

Priority 2: Fix Pension Poverty

1.5 million people rely on the pension as their sole source of income.

One in three live in poverty.

Older renters are particularly hard hit. More than a quarter of a million pensioners don't own their own home.

On average, a pensioner receives only a third of what is needed to pay the rent.

Single older women are also more likely to be living in poverty.

They often have less savings and superannuation because they were out of the paid workforce looking after children and family.

That's why National Seniors Australia is fighting for an independent tribunal to set the rate of the pension and other related payments, to take the politics out of the pension.

It is also why we are calling for an increase in Commonwealth Rent Assistance for those experiencing poverty.

Key Recommendations

3. Establish an Independent Pension Tribunal
4. Increase the maximum rate of the Commonwealth Rent Assistance (CRA)



RECOMMENDATION 3

Establish an Independent Pension Tribunal

Overview

- Government should establish an Independent Pension Tribunal to set the rate of the Age Pension and other associated payments and a fair process for indexation that better accounts for rapid changes in inflation.
- The Tribunal would take responsibility for calculating a fair and adequate rate based on need and circumstance.
- The Tribunal could be established similar to the existing Remuneration Tribunal. It would be made up of a panel of three members, supported by dedicated staff from the Australian Public Service Commission.
- Its decisions would be accepted by Parliament in the same way monetary policy is set by the Reserve Bank.
- The Tribunal would hand down its determination every November to provide enough time to be accounted for in the May Budget.

Benefits

- An Independent Pension Tribunal would help restore faith in government by taking the politics out of the pension setting process.
- The Tribunal would have scope to set variable rates, which reflect differences in circumstances ensuring an adequate safety net was provided.

Why the policy is needed

- The base rate of the Age Pension is too low – A third of the 1.5 million people who live solely on the Age Pension, live at or below the poverty line.
- Older Australians are living in poverty because payments do not adequately address specific circumstances, such as disproportionately rising rental costs.
- Confidence in government is low – the pension is regularly targeted for Budget savings with arguments about the cost of the pension used to justify cuts.
- Younger taxpayers are being told by government they are bearing an increasing burden to fund the pension, stoking unnecessary intergenerational conflict.

Budget implications

- The cost of the Independent Pension Tribunal would be met by additional resourcing to the Australian Public Service Commission under Program 1.1.
- The implications for the Budget arising from the Tribunal's determinations would be costed annually.

RECOMMENDATION 4

Increase the maximum rate of the Commonwealth Rent Assistance (CRA)

Overview

- Government should increase the maximum rate of Commonwealth Rent Assistance (CRA) to ensure it adequately meets private market costs
- An additional supplement could be provided for seniors requiring accessible housing when they live in housing certified as meeting higher accessibility standards.

Benefits

- Increasing CRA is a simple and effective way to address the housing problem facing older renters.
- It will help older people maintain their housing.

Why the policy is needed

- Home ownership is the single most important determinant of the wellbeing for people on the Age Pension.
- A lack of affordable public and social housing leave many reliant on the private rental market.
 - Over 325,000 people aged 65 and over are renters, two-thirds of which rely on the private market.^{iv}
 - According to the Retirement Income Review, older renters are most likely to experience poverty.^v
 - Older renters often do not have significant wealth or income and rely on the Age Pension – 300,000 CRA recipients receive the Age Pension.^{vi}

Budget Implications

- An increase in the maximum rate of CRA of an average of \$10 per week to all pensioners currently receiving CRA would cost around \$154m per year.
- Ideally, any increase could be targeted at full pensioners to reduce the overall cost.
- Ultimately, the maximum rate of CRA should be set by an Independent Pension Tribunal.