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Pensions Review
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Pension Review

Introduction

1. The National Foundation for Australian Women (NFAW) welcomes the opportunity to provide a submission to the Review of Pensions with its focus on measures to strengthen the financial security of seniors, carers and people with disability.
2. The NFAW is a politically independent feminist organisation, which works in partnership with other women's organisations to achieve its aims. NFAW's aims are:
    a. To advance and promote the interests of Australian women
    b. To record and make accessible the histories of Australian women and
    c. To ensure women's achievements are handed on to future generations.
3. Our credibility in documenting and commenting on the impact of government policies on the interests of women and girls is well established.
4. When the initial policy changes known as *Welfare to Work* were proposed by the Howard Government we worked collaboratively with a coalition of national women's organisations (later known as the *What Women Want* coalition) to analyse the distributional impacts of those proposed changes on sole parents and people with a disability.
5. As part of that project we commissioned research from the National Centre for Economic and Social Modeling (NATSEM) at the University of Canberra on the distributional impacts of the proposed changes on the incomes of sole parents and of people with disabilities. We were particularly pleased to work collaboratively on the last with the organisations Women With a Disability Australia (WWDA). The research reports are available on www.nfaw.org under Social Policy
6. We greatly regret that this Review does not encompass payments for sole parents, as we consider that some of the Welfare to Work changes have been particularly disadvantageous to sole parents and their capacity to be successful or even adequate parents.
7. Our recently released Newspoll survey on use of out of school hours care by parents of school aged children[1] demonstrates the problem many sole parents encounter in finding or affording suitable care for their children during vacations, especially for children in the 9-15 year age range, and the need for more access for family friendly working conditions.
8. A submission on this issue, recommending policy changes has been made to the House of Representatives Standing Committee on Employment and Workplace Relations' Inquiry

[1] www.nfaw.org

into Pay Equity.[2] That submission was prepared collaboratively with the group Security for Women, and with the Australian Federation of University Women and the Victorian Women's Referral Service (WIRE).

9. This Submission builds on and endorses the personal Submission (see Attachment A) made to the current Review by one of our members, Ms Julia Perry. A summary of Ms Perry's recommendations is provided below.

10. We specifically endorse and draw to attention her recommendation that people with disabilities and parents who are expected to seek work for 15 hours or more should be returned to pensions

11. We find common cause with Ms Perry's argument to the effect that the current policy formulation capacity at national government level is inappropriately and inefficiently fragmented between departments (FACHSIA and DEEWR) and that there is administrative dissonance as a consequence of the different administrative and policy arrangements, with different Ministerial responsibility for the direct contact agency, Centrelink.

12. Similarly, we find sound sense in the argument for the principle of a standardized basic payment across different eligibility categories, recognising the essential costs of living.

13. Setting the appropriate levels of payments requires access to a basket of appropriate commodity and other elements of costs of living prices, assessed on a regular basis. Use of existing indicators such as CPI may not be the most effective means of doing this. We note the importance of recognition of housing costs for renters, which will take account of regional variations. These payments are appropriately made on a regular weekly or fortnightly basis, in line with general practice in terms of payments of wages and retirement benefits.

14. We have reservations about the need for one-off bonus payments if the basic issues of equity and adequacy care recognised. In the event they are retained, they should not be restricted to age pensioners alone.

15. Regular policy attention to the efficiency of means of coverage of health costs, including pharmaceuticals, as well as access to dental and medical services is important, and gaps in access to bulk-billing by general practitioners or other failures in health care cost protection should be attended to regularly.

16. We draw to attention the Perry recommendation (and supporting arguments) concerning meeting the actual costs of disability and provision of a Mobility Allowance. Given the paucity of public transport services in many areas of Australia, eligibility for a Mobility Allowance should also recognize the availability of public transport in a specific location.

Conclusions and Recommendations:

17. The NFAW urges the Review to consider and adopt the Perry Recommendations as set out below.

18. We urge the Review to consider the inequity of the difference between pensions and allowances, and in this to consider the possible reversion of some persons with a disability and of sole parents to the actual pension.

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[2] www.nfaw.org

19. We draw to the attention of the Review that this Submission has been endorsed by a number of other women's organisations, including but not limited to Solomums and the Australian Federation of University Women.

Summary of recommendations – Julia Perry

20. Any allowances and concessions provided to people with special needs such as disability, caring or parenting responsibilities should apply to people with those needs regardless of which pension or allowance they receive. For example, there are many people with disabilities or caring responsibilities receiving Age pension and Parenting Payment Single.
21. A Costs of Disability allowance is most urgently needed and should go to those whose disability is recognised as imposing extra costs, through some form of disability cost tables which could be applied along with work test instruments. Ability to work is not necessarily the same as costs of disability and these should be the subject of two separate decisions.
22. Mobility Allowance should be provided to all people who are unable to use public transport without substantial assistance because of their disability, without the current participation requirements. At the very least those with parenting or caring responsibilities should be entitled.
23. People with disability and parents who are expected to be seek work for 15 hours or more should be returned to pensions. The requirement to work is not a reflection of need, and the pension income test is more suitable to people needing to combine working part-time and pension.
24. People with severe disability should be entitled to a care allowance. Many do not have full-time carers and need to be able to purchase care in combination with assistive technologies, as they require.
25. The purpose of the Carer Allowance in addition to Carer Payment is not clear. If it is to meet costs associated with disability it should be paid to the person with the disability (point 5 above). If it is to recognise caring as a valuable social contribution it should be considered in terms of a wage.
26. The income and asset test requirement for the care recipient to qualify the carer for Carer Payment should be abolished. It is administratively onerous and inequitable.
27. Rent Assistance needs to be substantially increased in recognition of the sharply increased costs of rents, particularly in capital cities, and near areas of high labour demand.
28. If pensioner bonuses are continued they should be paid to all pensioners, not only age and carer pensioners.
29. The growing gap between the levels of pensions and of allowances is inequitable and unjustifiable.

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ATTACHMENT A: Submission to the Pension Review - Julia Perry

Congratulations on establishing the Review of Pensions. This is an important contribution to the larger review of the wider tax system. I welcome the opportunity to make a submission.

Summary

My first and overall comment is that all income support including student assistance should be restored to one portfolio and that rates, income tests and other conditions should be harmonised in a rational manner, according to individual need and capacity for self support.

Government should move away from recent tendencies to stereotype recipients of different payments and recognise the great diversity of recipients, their needs and their workforce barriers within each payment category.

The goal of moving to a single payment with add-ons according to need and activity tests according to circumstances should be revived, as in the 2002 FaCS discussion paper Building a simpler system to help jobless families and individuals.

Workforce capacity is not necessarily related to income need. Activity tests should not be associated with lower payment levels. The activity test and the Australian model of income tests with free areas and tapered withdrawal are sufficient to provide work incentives, without compromising adequacy in the rates of support for those unable to obtain employment and sufficient earnings.

Income support should be sufficient to provide a decent basic living standard for those without other income. Additional allowances should be targeted to those with extra living costs, to provide horizontal equity.

Recommendations

1. Base rates and supplementary payments should be as consistent as possible across all income support payments.
2. Eligibility for and the level of supplementary payments should apply to the needs of the income support recipient regardless of which pension or benefit they are receiving. Any allowances and concessions provided to people with special needs such as disability, caring or parenting responsibilities should apply to people with those needs regardless of which pension or allowance they receive. For example, there are many people with disabilities or caring responsibilities receiving Age Pension and Parenting Payment Single.
3. There is a case for increasing basic rates relative to Average Weekly Earnings.
4. If pensioner bonuses are continued they should be paid to all pensioners, not only age and carer pensioners.
5. The growing gap between the levels of pensions and of allowances is inequitable and unjustifiable.
6. An additional component of family payments (Guardian Allowance) should be introduced for sole parents or single adults with the care of children, to bring their living standards up to those in other family structures.

7. Sole parents should be entitled to receive pension level payments and income tests until the child reaches the age of 16.
8. People with disabilities who are able to work 15 hours a week should be entitled to receive pension payments and income tests.
9. A Cost of Disability Allowance should be introduced for those with types of disability that impose additional costs, through some form of disability cost tables which could be applied along with work test instruments. Ability to work is not necessarily the same as costs of disability and these should be the subject of two separate decisions
10. The above allowance could replace or be additional to Mobility Allowance. At the very least, Mobility Allowance should be extended to parents and carers with disabilities. Ideally it should be available to all people with mobility disabilities, regardless of their labour force attachment, including age pensioners.
11. The requirement that care recipients meet the pension income and assets tests in order for the carer to qualify for Carer Pension should be abolished.
12. The purpose of Carer Allowance should be clarified. Consideration should be given to providing an allowance for costs of care to people with severe disabilities requiring a substantial level of care, many of whom do not have a full-time carer.
13. Rent Assistance needs to be substantially increased in recognition of the sharply increased costs of rents, particularly in capital cities, and near areas of high labour demand.
14. Rent Assistance should be converted to a Housing Allowance and available to those who are in the process of purchasing a home. People should not be forced to forfeit their mortgages and move into private rental because of a period of economic hardship.

Background

I worked as a policy analyst in the Departments of Social Security and Family and Community Services for 12 years. During that time I was Director of Retirement Incomes Policy, Child Support, Sole Parent and Family Policy, Disability and Carer Policy and the Social Security Simplification Project.

I have therefore a strong policy background in pensions and in the overall principles of the social security system.

I was asked by the Keating ALP Government Minister for Social Security, Peter Baldwin MP, to investigate a single payment structure for Australia, and wrote *Policy Discussion Paper No 7, A Common Payment: Simplifying Income Support for People of Workforce Age* (1995). This was endorsed by the Keating Labor Government and also by the incoming Coalition Minister, Jocelyn Newman and as well by the McClure Report on Welfare Reform as the long-term goal. A subsequent FaCS discussion paper *Building a simpler system to help jobless families and individuals* was the subject of public consultations by the Department in 2002.

I then spent some years heading the Social Security Simplification Project, which examined every aspect of the social security system, looking at ways to rationalise differences between payments. This work mapped out a strategy for moving to a single payment structure, with many improvements in equity and targeting along the way.

Among the many achievements of this period was transferring student assistance to Family and Community Services (FACS), which meant that all income support except Service Pensions and Abstudy was in the one portfolio.

The decision by the previous Coalition government to split the income support system between portfolios put an end to this line of policy development, and the hope of moving in stages to a far more rational and equitable system.

A further impediment to sound, efficient and responsive policy making and administration of the income support system is the current split of roles between the responsible Departments and Centrelink. Not only has this led to a ballooning of staff and resources devoted to managing the relationships but also reduces the capacity for policy makers to respond to feedback from the service delivery component.

Principles for a simplified system

Through very thorough examination of the system we made a number of findings.

Among the basic principles of the payment simplification project were that the eligibility criteria for each income support payment were based on the main reason why a person was unable or not expected to be in paid employment: unemployment, age, disability, sickness, full-time study or parenting and caring responsibilities.

Further we found that many people had combinations of these factors: many aged pensioners had disabilities and caring responsibilities; some were in part-time employment or in study. Parenting payment recipients again might have disabilities, additional caring responsibilities or be in education and so on.

People with a combination of factors, each of which is not sufficient on its own to qualify them for a payment but which in total amounted to a serious barrier to full-time employment are not adequately provided for in the current categorical system.

The criteria for each payment do not necessarily reflect the basic needs of the person. Thus we aimed at providing a common base rate, with add-ons for living alone (single rate), sole parent adjustment, child payments, student allowances, rent assistance, disability etc. These add-ons and special conditions should apply to all income support recipients with the same needs, regardless of payment.

Nor is it the case that only those on Newstart are looking for employment. All payments should provide incentives and rewards for full-time or part-time work.

Activity test requirements would be based on the circumstances of different groups, as they are now. This would enable multiple disadvantages to be recognised and reduce the administrative complexities involved in transferring people from one payment to another when their circumstances changed slightly.

While it has often been asserted that pensions were long-term payments and benefits were short-term payments this was not the case. While the average duration might be long for some payments, durations varied more widely within payment types than between them.3

The simplification project identified a number of payment parameters beyond rates. These included eligibility and access to a number of supplements, portability, residence requirements, bereavement, indexation, definition of income, waiting periods, income test free areas and tapers and assets test tapers.

It is my view that the simplification project should be reconsidered. Most of our original findings are still very relevant. Much of the complexity in the current system is based on historical factors and does not serve a useful purpose. The single payment model would allow greater responsiveness to different circumstances while reducing overall complexity.

The Pension Review

The Pension Review will investigate measures to strengthen the financial security of seniors, carers and people with disability by considering:

1. The appropriate levels of income support and allowances, including the base rate of the pension, with reference to the stated purpose of the payment.
2. The frequency of payments, including the efficacy of lump sums versus ongoing support.
3. The structure and payment of concessions or other entitlements that would improve the financial circumstances and security of seniors, carers and people with disability.

The discussion below relates primarily to 1 and 2.

Appropriate levels of support

It follows from the above that the appropriate levels of support and allowances should be considered not in relation to the stated purpose of the payment, but in the circumstances of need of the customer.

Ideally all pensions, allowances and student assistance should have the same base rates, and indexation should be consistent across all rates. The growing gap between pensions and other income support payments is of great concern, particularly the low rate of Austudy.

It would be seriously inequitable to add to this disparity by moving to different rates of base rates and allowance between pension types. This includes those remaining in the FaHCSIA portfolio and those in the DEETYA portfolio.

One reason why this would be inequitable is that not all pensioners with disabilities are on Disability Support Pension, not all carers are on Carer Payment, not all sole parents are on Parenting Payment Single. Thus any special provisions for pensioners who are sole parents or primary carers for a child, carers, people with disabilities, studying, employed, and so on should apply equally regardless of which pension they receive.

A second reason is that stereotyping of different pensioner groups is very inequitable and irrational. The bonus recently provided to age pensioners and carer payment recipients is an

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[3] *Pensions* comprise Age Pension, Disability Support Pension, Carer Payment, Parenting Payment Single, Bereavement Allowance, Wife Pension, Widow B Pension and Service Pension. *Allowances* include Newstart Allowance, Parenting Payment Partnered, Sickness Allowance, Mature Age Allowance, Widow Allowance and Partner Allowance, as well as Youth Allowance and Austudy, although the latter two are irregular.

example of this. It is particularly unfair to disability support pensioners, many of whom are in severe hardship. The growth in disability support numbers does not render such people less deserving. Similarly many parenting payment single recipients and their children are in hardship.

Although outside the scope of the current pension review, I suggest that the differences in rate between pensions and allowances (including student assistance) be reconsidered. The 'single without children' rate of allowances was allowed to vary from the pension rate under the Fraser Government and the nexus between pensions and allowances in the 'single with children' and the 'partnered' rates was broken under the Howard Government, when pensions but not allowances were adjusted to keep up with average weekly earnings. This was not justifiable in terms of equity and has led to perverse incentives. Austudy is paid at rates well below those for Newstart, which is unconscionable, particularly providing a disincentive to education and training.

The benchmark rate of 25 per cent of MTAWE reflects the rate at which pensions were set in 1945. This was at a time when most households relied on a single male breadwinner. As households now tend to be dual income, the relative level of adequacy of this benchmark against community living standards is much lower than it was originally.

While I will leave it to others to provide the data, it is widely held that sole parents and people with disabilities suffer the most deprivation of pensioner groups, particularly those with high housing costs.

I note that the practice of providing annual bonuses to age and carer pensioners is now becoming an expectation. I am sure that these bonuses are very useful in providing a lump sum to use on expenses beyond the everyday needs.

It is quite inequitable to provide these to some pensioners but not to those in greatest need. It is essential that they be extended to disability support pensioners and sole parents.

1. Base rates and supplementary payments should be as consistent as possible across all income support payments.
2. Eligibility for and the level of supplementary payments should apply to the needs of the income support recipient regardless of which pension or benefit they are receiving. Any allowances and concessions provided to people with special needs such as disability, caring or parenting responsibilities should apply to people with those needs regardless of which pension or allowance they receive. For example, there are many people with disabilities or caring responsibilities receiving Age Pension and Parenting Payment Single.
3. There is a case for increasing basic rates relative to Average Weekly Earnings.
4. If pensioner bonuses are continued they should be paid to all pensioners, not only age and carer pensioners.
5. The growing gap between the levels of pensions and of allowances is inequitable and unjustifiable.

Sole Parents on DSP, Carer and Age Pension

In the case of sole parents there was formerly an allowance, Guardian Allowance, which recognised that sole parent households are relatively disadvantaged by a single rate of pension and family tax benefit, because the cost of the first child is greater in such households. International equivalence scales are normally adjusted to recognise this. While Parenting Payment Single is not in the FaHCSIA portfolio, there are increasing numbers of sole parents on Disability Support Pension and Carer Pension. These are people who would have formerly

been eligible for those pensions but were receiving Parenting Payment instead. With the Welfare to Work changes those with children of primary school age would claim other pensions where eligible. There are also a small number of grandparents on Age Pension caring for children. These families are at risk of poverty.

Although it is outside the scope of the current review, the removal of pension conditions for sole parents with youngest children aged 8 and over was unjustified and inequitable. The drop in the level of income support for sole parent families at that point does not reflect any reduction in need and living costs. The allowance income test provides a very much lower incentive and reward than the pension income test for part-time work, particularly if the costs of working include outside school hours care.

Any consideration of re-introducing Guardian Allowance should ensure that single people with the care of children should receive it regardless of which payment they receive.

6. An additional component of family payments (Guardian Allowance) should be introduced for sole parents or single adults with the care of children, to bring their living standards up to those in other family structures.
7. Sole parents should be entitled to receive pension level payments and income tests until the child reaches the age of 16.

People with Disabilities

In the case of people with disabilities, there is a wide range of disability. The cost of disability is not necessarily reflected by work capacity. That is, there are people whose disability prevents them from being employed, but does not have a cost. Then there are those who could take up employment but have costly disabilities. And of course there are those who both cannot engage in paid employment and have a costly disability.

Some costs of disability are in medication, treatment and assistive technology, all of which are only used by people with disability. Others relate to greater needs for items and services that are commonly used by other people but not to the same extent, such as air conditioning for people with multiple sclerosis. A final category is costs relating to inability to use public transport, walk easily and perform tasks associated with self maintenance. Some need to pay for care.

While some of the costs are met through health insurance and through disability programs, there is still a strong case for a cost of disability allowance. Such an allowance should be available equally to people with significant unmet costs of disability, regardless of the payment they are receiving.

This is recognised through Mobility Allowance, for which the disability criterion is ‘inability to use public transport without substantial assistance (either permanently or for an extended period) due to the person's physical or mental disability’. It has long been recognised that this is a proxy for costs of disability and not specifically aimed only at transport.

But Mobility Allowance is confined to those who are in gainful employment, undertaking vocational training, required to look for work under the Newstart, Youth Allowance or Austudy Payment, undertaking mandatory activities under various other schemes, voluntary work in some cases or rehabilitation. They do not apply to those who are seeking employment even though they are not required to as part of their income support conditions. They are only eligible if they are required to travel to and from home to do any of these. There are now two rates, the higher rate applying to those who are or were receiving certain payments and are employed 15 hours a week or 30 hours a week.

The activity restrictions are complicated and inequitable, particularly those for the higher rate, which do not apply equally to people who have been on different payments or those who were not previously on a payment, and thus are not targeted on need.

They do not apply to people who have costs of disability which prevent them from gainful employment and those who also have parenting or caring responsibilities. Carers and parents need to be able to travel to take children and care recipients about and to buy what they need. They do not apply to age pensioners with disabilities who wish to participate in life generally.

There have been a number of studies4 on the costs of disability in Australia. There is a need to separate the actual costs from the cost of income forgone, and understand which disabilities are associated with additional costs. There is a need for cost of disability tables in conjunction with the work ability tables.

The task of assessing people with costs of disability could be undertaken in conjunction with the work assessments. Thus the assessor could make two assessments, one on ability to work and one on costs. These would determine their activity test requirements if any and also their eligibility for a cost of disability allowance. Those people with disabilities receiving Carer Payment, Parenting Allowance and Age Pension, who are not required to be assessed for activity test purposes, could opt for assessment to claim the payment.

The exclusion from Disability Support Pension of people with disabilities who are able to engage in paid employment for 15 hours a week or more, under the Welfare to Work Changes, was unjustifiably harsh. That capacity does not necessarily reflect lower levels of need. In fact it has placed significant numbers of people who were already suffering financial hardship in a worse position, unless they are able to find suitable paid employment. Secondly, the allowance income test provides a greater disincentive to part time work than does the pension income test. This is particularly exacerbated for those who incur higher costs of working because of their disabilities than the costs of working for those without disabilities.

8. People with disabilities who are able to work 15 hours a week should be entitled to receive pension payments and income tests.
9. A Cost of Disability Allowance should be introduced for those with types of disability that impose additional costs, through some form of disability cost tables which could be applied along with work test instruments. Ability to work is not necessarily the same as costs of disability and these should be the subject of two separate decisions
10. The above allowance could replace or be additional to Mobility Allowance. At the very least, Mobility Allowance should be extended to parents and carers with disabilities. Ideally it should be available to all people with mobility disabilities, regardless of their labour force attachment, including age pensioners.

Carers

Carers are not eligible for Carer Payment if the care recipient does not meet the pension income and asset test. This dates from the time when it was introduced as Spouse Carer Pension, when the carer and care recipient were married and subject to joint income testing. However, since Carer Payment was extended to other carers, this requirement is problematic. Carers have no right to be paid or supported by the care recipients, and their care

[4] For example Physical Disability Council Of Australia (2001), *Towards a Disability Allowance: Offsetting the Costs of Disability - An Analysis*, prepared by Dr. Jack Frisch, Faculty of Commerce and Economics, The University of New South Wales; Peter Saunders (2006) *The Costs of Disability and the Incidence of Poverty* SPRC Discussion Paper No. 147

responsibilities are no different from other carers. This requirement is unfair and inequitable to those who are excluded from income support for this reason.

If it is the Commonwealth's expectation that a care recipient with substantial income or assets should financially support the carer, then this should be made clear and the carer should have some access to that. This would however be an emotionally sensitive policy.

Carers are often eligible for Carer Allowance as well as Carer Payment. It is not clear what need this payment meets. There is little reason why it should be confined to family members of the care recipient.

Carers often argue that Carer Allowance recognises the fact that their provision of care is a social service that offsets the need for publicly funded care, either residential or community based. Thus they are saving the Commonwealth money by providing the care. This was an initial justification for providing the predecessor of carer Allowance, which was Domestic Nursing Care Benefit. This argument has some merit, but if in fact it is accepted then Carer Allowance is in the nature of a wage. Yet to take that to its proper conclusion, carers should receive a payment in the nature of a wage, comparable with wages paid to professional carers in the community sector, instead of Carer Payment and Carer Allowance.

A related rationale is that the costs of caring are to recognise the costs of forgone earnings. This is not a logical argument as other income support recipients are forgoing income, through disability, unemployment etc.

Other carers argue that the costs of caring are in spending on the needs of the care recipient. In this case it is a poorly targeted substitute for a costs of disability allowance. The payment should be made to the person with the disability. If the disability includes mental incompetence, such as dementia, then the care recipient's money would normally be managed by a guardian, which might or might not be the carer. In other cases, the care recipient is the appropriate person for the allowance.

Many people with severe or profound disabilities do not have a suitable carer who meets the requirements for Carer Payment. If they received an allowance for care they could have the option to share it between two or more carers, or purchase a certain amount of care.

The purpose and rationale for the payment structure for carers should be reviewed and clarified. In particular consideration should be given to providing care allowances to the care recipient.

11. The requirement that care recipients meet the pension income and assets tests in order for the carer to qualify for Carer Pension should be abolished.
12. The purpose of Carer Allowance should be clarified. Consideration should be given to providing an allowance for costs of care to people with severe disabilities requiring a substantial level of care, many of whom do not have a full-time carer.

Rent Assistance

The steep increase in private rents across Australia means that rent assistance should be increased substantially.

Rent Assistance should be converted to housing assistance and available on an equal basis to those renting privately or purchasing homes to help people with mortgages to maintain payments during periods of hardship.

The life-time effects of being forced out of home ownership due to a period of unemployment, caring, parenting or disability can be devastating. Many such people can never regain their position in the housing market.

Home ownership in Australia has historically played a major role in living standards after retirement, with around 80 per cent of people over the age of 65 now being home owners. The exclusion of increasing numbers of younger people from home ownership is of great concern.

The costs of renting over a lifetime are likely to be much higher than home purchase, and the cost to Government of paying rent assistance over the long term is high. Private renters are also likely to enter age care earlier and at a lower level of need than people in more secure and affordable tenures. This also adds to Commonwealth expenditure.

Restricting housing assistance to private renters only is a policy based on long outdated ideology, and is inequitable to those forced out of the process of home purchase into the rental market.

13. Rent Assistance needs to be substantially increased in recognition of the sharply increased costs of rents, particularly in capital cities, and near areas of high labour demand.
14. Rent Assistance should be converted to a Housing Allowance and available to those who are in the process of purchasing a home. People should not be forced to forfeit their mortgages and move into private rental because of a period of economic hardship.

Income and asset tests

Any consideration of changes to the income and assets tests should be considered in the broader review of tax.

Conclusion

This submission addresses only the first subject of the Pension Review, and only some of the payments and allowances. It addresses the payment qualifications and structure more than the actual levels of payment.

Beyond the level of the current review, the Government should review the administrative arrangements and responsibilities for income support between FaHCSIA, DEEWR and Centrelink. The present system is fragmented, incoherent, inequitable and administratively very costly.

The problem of complexity and inequity in the current income support system remains a great weakness. It detracts from customer service because of the difficulty for recipients to make sense of the system and for staff to ensure that entitlements are accurately worked out. It is inequitable when minor and immaterial differences in circumstances can lead to significantly different entitlements. It is inefficient in terms of staff resources.

The long term goal of moving to a single modular payment structure should be revived. An intermediate goal is to simplify and rationalise the current system to provide as much consistency as possible across payment types.