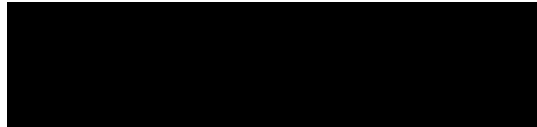


Security 4 Women and WomenSpeak

Submission to the Pension Review - Recommendations

1. *We call on the Government to ensure that any increases in pension rates or additional allowances apply to all pensions on an equitable basis.*
2. *We ask the Government to reassure Australians that the age pension will continue to be available for those in need.*
3. *The GST supplement should be absorbed into the base rate of pension. The single rate of pension (including the GST supplement) should be benchmarked at 30 per cent of MTAW and raised to 67 per cent of the couple rate.*
4. *CPI indexation should be based on a new low income index, taking account of changes in costs of essential goods and services.*
5. *We support any pensioner bonuses going to all pensioners, not only Carer and Age pensioners.*
6. *Rent Assistance needs to be at least doubled, and adjusted by a rental price index. It could vary by where a person lives.*
7. *Eligibility for Rent Assistance should be extended to home buyers.*
8. *Mobility Allowance should be payable to all people with a disability that prevents them from using public transport without substantial assistance.*
9. *Pharmaceutical Allowance adequate but believe it should be extended to all allowees particularly Parenting Payment Partnered*
10. *Telephone Allowance should be increased to \$90 a quarter and extended to allowees*
11. *Utilities Allowance should be extended to Parenting Payment recipients, and possibly other payments.*
12. *Pensioner Education Supplement and Education Entry Payment should be extended to all allowees undertaking education or training, in a general review of student assistance.*
13. *We support fortnightly payments and means test periods, but with the optional flexibility of the existing advances or new 'savings' options, where people could defer part of their payment to meet an anticipated expense.*
14. *We recommend a review of pensioner concession cards, health care cards and seniors cards across Commonwealth and the States to get a more simple, effective and rational system.*
15. *We would like to see a broader review looking at the whole income support system, including all pensions, allowances, family payments, student assistance and veterans' entitlements.*
16. *We support the idea of a single base payment with add-ons applying to various special needs and activity test requirements applying to certain groups*



Security 4 Women and WomenSpeak

Submission to the Pension Review

25 September 2008

This a joint submission from Security4Women (S4W) and WomenSpeak represents an extensive network of women's groups. We congratulate you on holding an inquiry into this very important policy area and thank you for the opportunity to make this submission.

Security4Women

Who we are

S4W is a national network of women's organizations that come together to share and build knowledge with which we can influence policy and legislation. We focus on issues related to women's economic security, including superannuation, financial literacy, educational attainment, workforce skills and participation, and lifelong earnings. Our work aims to raise awareness of the issues affecting women and bring about action from the community, business and government sectors to improve the lifelong economic wellbeing of women in Australia.

While many of our 14 organisations are national we have others like the Working Women's Centres (QLD, NT, SA) and Women's Information and Exchange (WIRE) in Victoria that are regional. Some are membership based like VIEW Clubs and Business and Professional Women, and others are service providers.

What we do

We undertake projects designed by the members as a group. The outcomes from our projects contribute to national policy reform relevant to the economic wellbeing for women. We also advocate for changes that arise from our project work or that members identify as important. Details of our projects are listed on our website www.security4women.com.

Women Speak

Who we are

The WomenSpeak Network is one of four non government National Women's Secretariats funded by the Federal Office for Women to act as a conduit for the exchange of information between the Government and the women's sector and provide representative advice on policy issues affecting women.

WomenSpeak Network is an association of nearly 40 national non-government organisations working on issues affecting women. The member organisations are very diverse: peak bodies, industry groups, faith based organisations, and domestic and internationally focused organisations.

What we do

Our priority interests are human rights; the involvement of young women and ensuring a youth voice in policy work; representation of the diversity of women in Australia; and networking and strengthening women's organisations.

Women and Social Security

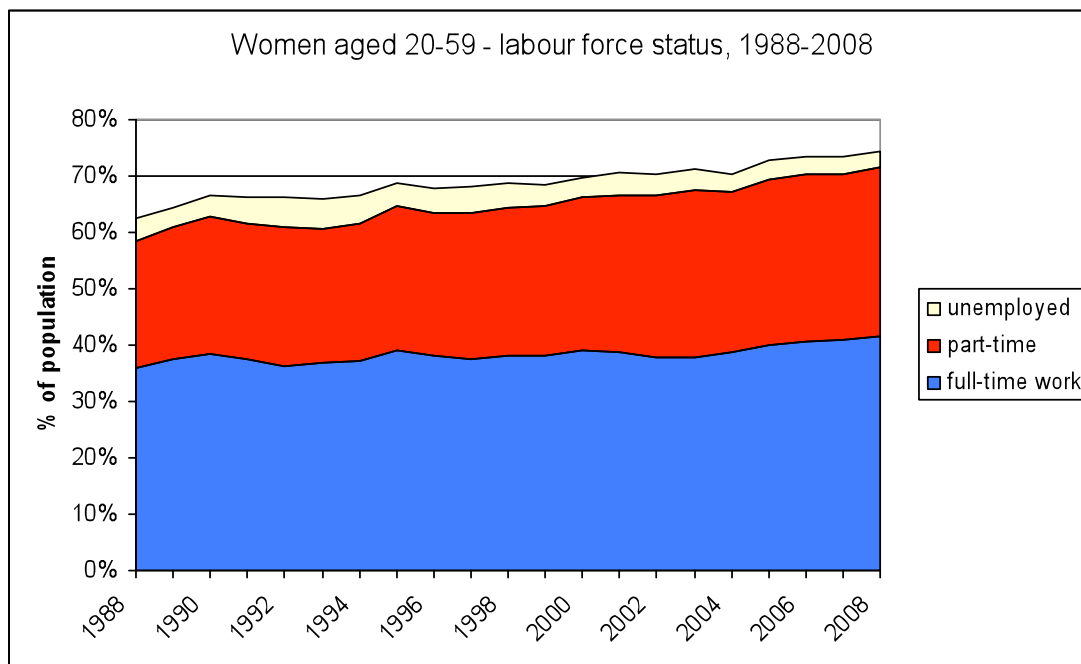
As noted in your background paper women constitute 58.3 per cent of all Age Pensioners, 42.1 per cent of Disability Support Pensioners and 67.3 per cent of Carer Payment recipients. A decade ago women were 63.5 per cent of age pensioners, 34.6 per cent of Disability Support Pensioners and 55.2 per cent of Carer Pensioners.¹

There has been a steady tightening of women's access to pensions over time: the abolition of wife's and widow's pensions, the increase in the female age pension age and most recently the welfare to work changes which significantly cut women's access to Parenting Payment Single. Many women with disability and carers would have been on the other payments previously but large numbers of those women have now taken up Disability Support Pension and Carer Payment.

Women remain poorer than men, due to the constraints on earnings from their unpaid domestic roles and to the continuing problem of wage differentials.

While recent decades have seen a big increase in women's labour force participation, most of the change has been in part-time work. There has been a big increase in full-time and part-time employment among women aged 60-64 in response to the raising of the age pension age and among those aged 15-19. But the chart below looks at women between those ages to take out those effects.

¹ Social Security Annual Report 1997-98



Source: ABS Labour Force Survey spreadsheets

Women's employment levels are still well below those of men, far more work part-time and hourly wages across industries and occupations are consistently lower for women.² Women are more often casually employed than men, because of the high rate of casualisation in part-time work.

While women have benefited greatly from compulsory employer provided superannuation, there is still a great difference between women's and men's superannuation levels. Superannuation takes a life-time to build up. In 1987, 50 per cent of male employees and 26 per cent of female employees had access to employer funded superannuation³. At that time super was often not vested or preserved, so those who had some coverage often lost it when they left the workforce or changed jobs. Just over half of women aged 60-64 in 2006 had no superannuation, compared with less than a third of men of that age. Of those who did have it, the average amount was \$63,000, under half of men's average of \$126,000⁴.

These factors mean that women will continue to have higher rates of reliance on pensions than men do.

Public attitudes

We are concerned that, particularly under the previous Government, income support recipients tended to be stigmatised. Superannuants were often portrayed as more 'deserving' than pensioners because they had saved for retirement. Yet the story of retirement incomes shows clearly that women (and

² ABS - Employee Earnings, Benefits and Trade Union Membership, Cat. 6310.0, Aug 2007

³ ABS - Employment Benefits, Australia, Aug 1987, Cat 6334.0

⁴ Ross Clare, Retirement Savings Update, Association of Superannuation Funds of Australia, 2008

other low income earners) did not have access to superannuation for most of their lives. The life-time income differential between men and women means that the capacity to contribute to superannuation is lower. In addition, as superannuation is now compulsory, the idea that recipients are more thrifty than other people is misplaced.

Superannuation continues to be heavily subsidised by tax payers through tax concessions, and most benefit goes to those with larger amounts and in higher tax brackets. Compared with the treatment of pensions, which are taxed and means tested, the additional tax benefits for superannuants have been highly inequitable.

Disability Support Pensioners tend to be stigmatised compared with Age Pensioners. Many have greater costs than Age Pensioners because of the costs of disability and their lower levels of home ownership. In recent years they have missed out on the pension bonuses that have been paid to Age Pensioners and Carer Payment recipients.

We are appalled by the proposal by the Opposition to increase the single rate of Age and Service Pensions, while cutting out other pensioners from this.

We call on the Government to ensure that any increases in pension rates or additional allowances apply to all pensions on an equitable basis.

The ageing of the population has been built up, largely by the superannuation industry, to suggest that age pension will not be affordable in the future. We consider this an exaggerated claim in the light of employment growth and increasing wealth among many older people.

We believe that it is an opportune time to reassure Australians that the age pension will continue to be available for those in need.

Question 1: Appropriate levels of income support and allowances, including the base rate of the pension, with reference to the stated purpose of the payment

The stated purpose of payments is not necessarily a good indicator of relevant need. There is more diversity in the circumstances of recipients of any particular payment than between payments. For example, carers, parents and other people with the care of dependent children, job seekers, students and people with disabilities appear across all payments, not always specifically the payment aimed at that group. We think that the basic levels of income support and allowances should be the same across all payments, with targeted add-ons directed at recipients with specific needs.

Base rates of pension

Pension rates are \$562 a fortnight for a single person and \$939 for a couple (with a built in supplement). They are indexed twice a year by the CPI and adjusted annually for increases in the Male Total Average Weekly Earnings, so that the single rate is benchmarked at 25 per cent of that. Youth rates on Disability Support Pension are lower.

We are particularly concerned about the adequacy of the single pension, but also the couple rate for those with no other income and those with high housing costs such as private rent or mortgages.

The benchmark of 25 per cent of MTAWWE applies to the single base rate of pension, not including the supplement introduced in 2000. We think the supplement should now be integrated into the pension rate, and the MTAWWE benchmark raised.

The modified OECD equivalence scale assumes that the living costs of a couple are 1.5 times the living costs of a single person. This would mean that *the single rate should be raised from its current rate of 60 per cent of the couple rate to 67 per cent. We would endorse that, at least for those with few other resources. This would raise the benchmark to 29 per cent of MTAWWE, and we think it should be raised to 30 per cent.*

We have concerns about the CPI indexation. The CPI is based on a basket of goods and services, some of which are essentials and others luxuries. It seems that the cost of essentials like food, petrol and housing are going up faster than the CPI but are being offset by cheap imports of electrical goods and other non-essential items. *We think that an alternative cost of living index should be developed based on the actual expenditure patterns of low income people to ensure that they are able to keep their living standards constant.*

We strongly support keeping rates equivalent across all pensions (including Parenting Payment Single) and would like to see the rates of other payments such as Newstart and Austudy brought closer to those of pensions. We note that those payments are not in your terms of reference.

We support any pensioner bonuses going to all pensioners, not only Carer and Age pensioners.

Add-ons and other allowances

Rent assistance

Rent assistance is paid to those in private rental housing. It varies between \$73.47 a fortnight for a single sharer to \$146.30 for a couple with 3 or more children. It is \$110 for a single person living alone, with couples paid a combined \$103.80. To get the maximum, rent paid must be at least \$244.93 a fortnight for a single person (it varies for other households).

Because it is based on a proportion of rent actually paid, it contains an incentive for income support recipients to choose lower rents where possible.

New South Wales median rents are \$600 a fortnight and rising⁵. Other States have also experienced steep rises. Rents in capital cities are of course much higher. The rental property market is very tight and pensioners often cannot shop around.

⁵ Macquarie Live News, 8 May 2008

http://www.livenews.com.au/articles/2008/05/08/Report_confirms_Sydney_rents_are_soaring

While about 70 per cent of age pensioners are home owners, this is not the case for other pensioner groups, as shown in Table 7 of the Review's background paper. Public housing plays a role in accommodating some pensioners, particularly Disability Support and carer pensioners but places are very limited.

Rent Assistance is now far from adequate. A single pensioner paying median rent in New South Wales of \$600 a fortnight, receiving pension and RA totalling \$672 a fortnight would have to live on \$72.

In our view Rent Assistance needs to be at least doubled, and adjusted by a rental price index. It could vary by where a person lives.

We also have concerns about home purchasers, who are not currently eligible for RA. Over a life-time, home purchase has a lower total cost than renting. If, say, a person is part-way through paying off a mortgage when they become a sole parent or carer or develop a disability, then the best financial security they could have is to be able to complete the purchase. Their mortgage costs might not be as high as the cost of renting another home. It seems terribly unfair to put them in a position where they lose their home and have to rent for the rest of their lives. Also, from a Government point of view, that would mean paying them rent assistance for the rest of their duration on pensions or other payments.

We see a lot of sense in *extending eligibility for Rent Assistance to home buyers*. Obviously very few would be able to buy a home while on a pension, but it might be possible for many to complete the purchase.

Disability Allowance

The issue of costs of disability has been unresolved for a long time. Obviously the types of disability and their effects and severity are very varied in the costs they impose.

Some costs are direct medical, prosthetic or treatment costs which are probably best handled through Medicare or other insurance. But other costs are in care, on greater use of certain ordinary items and services and the costs of limited mobility.

There is a Youth Disability Allowance of \$100 a fortnight for those under 18 who receive Disability Support Pension (it is included in the rate). There is also Mobility Allowance of \$75.90 or \$106.20 a fortnight. To qualify for Mobility Allowance the person needs to have a disability that would prevent them from using public transport without substantial assistance. This is not a bad criterion for costs of disability.

But to get Mobility Allowance the person has to travel to and from home as part of your work, self employment, training or job seeking, with a lot of detailed additional criteria. The two rates depend on what payment the person receives and how many hours a week they do the required activities.

This is really unfair to those whose needs and engagement is in other forms. Parents are a group who need assistance, as are people who have to travel

regularly for treatment. Age pensioners with similar disabilities should have the right to assistance to participate in various activities too.

We think that the labour force and training criteria should be dropped and that all people with a qualifying disability should be eligible for Mobility Allowance.

Pharmaceutical Allowance

Many very low income people need to take regular medications, without necessarily being incapable of work.

Pharmaceutical Allowance was introduced at the same time as a small user charge for PBS medications for pensioners. Prescriptions over 58 a year are still free for pensioners. The aim of the Pharmaceutical Allowance was to discourage overuse of medications.

We consider Pharmaceutical Allowance adequate but believe it should be extended to all allowees, particularly Parenting Payment Partnered.

Telephone Allowance

Telephones are an essential means of communication, particularly for people on very low incomes, disabilities etc who are relatively isolated. Telephone lines are also essential critical for ordinary internet access.

Telephone Allowance is useful to help people maintain a basic level of connection with society.

Telephone allowance is inadequate to meet the basic costs of a home land line connection. *We think it should be increased to \$30 a month (but paid quarterly as now) and extended to allowees.*

Utilities Allowance

We are pleased that the Government has extended Utilities Allowance to Disability Support pensioners and Carer Payment recipients of workforce age. For reasons of equity we think *Utilities Allowance should be extended to Parenting Payment recipients.*

Pensioner Education Supplement and Education Entry Payment

The Rudd Government's emphasis on a skills and education revolution acknowledges that education and training are important pathways to better employability. We think that *these payments should be extended to all allowees undertaking education or training, in a general review of student assistance.*

2. Frequency of payments, including the efficacy of lump sum versus ongoing support

We think that fortnightly payments in general assist people to control their normal budgets. Fortnightly payments and income testing also allows payments to be targeted better to people with intermittent income.

Lump sums are obviously a more flexible form of support. Additional lump sums, such as bonuses, are useful to meet specific needs. We support the availability of optional advances, where people can draw a lump sum in advance, which is repaid by deductions from future pension payments.

Some pensioners might appreciate the capacity to 'save' through optional arrangements with Centrelink to hold back a percentage of the pension to meet anticipated one-off costs.

3. Structure and payment of concessions or other entitlements that would improve the financial circumstances and security of seniors, carers and people with disability

We have dealt above with a number of entitlements that are available to pensioners.

With regard to concession cards, we think that the plethora of Commonwealth and State pensioner concession cards, health care cards and seniors cards is confusing and not necessarily well targeted.

A review of those across Commonwealth and State and the rules applying to eligibility would be useful to get a more effective and rational system.

Other considerations

The whole social security system has become very complex and difficult to understand. There seem to have been years of ad hoc decisions increasing and decreasing levels of payments, means tests and activity requirements.

There was considerable discussion in the 1990s and early 2000s about rationalisation, simplification and moving towards a single integrated income support system with activity tests and targeted assistance based on specific needs, capacities and expectations.

That payment would consist of

- A base rate and income testing regime applying to all low income and asset people
- Add-ons such as rent assistance, living alone supplement, mobility allowance etc according to need
- Activity tests applying more or less to the same groups as now, but recognising multiple work barriers, part-time work requirements for groups with partial capacity to work, work and study combinations.

This approach was endorsed by the McClure inquiry into income support and proposed in a Government discussion paper⁶.

Instead the system became more complicated with responsibility for the system divided between Centrelink, FaHCSIA, DEEWR and Veterans Affairs.

⁶ FaCS Discussion Paper, Building a simpler system to help jobless families and individuals, 2002

While the Pension Review is a good start by looking at three pensions, we would like to see a broader review looking at the whole system, including all pensions, allowances, family payments, student assistance and veterans' entitlements.

We support the idea of a single base payment with add-ons applying to various special needs and activity test requirements applying to certain groups.