



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

PROOF

**SOCIAL SECURITY AND OTHER
LEGISLATION AMENDMENT
(PENSION REFORM AND OTHER
2009 BUDGET MEASURES) BILL 2009**

Second Reading

SPEECH

Wednesday, 17 June 2009

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

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Questioner
Speaker Sidebottom, Sid, MP

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Mr SIDEBOTTOM (Braddon) (11.15 am)—It is great to be able to rise in this place and speak on legislation that is well and truly overdue and that is going to assist people in need both now and into the future. It is a genuine reform, and I congratulate the government and in particular the minister responsible. The Social Security and Other Legislation Amendment (Pension Reform and Other 2009 Budget Measures) Bill 2009 implements key elements of the government's Secure and Sustainable Pension Reform package, announced recently in the 2009 budget. The reform package improves the adequacy of the pension system—long needed—makes its operation simpler and more responsive to pensioner needs and, importantly, secures its long-term sustainability. It is in every sense of the word needed and it is very much a reform. It prepares Australia to meet our future challenges, including the ageing population. That is something often spoken about, particularly in this place, but in reality something we have done very little in substance to prepare for.

In addition to providing a significant increase in payments—again, much needed—the reforms will make the pension system simpler, fairer and more flexible. Australia's 3.3 million age pensioners, disability pensioners, carers, wife pensioners and veteran income support recipients will benefit from increases in their pension payments. This government has acted to introduce long overdue reforms to make the pension system simpler and fairer. Finally, the reforms guarantee an adequate and sustainable standard of living for the aged, carers, veterans and people with disability who rely on the pension to survive. As I say, it has been long coming and much needed.

For the record, the age pension was first paid in 1909 and this year marks the centenary. The age pension is the largest-spending Commonwealth own-purpose program. The Australian government spends, for the record, around \$28 billion per annum on the aged population. I think it is important to put these reforms into context, and I think it is worth noting again for the record some of the demographic changes we have experienced and will experience into the future. It makes for not just interesting but very sobering reading. By 2047, some 7.2 million Australians will be aged over 65. That will represent 25 per cent of the expected population, which is almost double the

current 13 per cent. Unless we act now, the demands—both economic and social—on this nation will be even more extraordinary. Currently there are around five people of working age to support every person aged 65 and over. This will more than halve to 2.4 people by 2047. That has considerable implications—again, both socially and economically. Increasing longevity, whilst good in the main personally, means that people are receiving the age pension for far longer than in the past. Demographic change means that the costs of a given pension increase today will almost double as a share of gross domestic product by 2050.

So reform is much needed. It is needed now so that we can have a sustainable system into the future. The government has made important reformative decisions. In some instances, they were tough decisions and have not been greeted universally with acclaim. But they are needed. One reform is progressively increasing the age pension qualifying age to 67 years from 2017. We are not alone in this. A number of countries in Europe as well as the United States and others have progressively moved their pension age to 67 and even beyond. That is in recognition not so much of the economic issues associated with it but the fact of life that people are living longer. They are healthier and their demands on services will increase as they age.

Also the reform package will ensure that the pension increases are targeted to those who most need them. Again this is a vexatious issue because there will always be people who will miss out. That is a fact of life and a fact of economic life. This package seeks to introduce what will be for some an unpalatable element of reform.

We want to support ongoing workforce participation by aged pensioners. Turning 65 does not mean you either want to cease to work or are incapable of working. We need incentives built in to keep people participating in the workforce for a variety of reasons but not to their detriment in terms of entitled economic return.

We did not need to be told that something needed to be done about preparing for the future and looking after our pensioners. I do not want to try to score political points too much on this, but I must raise it, seeing as it has been so ungraciously thrown at us while we are introducing this reform. Those opposite have only recently come to the conclusion that pensioners need an

increase in the pension. It took us 18 months to realise it; it took them 12 years to dream it up.

I find it extraordinary that those opposite beat their breasts, wring their hands and carry on with this unctuousness when in actual fact we have decided to do something about it. We are doing something about it and we are doing it in a considered way. The Harmer report looked at this in the short term, the intermediate term and the long term, and we have come up with this package of reforms. I congratulate this government and the minister.

It is quite extraordinary for that mob opposite to be pointing the finger and saying, 'It isn't enough. It doesn't go far enough. What about these people? What about that?' I know they will be on their feet very soon saying what a fantastic package this is and that they are going to support it. They ought to support it because they talked long and hard about it but did nothing about it. But we are doing something about it.

Let us get onto the good news about this package. First and foremost it is going to increase the pension. Single pensioners will receive an increase of \$32.49 per week, comprising a \$30 per week increase in the maximum basic pension rate and a \$2.49 per week increase in the pension supplement. The effective MTAW benchmark for the single rate of pension will increase from 25 per cent to 27.7 per cent. The single pension rate will increase as a proportion of the combined couple rate from 60 per cent to 66.33 per cent of MTAW. That was a recommendation of the Harmer report. Couples will receive an increase of \$10.14 per week for a pensioner couple combined, comprising no increase in the maximum basic pension rate and a \$10.14 per week increase in the pension supplement.

How have we gone about ensuring the long-term sustainability of the pension system? First and foremost, income test rules will change to better target pension increases. The rate at which the pension is withdrawn for each dollar of additional private income will be increased from 40c to 50c in the dollar for income above the free area, which is currently \$138 per fortnight for a single pensioner and \$240 for a couple. All existing pensioners will have existing entitlements retained in real terms. The qualifying age for the age pension will progressively increase at the rate of six months every two years, beginning in 2017 and reaching 67 in 2023.

How will we ensure that pensioners benefit from paid work? A work bonus for older Australians who continue to work past age pension age will be introduced. Fifty per cent of the first \$500 a fortnight of employment income will be disregarded when calculating assessable income for pensioners

over age pension age. The Pension Bonus Scheme will be closed to new entrants from 20 September 2009. Existing members of the scheme will continue to accrue entitlements under the existing rules.

Finally, what about simplifying the payments? The government will combine the GST supplement, the pharmaceutical allowance, the utilities allowance, the telephone allowance at the higher internet rate and increased assistance into a single, easily understood pension supplement that will be paid fortnightly.

That is the nub of the reform package that this government has put before the Australian people and this parliament. I am very pleased that we have been able to do that and that we have addressed the short-term need, particularly for single pensioners but also for all pensioners, by increasing the pension. We have also set out a system which will index it fairly at a higher rate than currently exists, and we will continue to look at the indexing methods.

There are 20,098 pensioners in my electorate. I have an ageing population in my electorate. It is one of the oldest in Australia. I know that this increase in the pension has been gratefully accepted and acknowledged. I know that it would be great if we could have paid even more, but we have put the system on a sure footing for the future so that people can be certain of not only what they are going to receive but how they are going to receive it, and we will continue to work at providing this system in a much more flexible way. So it is with pleasure that I support this legislation. I look forward to its implementation and its hasty and speedy passage through this House and the other place.