

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

Minority Report by the Australian Greens

1. Introduction

The Australian Greens welcome the move to increase the base rate of the aged pension and a range of other pensions (including some but not all disability pensions, as well as carers, veterans, widows and wives pension) by \$32.49 per week for singles and \$10.14 for couples. The Greens have campaigned for a number of years on the issue of the inadequacy of these pension payments by comparison to community standards in the face of rising living costs, and welcome the increase in the pension rate as an important step in the right direction.

However, we remain extremely concerned that some groups have been excluded from the pension rise, and that the disparity in different types of income support payments continues to grow.

This Bill represents arguably one of the most significant change to Australia's social security safety net since the Whitlam era. For the first time in our history we have a Labor Government making a legislative distinction between types of pensioners: on the one hand a group including those on the aged pension who are to finally receive a significant increase; and on the other hand those on the single parent pension and disability support pensioners younger than 21 – who will not receive this increase.

No credible rationale is presented for this distinction, which on the face of it seems to identify one group as 'the deserving poor' and another group as 'undeserving poor'.

No evidence is presented that the impacts of cost of living pressures are any greater for one group than another. If current pension rates cannot adequately sustain a single aged pensioner it is not at all clear how sole parents or unemployed people can get by on even less.

These significant structural changes have been introduced without a proper opportunity for community consultation and debate. The Government have argued that there has been an opportunity for consultation around the 'Harmer Pension Review' and the 'Henry Review of Retirement Incomes' – however both of these

reviews were very narrow in their terms of reference. They did not consider the social security system as a whole, or look into the impacts of cost of living pressures on other groups of people on income support – including single parents, the unemployed, and other low income families.

We are seeing a massive change to our social security system (and yet another layer of complexity added to entitlements) with no consideration given to others who have been excluded, and insufficient opportunity to consider the proposed changes before they are made law.

2. The exclusion of single parent pensioners and others.

The Australian Greens share the view of all of the community service organisations who presented evidence to the Community Affairs Inquiry (including the Australian Council of Social Services, Catholic Social Services, Uniting Care, St Vincent de Paul Society, the National Council of Single Mothers and their Children, Solo Mums Australia, Family and Relationship Services Australia and the Sole Parents' Union) that single parent pensioners and their families and young people on the disability support pension should not have been legislatively excluded from this increase in the base pension rate.

The Greens are extremely concerned by the plight of the 600,000 or more children growing up in around 360,000 single parent families¹ who rely on parenting payment single (PPS) – and at least 20,000 others moved on to Newstart Allowance under Welfare to Work². The decision to exclude this group from the pension increase flies in the face of the Government's 'social inclusion' policy.

In addition to being overlooked in the proposed pension increases, single parent families are also disadvantaged by this legislation by changes to Family Tax Benefits that change the way in which payments are indexed (from MTAWWE (male total average weekly earnings) to CPI) which will see payments gradually fall behind the cost of living.

¹ Year Book 2008, Australian Bureau of Statistics, Table 1.98 (395,495 recipients of Parenting Payment Single). Accessed at <http://www.abs.gov.au/ausstats/abs@.nsf/bb8db737e2af84b8ca2571780015701e/DC65A36867F3F92FCA2573D20010E7E6?opendocument>

² Kate Beaumont, NWRN, Committee Hansard p34

The Australian Green are worried that there have been a number of recent legislative changes which have impacted on single parent families which have been made without due consideration of the impacts on children growing up in these families.

As Therese Edwards of the National Council of Single Mothers and their Children points out:

"... this payment was not part of the scrutiny of the Harmer review. It was excluded. It is documented in the Harmer report that it is excluded. Here we have a significant part of our population and also our future population and we do not know what has happened. I talked about three almost invisible hammers coming over and hitting sole parents, one in the disguise of welfare to work, one in the disguise of family law reforms, one in disguise of the child support and now this one."³

The Australian Greens are concerned that this series of far-reaching and inter-related reforms have been pursued in isolation from each other without consideration of their cumulative impacts, despite the fact that they impact directly on a group who are particularly vulnerable to small changes in income and at high risk of poverty.

The linking of family payments to the average weekly earnings of a working male was a key plank of a deliberate strategy by a previous Labor government in 1987, and its aim was described by the Prime Minister of the time, Bob Hawke that "by 1990 no Australian child will be living in poverty." While this audacious goal was not accomplished, research suggests that over the period 1982 to 1996 there was a one third decrease in child poverty⁴.

The sole parent pension was introduced by another Labor Government in 1974, and championed by Bill Hayden, who reportedly remains very proud of it.⁵ It appears not that these proud family-friendly anti-poverty policies are no longer a priority for the Rudd Labor government.

³ Therese Edwards, NCSMC, Committee Hansard p9

⁴ Harding & Szukalska (1999) *Trends in Child Poverty*, as reported in ACOSS, additional information, submission 7,p3.

⁵ Personal communication with Therese Edwards, as reported in Committee Hansard p9.

As Frank Quinlan from Catholic Social Services pointed out: "...the exclusion of those on parenting payment (single) from receiving the increase is a retrograde step that severs the 30-year tie between the rate of age pension and that for sole parents."⁶

The only rationale for breaking this long-standing nexus between child payments and community standards and dismantling this anti-child-poverty strategy is given by the Minister in her second reading speech, where she states:

"The removal of the link to earnings ensures that government expenditure on family assistance is more sustainable in the long term."⁷ The Minister then goes on to say that "...in a tight fiscal environment, savings from reduced expenditure on family tax benefit can be directed to funding other priorities, such as the Secure and Sustainable Pension Reforms."⁸

It is clear in this context that the term 'sustainable' is used (or rather misused) to refer narrowly to the economic 'sustainability' of the budget rather than to the sustainability of those families and children depending on these payments to make ends meet. The Minister is effectively saying that money is being taken from one group so that it can be given to another group who are considered a greater political priority. The fact that the first group (families receiving family tax benefit) includes those single parent families reliant solely on income support – who are the biggest user of emergency support and the most likely to be living in poverty – is not addressed anywhere in Minister's speech.

It is simply not appropriate for the Government to trade the well-being of one group in desperate circumstances off against another. The reason why Australia has relatively high rates of spending on family payments as a proportion of GDP by comparison to other OECD countries is entirely related to the manner in which family payments were extended by the previous Government upward to middle class families with other sources of income and does not reflect the adequacy of the

⁶ Frank Quinlan, CSSA, Committee Hansard, p34.

⁷ Minister for Families, Housing Community Services and Indigenous Affairs, the Hon. Jenny Macklin, Second Reading speech.

⁸ Minister for Families, Housing Community Services and Indigenous Affairs, the Hon. Jenny Macklin, Second Reading speech.

payments made to single parent families reliant on either PPS or Newstart who are receiving the maximum rate of FTB(Part A)⁹.

We are not opposed to the targeting and tightening of eligibility for family tax benefits, but believe simply taking money from low-income families to pay for pension increases is poor policy. As Kate Beaumont from the National Welfare Rights Network put it "...over the next four years this one initiative will take \$1 billion out of the mouths of children in our community."¹⁰

Given the challenges we face with our shifting population demographics, The Greens cannot understand how any measure that relies on taking money from a group and giving to another (growing) group can be considered sustainable. The Rudd Government has both failed to address these crucial issues of fundamental change to our social security system in a joined-up and holistic manner, and it has failed to consider how these and other changes impact on its other areas of government policy – including its commitments on social inclusion, early childhood development and child protection. It has also shied away for reasons of political expediency from addressing the fraught issues of adequacy and equity across the system of social payments as a whole – by failing to tackle head-on middle and upper class welfare in both superannuation and family payments.

The exclusion of single parent families from pension increases could be summed up in one simple statement:

"By 2020 no child of a single parent family reliant on income support will NOT be living in poverty"

3. Changes to the qualification age for the aged pension

The Australian Greens are concerned by the decision to raise the pension qualification age from 65 to 67 years of age. This proposed legislative change has been made with no community consultation and little consideration for the varied circumstances of working Australians approaching retirement age.

⁹ To put this in context – FaHCSIA annual report for 2007/08 indicates that in 1.7 million families with 3.4 million children received FTB part A, of which 609,000 families (with over 1.1 million children) received the maximum rate (that is, around 36% of families).

¹⁰ Community Affairs Hansard, p34.

We support the position expressed by the Australian Council of Social Services and others, who argue that these measures are tackling the need to respond to changing population demographics from the wrong end. Efforts to increase the participation of older Australians in the workforce should focus on maintaining the participation of those with the greatest capacity to continue working. They should not come at the expense of the living standards and quality of life of the large proportion of elderly Australians who are unable to find work or to continue working.

We recognise that Australia is facing a significant shift in population demographics, which will mean in the not too distant future a significant proportion of our population will be over 65 years old¹¹. In considering how to tackle this problem we need to give genuine consideration to the capacity of different groups of ageing Australians to continue working so that we can maximise workforce participation without adversely affecting those who have limited capacity to continue working or are excluded from the labour market.

Approximately half of the people currently moving onto the aged pension are transferring from another social security payment, such as the Disability Support Pension, Newstart Allowance or the Carer Payment. The majority of this group have not chosen to retire early, but have been forced out of the workforce by redundancy, workforce injury or disability, or the need to care for an incapacitated family member. This group is also much more likely to have relatively little in superannuation savings and do not benefit greatly from earlier access to their superannuation. They are also more likely not to own their own home and to need to continue a significant proportion of their incomes on rent. Surely if, as the Henry and Harmer reviews have found, the current rates of the aged pension are not sufficient to maintain the living standards of these people, how will they then cope with an additional period on much lower payments (i.e. \$106 per week less for Newstart)?

The Greens are concerned with existing superannuation provisions which give significant financial advantage to wealthier Australians. For example, there is a significant number of Australians aged over 55 who are still working and are churning an estimated \$4 billion per year through their superannuation to avoid paying tax. Direct salary sacrifice allows high earners in this group to significantly reduce their tax rate down to only 15%. ACOSS proposes that the age at which this

group can access super should be raised, or they should be able to access their superannuation progressively. This would free up significant resources to support an increasing retirement population and encourage later retirement. Measures could also be introduced to allow those who cannot work because of disabilities, work injuries or caring responsibilities to access their super at an earlier age.

The changes proposed in this Bill present significant implications for working Australian approaching retirement age, which require a consideration of how best to address the varied capacity of different groups of ageing Australians to continue working and the financial and life challenges they face. Consideration should be given to maximising workforce participation without adversely affecting those who have limited capacity to continue working or are excluded from the labour market. These are important issues that require thorough community consultation.

Recommendations:

Single parents and other excluded groups:

- **That the pension rate increases in this bill should be extended to those on parenting payment single rate and to all recipients of the disability support pension including those who are under age 21 without children, who have been excluded from the rate increase**
- **that the rate of Newstart Allowance should be increased to equal the pension rate**
- **That the Welfare to Work changes which force single parent families onto inadequate Newstart Allowance payment once the youngest child reaches 8 years old be rescinded.**
- **That indexation to male total average weekly earnings be maintained for Family Tax Benefit A.**

Modernising Australia's social safety net

- **That a comprehensive review be undertaken that considers the totality of the social security safety-net (building on the Harmer and Henry reviews but also including the single parent pension, Newstart Allowance and other income support measures such as Youth Allowance and Austudy) to design a simpler, more equitable and more flexible system that guarantees an adequate income with top-ups for specific needs.**

- That the government consider the introduction of an independent statutory Entitlements Commission along the lines proposed by Catholic Social Services Australia.

Retirement age and workforce participation

- That changes to the qualifying age for the Aged Pension be postponed and a comprehensive consultation and review of retirement age policy be undertaken – that takes into account the circumstances of different groups approaching retirement age, their health and financial means (including home ownership), and their varying capacity to work – with the aim of delivering more equitable and sustainable reforms.

Senator Rachel Siewert
Australian Greens