of waiting periods on the adequacy of income support payments.

What the Commission needs to be able to do its work well

The Commission will need to analyse a range of measures to assess the adequacy of social security payments. This will include poverty lines, budget standards, and measures of deprivation. Most importantly, the Commission will need to systematically include (and seek) the views of people affected by payment inadequacy. The Commission will need to analyse what people in different circumstances need in income support payments to cover the cost of the basics.

The bill effectively defines an acceptable standard of living as being at or above an internationally accepted definition of a measure of poverty (poverty line). Australia does not have a national definition of poverty, despite being a signatory to the Sustainable Development Goals which requires all parties to halve the proportion of people living in poverty. While there are a number of poverty lines, ACOSS uses the OECD poverty benchmark (which is 50% of the median income) to measure the extent of poverty in Australia. Using this benchmark, three million people in Australia live in poverty. Those most at risk of living in poverty in Australia receive Youth Allowance, Newstart Allowance or Parenting Payment as their main source of income.²

In addition to analysing income support payments against poverty lines, we suggest that the Commission also commission budget standards research to help analyse payment adequacy. The

² ACOSS (2018) 'Poverty in Australia' https://www.acoss.org.au/wp-content/uploads/2018/10/ACOSS_Poverty-in-Australia-Report_Web-Final.pdf

development of budget standards is complex, resource intensive and time consuming work. The most recent Australian example of budget standards was conducted by the University of NSW's Social Policy Research Centre, published in 2017,³ some 20 years after its first budget standards publication. Given the resources required to produce budget standards, and the low likelihood of this work being done without investment, the Commission will need to invest in this research to assess the minimum income required to meet basic living costs.

The Commission should also analyse the level of deprivation experienced by households. The 2016 HILDA survey analysed material deprivation, but this was not repeated in the 2018 analysis. Again, the Commission should consider commissioning research on levels of deprivation to fully understand whether payments meet a minimum standard. ACOSS also calls for the Commission to assess what households would be able to purchase should their income increase by a certain amount.

³ Ibid.