No such thing as full-time retirement

Australian government moves to raise retirement age and end aged pensions

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Under the guise of "initiatives to encourage people to achieve a better standard of living in retirement" Australian Treasurer Peter Costello on February 25 unveiled moves toward lifting the official retirement age and the eventual abolition of all state responsibility for providing for the elderly.

While the government paper, *A more flexible and adaptable retirement income system*, does not call for the immediate implementation of these plans, the new measures and tenor of government statements over the last days are designed to pave the way for their introduction in the future.

The government has chosen the country's universal superannuation scheme as the vehicle for discarding state-funded aged pensions. Introduced by the Keating Labor government in 1992, as part of its sustained drive to dismantle whole sections of social welfare, superannuation is a form of compulsory savings that forces the aged to pay for the total or partial cost of their own retirement.

Employers are obliged to contribute nine percent of their employees' weekly earnings to superannuation. While workers can voluntarily contribute additional amounts, these savings cannot be accessed until they reach the official retirement age of 65 years for men and 62 for women. At that time, they are paid a lump sum. But because superannuation is counted as an asset, it lessens the ability of retirees to qualify for the means-tested aged pension. Workers 55 years and over who have permanently left the workforce can apply for a lump sum superannuation payout but are not entitled to an aged-pension.

The proposed legislation announced by Costello centres on changes to the laws governing access to lump sum superannuation payments. As of July 2005, the eligible age for people born after 1960 to retire and access a lump superannuation payout will rise from 55 to 60 years of age. For those born in or after 1964 the eligible age will be increased to 65.

These people will, however, be able to draw regular superannuation payments "to supplement their income instead of leaving the workforce all together". The work rules for people aged 65 years to 74 years will also be "relaxed". Currently, the superannuation funds must give a lump sum payout to people in this bracket who have not worked 10 hours a week. The work test will now be based on an as yet unspecified number of hours worked annually.

As from September 20 this year only 50 percent of superannuation savings invested in complying pensions and annuities will be discounted from the government means test used to determine aged-pension eligibility. Currently 100 percent of these investments are discounted. The change will make it even more difficult for retirees to qualify for a pension.

The government claims, of course, that the changes will give retirees greater flexibility of choice and the opportunity to improve their conditions of retirement. In fact, the changes, which cynically exploit the financial difficulties experienced by many elderly people, are designed to force retirees to live off their superannuation savings and supplement this by working full- or part-time well past the official retirement age.

The changes are also aimed at stopping retirees from taking superannuation as a lump sum, spending it and then becoming eligible for a means-tested pension. Many elderly people use the lump sum payment, which in most cases constitutes their entire life savings, to pay off a home and gain some level of security. Many also take lump sum payouts to avoid service charges imposed by superannuation companies and the government's 15 percent surcharge, which strips thousands of dollars from savings.

Another sleight of hand by the government to disguise the predatory aims of its proposed legislation is to evoke the desperate situation presently facing "mature-aged" workers who have been dumped on the unemployment scrap heap by years of restructuring and down-sizing.

While introducing the proposed changes to superannuation last week, Costello declared that the "days when people were considered washed up in the workforce at 45 is over". He did not, however, announce government programs for the creation of decent full-time jobs to employ mature-aged workers. He merely promised that the government would encourage a "cultural change" and make appeals to employers to retain older workers. According to recent surveys, 30 percent of 45-year-olds and 60 percent of 55-year-olds who lost their jobs have been unable to find alternate work.

It should also be noted that the Howard government continues to implement the pro-market "reform" agenda demanded by big business, which is responsible for the plight of older workers in the first place. This week, for example, Howard again raised the demand for the abolition of "unfair dismissal" laws that he claims

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discourage employers from taking on mature-aged workers.

The real aim behind the changes to superannuation—to eventually disinvest government of all responsibility for providing a pension and other benefits for the elderly—is revealed in a number of statements made by Costello and Treasury officials over the last few days.

Commenting on the government's so-called "initiatives", Costello repeated arguments used by US Federal Reserve Board Chairman Allan Greenspan in his address to a congressional committee on February 25. Greenspan called for retirement benefits to be cut and the age of eligibility for the elderly to access Social Security and Medicare to be increased.

Like Greenspan, Costello highlighted what he termed the "demographics" of an aging population—the so-called baby boomers that over the next years will reach retirement age and who supposedly place "unsustainable demands on the nation's reserves".

Costello told ABC-TV's *7.30 Report* on February 26: "I guess my message is ... there is going to be no such thing as full-time retirement. There's going to be part-time retirement and part-time work".

Sweeping changes envisaged by the government in the not-too-distant future do not stop at abolishing the old age pension or forcing retirees to become completely "self funding". The public is being softened up for the abolition of all benefits and services for the elderly and other social security recipients.

In preparation for Costello's announcement, Treasury Secretary Ken Henry told the media that an estimated increase in the proportion of people aged over 65, from the present 13 percent to 25 percent by 2042, "will leave a hole in the budget of 5 percent of GDP, or a $40 billion deficit." This, Henry claimed, would either require drastic cuts to social programs, such as health care, or require a 40 percent increase in income taxes, unless an economic "reform package" was introduced.

Henry claimed the package must be "just as extensive as that undertaken over the last few decades, which included floating the dollar, slashing tariffs, liberalising the financial sector and sweeping labour market reform." The extensive "package" invoked by Henry was designed to redirect increasing levels of social income away from working people into corporate profits and result in the wholesale destruction of working conditions, massive downsizing, extensive privatisation, and the destruction social conditions and social welfare programs.

Costello further developed this on the ABC's *The Insiders* on February 29. He told interviewer Barrie Cassidy that the planned reforms were "not just about superannuation" but "the demographic change" underway that "will change the nature of our society".

He continued: "I want policy to be looked at through this paradigm, this new structure, and it's going to effect health, pharmaceuticals, aged care, retirement income, the economy, the labour market and industrial relations." Legislation to increase the cost of pharmaceuticals to all, including pensioners and welfare recipients, has already been pushed through the House of Representatives but is currently held up in the Senate.

Newly elected Australian Labor Party leader Mark Latham welcomed Costello's proposals. He claimed it was "a good reform" and "something Labor will be supporting when the legislation goes through parliament". This bipartisan support for attacks on the elderly is not unexpected. Not only is the government's move in line with Latham's own views that society should not be responsible for providing for essential social needs, but it continues the measures introduced by Labor in 1992 to undermine the right to a pension.

Australian Council of Trade Unions President Sharan Burrow raised no objections to the government's plan other than complaining that it contained "no significant proposals that would create more jobs" for the more than half million people currently looking for work.

Burrow did not mention the underlying government agenda. This is because the unions supported compulsory superannuation when it was introduced under Keating. In fact, many unions benefit directly from running their own superannuation funds.

It is also significant that neither the Liberal government, nor its Labor opponents, care to explain why, under conditions where vast advances in technology have dramatically lifted the productivity of labour, there are no resources to fund social programs vital for the well-being of the population.

The argument put forward by the Howard government that an aging population, increased life expectancy and other social demographics are the source of the present crisis is a blatant distortion.

First, the government is attempting to deny that the lack of resources is the direct result of policies pursued by both Liberal and Labor governments, which saw corporate tax breaks and other concessions transfer billions of dollars from social programs into higher profits and increased personal wealth for a tiny minority.

Between 1986 and 1996 the Hawke and Keating Labor governments cut the top personal income tax rate from 60 percent to 47 percent and the corporate rate from 47 percent to 36 percent. This allowed the top 200 families to increase their wealth from $7.3 billion to $37.3 billion over the 10-year period. Moreover, half of the personal income tax cuts worth $12 billion a year introduced by the Howard government in 1996 benefited the top 20 percent of society.

Second, the government is trying to mask the fact that the many thousands of workers who have already retired or are reaching retirement age not only paid enough taxes during their working life to fund social security programs and aged pensions, but also generated the pool of social wealth that is now being redirected to the rich.

Were even a portion of this expropriated wealth made available through the introduction of a progressive tax on corporate profits and the accumulated wealth of the upper echelons of society, there would be enough resources to fund generous pension schemes and provide finance for urgently needed social programs.

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