



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



**HOUSE OF REPRESENTATIVES**

**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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## SPEECH

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**Questioner**  
**Speaker** Macklin, Jenny, MP

**Source** House  
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**Responder**  
**Question No.**

**Ms MACKLIN** (Jagajaga—Minister for Families, Housing, Community Services and Indigenous Affairs) (1.44 pm)—in reply—Could I first of all thank all members for their contributions to the second reading debate on the Social Security and Other Legislation Amendment (Pension Reform and Other 2009 Budget Measures) Bill 2009 and for their advocacy on behalf of their constituents, in particular recognising those who have been working hard to bring this to a conclusion. Before I sum up the debate, I would also like to add my congratulations to Dr Jeff Harmer, the secretary of my department, who conducted the major review of the pension system over the last year. That was critical to the shape of the debate we are having now. It was critical to making sure that pensioners were able to come to many of the public meetings around the country. There was a reference group established advising Dr Harmer. On behalf of the government, I extend my sincere thanks to him and to a very dedicated team of officials from the Department of Families, Housing, Community Services and Indigenous Affairs—some of whom are here today. They are an outstanding group of people who worked extremely hard on behalf of Australia's pensioners, especially over the last few months as the budget was being put together. They are an extraordinary group of people with a very detailed knowledge of the social security system, and they all have my very sincere thanks.

These are the most significant reforms in the 100-year history of the pension system in this country. I do not think we can overestimate just how significant they are. They are reforms that deliver a fair go for pensioners. That is really what it has been all about. They are reforms that, as a government, we are very pleased to be able to deliver. They fundamentally and most importantly improve the adequacy of the base rate of the pension, which was our primary objective. We also are making the operation of the system simpler and much more responsive to pensioner needs. One thing that was hard but absolutely necessary in this pension reform package was securing the long-term sustainability of the pension system. It was necessary because we are an ageing population. We have a lot of challenges in addressing the needs of the ageing population. One is making sure that our pension system is sustainable.

The centrepiece is the much-needed increase in the pension payments. From 20 September this year single pensioners will receive an increase of \$32.49 a week and pensioner couples will receive \$10.14 a week. The pensioner couples increase will be delivered through the new pension supplement. I will say a little bit more about the supplement in a minute. This is delivering to 3.3 million pensioners around the country—that is, age pensioners, disability pensioners, those on the carer payment, wife and widow B pensioners, those on the bereavement allowance, special needs pensioners and veteran income support recipients. All of these people will benefit from the major reforms being delivered as part of this legislation. One very significant change we are delivering is the significant increase in the proportion of the pension paid for singles as compared to couples. At the moment the ratio is 60 per cent. We are increasing that proportion to 66.33 per cent, recognising that single pensioners—especially those who live alone—have a higher cost of living. This is a very significant reform and one that we hope will help those single pensioners.

One other critical change is that we are increasing the benchmark of the pension compared to wage increases. A number of members today have commented on the changes we are making to the indexation arrangements, and I am sure they are going to be welcomed by pensioners. But we are also increasing the proportion that the single age pension will be benchmarked against. At the moment, the single rate of the increase is benchmarked to 25 per cent of male total average weekly earnings. As a result of these reforms, that will be increased to 27.7 per cent of male total average weekly earnings. That is an increase of 10 per cent. We will not only have pensions benchmarked against wages, to make sure that pensioners can continue to maintain their standard of living relative to other Australians, but also have improvements to the arrangements for the way pensions are indexed against prices. Following these reforms—and I think these numbers are right at the heart of it all—the new total weekly pension plus supplement will be an estimated \$336.68 for singles and \$507.50 for couples combined. This amounts to \$17,507.36 a year for singles and \$26,390 for couples combined. We have to wait until 20 September before we get final figures, because on 20 September—as usual—the pension will be indexed and we do not know yet what the final inflation or wages figures will be.

We are introducing another very significant change—and a number of members have made contributions on this issue—that is, to simplify the pension. We are improving the adequacy of the pension. That has been central to our considerations. But we have also decided to make major changes to simplify the pension arrangements so that all the additional allowances and supplements that are paid currently will be put together. Their value will be maintained and increased in the new pension supplement. We are also making sure that this reform flows through to benefit self-funded retirees. There will be a new senior supplement introduced, and that will be available to those who hold a Commonwealth seniors health card.

For the first time there will be an index that actually measures the cost of living for pensioners. Many pensioners have raised with me their concern that the consumer price index does not reflect their cost of living adequately. We have listened to this concern and have agreed that the Australian Bureau of Statistics will independently develop a new pensioner and beneficiary cost of living index. That will start as well on 20 September. To make sure that pensioners get the best out of these changes, we will index the pension by whichever is the higher—either the consumer price index or this new pensioner and beneficiary cost of living index—to make sure that the value of the pension keeps up with the cost of living.

We are making the arrangements for pensioner advance payments more flexible. That will be very important in helping pensioners who need to buy things that cost more than they can afford out of any particular fortnight's pension payment.

We are making some very tough decisions to be able to afford this pension rise. We are better targeting the pension by changing the income test withdrawal rate. To make sure that that does not discourage pensioners who want to work, we are introducing a new work bonus. We are making a few other amendments to support changes being made by the Western Australian government. We are making another very difficult decision—a difficult decision which the former government talked a lot about but never had the guts to do—and that is to raise the age pension age.

The age pension was introduced 100 years ago, when life expectancy was very different from that which it is today. It is only Labor governments that have been prepared to take the difficult decisions to make the pension sustainable. The previous Labor government increased the age pension age for women. This Labor government is making sure that long-term sustainability of the pension system is delivered, by increasing the age pension age for men and women to 67. We are phasing this in very slowly so that people have time to plan for their retirement. This will make sure that we are both maintaining an adequate age pension but guaranteeing that it is sustainable as we confront the demographic challenges of the future.

The previous government were very good at writing reports about this issue. There were two comprehensive intergenerational reports prepared by Treasury for the former government. Unfortunately, the former government ignored the findings of these intergenerational reports. For 12 years they knew we were confronting the significant ageing of our population but they refused to increase the adequacy of the age pension, let alone do anything about the sustainability of the system.

Extraordinarily, the shadow minister for community services, the member for Warringah, said in his contribution to this debate that there should be more public debate about increasing the age pension age but said at the same time that we should do it sooner. I cannot make an ounce of sense out of anything that the member for Warringah said. I would have thought that he would realise that the previous government had conducted two major intergenerational reviews and Dr Harmer conducted a major review of the pension system for this government over the last 12 months. It took around 2,000 written submissions. We had an excellent reference group. There were a number of senior groups on that pension reference group and all of them understood that difficult decisions would have to be made.

It has been extraordinary to listen to those on the other side, who did nothing to address either the adequacy or the sustainability of the pension and who now seem to think they can claim some credit for what is being done. That said, we are very pleased to be delivering this much-needed pension reform. I commend this bill to the House.

Question agreed to.

Bill read a second time.

Message from the Governor-General recommending appropriation announced.