

ADDITIONAL COMMENTS BY COALITION SENATORS

Social Security and Other Legislation Amendment (Pension Reform and Other 2009 Budget Measures) Bill 2009

- 1.1** The Coalition welcomes the pension rate finally delivered by the Government. Coalition Senators do not oppose the legislation. However, Coalition Senators believe that a number of submitters raised legitimate concerns to provisions of this Bill. These concerns are that the pension reforms will make the system more complex, that some families have been excluded and will receive a comparably lower rate of payment, and that some groups of retirees will be made worse off under the changes to taper rates on part-pensions.

Anomalies for Sole Parents and Families

- 2.1** A number of submissions gave evidence that the Bill would make Australia's welfare system more complex and would leave some families worse off. Ms Clare Martin of the Australian Council of Social Services (ACOSS), explained that the system would be less equitable and more complex after the Bill's passage because:

What we have got now in terms of a social security system is four levels of payment. We have a level of payment for the pensioners, who are getting the terrific increase of \$32.50 a week, that is for the aged, carers, disability support and veteran's affairs. They will roughly be on a level of about \$330 a week, including the supplements that they get, but that leaves sole parents \$47 behind; it leaves your average Newstart recipient \$106 behind, and it leaves those on Youth Allowance or Austudy at \$147 a week behind.¹

- 2.2** The proposed changes in the Bill will exclude or alter payments for certain welfare recipients. With relation to sole parents being excluded from the increase provided to pensioners, the National Welfare Rights Network made the following comments:

This exclusion is perhaps the most significant assault on the payment conditions for sole parents in the last 35 years...NWRN was shocked at the decision to exclude sole parents and cannot see any justification for the Government to sever the tie between the rates paid to Age Pensioners and those on Parenting Payments. This snub by

¹ Ms C Martin, Australian Council of Social Services, *Committee Hansard*, 19.6.09, p. 3.

Government undermines the financial security of hundreds of thousands of Australia's poorest families which include 400,000 sole parents and their 600,000 children.²

- 2.3** The Bill also proposes to index the maximum rates of Family Tax Benefit A (FTB-A) to movements in the Consumer Price Index (CPI), rather than Male Total Average Weekly Earnings (MTAWE) through the combined couple rate of pension. Some witnesses, such as the Australian Council of Social Services submitted that the change in indexing will result in lower growth in the FTB-A payments. As ACOSS noted:

Since pensions are linked to average earnings, they increase by more than the CPI. Removing the link between FTB and pensions means that FTB will no longer increase above the inflation rate and that the incomes of the poorest families will fall behind improvements in community living standards.³

Taper Rates

- 3.1** The Bill will increase the pension income test taper rate from 40 cents to 50 cents for each dollar of income earned over the threshold of \$138 per fortnight for single pensioners and \$240 per fortnight for pensioner couples (combined). A number of submissions raised concern that these changes will result in a disincentive for individuals to self-provide in retirement because it will lower the income support provided by the Government.

- 3.2** Mr Thomas Hayes of the Australian Council of Public Sector Retiree Organisations pointed out that existing income tested part-age pensioners will be forced onto the new taper rate and have their part-pensions reduced. Mr Hayes continued:

People who will be adversely affected include people of modest means, such as couples with combined private incomes of as little as \$12,000 per annum. It appears that income tested part-age pensioners are the only group of Australians required by government to accept a reduction in their standard of living.⁴

- 3.3** Dr James Ritchie of the Association of Independent Retirees explained the effects of changes to the taper rates:

² National Welfare Rights Network, *Submission 15*, p.1-2.

³ Australian Council of Social Services, *Submission 7 (Additional Information)*, p.1.

⁴ Mr T Hayes, Australian Council of Public Sector Retiree Organisations, *Committee Hansard*, 19.6.09, p. 14.

A retiree couple with 90 per cent full age pension presently receives about \$574 a week, compared with the full age pension of about \$500 a week, and they contribute about \$125 of their own money. For the same contribution of \$125 a week, under the proposed new taper rate, they will receive about \$563 a week; that is, their income will fall by \$12 a week. (This is) a large amount for individuals who are living at these levels...and it covers a very large number of people, some 700,000.⁵

CONCLUSIONS

- 4.1 Whilst Coalition Senators support the overdue pension increases in the Bill we believe that the Government should have consulted more broadly with welfare groups and stakeholders to address the legitimate concerns of sole parents, retirees and others discriminated against by the legislation.

Senator Sue Boyce
LP, Senator for Queensland

Senator Judith Adams
LP, Senator for Western Australia

Senator Gary Humphries
LP, Senator for the Australian Capital Territory

⁵ Dr J Ritchie, Association of Independent Retirees *Committee Hansard*, 19.6.09, p. 15.

