



**Top Lines**

**Increase Newstart:** All these ideas need to be funded. We have a lot of competing demands in this area, including Disability Insurance, aged care and the pay equity case. The best thing we can do is get people into work, rather than long term unemployment, if we possibly can. That’s what we’ve focussed on with training places, wage subsidies and targeted interventions.

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## ADEQUACY AND INCENTIVES

### Overview

Adequacy of payments (including indexation).

- Forum participants are concerned with the growing disparity in allowances (e.g. Newstart) and pensions due to indexing arrangements and base payment rates.
- Pensions are indexed by the greater of the Consumer Price Index (CPI) and the Pensioner and Beneficiary Living Cost Index (PBLCI) and then benchmarked to Male Total Average Weekly Earnings (MTAWE) while allowances such as Newstart are indexed to CPI with no benchmarking. This creates an increasing gap between pension payments and allowances.
- The differences in the base payment rates between the allowances and pensions have a policy basis, for example Newstart allowance is paid on the basis that the person is expected to actively seek and accept suitable work. On the other hand, the Disability Support Pension is designed to be a source of income for people whose capacity to work, or to work full-time is limited.
- Increasing the indexation of allowances to match those of pension payments would have a significant fiscal impact over the long term.

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<b>'How can we ensure the transfer system provides adequate levels of support?'</b>	
<b>Supporters</b>	<b>Section 22</b>
<p><b>Julian Disney, Community Tax Forum and Pat Power, Catholic Social Services</b> set a minimum standard of living and then set benefits around that.</p> <p><b>Paul Howes, Australian Workers Union, David Thompson, Jobs Australia, Maree O'Halloran, Nat Welfare Rights Network</b>, substantially increase the level of Newstart while working towards a more sustainable system.</p>	<b>Section 22</b>

NP = Not on Panel

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## DEMOGRAPHICS AND SUSTAINABILITY

### Overview

Ageing of the Australian population will contribute to substantial pressure on government spending over the next 40 years.

Total spending is projected to increase to 27.1 per cent of GDP in 2049-50, around 4¾ percentage points of GDP higher than its projected low point in 2015-16. In today's terms, that's the equivalent of adding around \$60 billion to spending.

Growth in spending on age-related pensions and aged care also is significant both as a proportion of GDP and in real spending per person, reflecting population ageing.

The proportion of working age people is projected to fall, with only 2.7 people of working age to support each Australian aged 65 years and over by 2050 (compared to 5 working aged people per aged person today).

<b>'Will the transfer system be sustainable in the future?'</b>	
<b>Supporters</b>	<b>Section 22</b>
<p><b>Peter Whiteford, UNSW</b>, under current indexation arrangements Newstart will drop from 20 per cent of the average wage to just 11 per cent over the next 40 years, and will be little more than a third the level of the Age or Disability Support Pensions.</p> <p><b>Kasy Chambers, Anglicare, Nicola Ballenden, Brotherhood of St Laurence, Simon Schrapel, Uniting Care Wesley Adelaide, Charlie Donnelly, National Union of Workers</b>, also concerned about differential indexation of pensions and allowances.</p> <p><b>Cassandra Goldie, ACOSS</b>, the growing disparity between pensions and allowances cannot go on, with Newstart worth just two-thirds of the pension (and less than half by 2040).</p>	<p><b>Section 22</b></p>

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## MEANS TESTING

### Overview

Australia's transfer payment system is one of the world's most highly targeted. To facilitate this eligibility for payments involves income test thresholds and tapers. This can be seen to create a potential disincentive for recipients to increase their workforce participation.

There is some concern within the community around the tightness of means tests in relation particularly to allowances.

Means testing can also add to the complexity a person faces in the tax and transfer systems.

Within the current two-part means test — the income test and the assets test — some assets are assessed under both tests, while other assets are assessed only under the assets test. This results in people receiving different levels of government payments even though they have the same level of wealth. This reduces the fairness of the means testing system.

AFTS recommended that a more uniform treatment of assets in the means test would reduce these outcomes and be more equitable. This could be achieved by having a comprehensive means test that determines access to all income support payments, including Newstart Allowance and the Age Pension. This means test would include deeming an income on most assets. The deeming rates would be based on the returns expected from a portfolio of assets that would be held by a prudent investor.

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### Government initiatives

In the 2011-12 Budget the Government introduced new requirements for Disability Support Pension (DSP) recipients aged under 35 with some capacity to work to develop a participation plan.

The Budget also relaxed the 15 hour rule, to let DSP recipients work up to 30 hours per week before losing eligibility to their payment.

The Government will provide \$179 million to reward part-time work by reforming the income test for single parents. They will be able to keep up to an extra \$3,900 a year of the income from part-time work.

This will allow single parents to keep up to an extra 20 cents in the dollar by reducing the income support taper for Newstart from 50 and 60 cents in the dollar to 40 cents in the dollar.



