

# Pensions cut for 330,000 Australian retirees

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The New Year has opened with a significant reduction in the pensions of more than 330,000 Australian retirees. The changes to aged pensions, which came into force on January 1, are a sign of the far-reaching assault on the democratic rights of the working class that will be escalated in 2017 by the Liberal-National Coalition government.

Even prior to the cuts, the pension was already below the poverty line, because successive governments had refused to raise it in line with cost of living increases, particularly housing costs. The maximum base payment for a single pensioner is currently just under \$400 per week, while the poverty line is \$425. That base amount is reduced, however, according to the total value of assets—excluding the family home—that pensioners own above a cut-off threshold. The threshold varies depending on whether they own their home, and whether they live alone or with a partner.

Since its introduction in 1909, the Australian aged pension has always been means-tested. The new cutbacks follow from the government's changes to the means test, which were announced in 2015. These affect how quickly payments are reduced above the full pension threshold. Previously, they fell by \$1.50 per fortnight for every \$1,000 of assets a retiree owned above the threshold. Now this amount has doubled to \$3.

Those immediately affected by the change have relatively large retirement savings compared to the majority of the 3.5 million current aged pensioners. However, they also include workers who have been able, due to a lifetime of labour with relatively decent wages and conditions, to contribute toward their retirement. For example, the threshold of combined assets above which a couple, who own their family home, will begin to have their pension reduced, is \$375,000. As a result of the cuts, a couple whose combined retirement savings are \$600,000, will see their pension cut from \$15,000 to \$2,000 per year, or \$1,250 to \$167 per month.

Such savings are not rare for couples made up of teachers, nurses, tradesmen or mid-level public servants, for example, who have worked for 30 years and had part of their income automatically transferred into Australia's compulsory superannuation retirement scheme. The latest cut will mean that their savings will likely be insufficient to fund a

retirement lasting 20 years or more, leaving them with the prospect of continuing to work past the retirement age, or being eventually forced to depend on the poverty-level pension alone.

These measures are just the thin edge of the wedge. Their real aim is to establish a precedent for expanding the means-test, in order to restrict access to the aged pension to a tiny minority of the population and thereby destroy the right to a decent retirement for millions of ordinary working people.

Historically, Australian governments have introduced major attacks on social welfare in precisely this manner. The Hawke-Keating Labor governments of 1983–1996 ended free tertiary education, for instance, by first introducing compulsory student fees for international students only, and only later expanding the measure to cover the entire student population. Current tertiary student debt in Australia stands at \$42.3 billion, and is expected to blowout to \$185 billion by 2026.

In a similar vein, then Prime Minister Paul Keating introduced compulsory superannuation in 1992. At the time, it was touted to workers as a major new benefit, which would raise their living standards once they retired. Its real purpose was to transfer the cost of retirement from the state, onto the backs of workers themselves. Instead of being able to live on their wages, and then retire on a decent, government-funded pension, 9.5 percent of their wages are currently compulsorily banked into giant Superannuation funds.

Not surprisingly, the superannuation scheme has been used to justify the starving of the pension to what it is today—a poverty-level allowance. The government spends 3.5 percent of GDP on the pension, less than half the OECD average of 7.9 percent. One third of Australian pensioners live in poverty, the second highest rate in the OECD, according to a report released earlier this year.

For the corporate and financial elite, the Superannuation funds, containing the earnings of millions of workers, have been an important source of capital. Currently they own assets of more than \$2 trillion. The trade union bureaucracies played a critical role in selling the scheme to their members, and were handsomely rewarded for services

rendered. The unions were granted joint control of industry superannuation funds and thus help administer the gambling of workers' retirement savings on Australian and global markets. Hundreds of thousands of workers, who were instructed to place their "super" in riskier, more remunerative investments, saw their savings wiped out in the financial crash of 2008–2009.

Now, workers' superannuation savings are being used by the government of Prime Minister Malcolm Turnbull to justify further cutting the pension. Nevertheless, it has sought to present the changes as creating the basis for a more "equitable" distribution of funds to pensioners. In order to maintain this fiction, the latest measures included a slight increase of \$30 in the fortnightly payments of approximately five percent of aged pensioners.

The entire package is forecast to save \$2.3 billion by 2020. It was originally part of a raft of legislation but the government was unable to push through parliament the other elements, which included cutting pensions across the board. Among them were raising the retirement age from 67 to 70, in the wake of the former Rudd Labor government's increase, in 2009, from 65 to 67—and reducing inflation-related pension rises.

As far as the financial elites are concerned, the cuts so far are woefully inadequate. A series of think-tank and media reports have decried the approaching "blow-out" in pension obligations with the retirement of the "baby-boomers." These were children born in the immediate post-war years, between 1946 and 1964, who began their working lives in the late 1960s and 1970s. While initially, only 10 percent of retirees will be affected by the latest cuts, the proportion is expected to grow to up to 40 percent by 2055, according to a report by Industry Super Australia.

A Productivity Commission report published in October 2015 noted that the pension makes up the largest single expenditure of welfare spending, at \$45 billion per year. ABC columnist Greg Jericho commented at the time: "The Productivity Commission's paper makes clear, when you talk of budgetary concerns of welfare you're really talking about the age pension—all else is just tinkering around the edges."

When the Australian pension was introduced in 1909, the mean life expectancy was 55—ten years younger than the age of retirement. Today, average life expectancy is 82, fifteen years older than the retirement age. As far as the ruling elite is concerned, this is the real problem: workers are living for too long. The right of ordinary workers to live a long life, in comfortable retirement, after decades of labour, is regarded as an intolerable burden on the wealth of the elites.

The next line of attack in the war on pension entitlements will be to include the family home in the pension means-test,

eventually forcing many workers to sell their home in order to fund their retirement. Liberal-Democratic Party Senator David Leyonhjelm voiced the contemptuous attitude of the political establishment when he told ABC radio yesterday. "Taking the pension shouldn't be something you aspire to, it should be something you try to avoid because it signifies you're in a low income group." He then repeated his call to include the value of the family home in the pension means-test.

The Greens have justified their vote for the new cuts by repeating the Turnbull government's fraudulent claim that it is targeted at the rich. In reality, the Greens' vote was aimed at demonstrating their bona fides as a party of austerity that could be trusted by the financial elite. After voting for the latest measures in June 2015, Greens leader Richard Di Natale attacked the "partisanship" of the Labor and Liberal-National parties, and declared: "The Greens have demonstrated that we're prepared to show some leadership..."

Labor, which has been at the forefront of the assault on pensions since introducing compulsory Superannuation in 1992, has launched a public campaign against the latest cuts that is as dishonest as it is cynical. After voting against the legislation in 2015, Labor reversed its position in the lead-up to the 2016 federal election, and announced that if it won, it would implement the cuts as well. Nonetheless, the party's treasury spokesman, Chris Bowen, last week demagogically attacked the government as one "that will find any way they can to make life harder for pensioners," according to a report in the *Australian* on December 29.

Moreover, after Rudd had increased the retirement age by two years, once in opposition, Labor claimed to be mortified by the Abbott government's attempt to raise it by another three years.

In line with their counterparts in Europe and the US, the entire Australian political establishment is united in its attempts to place the full burden of the ever-worsening global economic crisis squarely on the shoulders of the working class, by destroying its hard-won rights to decent wages, working conditions and social services, such as public health and education, and to a decent publicly-funded retirement for all.



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