



Review of the Social Security Commission Bill 2018

Submission to the House Representatives Standing Committee on
Social Policy and Legal Affairs

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Combined Pensioners & Superannuants Association of NSW Inc (CPSA)

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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 95 branches and affiliated organisations with a combined membership of over 23,000 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 Family & Community Services and Health and the Australian Government Department of Social Service.

CPSA is pleased to submit the following comments to the Review of the Social Security Commission Bill 2018.

CPSA supports the Bill to establish a Social Security Commission, whose main function it would be to ensure the adequacy of all social security payments with reference to the actual cost of living. CPSA strongly campaigned for the increase in the single Age Pension, DSP Carer Payment and similar payments that was granted in 2009. CPSA noted at the time that, due to different indexation arrangements, this necessary pension increase would widen the already yawning gap between recipients of pension-type payments and recipients of allowances such as Newstart and Youth Allowance.

While CPSA's support for a Social Security Commission to ensure the adequacy of all social security payments is based on that understanding of unfairness in the current arrangements, CPSA also represents the interests of a growing cohort of older Australians who are not yet of pension age, but who are long-term unemployed and many of whom will never work again. This cohort receives Newstart, the most common working-age payment.

Newstart is an inadequate payment. Partnered people have a total weekly income of \$564.20, or 18 per cent below the poverty line of \$691.58. Single people are in an even worse position with a weekly income of \$344.70, or 33 per cent below the poverty line of \$516.99.¹

Newstart plus Energy Supplement is 40 per cent less than the Age Pension plus the Pension and Energy Supplements and stands at \$550.20 per fortnight for singles (Age Pension rate \$916.30) and \$993.40 for partnered people (Age Pension rate \$1,381.40). Over-60s who are single and have been unemployed continuously for nine months receive an additional \$44.90 a fortnight.

Newstart is increasingly becoming an ageing issue. The largest age cohort of Newstart recipients are the over-55s (of working age) with just over 185,000 on this payment, making up 22.4 per cent of all recipients. The proportion of the over-55s population (of working age) on Newstart is also the largest: 12.6 per cent of over-55s rely on Newstart for income support. For those aged 65 the situation is even grimmer: 17.3 per cent of all over-65s (of working age) rely on Newstart for income support.

¹ Poverty Lines: Australia, June quarter 2018, Melbourne Institute.

Age group	Newstart recipients	Population	Newstart recipients as % of population	Newstart recipients as % of total recipients
16 – 24	143,423 ²	1,509,642	9.5%	17.3%
25 – 34	156,664	1,862,605	8.4%	18.9%
35 – 44	166,270	1,651,132	10.1%	20.1%
45 – 54	175,647	1,567,888	11.2%	21.2%
55 – 64	174,532	1,411,373	12.4%	21.1%
65 – 65.5 ³	10,665	61,591	17.3%	1.3%
55 – 65.5	185,197	1,472,964	12.6%	22.4%
Total	827,201	8,064,231	10.3%	100.0%

Sources: for population data, *3101.0 - Australian Demographic Statistics, June 2018*, Australian Bureau of Statistics; for Newstart and Youth Allowance data, *DSS Demographics March 2018*, Department of Social Services.

The already high proportion of over-55s on Newstart is set to increase due to two factors. First, the number of people over-55 in proportion to the overall Australian population is increasing, which means more will spend time on Newstart before they reach pension age. Second, the Age Pension eligibility age was 65.5 at the time to which these data relate, but will go up to 67 by 1 July 2023. This means a longer wait for over-55s on Newstart until they reach pension age. Combined with an increase in the number of new entrants, existing Newstart recipients staying on this payment longer will significantly increase the overall number of Newstart recipients.

The reason CPSA supports the establishment of a Social Security Commission in preference over a one-off real increase in Newstart and other similarly inadequate payments is that an independent body to advise the Parliament on issues surrounding payments would not only help remove the politics from the setting of payment rates, indexation and other elements of social security, it would also contribute towards Australia becoming a less divided nation. Pension-type payments are seen by many as a reward for a life of hard work, while allowances like Newstart are seen by many as free money for the undeserving poor. This is a deplorable state of affairs when there is consensus among economists that the current unemployment rate of 5 per cent represents Australia being at full employment. This means that Australians work when there is work and deserve support if there is no work for them. That support needs to be at an adequate level with reference to the cost of living.

Clearly, taking the politics out of the setting of social security payment rates by relying on independent expert advice to the Parliament would provide far less scope and

² The age group 16 – 20, which receives Youth Allowance, has been included as receiving Newstart.

³ The data used in this submission relate to the period during which the Age Pension age was 65.5.

opportunity for the political exploitation of the perceived deserving/undeserving poor divide.

A Social Security 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.), and consider the extra costs of various circumstances, including housing costs, disability, caring responsibilities, single parenthood, and job search.

A Commission should also consider the impact of waiting periods. Clearly waiting periods have an impact on the standard of living for people who do not have sufficient private income to get by.