Australian government to target pensions in budget

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Australian Treasurer Joe Hockey has foreshadowed major cuts to pensions, education and health care in a series of interviews during the lead up to the Abbott government's first budget on May 13.

Speaking in Washington, where he attended meetings of the International Monetary Fund and the G-20, Hockey specifically targeted the age pension. He warned that the pension age could be lifted from 67 to 70—after being increased from 65 by the previous Labor government—and that the value of the family home could be included in the so-called assets test that determines pension eligibility.

Hockey made clear that the government's attacks will extend across the range of social services. "It's not just pensions and the sustainability of pensions, but it's our health care, the quality of our education," he said. "It's right across the board that we now have to have a sensible discussion about the quality of life that we want to have in the future."

Hockey's arguments are based on fictions manufactured by the corporate and financial interests for which he speaks. The "budget crisis," which is being used to justify the government's sweeping measures, is in large measure a product of three decades of handouts to big business and high income recipients through tax cuts. Further tax cuts and concessions are being planned in a bid to make Australia "internationally competitive" with the low-tax regimes in Hong Kong and Singapore.

Hockey outlined the agenda two years ago in a speech urging the ending of the "age of entitlement." He called for the roll back of the entire post-war social welfare system in order to institute what he has since called the "age of personal responsibility."

Lifting the pension age to 70 will impact most heavily on blue-collar workers in physically demanding jobs. They have difficulties working to the present retirement age of 65, let alone for an extra five years.

Hockey insisted that the "pension crisis" results from people living longer, citing predictions that children born today could have a one-in-three chance of living to be 100. "So we need to redesign our systems to manage the fact, and celebrate the fact, that we're all living longer, and we want to maintain a good quality of life along the way."

This is so much window dressing to disguise the real purpose of the planned measures. Hockey wants a return to the situation in the not-so-distant past when workers who reached the retirement age of 65 would often die within a matter of months or a few years, sometimes in ill health.

Moreover, until they reach the age of 70, workers who can no longer work or find jobs will have to live in dire poverty on unemployment benefits, which are substantially less than age pensions.

Hockey's claim that the government is seeking a "sensible discussion" is equally fraudulent. There is no discussion in the "community." The attack on pensions and social services is being orchestrated by the financial oligarchy that dictates government policy.

Over the past year, starting in the dying days of the previous Labor government, there has been a continuous stream of reports by corporate and financial think tanks insisting that the present level of government spending is unsustainable.

Economic and financial consultancy firm Macroeconomics is the latest to add its voice to the chorus. Releasing its annual pre-budget forecast yesterday, it urged the government to "cut early and cut hard." Targeting older people would deliver the government around $4 billion of the $16 billion in budget savings that Macroeconomics said was necessary.

Macroeconomics warned that as the China-fuelled mining boom ended, Australia faced a “sea of red ink” and a mountain of debt. Without the boom, it said, the fiscal position in Australia would be more akin to that of Britain and the United States.

The implications of this analysis are clear: as the peculiar conditions that, to some extent, shielded Australian capitalism from the full impact of the global financial crisis come to an end, the government must take the road of its international counterparts and impose the full effects of the crisis on to the backs of the working class.

Backed by highly-paid media commentators, Hockey is trying to present his attacks as being in the interests of the “nation,” insisting that every Australian will be “asked to contribute to the budget repair.”

He even sought to provide a personal touch, claiming that his generation would be affected. This is nonsense. Hockey’s retirement is covered by the generous parliamentary superannuation scheme, while those in his income cohort have their lifestyles guaranteed by superannuation and investment schemes, sustained by massive tax concessions provided to top income earners.

The hostility of these layers toward ordinary working people was exemplified by economics commentator, Alan Kohler, himself a millionaire. In today’s *Business Spectator* web site, which he sold to Rupert Murdoch for $30 million in mid-2012, Kohler published an article entitled “The generous history of pensions.”

According to Kohler, possibly the “most damaging change of all” in the history of pension funding “was the 1939 creation of the Commonwealth Department of Social Services which took over the administration of pensions from Treasury. DSS and its minister thus became a powerful advocate in cabinet for the nation’s pensions as well as their paymaster.”

Throughout their history, pensions have been barely above the poverty line. Even that has proved to be too generous, according to Kohler. Hence control of pensions should be returned to the guardians of finance capital in the Treasury.

One of the changes being mooted by Hockey is to include the value of the family home in the assets tests that determine pension eligibility and payment amounts. Stories are being brought forward in the media of pension recipients with assets of more than $1 million, to create the impression that their “wealth” signifies they should be cut off.

In many cases this “wealth” is fictional. Homes purchased by workers two, three and four decades ago, especially in suburbs with good access to the CBDs of major cities, have escalated in value due to property market speculation.

If the owner-occupier were forced off the pension, after failing the assets test, he or she would be forced to sell up, leave the area where they have made their life and start again at the age of 65 or more. The family home would be acquired by real estate speculators or those in the upper-income strata.

A range of government-funded organisations are also being targeted. The CSIRO, the science and technology agency, is expecting budget cuts of up to $150 million—more than 20 percent of its government funding.

The Australian Broadcasting Corporation is being lined up for a 2.25 percent “efficiency dividend” that would strip around $22.5 million from its budget allocation of $1.03 billion in 2013, an amount equivalent to half the organisation’s annual budget for TV drama.