REPORT OVERVIEW

INEQUALITIES IN STANDARDS OF LIVING: EVIDENCE FOR IMPROVED INCOME SUPPORT FOR PEOPLE WITH DISABILITY

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Introduction

In Australia, people with disability who are between 16 years old and the age pension age (currently 67 years old) can apply for the Disability Support Pension (DSP). The payment is based on the person's income and finances and whether they are able to work.

Changes to the DSP

Since 1 July 2006, people with disability who can work 15–29 hours a week are put on Newstart Allowance (NSA) (or Youth Allowance) instead of the DSP. These people are called the 'partial capacity to work' group. However, NSA is a much lower benefit and has a stricter income test. Eligibility for the DSP was tightened further in 2012 and 2014–15. The National Centre for Social and Economic Modelling (NATSEM) modelling of the 2006 budget, suggested that the living standards of people with disability could be cut by up to 31 per cent, when compared to the tax and transfer system in 2005. A large number of Australians with disability and their families are now living in poverty.

The United Nations Convention on the Rights of Persons with Disabilities (CRPD) and Australia's National Disability Strategy (NDS) say that governments need to provide income support to people with disability. The purpose of the CRPD and NDS are to promote an improved quality of life for people with disability and their carers. This includes:

- opportunities for people with disability to fully take part in all parts of economic, social and political life
- opportunities to live independently and be part of their communities
- families and carers being well supported.

What this report aims to answer

It has now been 13 years since the welfare-to-work change to the DSP started in 2006. The DSP is still the main social security payment for working-aged people with disability. However, there is no evidence on the impact that policy changes to the DSP have had on the financial well-being of Australian families since 2006. Are households with family members with disability on the DSP (or NSA) at higher risk of poverty and lower living standards compared with households where no one has disability? How much does the amount of income support protect households that depend on the DSP as their main source of income from financial insecurity and poverty? Are there major gaps in the living standards of households with and without members with disability? If there are, then how much income support is needed through the DSP to reduce these gaps? What affect would making the eligibility criteria for the DSP wider have on the financial wellbeing of people with disability and their families? For example, would it make a difference allowing people with disability on the NSA to go back on the DSP? This Report looks at these key policy issues.

The social model of disability

This report is set within the social model of disability. In which society's attitudes, choices, practices and structures get in the way of people with disability fully taking part economically, being included socially and treated equally. Barriers are not automatically caused by a person's disability.

The social model of disability draws attention to how a person's disability interacts with the barriers that stop people from taking part in society (Davis, 2013; Oliver, 2013; Soldatic and Sykes, 2017; Retief and Letsosa, 2018). In this report, the 'cost of disability' is the inequality that people with disability and their families experience in their standard of living. Instead of the direct and indirect costs caused by the disability itself. Lower standards of living are often caused by the interaction between the person's disability and the barriers they and their family face in taking part in society.

Marie's Story

Marie is 49 years old and has worked as a cleaner since she was 18. In the last 10 years, she has developed severe lower back pain. The pain significantly affects her mobility and causes her severe and constant pain. She is no longer able to work.

Marie applied for the DSP. She waited almost 18 months to be told she didn't qualify. This was even though her doctor had written several reports and had been interviewed over the phone.

Marie is on Newstart. She finds the fortnightly management of her Newstart payment confusing and the reporting requirements expensive.

She lives in a small regional town and is unable to get work, of any kind. There are few jobs available and those that are she is not able to do because of her impairment.

Marie is in severe financial stress. She often only has one meal a day, of bread and jam with a cup of tea. This situation is increasingly affecting Marie's mental health and she is becoming severely depressed.

Australia's Disability Support Pension

To qualify for the DSP, an adult with disability must:

- be aged between 16 years and retirement age
- have a permanent physical, intellectual or psychiatric disability
- meet income and assets tests.

To meet the medical rules, the person must show that their condition is at least 20 points on the Impairment Tables. These tables assess people's disabilities related to their ability to work. The amount of the DSP someone can get depends on:

- how old they are
- if they part of a couple or single
- their income and assets.

At 20 March 2019, for people 21 years or over, the maximum fortnightly DSP payment was $926.20 for a single person and $698.10 for someone in a couple. (This amount includes the maximum basic rate, pension supplement and energy supplement.)

Who is getting the DSP?

With an estimated budget of $16.7 billion in 2018–19, the DSP is the second-largest Australian Government welfare program. Only the Age Pension is larger.

In December 2018, there were 750,045 people receiving the DSP. Of this, 53.3 per cent were men and 46.7 per cent were women (Department of Social Services payment demographics data).

Most people getting the DSP are single – 578,399 people or 77.1 per cent. While 171,646 – 22.9 per cent – are part of a couple. There were 49,035 DSP recipients who identified as Aboriginal, Torres Strait Islander or South Sea Islander. Showing that Indigenous Australians are two-and-a-half times more likely to be on the DSP than non-Indigenous Australians.

The number of people getting DSP has gone down significantly over time – 9 per cent over the last four years (from 824,470 in December 2014). The rate of successful DSP applications has also gone down from 69 per cent in 2010–11, to 40.6 per cent in 2013–14, and to only 29.8 per cent in 2017–18.

The tightening of the eligibility criteria for DSP has caused a large number of people with disability to move from the DSP to the NSA. In December 2014, there were 153,582 people in the 'partial capacity to work' group receiving the NSA. This is 21 per cent of all NSA recipients. By December 2018, this number had grown by 30 per cent, reaching almost 200,000 people. Those with a 'partial capacity to work' now account for 28 per cent of all the people on NSA.

Data and methods

We used data from the Australia Bureau of Statistics (ABS) 2015–16 Household Expenditure Survey (HES) for this report. The ABS explains disability as any limitation, restriction or impairment that restricts everyday activities and has lasted, or will last, for at least six months. In this report, a household that has a member with disability means a household with at least one adult member with any long-term limitation in a core activity.

In 2015–16:

- 2.75 million Australian households (28.7 per cent) had at least one adult with disability
- 989,000 households had a family member with severe or profound disability
- 2 million households had a family member with mild or moderate disability
- nearly 20 per cent of households had two or more family members with disability
- one in five households with an adult with mild or moderate disability had a member getting the DSP
- less than half (46 per cent) of households with someone with severe or profound disability had anyone in the household getting the DSP.

We used household weekly disposable income as the income measure. We created a combined Index of Standard of Living using 16 variables. These showed a household's risk of financial insecurity and hardship. We estimated the cost of disability by working out the difference between the 'actual' income of households with a member with disability and an 'expected' income. We came up with the expected income amount by looking at what similar households earned that didn't have a member with disability. So, the cost of disability is how much extra income households with a member with disability need to reach the same standard of living as a household without someone with disability.

Policy options

We used NATSEM's microsimulation model STINMOD+ to look at how two different policy options could make a difference. The two policy options were:

1. That DSP payments are increased to make up some, but not all, of the cost of disability.

   This option will have a high cost. So, the gap between what households where someone gets the DSP earn and households without someone with disability is halved.

   The DSP is increased by $100 per fortnight for a single person and $310 per fortnight for a couple.

   There is no change to the DSP eligibility criteria. This means the number of people receiving the DSP will mostly stay the same.

2. That the DSP is expanded so some people who have a disability but who are not receiving the DSP now become eligible.

   The number of people added to the DSP is limited to make sure the total cost is the same as for option 1.

   The number of people receiving the DSP could be increased by relaxing the DSP eligibility criteria. This could include moving people with a partial capacity to work back from the NSA to the DSP.

   To keep it simple, we selected people similar to people already receiving DSP to start receiving the DSP until cost matched option 1.

Frank's Story

Frank is a 55-year-old Aboriginal man, who was a self-employed plasterer for 30 years.

Since 2015, Frank's physical and mental health began to severely impact his ability to work. Despite diagnosis and treatment, his conditions didn't improve. In 2015, Frank applied for the DSP, however, a year later his claim was rejected. In 2017, he re-applied for the DSP but was again rejected.

In 2019, Frank and his lawyer, from an independent community legal centre which specialises in social security (Centrelink) issues, appealed to the Administrative Appeals Tribunal. The Government settled Frank's claim before it went to hearing and he was found to be eligible for the DSP from 2017.

Frank says that five years of frustration and being treated like a second-class citizen had finally come to an end. He feels relieved but is still confused about why he had to go through this ordeal.

Key findings

Households with a member with disability, and receiving either the DSP or NSA, are much more likely to experience financial hardship and insecurity.

This is compared with all households or households with a member with disability receiving the Age Pension (see Table 1). The number of families with someone receiving the DSP answering 'yes' to the 16 questions in Table 1 was at least double that of all Australian households.

Households with an adult with disability on NSA or Aboriginal and Torres Strait Islander households with a member receiving the DSP are at an even higher risk. The number of NSA households was more than twice all Australian households on 15 of the 16 indicators. Aboriginal and Torres Strait Islander DSP households were more than double.

An estimated 40.8 per cent of Aboriginal and Torres Strait Islander households with a family member on the DSP said that they had run out of money for basic living expenses in the last 12 months.

Nearly one-in-four Australian households thought their standard of living was worse than two years ago. Over one-third of households with someone receiving DSP thought their standard of living had dropped. And a staggering 55 per cent of those receiving Newstart thought their standard of living had dropped.

To have the same standards of living of similar households without a member with disability, households with someone with profound or severe disability needed $173 a week on average more than their 2015–16 income.

Households with someone with mild or moderate disability needed an extra $87 per week on average (Table 2).

However, the gap in standard of living was as high as $277 a week for couple households on the DSP and $489 for couple households with an a member with disability on NSA.

The cost of disability for the 2.75 million Australian households with a member with disability was estimated at $15.33 billion in 2015–16.

An extra $6.80 billion a year is needed to close the gap in standards of living due to the costs of disability the 715,000 households on the DSP face.

While $2.87 billion a year is needed for the 161,000 households with someone with disability on NSA.

Costs

Under policy option 1, to halve the income gap in 2019 in households already receiving the DSP would need an extra $100 a fortnight for single people and $310 a fortnight for a couple. This would cost the Australian Government $3.1 billion a year. It would increase the overall annual cost of the DSP by 18.6 per cent .

Under policy option 2, with an extra of $3.1 billion a year available, but keeping current payment rates the same, the number of people receiving the DSP could be increased by 280,000. This is a 37.3 per cent increase. Meaning the DSP would provide income support for over 1 million adults with disability.

This could include all the NSA 'partial capacity to work' people. It could also include an extra 80,000 working-age adults with disability who are not receiving income support through the DSP or NSA.

Option 1 has a significant impact on reducing poverty for people receiving the DSP. It would mean the percentage of people on the DSP living below the poverty line dropping from 17.8 per cent to 9.7 per cent.

Among all Australian adults who have mild to profound disability, the poverty rate drops from 17.5 per cent to 15.8–15.4 per cent under option 1 and 2. Australia's national poverty rate of 13.7 per cent would also go down by 0.5 and 0.6 percentage points under option 1 and 2 respectively.

Table 1. Financial Hardship and Insecurity for Different Household Types (percentage of households)

[All households (All HHs); DSP households (DSP HHs); Aboriginal and Torres Strait Islander DSP households (A and TSI DSP); NSA households (NSA HHs); Aged Pension households (AP HHs)]

Indicator	All HHs	DSP HHs	ATSI DSP	NSA HHs	AP HHs
Can't afford to buy new clothes most of the time	11.0	28.5	-	48.0	10.7
Can't afford to spend time on leisure or hobby activities	10.4	27.0	-	44.5	10.2
Can't afford a holiday away from home for at least one week a year	22.6	46.3	-	66.2	25.4
Can't afford to have a night out once a fortnight	16.6	39.0	-	54.8	18.1
Can't afford to have friends or family over for a meal once a month	7.3	23.6	-	27.7	9.0
Can't afford to have a special meal once a week	11.9	29.6	-	46.8	12.1
Couldn't pay fuel/telephone bill on time due to money shortage	9.7	18.9	26.8	31.4	4.8
Couldn't pay car registration/insurance on time due to shortage of money	3.9	7.7	10.2	13.0	0.6
Went without meals due to shortage of money	2.7	11.5	13.1	14.4	0.9
Couldn't heat or cool home due to shortage of money	2.3	5.9	5.5	14.8	1.8
Couldn't raise $2,000 within a week	13.2	37.5	71.0	43.4	13.6
Sought assistance from welfare/community organisations due to money shortage	2.6	10.7	23.0	16.6	2.1
Sought financial help from friends/family	7.0	14.3	34.7	29.1	2.4
Saving is not a main emergency money source for the HH	33.3	59.3	-	73.0	28.5
Unable to save money most weeks	55.3	72.3	-	88.2	60.6
HH standard of living worse than two years ago	23.7	34.7	-	54.7	26.2

Source: Authors' calculations from the 2015–16 HES. For Aboriginal and Torres Strait Islander households we took data from the 2014–15 National Aboriginal and Torres Strait Islander Social Survey. 2 x higher than All HH ≥3 x higher than All HHs

Table 2. Cost of disability among households with at least one adult member with disability (2015–16)

All Households	
Number of Households	
No. of HHs with at least one member with disability	2,754,918
- have profound/severe disability	988,914
- have mild/moderate disability	2,000,200
HHs with members with disability receiving DSP	714,626
HHs with members with disability receiving NSA	161,011
HHs with members with disability receiving AP	988,433
Inequality in Standard of Living – average gap in income ($ per week per household)	
HHs with at least one member with disability	107
- have profound/severe disability	173
- have mild/moderate disability	87
HHs with members with disability receiving DSP	183
HHs with members with disability receiving NSA	343
HHs with members with disability receiving AP	122
Cost of Disability in Australia ($ million per year)	
HHs with at least one member with disability	**15,328.4**
- have profound/severe disability	8,896.3
- have mild/moderate disability	9,048.9
HHs with members with disability receiving DSP	**6,800.4**
HHs with members with disability receiving NSA	**2,871.8**
HHs with members with disability receiving AP	6,270.6

Conclusion

A government investment of $3.1 billion a year would close the gap in income and standard of living for the 715,000 households with a member receiving the DSP by nearly 50 per cent. Both policy options would improve inequalities in Australia's household income and reduce household poverty rates.

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