

AUSTRALIA'S FUTURE TAX SYSTEM –

PENSION REVIEW 2008

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Prepared for the Commonwealth

Department of Families, Housing,

Community Services and Indigenous Affairs



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1. EXECUTIVE SUMMARY

The Physical Disability Council of NSW (PDCN) appreciates the opportunity provide feedback and recommendations to this critical inquiry into pensions, to be facilitated by the Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs as part of a wider Taxation Review.

PDCN has chosen to focus its discussion on issues relevant to the additional expenses such as personal care, incontinence supplies, transportation and costly equipment, frequently paid by people with disabilities with already limited budgets. A government allowance is suggested for people with a disability depending on their level of mobility, who are living in the community and in receipt of government benefits. Additionally it is recommended that the method used to calculate all pensions remains consistent.

PDCN has not identified or discussed financial issues relevant to carers, as it is assumed that *Carers Australia* have forwarded a submission representing their needs.

2. SCOPE OF THE REVIEW - Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs

To investigate measures that might be adopted to strengthen the financial security of seniors, carers and people with disability with regards to the following:

- *Appropriate levels of income support and allowances, including the base rate of the pension, with reference to the stated purpose of the payment;*
- *Frequency of payments, including the efficiency of lump sum versus ongoing support; and*
- *Structure and payment of concessions or other entitlements that would improve the financial circumstances and security of carers and older Australians.*¹

¹ Australian Government Department of Families, Housing, Community Services and Indigenous Affairs, (2008). *Australia's Future Tax System Pension Review Background Paper*, 2.

3. ABOUT THE PHYSICAL DISABILITY COUNCIL OF NSW (PDCN)

PDCN is the peak body representing people with physical disabilities across New South Wales, representing approximately 700,000 residents.² PDCN focuses on issues relevant to people a disability, such as access to the built environment, transport and access to aids and equipment.

An inclusive society is achieved when people with physical disabilities are involved in every aspect of political, social, economic and cultural life. Access to all modes of public transport is essential to facilitate community inclusion in all aspects of daily living.

PDCN is able to represent the needs and interests of people with physical disabilities. Membership of PDCN includes people with a variety of physical disabilities, from young children to aged people, living across NSW in either Greater Sydney Metropolitan area or rural NSW all from a wide range of socio-economic circumstances. PDCN has the background, knowledge and skills to advocate on all levels of Government regarding the needs of people with physical disabilities.

PDCN encourages people with physical disabilities to become involved in the decision making process, so that Government and non-Government bodies become familiar with relevant issues.

PDCN effectively networks with other advocacy organisations on common goals and issues. Subsequently PDCN strives to bring about significant, permanent and positive changes to the circumstances of people with physical disabilities. The goal is to secure equal civil and human rights for our constituency.

Promotional activities assist to educate and inform all members of the community, most frequently through the media. Publications such as 'Words Matter' produced by PDCN facilitate this educative process.

PDCN is funded by the NSW Department of Ageing, Disability and Home Care, employing four staff members, and based in Glebe.

4. PDCN RECOMMENDATIONS

Recommendation 1: PDCN recommends the existing benefit plus an annual allowance incorporating the additional costs commonly associated with disability, for all people with a disability living in the community in receipt of government benefits.

Recommendation 2: PDCN recommends that eligibility for a cost of disability allowance be based on the functional mobility of the individual.

Recommendation 3: PDCN recommends that a common method of determining the amount for each type of pension be consistently applied.

² ABS (2003-04). *Regional Population Growth, Australia and New Zealand. 2003-04*; Australian Institute of Health and Welfare (2008). *The Health of Australians – an overview*. Canberra, 36.

5. DISCUSSION

Overview – Current access to the Disability Support Pension (DSP)

Recipients of both the Aged and Disability Support Pension currently receive a similar payment with differing eligibility to allowances and entitlements. The Disability Support Pension (DSP) is a payment for people whose physical, intellectual or psychiatric impairment prevents them from working, or for people who are permanently blind. Recipients of the DSP receive a maximum fortnightly rate for a single person with no children of \$581.40, and for a couple with no children of \$485.70 each, with access to the following payments and benefits depending on eligibility:

- Education Entry Payment of \$208
- Pensioner Education Supplement
- Advance payment of \$500 for people receiving the DSP
- Pharmaceutical Allowance
- Rent Allowance
- Remote Area Allowance
- Telephone Allowance
- Utilities Allowance
- Mobility Allowance
- Pensioner Concession Card

The FAHCSIA Background Paper - Australia's Future Tax System Pension Review outlines the following characteristics common to recipients of the DSP:

- A significant number of people in receipt of Government benefits due to the greater understanding and broader eligibility criteria, with an increase of 35% receiving the DSP between 1997- 2007;
- People who rely on the DSP often need to be for long periods at a time, with little opportunity to acquire savings or assets;
- In total, 16.9% of working age people (aged 16 to 64 years) receive an income support payment, and of this 30.8% receive the DSP;
- An equal number of people with a disability receive the Aged Pension as those on the DSP;
- Over 66% of people receiving the DSP pay rent either privately or publically, including 14.6% who pay privately with no rental assistance, 33.2% who pay privately with rental assistance, and 19.3% who pay public housing.

Impact of Additional Costs of Disability

Recipients with a disability receiving the full DSP face financial hardship due to a limited income, the additional costs of disability, with a limited ability to save a significant budget for large cost items or for the future. Similarly people receiving a part pension frequently have minimal incomes due to limited educational and vocational options, and the costs associated with having a disability. To remain active in the community and stay healthy, people with physical disabilities need to spend a large amount of their limited income on the following non tax deductible items:

- **Personal care costs** – Essential assistance received by people with physical disabilities for undertaking the full range of everyday tasks that people without disabilities accomplish without assistance. This may include any of the following

daily tasks, including personal hygiene; grooming; housecleaning; gardening; home maintenance; child care; educational support; vocational support; and respite. Due to differing functional needs total expenditure can vary enormously, but generally regarded as being a large annual expenditure.

- **Transport costs** - Due to limited accessible public transport, people with physical disabilities are still reliant on private vehicle transportation or paying excessive fares on taxis for all travel purposes.. As from December 2007, only 25% of public transport provided access to people with physical disabilities, including older people who maybe entitled a travel allowance, but due to their limited mobility an inability to use public transport and hence an inability to use this privilege.
- **Equipment costs** including scooters, motorised wheelchairs and the modification of motor vehicles for the purposes of going to work. At home people with severe physical disabilities often require hoists for lifting and electric beds which cost a large amount and need to be replaced every 5- 10 years. Additionally continence products and pharmaceutical costs (each subsidised to some extent by government) need to be considered.
- **Home modifications** including substantial changes to the entrance of a house or the installation of an accessible toilet/ shower add significantly to the yearly budget.

A survey conducted by the Australian Quadriplegic Association (AQA) found median annual costs varying from \$5,054 for DSP recipients with incomes less than \$10,000, to \$18,225 for AQA members who had business interests, and \$8,783 for wage earners.³ It needs to be stressed that this survey was conducted in 1999, nearly ten years ago, and hence these excessive costs are already largely out of date.

Research – Costs of Disability and the Incidence of Poverty

Recent research identifies a strong link between the costs associated with disability and the higher risks of poverty. This research is structured on findings from a commonly accepted survey conducted by the Australian Bureau of Statistics (ABS). This survey being the *Household Expenditure Survey* is conducted every five years by the ABS, and is based on the following costs common to all members of the community:

Goods and services identified in the Household Expenditure Survey

- Current housing costs (selected dwelling)
- Domestic fuel and power
- Food and non-alcoholic beverages
- Alcoholic beverages
- Tobacco products
- Clothing and footwear
- Household furnishings and equipment
- Household services and operation
- Medical care and health expenses
- Transport

³ Physical Disability Council of Australia (2001). Frisch J, *Towards a Disability Allowance: Offsetting the Costs of Disability – An Analysis 2001*.

- Recreation
- Personal care
- Miscellaneous goods and services

Additional selected other payments identified in the Household Expenditure Survey

- Income tax
- Mortgage repayments-principal (selected dwelling)
- Other capital housing costs
- Superannuation and life insurance ⁴

Findings from the *ABS Household Expenditure Survey 1998-99* were then used to determine a link between the costs of disability and the likelihood of poverty, using the following variables:

- Severity of disability
- Household type
- Income levels and poverty rates
- Indicators of hardship

When compared against the variables listed above it was 'found that the costs of disability are estimated to average around 29 per cent of (or equivalised) household income, rising to between 40 per cent and 49 per cent of income for those with a severe to profound restriction'.⁵

On the basis of this research and anecdotal feedback, it appears that the basic DSP payment is insufficient for ordinary household costs with the additional costs of disability. Consequently it is recommended the people receiving the DSP receive an additional allowance to be available to recipients at the beginning of each financial year. A one off payment is the preferred option so that recipients needing to purchase expensive one-off items such as motorised wheelchairs do not need to wait the full twelve months before making the purchase.

Ageing Population

To enhance the independence of all people living in the community it is fundamental that Government budgets, programs and policies account for the increased needs of people in receiving a government benefit by providing resources that allow for the additional costs of disability

This need is reinforced with data from the Australian Institute of Health and Welfare (AIHW) which incorporates the increasing number of people with disabilities living much longer in the community whilst obtaining assistance from an outside service provider, such as Home Care.

⁴ Australian Bureau of Statistics, Household Expenditure Survey 1998-99, Appendix 3 – Household Expenditure Classification (HEC).

⁵ Social Policy Research Centre (SPRC) (2006). University of New South Wales Discussion Paper – 147, *The Cost of Disability and Incidence of Poverty*, 22.

As of 1998 the AIHW estimated the following trends in population;

	Number under 65 yrs ('000)	Number over 65 yrs ('000)
Need for Assistance		
Self care	14.5	17.9
Mobility	26.6	22.2
Transport	18.9	22.8

Table 1: People with a severe or profound core activity restriction living in households: Main source of assistance is a formal service provider assistance in Australia⁶

It is recommended that an allowance incorporating the additional costs commonly associated with disability be introduced immediately, for eligible recipients of all government beneficiaries with a disability living in the community. With this allowance to be based on a persons' level of functional using the following criteria:

Category	Description
Low	Requires mechanical equipment (such as canes, crutches, braces, or wheelchair) to walk or get around independently.
Medium	Requires additional mechanical equipment to aid mobility in the community.
High	Unable to control or use arms and legs requiring a large amount of personal care, and motorized equipment to facilitate independence.

Government benefits have been regulated at 25% of the Male Total Average Weekly Earnings (MTAWE) since the early 1970's. It is essential that all government benefits are calculated in a similar manner to ensure consistency for all recipients. It is unlikely that ordinary household costs such as domestic fuel and power, food and non-alcoholic beverages, alcoholic beverages, tobacco products or clothing and footwear, would vary greatly between community members, giving no reason for different base rates for different government benefits.

While PDCN is not advocating that the pension rate is sufficient, it appears unreasonable that people on the Aged Pension should receive an additional thirty dollars pension on the basis of age, and would prefer that Government programs and policies recognise the additional costs associated with disability and provide sufficient funding.

⁶ Australian Institute of Health and Welfare, *Disability and Ageing: Australian Population Patterns 2000*.