

2023-24 Pre-Budget submission

January 2023

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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'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 appreciates the opportunity to make a submission to the 2023 Budget.

CPSA welcomes the announcement of the Economic Inclusion Advisory Panel as a necessary step to ensure the adequacy of social security payments.

An independent body to advise Parliament on income support payments is vital to ensure decisions are evidence-based and non-politicised.

Everyone deserves to have an acceptable standard of living regardless of employment status, age or lifestyle.

To ensure that income support payments are able to support those relying on them, CPSA recommends that the panel consider the adequacy of both current payment rates and of the indexation of payments. To support income support recipients living in private rental accommodation, the adequacy of Commonwealth Rent Assistance (CRA) also needs to be reviewed.

Adequacy of income support payments

The adequacy of income support payments, including the Age Pension, the Disability Support Pension, the Carer Payment and the JobSeeker Payment, is a significant concern for CPSA's constituency. Income support payments should allow recipients to maintain an adequate standard of living and provide them with financial security so they don't have to worry about their ability to afford essential items and services.

The Age Pension was last reviewed and meaningfully increased in 2009.¹ This pension review found that pension rates didn't fully recognise the cost of living for a single pensioner living by themselves and further, that indexation needed to better respond to price changes felt by pensioners.²

Since this review, the pension has not been meaningfully increased again and indexation has not changed. This means that the pension has continued to fall behind where it should be and is long overdue for another review.

The poverty line for a single pensioner is \$499.99 a week.³ At \$1026.50 a fortnight, the current rate of the Age Pension plus supplements is only just higher than the poverty line.

Despite not technically living in poverty, this still fails to provide pensioners with an acceptable standard of living.

¹ Australian Government, 2023, Social Security Guide

² Australian Government, 2010, Pension Review Report

³ Melbourne Institute, 2022. Poverty Lines: Australia

Those relying on the Age Pension as their sole source of income have a very low fixed income and little to no opportunity to supplement this income.

Assuming that an income just meeting the poverty line is enough to afford essential items like food, housing, utilities, transport, energy, communication costs and medication, which it often isn't, this is only enough to survive on a day to day basis. Pensioners are still ill equipped to cover any unavoidable larger costs such as replacing an old appliance or paying for unexpected medical appointments.

It is vital that the rate of the Age Pension is reviewed to ensure that pensioners have enough financial security to maintain a decent standard of living, not just enough to scrape by.

JobSeeker Payment recipients are even worse off than those receiving the Pension.

The JobSeeker Payment is significantly lower than the Age Pension at just \$668.40 a fortnight. The poverty line for single people below pension age is \$616.62 a week.⁴ Those relying on JobSeeker receive just over half of this poverty line, clearly not enough to allow for an adequate quality of life.

As of September 2022, 29.6 percent of JobSeeker recipients were aged 55 and over.⁵ This is more than any other age bracket. At this age, finding future employment becomes increasingly difficult. A 2021 Australian Seniors survey found 69.2 per cent of respondents believed they had been turned down for a job solely based on their age.⁶

This ageism on top of the usual struggles with finding a job mean that those over 55 are the most likely to be long-term recipients of a JobSeeker Payment, often receiving it until reaching the Age Pension age.⁷

The current rate of the JobSeeker Payment is not sufficient to survive on short term, let alone to provide long term recipients an adequate quality of life.

CPSA urges the panel to review all social security payment rates to ensure recipients have an acceptable standard of living.

Indexation of payments

One way to provide immediate relief to those receiving income security payments is to change how payments are indexed.

⁴ Melbourne Institute, 2022. Poverty Lines: Australia

⁵ Data.gov.au, DSS Payment Demographic Data

⁶ Australian Seniors, 2021, The Australian Seniors series: Ageing in the workforce 2021

⁷ Parliamentary Budget Office, 2020, JobSeeker Payment: understanding economic and policy trends affecting Commonwealth expenditure

CPSA suggests that indexation should occur more frequently, particularly during periods of high inflation. Currently the rates of payment are reviewed and adjusted twice a year, in March and September.

The indexation process for March and September uses CPI figures from the previous December and June quarters, meaning that payment recipients have been covering cost-of-living increases for almost nine months. When they receive the benefit of payment indexation, this benefit provides relief for only six of those months.

With recent high inflation rates, pensioners have lost an estimated 1.8 per cent purchasing power over the twelve months to September 2022. This 1.8 percent, or \$457.25 per annum, is a significant loss for low-income households.

More frequent indexation would ease some of the pressure felt by low-income households. By adjusting payment rates quarterly, for example, the loss of purchasing power would be significantly decreased and payments would better keep up with the cost of living.

It is noted that the Australian Bureau of Statistics now publishes monthly CPI figures. Although these can be subject to change, it demonstrates that the data on which to base more frequent indexation, particularly when inflation is high, exist.

Commonwealth Rent Assistance

The current rates of Commonwealth Rent Assistance (CRA) are completely insufficient in comparison to actual housing costs.

The maximum amount of CRA available is \$151.60 a fortnight.⁸ In September 2022 the median rent for an apartment in a capital city was \$490 a week.⁹

Social housing stock is severely limited, with 163,500 households across Australia on the waiting list as of June 2021.¹⁰ This means that many payment recipients who do not own their own home are left to live in private rentals. With current CRA rates as low as they are, those who miss out on social housing are at a significant disadvantage.

Details change between states but generally speaking a household in social housing will pay no more than 30 per cent of their income as rent. For those receiving the Age Pension this would be \$154 a week and the JobSeeker Payment just \$100.

⁸ Services Australia, Rent Assistance: How much can you get, accessed at <https://www.servicesaustralia.gov.au/how-much-rent-assistance-you-can-get?context=22206>

⁹ Domain, 2022, September 2022 rental report, accessed at <https://www.domain.com.au/research/rental-report/september-2022/>

¹⁰ Australian Institute of Health and Welfare, 2022, Housing assistance in Australia: web report, accessed at <https://www.aihw.gov.au/getmedia/99cecf0-c493-4fbd-bbc3-953f526852b7/Housing-Assistance-in-Australia.pdf.aspx?inline=true>

This is the amount that those in private rentals get subsidised by CRA each fortnight, but they then have to find an extra few hundred dollars a week from the same fixed income.

Payment recipients living in private rentals should not be punished because the social housing system does not have the capacity to accommodate everyone that needs it.

CRA rates must be increased to allow those unable to access social housing the same protection from rental stress.

Conclusion

In summary, CPSA would like the upcoming May 2023 Budget to (1) address the adequacy of social security payments by measures that ensure these payments provide recipients with an adequate quality of life, (2) review the frequency of payment indexation, particularly in times of high inflation, and (3) increase rates of Commonwealth Rent Assistance to ensure payment recipients renting in the private market are not paying more than those in social housing.