

**Senator HUMPHRIES** (Australian Capital Territory) (10.33 a.m.)—It is a pleasure to join Senator Moore and other members of the committee in tabling this report today and indicating that we feel it is the basis for a very important assessment of the appropriate level at which Australia should be paying a pension to those people who have reached retirement age and who depend on the generosity of the Australian community for their standard of living. We discovered in the course of this inquiry that there are wide variations in living conditions and income levels of retired older Australians, just as there are very wide variations in the living conditions and income levels of working Australians.

Some people are comfortable and secure in their retirement, with mortgage-free homes and comfortable superannuation resources. For others the margin between them and poverty is much narrower. Particularly for women with broken patterns of work throughout their lives, superannuation income is modest—even meagre. But the group for whom the standard of living in retirement is most problematic, as Senator Moore has indicated, are those people whose income is wholly or partly the age pension. These people make up three-quarters of all people over 65 in Australia today. These and those more comfortably off emphasise that the dichotomy between the haves and the have-nots in Australian society does not end with retirement.

An essential preoccupation with this inquiry was therefore with the question of whether the age pension at present levels is sufficient to confer on Australians in typical circumstances a decent quality of life. The committee found that that question is very difficult to answer without very careful empirical study that was, frankly, beyond the scope of a Senate inquiry of this kind. Certainly there was a large amount of anecdotal, personal evidence before the committee suggesting great personal hardship was experienced by individual pensioners. The question is whether it is possible to adjust the age pension or set the age pension at a level which avoids that consequence for pensioners in typical circumstances. Obviously no system is ever going to eliminate hardship by individuals dependent on a fixed source of government income, but clearly the number of people who came to the inquiry with concerns about the level at which their pensions were set was very compelling. That caused the committee to ponder whether the pension is set at a fair level at the present time.

Next year marks the centenary of the Australian pension. It was an initiative of the Fisher government in 1909 and decisions have been made throughout the ensuing century to change the basis of eligibility and the level of payment of the pension, in a variety of ways. For example, in 1933 a decision was made to adjust the pension annually based on the retail price index. In 1937 a decision was made to cease the variation of the pension based on the retail price index. That system came back again in 1942, but other changes were made at that time.

These decisions have bounced about, and the point that was obvious to the committee was that no-one had, at least for quite some time, gone back and asked: what does a pensioner or a couple in retirement require to live a decent life and have a decent standard of living, taking into account issues like homeownership and whether people live in high-cost cities or low-cost regional areas? What kinds of other unexpected expenses do pensioners have to face for which some provision ought to be made? Those are the critical questions which the committee recommends should be answered by a review—a review essentially to establish what is a fair level to pay a person in retirement who is dependent on an age pension.

We were particularly struck by the question of whether the pension at the present time was set at an appropriate level for a single pensioner vis-a-vis a couple. The old adage that two can live as cheaply as one is obviously an exaggeration but there is a measure of truth in it and we found quite strong evidence that many single people were experiencing financial hardship. In particular, we found situations where couples had been on a pension for some time, one party in the couple had died and the single remaining pensioner found it very difficult to survive on what remained. At the present time the pension for a single person is set at about 60 per cent of that for a couple. We suggest strongly that the question of whether that is in fact an appropriate level of relativity should be reviewed as part of this process.

Once a fair and adequate base level of pension is established by the review that we recommend, the next factor to determine is what indexation device should apply to the base pension. There was a lot of debate about this issue during the inquiry. Indeed, the inquiry itself was generated by an assertion that pensioners in Australia were going backwards, that they were losing their purchasing power, because of rising costs. It is important to state that the committee considered very carefully the device that has been used for the last decade to guard against that—that is, the device introduced by the coalition government to adjust pensions by either CPI or MTAWWE, male total average weekly earnings. The higher of those two indicators produces the adjustment in the pensions.

The suggestion was made anecdotally that many people found that an inadequate device. On a more empirical level, the evidence does suggest that in fact that device was keeping pensioners ahead of the game, at least in recent years. The question is whether the baseline on which that is set is fair—whether the baseline is able to be reconsidered and determined to be an adequate amount on which to base the cost of living for a person in retirement today. So the committee therefore recommended that review of which both Senator Moore and I have spoken.

There was one aspect of the inquiry which was less ambiguous, and that was the question of the living standards and income security of older Australians who are dependent on Commonwealth superannuation pensions, particularly retired public servants and members of the Defence Force. The relative position of these retirees has been deteriorating as against age pensioners. Frankly, it is hard to understand because both groups are dependent on Commonwealth policy for their security or the quality of their lives. Age pensions are indexed against both MTAWWE and CPI, with the result that of the last 16 age pension adjustments 11 have been for amounts greater than the CPI. But the pensions of Commonwealth superannuants are pegged only to the CPI. The estimated difference in outcome over the last decade or so that that has caused for pensioners is something like \$7,000. It is hard to explain to Commonwealth superannuants why their pensions, to which they have contributed during their working lives, should fall behind the pension increases of those who have generally not made provision for their retirement. The committee recommends, and I heartily endorse, as an interim measure pending a review of the adequacy of all Commonwealth sourced pensions that the Commonwealth align the indexation methodology of the age and other Commonwealth pensions so that each is adjusted by CPI or MTAWWE, whichever is the highest. This will provide some measure of relief and reassurance for those who have faithfully served their country in so many ways.

I want to make reference briefly to particular groups that we examined. The case of grandparents is an interesting situation. Many people find themselves, as

grandparents, caring for their grandchildren. Sometimes they are able to access allowances as if they were the nominated carer or the official carer; sometimes the arrangements are much less formal, which results in them having to bear a large personal cost in those circumstances. Obviously, Australia needs to encourage family members to take on the responsibility for caring for members of the family wherever possible, and we feel that some review of that arrangement should be undertaken. We also note that the situation of the income security of those living in residential accommodation needs to be examined. Recommendation six of the committee particularly looks at the question of the need to review the access and funding arrangements for concessional residents under the hardship provisions of the Aged Care Act 1997.

We owe a great debt to these people. These people have built the Australia that we live in today—an Australia with an extremely high standard of living. We may not be doing the best we can in terms of catering for their security and giving them the means to live with a decent quality of life. We need to review the basis for the pension to see whether that is the case.