

Senate Community Affairs Committee
ANSWERS TO ESTIMATES QUESTIONS ON NOTICE
SOCIAL SERVICES PORTFOLIO
2014-15 Supplementary Estimates Hearings

Outcome Number: 1

Question No: 238

Topic: Pensions - indexation Budget measure

Hansard Page: Written

Senator Brown asked:

Can the Department please detail any research or evidence about the number of pensioners living close to or below the poverty line prior to the introduction of Labor's pension reforms in 2009?

Answer:

The *Pension Review Report* published in 2009 included analysis of the characteristics of pensioners, using three measures of poverty: Low Cost Budget Standards, the Henderson Poverty Line and the 50 per cent median poverty line. (See parts 3.3.4 and 3.3.5 of the *Pension Review Report*.) Population-based analysis was also done using the ABS Survey of Income and Housing. A summary of the results is presented below. The department has not undertaken any more recent formal research, but does monitor public debate and emerging data trends.

Low Cost Budget Standards

As at December 2008, pensioner couples on the maximum rate of Age Pension in all housing tenure types (public renter, private renter and home owner) had pension incomes above the Low Cost Budget Standard. Pension incomes, including the Seniors Bonus, ranged from 106.1 per cent for a couple renting privately to 114.8 per cent for home owners. The pension income of single maximum-rate age pensioners, with the exception of single public renters, was below the budget standard. The public renter's pension income was just above the budget standard (103.1 per cent). The value of the private renter's pension, including the Seniors Bonus, was 91.0 per cent while the home owner's was 94.7 per cent.

Analysis showed that the adequacy of the pension against this benchmark had increased over time. The value of the pension for a single home owner had increased from 82.7 per cent in March 1997 to 94.7 per cent figure in December 2008 (as reported above).

Henderson Poverty Line

As at June 2008, the value of the Henderson Poverty Line was around \$308 a week for a single person, while the combined value of pensions, related allowances and the Seniors Bonus was 96.6 per cent of this. With Rent Assistance added, the pension payment was 14 per cent above this poverty line. For couples, the payment rates were between 12.4 per cent and 24 per cent above the Henderson Poverty Line of \$437 a week.

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50 per cent median poverty line

As at June 2008, the 50 per cent median poverty line was also around \$308 a week for a single person, so single pensioners were in the same position relative to this poverty line as they were for the Henderson Poverty Line (above). The 50 per cent median poverty line for couples was \$463 a week, so couples appeared to fare less well against this measure than against the Henderson Poverty Line, with payment rates between 6.1 per cent and 17 per cent above the 50 per cent median poverty line.

Population-based analysis

Approaches to measuring poverty based on cash income do not take into account the full range of resources available to households. For example, the benefits of home ownership, subsidised public housing, and in-kind benefits and services are not included in these measures.

Analysis using the ABS Survey of Income and Housing indicated that in 2005-06 around 47.4 per cent of single people aged over 65 years were living in poverty using simple income-based measures. After the imputed rent on owner-occupied housing and the rental subsidies on public housing were taken into account, that proportion fell to just over 7 per cent. For couples aged over 65, the proportion fell from 19 per cent to 4.8 per cent when the benefits of housing were included.

The Pension Review also found that using a 'real' rather than 'relative' poverty line, to measure the real increases in living standards of poor households, showed a very strong fall in absolute levels of poverty in the Australian population as a whole, with population-wide levels of absolute poverty declining from 9.1 per cent in 1994-95 to 3.8 per cent in 2005-06.