



Australian Council of Social Service

10 November 2016
Committee Secretary
Joint Committee of Public Accounts and Audit
PO Box 6021
Parliament House
Canberra ACT 2600

Dear Committee

Re: Commonwealth Risk Management—Inquiry based on Auditor-General’s report 18 (2015-16)

ACOSS welcomes the opportunity to provide comment to the Inquiry based on the Auditor-General’s report: *Qualifying for the Disability Support Pension*.

ACOSS is a national voice in support of people affected by poverty, disadvantage and inequality. Our vision is for a fair, inclusive and sustainable Australia where all individuals and communities have the opportunities and resources they need to participate fully in social and economic life.

Government policy over several years has tightened access to the Disability Support Pension (DSP), with the proportion of claims granted dropping from around 53% in July 2011 to 39% in June 2014.¹ Since June 2014, the number of DSP recipients has declined by 5% from 830,000 to 788,000, which is the lowest it has been since 2009. It would appear that changes to eligibility criteria have slowed growth in recipient numbers.

This trend is also reflected in the increase in the number of people accessing Newstart Allowance with a partial work capacity because it is likely that people who have been denied access to DSP would instead access the Newstart Allowance. The proportion of Newstart recipients with a partial work capacity (able to work fewer than 30 hours per week) increased from 20% in June 2014 to 23% in June 2016. This has implications for employment service providers as well as Government policy in relation to people who are long-term unemployed. It is likely that the number of long-term recipients of Newstart (those who receive the payment for 12 months or more) will rise if more people with partial work capacities are moved onto the payment from DSP.

There is a growing gap in rates of payment between the Disability Support Pension and Newstart Allowance, which is now \$170 per week lower than DSP. This gap will widen further over time because DSP is indexed to wages and CPI growth, whereas Newstart Allowance is indexed to CPI only. Newstart Allowance is now only \$264 per week, which is well below the poverty line for a single person of \$426.30 per week (before housing costs). The difference in rates of payment, however, creates an incentive for people to access DSP and for Governments to try to move people from DSP onto Newstart.

Currently the Government is undertaking reviews of DSP recipients to assess their ongoing eligibility for the payment. 90,000 people will be reviewed over three years, with 60,000 having their capacity to work assessed and 30,000 having to undertake medical review. This follows on from the review of 28,000 people receiving DSP aged under 35, which commenced in July 2014.

¹ Australian National Audit Office (2016) ‘Qualifying for the Disability Support Pension’ Report No 18/2015-2016
<https://www.anao.gov.au/work/performance-audit/qualifying-disability-support-pension>



This review process has caused much anxiety for DSP recipients who have very limited information about who the Department will target for review. Unlike the previous review that was restricted to people aged under 35, this current review is open to all recipients, unless they were granted DSP on manifest grounds. ACOSS has fielded calls from many Disability Support Pensioners who have heard that the reviews are taking place, but they have no information as to whether they will be up for review or what criteria will be used to select people for review.

ACOSS has also heard from some Disability Support Pensioners who have had their eligibility reviewed. One pensioner who contacted ACOSS stated that they felt the Job Capacity Assessor was trying to find a way to move them off the payment regardless of the evidence they provided about their condition and qualification for DSP. This person did retain their eligibility for DSP, but they stated that the process was a 'horrible experience', not least because they had to wait four weeks to hear back about their claim.

There are 259,600 people with a psychological or psychiatric condition receiving DSP, comprising one third of DSP recipients. Many in this cohort are at greatest risk of anxiety over the review process. As many with this kind of condition would not qualify for DSP on manifest grounds, they could have their eligibility reviewed. It is unclear if the Department has a communication plan in place to engage with DSP recipients and limit unnecessary anxiety about potential loss of payment.

It was revealed in recent Senate Estimates that one of the triggers the Department may use to instigate a review is whether the person has had a few overseas trips in the past few years. It is unclear what relationship travelling overseas bears to meeting qualification criteria for DSP and provides some evidence in support of concerns in the sector that reviews are poorly targeted, with arbitrary criteria used to select people for review.

The other component of the DSP reviews is that savings made from moving people off the payment will be invested in the National Disability Insurance Scheme (NDIS) if the Bill to establish an NDIS Savings Fund is passed. The Government expects to save \$62.1m over four years with the DSP reviews, which is approximately 0.36% of the overall Disability Support Pension budget. In ACOSS's view, funding should not be taken away from people with disability receiving a Disability Support Pension to pay for the NDIS.

In 2014, the Government commenced 28,000 reviews of DSP recipients aged under 35. As at 23 September, of those reviewed, 2,738 went onto Newstart Allowance, 477 went to Parenting Payment Single, 221 went to Parenting Payment Partnered, 156 went to Youth Allowance and 122 went to the Carer Payment (which is paid at the same rate as DSP). 1,630 of those reviewed no longer receive income support. There is no published information about any employment assistance provided to, or the employment rate of, people moved off DSP. ACOSS recommends that the Department collect these data to assist evaluation of reviews of DSP recipients and to ensure that people are being appropriately assisted to move into employment.

Yours sincerely,



A handwritten signature in black ink that reads 'Cassandra Goldie'.

Cassandra Goldie
ACOSS CEO