

Submission to
Standing Committee on Community Affairs'
Inquiry into the adequacy of Newstart and related payments
and alternative mechanisms to determine the level of income
support payments in Australia

September 2019

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Combined Pensioners & Superannuants Association of NSW Inc (CPSA)

Address: Level 3, 17-21 Macquarie Street (cnr Macquarie & O'Connell Sts), Parramatta NSW 2150

ABN: 11 244 559 772

Email: cpsa@cpsa.org.au

Website: www.cpsa.org.au

Phone: (02) 8836 2100

Country Callers & Donations: 1800 451 488

Facsimile: (02) 8836 2101

CPSA receives funding support from the New South Wales and Australian Governments

CPSA is a non-profit, non-party-political membership association founded in 1931 which serves pensioners of all ages, superannuants and low-income retirees. CPSA has 91 branches and affiliated organisations with a combined membership of over 22,000 people living throughout NSW. CPSA's aim is to improve the standard of living and well-being of its members and constituents. CPSA receives funding support from the NSW Government Departments of Communities & Justice and Health and the Australian Government Department of Health.

CPSA welcomes the opportunity to comment on the adequacy of Newstart and related payments and alternative mechanisms to determine the level of income support payments in Australia. CPSA has an interest in ensuring that all Allowance Payments are able to deliver the best means of support to all those who need them. CPSA has some serious concerns about the current framework. In particular CPSA is concerned about the current payment rates for Allowance Payments and the mechanisms that determine these rates of payment.

Recommendations

Recommendation 1: That Newstart and all other Allowance payments are set at 125% of the single person Henderson poverty line to constitute an acceptable standard of living in Australia.

Recommendation 2: That an independent Social Security Commission is established to provide expert advice to Parliament in regard to rates of payment of Allowances.

Recommendation 3: That the Newstart Allowance and all other Allowances are indexed biannually in line with wages growth as well as increases in CPI.

Recommendation 4: That Newstart Allowance commitments are eased for over 55 year olds to account for the decreased likelihood of finding employment.

Recommendation 5: That Rent Assistance is immediately increased by 30 per cent and that it is indexed biannually in line with local housing markets.

Recommendation 6: That all Allowance Payments are paid as cash entitlements without restriction on how people spend money. The option to opt in to an income quarantining provision should be provided for recipients who choose for restrictions to be placed on their payment allowances.

(a) Consideration of what constitutes an acceptable standard of living in Australia, including the cost of safe and secure housing

CPSA recommends that all Allowance Payments, including the Newstart Allowance and related payments should be raised to at least 125% of the single person Henderson poverty line. The Henderson poverty line is currently \$661.96 per week including housing. The current Newstart Allowance of \$277.85 per week¹ is just over half the Henderson Poverty Line for Australians. CPSA believes that the wellbeing of the 722,000 Australian citizens receiving Newstart is at risk as a result of living severely below the poverty line. Therefore the suggested increase in the Newstart Allowance is required immediately and should be extended to all Allowance payments.

Recommendation 1: That Newstart and all other Allowance payments are set at 125% of the single person Henderson poverty line to constitute an acceptable standard of living in Australia.

(e) the current approach to setting income support payments in Australia

The current approach to setting income support payments in Australia is highly susceptible to politicisation. Currently the Australian Government sets income support payments without the assistance of an independent body. This approach results in a punishing and inequitable society as is present in contemporary Australia.

An independent Social Security Commission should be established to advise Parliament on income support payments. Evidence based benchmarks recommended via the advice of independent experts should influence the rates of payments. In order for Australia to provide an effective social security safety net, transparency and expertise are needed to eliminate the politics involved in setting income support payments. The Commission should cover the adequacy of payments, means testing, indexation and accessibility to payments.

Also, increasing Allowance Payments according to CPI rather than wages has had a detrimental impact on recipients. Although CPI supposedly measures the cost of living, it is also adjusted for improvements in the quality of goods. The improvement of technological goods has resulted in consumers paying for higher quality goods with extra features but at similar prices. This is recorded as a fall in price, even though a similar amount of money is spent. Partly because of the improvement of technological goods, everyday necessities have risen above CPI. Indexing income support payments to CPI alone is no longer adequate. Indexation should reflect movements in wages in order for Payment Allowances to keep up with the cost of living. The March 2019 indexation increase resulted in a single recipient of the Newstart Allowance receiving a \$2.75 increase to their weekly allowance. Unless an extra two litres of milk a week will significantly improve the quality of life of people on the Newstart Allowance, this approach to indexation needs improvement.

Recommendation 2: That an independent Social Security Commission is established to provide expert advice to Parliament in regard to rates of payment of Allowances.

¹ <https://www.humanservices.gov.au/individuals/services/centrelink/newstart-allowance/how-much-you-can-get>

Recommendation 3: That the Newstart Allowance and all other Allowances are indexed biannually in line with wages growth as well as increases in CPI.

(f) The impact of the current approach to setting income support payments on older unemployed workers, families, single parents, people with disability, jobseekers, students, First Nations peoples, people from culturally and linguistically diverse backgrounds, people living in regional and remote areas, and any others affected by the process

People aged 55-65 years and 6 months on Newstart are the largest cohort of people on the Allowance.² Age has been found to have a correlation with the difficulties in finding employment. Closing in on retirement and the potential to have a mismatch of skills for vacant roles, contributes to the length of unemployment older people currently experience.

The current commitments required by the Newstart Allowance do not adequately address the added difficulty older people experience whilst searching for employment. Newstart recipients over 55 do not have to actively be job searching, but they must engage in paid or unpaid work to receive benefits. The strict commitments in return for an inadequate payment are having adverse impacts on the lives of older Australians.

Older renters in the private market have often been found to be hesitant to complain about a dwelling in fear of a rent increase or eviction.³ It was found that renters dependent on the Age Pension are particularly vulnerable as they do not have the emotional, financial or physical resources to handle a rent increase or eviction.⁴ This vulnerability can only be worse for older people on Newstart as they receive over one and half times less income than those on the Age Pension.

55-65.5 year olds on the Newstart Allowance live below the poverty line for an average of 187 weeks⁵. This has a drastic impact on the wellbeing of older Newstart recipients. Savings are likely to be depleted to supplement the inadequacy of the current Newstart Allowance, leaving older people in a worse position for retirement. In addition, social isolation is more likely to occur due to the inability to afford social outings, negatively impacting the mental health of older Australians.

Recommendation 4: That Newstart Allowance commitments are eased for over 55 year olds to account for the decreased likelihood of finding employment.

² Department of Social Services, 2018 <https://data.gov.au/dataset/ds-dga-cff2ae8a-55e4-47db-a66d-e177fe0ac6a0/details>

³ Morris, *The Australian Dream*, 183-229.

⁴ Ibid, p.179.

⁵ Department of Social Services, 2018 <https://data.gov.au/dataset/ds-dga-cff2ae8a-55e4-47db-a66d-e177fe0ac6a0/details>

(l) The interactions with other payments and services, including the loss of any increased payments through higher rents and costs

Rent Assistance needs an increase of at least 30 per cent and the indexation of the payment needs urgent review.

Renting is no longer a transitional sector for young people. The number of renters aged 55-64 has risen 14.7 per cent from 2000 to 21 per cent in 2018⁶. People of all ages, predominantly on lower incomes are now renting for extended periods of time. In the decade 2007-08 to 2017-18, the amount of lower income households renting in the private rental sector increased by 25 per cent⁷. Over the same period of time, lower income households that pay more than 30 per cent of household income on housing costs increased by 53.9 per cent⁸.

Not only are more people renting, but rent has increased drastically. In 1995-96 median weekly housing costs for private renters were \$139⁹. 25 years later after no real increase to the Newstart Allowance, the median weekly housing cost for private renters is now 166 per cent greater at \$370¹⁰. The growth of costs in the private rental sector requires supplementation that will keep low income households from slipping into homelessness. In its current form Rent Assistance cannot do this.

Rent Assistance has become inadequate. The reasoning for the continued indexation of Rent Assistance to CPI is perplexing when there is a copious amount of data displaying the pace at which the cost of rent is exceeding movements in CPI. The indexation of Rent Assistance should reflect movements in rent costs within local housing markets.

Recommendation 5: That Rent Assistance is immediately increased by 30 per cent and that it is indexed biannually in line with local housing markets.

(r) any other related matters

All social security payments should be paid as cash entitlements with no restrictions on how people must spend their money. Cashless cards are a mark of shame that recipients would have to bare every time they pay for a good or service. The founder of the Liberal Party, Sir Robert Menzies said this when referring to unemployment payments

⁶ [ABS 6523.0](#), 2000-01 and 2017-18

⁷ <https://www.ahuri.edu.au/policy/ahuri-briefs/growth-in-lower-income-rental-households-outstrips-other-households>

⁸ Ibid

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[https://www.ausstats.abs.gov.au/ausstats/free.nsf/0/5B1D8D5715105E4BCA25722500049571/\\$File/41300_95_96.pdf](https://www.ausstats.abs.gov.au/ausstats/free.nsf/0/5B1D8D5715105E4BCA25722500049571/$File/41300_95_96.pdf), p.15

¹⁰ 4130.0 Table 3.2 <https://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/4130.02017-18?OpenDocument>

‘People should be able to obtain these benefits as a matter of right, with no more loss of their own standards of self-respect than would be involved in collecting from an insurance company the proceeds of an endowment policy on which they have been paying premiums for years’.¹¹

The use of an identifiable social security payment card would humiliate recipients and disregard what Menzies had in mind for social security payments.

In addition to Government enforced shaming, non-cash schemes would be a large expense to the public purse. The millions that would go into rolling out such a scheme would be better invested into local community programs that can assist Allowance Payment recipients with financial counselling or mental health issues¹².

However, for payment recipients who believe they benefit from restrictions on their allowances there should be the option to opt in to such a service. Maintaining the autonomy of payment recipients is paramount that is why payment restrictions should only be voluntary.

Recommendation 6: That all Allowance Payments are paid as cash entitlements without restriction on how people spend money. The option to opt in to an income quarantining provision should be provided for recipients who choose for restrictions to be placed on their payment allowances.

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https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/FlagPost/2019/August/Creating-unemployment-benefits

¹²Australian Council of Social Services, *Cashless Debit Card Briefing Note*, 2018 https://www.acoss.org.au/wp-content/uploads/2018/02/010218-Cashless-Debit-Card-Briefing-Note_ACOSS.pdf