Pension reform for all

Submission to the Pension Review of measures to strengthen the financial security of seniors, carers and people with a disability

Brotherhood of St Laurence

September 2008

Brotherhood of St Laurence
67 Brunswick Street
Fitzroy, Vic. 3065

ABN 24 603 467 024

www.bsl.org.au

Contact:
Gerry Naughtin
Research and Policy Centre
Ph: (03) 9483 1324
E-mail: gnaughtin@bsl.org.au

Summary

There are strong grounds for the provision of immediate assistance to Australian pensioners. However, immediate assistance will not address the broader structural reforms required to achieve lasting benefits. Adequate pension reform requires comprehensive review of the taxation and income transfers systems, a task being undertaken by the Henry Review. The Pension Review should ensure additional support for people experiencing significant hardship until the recommendations of the broader review have been implemented.

Substantial changes of the pension base prior to the completion of a system-wide review would be premature and unwise. Therefore, short-term assistance should be framed within the existing architecture of the annual adjustment system, bonuses and supplementary payments schemes. Adjustments to the aged, carer and disability pensions over the next three years should be through the mechanisms of the bonus system, increased rent assistance and utility allowances rather adjustment to the pension base.

This submission sets out some broader issues that the Brotherhood considers must be examined by the Henry Review. A fair and sustainable solution will require additional public expenditure, as well as review of the regressive nature of many current taxation, concession and benefit arrangements. Australia needs a more integrated and equitable incomes and benefit transfers and taxation system for the twenty-first century. The Henry Review provides the vehicle for recommending such a comprehensive framework.

The terms of the Pension Review and recent public debate about the adequacy of pensions have focused on pensions for older Australians, carers and people with a disability. While there is strong community and political support for additional assistance for these groups, there is no justification for excluding other income support recipients. Fairness requires that the aged, carers and people with a disability should not be advantaged at the expense of other groups.

Recommendations

The Brotherhood of St Laurence recommends:

1. Providing additional assistance to single aged, carer and disability pensioners of $1560 in 2009–10 through additional bonuses and utilities allowances.

2. Providing additional assistance to couple aged, carer and disability pensioners of $500 in 2009–10 through additional bonuses and utilities allowances.

3. Providing additional assistance in subsequent budgets prior to the implementation of the recommendations of the Henry Review through additional bonuses and utilities allowances.

4. Increasing Rent Assistance to eligible income support recipients, during the transition period when new housing strategies are being implemented and until the Henry Review recommendations are known.

5. Investing in a national energy efficiency program (NEEP) in order to mitigate the effects of increased utilities costs arising from the introduction of a Carbon Pollution Reduction Scheme, in addition to adjustment to pensions to cope with CPRS-induced price rises.

6. Through the Henry Review, examining the current inequitable and inefficient tax measures, and identifying reforms to implement a more progressive tax and transfer system that supports the government’s social inclusion agenda.

7. Considering specifically:
   - concessionary treatment of capital gains and negative gearing
   - tax and asset test treatment of the family home
   - tax treatment of superannuation
   - the adequacy of both pensions and allowances.

8. Introducing reforms which promote workforce participation and savings for all groups over the life course, to minimise the incidence of poverty in old age while maintaining an appropriate safety net.

Introduction

Background on the Brotherhood of St Laurence

The Brotherhood of St Laurence is a Melbourne-based community organisation that has been working to reduce poverty in Australia since the 1930s. Our vision is 'an Australia free of poverty'. Our work includes direct service provision to people in need, the development of social enterprises to address inequality, research to better understand the causes and effects of poverty in Australia, and the development of policy solutions at both national and local levels. We aim to work with others to create:

- an inclusive society in which everyone is treated with dignity and respect
- a compassionate and just society which challenges inequity
- connected communities in which we share responsibility for each other
- a sustainable society for our generation and future generations.

The Brotherhood of St Laurence works to prevent poverty through focusing on those points in the life transitions where people are particularly at risk of social exclusion.

Focus of enquiry

The terms of reference for this Pension Review focus its scope of enquiry on the appropriate levels of income support and allowances, including the base rate of the pension, with reference to the stated purpose of the payment; the frequency of payments, including the efficacy of lump sum versus ongoing support; and the structure and payment of concessions or other entitlements that would improve the financial circumstances and security of older Australians, people with a disability and carers.

The Brotherhood of St Laurence submits that there are strong grounds for the provision of immediate assistance to Australian pensioners. However, immediate assistance will not address the broader structural review and reform required across the incomes transfer, taxation and benefits and concessions system. The ongoing adequacy of pensions and benefits must be a significant element of the more comprehensive Henry Review of Australia's tax system.

This submission lays out some of the broader issues that the Brotherhood considers must be examined by the Henry Review. An equitable and sustainable income transfers and taxation system will require additional public expenditure, as well as a review of the regressive nature of many of the current taxes, concessions and benefits. In particular, the favoured tax treatment of home ownership needs to be re-examined, given the changing home ownership patterns among younger generations. The Henry Review provides a generational opportunity to consider the fairness of the existing income transfer, benefits, tax and superannuation savings arrangements in order to develop an integrated system for Australia in the twenty-first century.

In this context, the BSL submits that the recommendations of the Pension Review for short-term assistance should be framed within the existing architecture of the current annual adjustment formula and supplementary payments schemes. Substantial changes of these mechanisms before the completion of a system-wide analysis and recommendations for reform would be premature. Therefore, this submission favours adjustment through the existing mechanisms of the bonus system, rent assistance and utility allowances, rather than adjustment to the pension base.

This submission is structured in two parts. The first comments on the existing income transfer system and makes recommendations about supplementing existing pension arrangements. The second presents a number of factors that will influence the adequacy of the income transfer systems in the medium and longer term and proposes areas for further research and policy reform.

The terms of this Review and recent public debate about the adequacy of pensions have focused on pensions for older Australians, carers and people with a disability. While there is strong community and political support for additional assistance for these groups, there is no justification for excluding other income support recipients. Fairness requires that the aged, carers and people with a disability should not be advantaged at the expense of other groups.

2 Australia's income transfers and taxation system

Australia has a complex system of income transfers, benefits, tax offsets, savings incentives and services. This suite of measures has evolved over the last three decades in response to differing policy agendas. Since the late 1980s there has been a more 'active' system of social protection (FaHCSIA 2008b), and from the 1990s, a strong emphasis on retirement incomes policy in response to the ageing of the population. The Howard government introduced a range of policy initiatives to strengthen retirement incomes. Extended deeming of financial investments was introduced (1996) and changes were made to the treatment of retirement income stream products (1998). Other changes to income support have included extended support for carers of people with disability (1996–99); a lower rate of Rent Assistance for single people 'sharing' accommodation (1997); Youth Allowance which replaced several payments for young people (1998); 'one-off' lump sum bonuses for carers and seniors (2001 onwards); and additional payments for utilities costs (2004 and 2005).

There are three recent major studies that demonstrate the inadequacy of the current income transfer arrangements: the 2007 Report of the Senate Standing Committee on Community Affairs' Inquiry into cost of living pressures on older Australians, the Commonwealth department's submission to that inquiry—published as an occasional paper (FaHCSIA 2008a)—and the *Pension Review background paper* (FaHCSIA 2008b). The Senate inquiry found that older people on low incomes were disproportionately affected by rises in the cost of petrol, food, medical care and rent. It also found the maximum rate of pension could be insufficient to maintain a 'basic acceptable' standard of living, and that those most at risk of financial stress were single pensioners receiving the full pension and living in private rental accommodation. The committee acknowledged that certain groups were more likely to be wholly reliant on pensions: these included older women, people with severe disability or chronic illnesses, and those whose earning ability was limited by their caring responsibilities.

The analysis of the departmental papers supports the Senate Committee's findings. They show that single pensioners and those paying more than 30 per cent of their income in rent are the groups experiencing high levels of financial stress. The Pension Review Background Paper illustrates well the extraordinary complexity of the current provisions and the inequitable structure of benefits such as concessions and taxation savings incentives.

Considered together, these three documents provide compelling evidence of the need for additional assistance particularly for single pensioners and those renting privately. They also illustrate that merely adjusting the pension rate by $30 per week will not address the substantial inequities and perverse incentives that exist across the income transfer, taxation and concession and benefits schemes. They offer strong grounds for a system-wide analysis and point to the importance of the Henry Review in achieving sustainable reform.

The Brotherhood's experience in working with older Australians confirms the findings of these three reports. Single pensioners and private tenants are experiencing the greatest financial stress in making ends meet. These two groups require immediate assistance and cannot wait the two or three years that a more comprehensive review will take. Our experience as an agency also indicates that it is not only older people, carers and people with a disability who are experiencing hardship but also other income support recipients including single parents, young people on Youth Allowance and people on Newstart Allowance.

The following sections highlight some of the issues that need to be addressed in a more comprehensive review of the income transfer, taxation and concession systems.

Income and assets tests

Changes to income and assets tests over the past decade, while designed to encourage continued employment and retirement savings, have broadened pension eligibility to those with significant private income and assets. For example, a pensioner couple can have up to $66,000 a year in assessable income and still receive some pension. The halving of the pension assets test taper rate (effective from 20 September 2007) has further broadened the numbers of older Australians eligible for a part pension. The change means a home-owner couple can have up to $856,000 in assessable assets (in addition to their exempt home) and receive some pension. The equity of such a situation is questionable.

One effect of these policies has been a marked increase in the number of part pensions. At the same time as there are calls for increases in the base rate of pensions, more people on middle and upper incomes have become eligible to receive assistance. The BSL submits that restructuring the tapering arrangements for the income and assets tests in a more progressive manner should be part of the brief of the Henry Review.

The intention of retirement incomes policy has been to provide significant incentives for more people to save and thus provide for their own retirement. However, tax and superannuation savings concessions and concessions for those aged 60 years and over encouraging part-time employment have advantaged people in employment and those in middle and upper income brackets. In contrast, people on low fixed incomes and not in employment have benefited only marginally. For example, the Commonwealth Government superannuation savings incentives are worth approximately $20 billion per year to Australians on middle and high incomes but only $4 billion per year to people on incomes of $28,000 and less.

Concessions and benefits

Commonwealth and state governments provide a wide range of benefits that are linked to Australian pension cards and state Seniors Cards. Current Commonwealth/state expenditure on these concessions is around $1.5 billion (equivalent to $750 per aged pensioner). Such concessions are highly valued by pensioners and impact their cost of living expenses. The value of concession cards increases with consumption so they have added financial benefits for those on higher incomes.

There are different eligibility criteria for Pensioner Concession, Health Care and Seniors Health Care Card holders; but unlike other components of income support which taper away with increasing incomes, concession entitlements are retained as long as the person fits the eligibility criteria. One consequence is that older people arrange their income and assets to ensure eligibility for the concession cards. This creates structural distortions in their financial affairs. Ensuring that benefits from the concession schemes are distributed fairly and there is greater consistency and integration between Commonwealth and state schemes should be considered by the Pension Review and taken up by the Henry Review. While the concession schemes are important parts of Australia’s social protection system, a comprehensive review should identify more equitable, coherent and progressive provisions to increase pensioners’ capacity to afford and acceptable standard of living.

Life stage considerations

The Pension Review needs to consider the particular work, savings and lifestyle costs of the three population groups included. A distinction needs to be drawn between those who seek to enter or re-enter the employment market and those whose career has finished, and between the costs of ageing, being a carer and having a disability. While there are many similarities, several lifestyle differences are important. For example, carers who have to leave the workforce or significantly reduce their hours of employment have little discretionary income. They have limited capacity to invest in superannuation and hence take up the savings incentives offered. Caring responsibilities need to be considered in the structuring of superannuation savings. In the United Kingdom, for example, the government has introduced a direct contribution to superannuation for full time carers, recognising the sacrifices they make in providing full-time care.

Climate change and Carbon Pollution Reduction Scheme

Both climate change and measures to mitigate it will have significant impacts on the costs of living for older people, carers and people with a disability, particularly those on low and fixed incomes. The Brotherhood welcomes the Australian Government's 2008 commitment to energy efficiency assistance and direct financial compensation to insulate low-income and vulnerable households from the price impacts of the CPRS. The extent of the distributional impact of the CPRS upon older people, carers and people with a disability requires careful consideration. Importantly we will not be able to fully understand the distributional impact until the cap and gateways are determined.

Research indicates that the CPRS scheme will have a disproportionate impact on low-income households including pensioners (see for example KPMG 2008; NIEIR 2007; Garnaut 2008; DCC 2008). Modelling undertaken by NIEIR (2007) for the Brotherhood of St Laurence, for example, showed that at a $25 carbon price aged pensioners will bear an additional utility adjusted cost of $303 per annum, equivalent to an extra 0.8% expenditure. The NIEIR research suggests that the impacts on pensioners are not as great as on some other household types. These results may, however, hide the true impact on pensioners. It should be noted that many pensioners limit their energy usage to fit their budget constraints, and as a result live with inadequate heating in cold winters, or inadequate cooling in hot summers—with serious consequences for their health and wellbeing. Moreover, among aged pensioners, those who are frail and have restricted mobility are likely to use significantly more energy than more mobile, healthy individuals. This group will be disproportionately impacted by the carbon price.

The Brotherhood of St Laurence and KPMG (2008) have recently proposed a large-scale national energy efficiency program (NEEP) to protect those on low incomes, including older Australians, carers and people with disabilities from bearing the brunt of the consequences of climate change.

The KPMG (2008) report indicates that rolling out a range of appropriate energy efficiency measures for low-income and vulnerable households on a sufficient scale has the potential to protect such households from CPRS 'adjustment costs' by delivering reduced electricity bills. Such a national program should commence in advance of the CPRS, to allow adequate time to engage with households and to ensure that the most disadvantaged Australians will be well prepared before energy prices rise.

Significant attention has been paid to the importance of direct financial compensation. Some of the impacts of increased energy costs on pensioners will be covered by CPI/MTAWE indexation in the current adjustment formula applied to pensions. However, there are likely to be specific financial impacts not picked up by the CPI (All Groups) formula. It is likely there will need to be an increase in the base rate of pensions, and other benefits, to reduce the impact of the CPRS on these low-income groups.

Indexation combined with an increase in the base rate of the pension will not adequately cover all pensioners for increased CPRS costs. In particular pensioners with high energy costs will require additional assistance. These pensioners should be in a priority group for the national energy efficiency program.

Capital gains tax

Another aspect of the current taxation system which needs to be reviewed for its effects on older Australians (among others) is capital gains tax. The current concessional treatment of income earned from capital gains for sale of assets (other than the primary home) held by individuals or trusts for over 12 months amounts to an estimated revenue cost of over $7.4 billion in 2007–08. The tax deductibility of debt interest incurred in the funding of investments that earn capital gains is another large tax expenditure. Small businesses receive a number of additional capital gains tax concessions for no good efficiency reason. Special concessions not available to others apply if the assets are used for retirement, or have been held for more than 15 years, or if the assets are sold as part of an active business decision. In total, these small business capital gains tax concessions are estimated to have a tax revenue cost of over $800 million in 2007–08.

The concessional treatment of capital gains is inequitable, since capital gains are mainly enjoyed by higher income individuals, as shown in data on the distribution of declared realised capital gains by level of taxable income (ATO 2008). The concessions also involve an important element of horizontal inequity: individuals or households using other savings and investment options receive less favourable tax treatment.

The combination of the CGT discount and negative gearing means that investors are able to arbitrage early period deduction of the expenses against concessional taxation of the capital gains (both the half rate and the deferral benefits). This encourages speculators to enter the property market and as a result there is overinvestment in residential property, and underinvestment in other, socially more productive, investments in plant and equipment, human capital and research and development.

Treatment of owner-occupied housing

The exemption of owner-occupied housing from capital gains tax and from the pension assets test is also inequitable. Headey, Marks and Wooden (2005) present data from the HILDA survey for 2002 showing that the distribution of household wealth in the form of owner-occupied homes is more unequal than the distribution of income. Thus, wealthier individuals or households benefit from the favourable tax treatment of both owner-occupied and other forms of housing. Also, the favourable tax treatment of owner-occupied housing distorts behaviour: people invest more in their own home than in other investment alternatives that might have a higher social return to Australians.

Superannuation

From July 2007, most superannuation, including that funded by the compulsory 9 per cent levy on wages and salaries, attracts a flat rate of tax of 15 per cent on funds at entry and 15 per cent on the annual income earned[1]. It is important to note that these contributions are from pre-tax income. In aggregate, Treasury estimates a tax expenditure of over $20 billion for 2007–08 (Australian Treasury 2007).

Many individuals on higher incomes make additional contributions to superannuation, and certainly much more relative to those on lower incomes. This inequity is unlikely to have any kind of efficiency trade-off either. Because of potentially offsetting income and substitution effects, the super tax concessions are likely to have a limited effect on aggregate domestic saving, and because Australia is a small net capital borrower they will have little effect on aggregate investment. Thus, the superannuation tax concessions are mainly an unfair redistribution in favour of those with a tax rate above 15 per cent, and the more so the higher the income.

[1] But note that the capital gains component is taxed at a 10 per cent rate.

3 A basic and acceptable standard of living for pensioners

In a country as well off as Australia, it is morally and socially unacceptable that the pension rate is inadequate for a basic and acceptable standard of living for all pensioners. The Pension Review Background Paper identifies a basic acceptable standard of living, taking into account prevailing community standards, as a key principle of pension reform. The Brotherhood of St Laurence supports this principle and believes that the adequacy of the pension ought to be a central element of the Australian Government's social inclusion agenda in relation to retirees. However, we submit that simply providing an extra $30 per week for pensioners will not meet this principle. A more comprehensive and system wide review is in our opinion the most effective means of ensuring a basic and acceptable standard of living for all.

Key questions that need to be considered in addressing a sustainable basic and acceptable standard of living for all Australians include:

- How do we arrive at a new robust formula for such a standard of living?
- How is such a standard to be financed in the medium and longer term?
- How could system-wide reform of taxation and income transfers allow a more equitable distribution of available government resources?
- Would such redistribution generate sufficient funds to guarantee a minimum standard of living for all?
- If not, what additional government funds would be required?

The Brotherhood believes that these questions should be embedded in the new understanding of disadvantage in relation to social exclusion. Our approach emphasises that social inclusion involves the building of personal capacities and material resources, in order to fulfil each person's potential for economic and social participation, and thereby a life of common dignity. In this regard we would hope that the government would take account of the fact that allowances for other income support recipients have fallen well behind pensions. A social inclusion approach emphasises the need for more integrated economic and social policy. Such integration is central to addressing the terms of reference of this Review.

The Brotherhood acknowledges the political pressure on the government to provide additional assistance to aged pensioners, carers and people with a disability. We call for additional short-term assistance for all pensioners. However, $30 per week does not constitute generational reform of the pension system. Only a comprehensive process of reform can achieve such an outcome. Reform of this magnitude will take time and we call on the government to continue its commitment to system-wide reform.

Determining a basic and acceptable standard of living

The Pension Review Background Paper identifies a range of methodologies by which a basic and acceptable standard of living may be determined. These include rate of growth, replacement value, budget standard, international comparisons, and relative income measures such as 50 per cent or 60 per cent of median income. The strengths and weaknesses of each of these approaches need to be thoroughly examined by the Pension Review. The current pension adjustment formula based on Male Average Total Weekly Earnings adopted in 1997 has had bipartisan political support for almost a decade. One of its strengths has been its transparency. Available evidence, however, suggests that it is not adjusting the pension rate in line with experienced cost of living for older Australians, carers and people with a disability. Careful consideration needs to be given to identifying a robust alternative methodology.

Using a budget standard offers an indication of the extent of pension increase that might be required. Westpac and the Australian Superannuation Funds Association (ASFA) have adapted this methodology to produce their Australian Retirement Living Standard. While they use this budget approach to frame savings targets, it does appear to be equally applicable to estimating income transfers required. They estimate (December 2007) that a single older female requires $18,920 for a modest lifestyle and an older couple $26,531. Their budget provides a useful methodology for determining a basic and acceptable standard of living for older Australians that might form the basis of adjustments to the pension.

Table 3.1 shows the difference between the incomes needed for a modest lifestyle as determined by Westpac and ASFA and the current income support. This analysis illustrates the relative disadvantage of single older people whose sole income is the age pension. Using this budget, single older people are $3341 and married couples $753 below the Westpac ASFA modest living standard (Westpac & ASFA 2007). This analysis highlights the disadvantage facing single older people and confirms the urgency of reforms to address their needs.

Table 3.1 Comparison of Age Pension and related payments with a modest lifestyle budget

	Single pensioner (per year)	**Couple pensioner (per year)**
Modest Lifestyle (Westpac ASFA Retirement Standard*	$18,920	$26,531
Age Pension#	$14,217	$23,754
Allowances	$862	$1724
Seniors Bonus	$500	$500
Total income support	**$15,579**	**$25,978**
Difference	**($3341)**	**($753)**

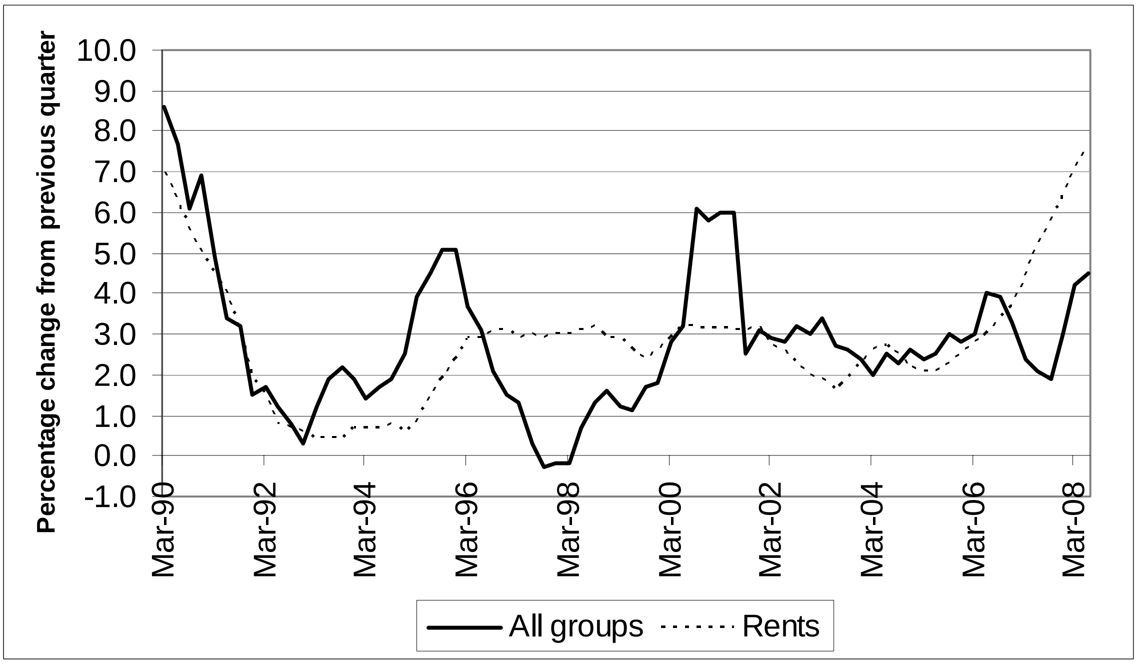
* December 2007 figures
# June 2008 figures
Data sources: Westpac & ASFA 2007, FaHCSIA 2008b

4 Housing costs as a driver of social exclusion

A range of leading researchers have identified that people who are renting in the private market and are paying more than 30 per cent of their income in rent are experiencing financial stress and related social exclusion (see for example Morris 2007; Temple 2008; Yates 2007). The income transfer system must target this group who are bearing the double burden of increased general living expenses and the marked rise in rental prices over the last two years. The main mechanism of assistance to low-income renters is the Commonwealth Rent Assistance Scheme.

Increases in private rental costs since 2007 have been significantly greater than CPI increases (see Figure 4.1). Quarterly changes in rents have been 3.5 to 4 per cent above the changes in the CPI (All Groups). This means that Rent Assistance (which is indexed to the CPI) has not kept pace with actual rent increases. Housing policy and the Commonwealth Rent Assistance scheme both need to be examined so that through supply and demand strategies, additional assistance is provided for housing costs for those paying more than 30 per cent of their pension in rent.

Figure 4.1 Comparison of rent increases with CPI (All Groups) increase, percentage change from previous quarter, 1990–2008



Data source: ABS 2008, Table 7.

The impact of increased rents for pensioners is to significantly reduce the funds available for other living expenses. As Table 4.1 shows, single pensioners without dependent children and renting private accommodation are $67 per week worse off than single pensioners who own their own home, even after Commonwealth Rent Assistance is included. It should be noted that since the maximum Rent Assistance is payable to those whose rent is $122 per week or more, pensioners who have to pay higher rent would be even worse off than the example shown in the table.

Table 4.1 Comparison of weekly funds available for living expenses, single pensioner paying private rent and single pensioner homeowner

	Renting single pensioner, (per week)	Home-owning single pensioner, (per week)
Age Pension*	$281	$281
Allowances#	$17	$17
Seniors Bonus#	$10	$10
Total income support	**$308**	**$308**
Minimum rent to receive maximum Rent Assistance (single pensioner without dependants)	$122	n.a.
Maximum Rent Assistance	$55	n.a.
Out-of pocket rent cost	**$67**	**n.a.**
Funds available for other living expenses	**$241**	**$308**

* September 2008 figures
\# Weekly equivalent of allowance and bonus estimated by dividing annual rate by 52, and rounding to the nearest dollar.
Data source: FaHCSIA 2000b

This modelling indicates the significant financial stress experienced by pensioners renting in the private rental market.

Recent research from NATSEM (2008) has suggested that there are currently 112,000 older Australians who are paying 40 per cent or more of their income in housing costs. Such housing stress is a major contributor to disadvantage and social exclusion among this group, who are mainly older women. Rent Assistance has failed to keep up with the sharp rise in rental costs over recent years for all income support recipients

The provision of affordable housing is important in alleviating financial disadvantage among older Australians. The National Housing Affordability Agreement and the National Rental Affordability Scheme (NRAS) are important mechanisms in addressing housing supply. Indeed the NRAS will reduce the rents on properties involved in the scheme by 20 per cent. It is necessary to increase the supply of affordable housing; however, until the new housing stock comes on stream, increasing Rent Assistance should be considered.

This analysis indicates that there are strong grounds to argue for increasing rent assistance to eligible pensioners who are paying more than 30 per cent of their income on rent in the private rental market.

Housing policy has a major impact on whether people on low incomes have enough money to maintain a decent quality of life and to participate in society. Pension reform initiatives, in seeking to deliver an acceptable standard of living for older Australians and for those living with disability, must address the burden of rent for those spending more than 30 per cent of their limited income on this basic need. Moreover, attention should be paid to the fact that the failure of rent assistance to keep up with the sharp rise in rental costs over recent years impacts severely on income support recipients other than those on pensions.

5 Recommendations

The Brotherhood of St Laurence recommends:

1. Providing additional assistance to single aged, carers and disability pensioners of $1560 in 2009–10 through additional bonuses and utilities allowances.

2. Providing additional assistance to couple aged, carers and disability pensioners of $500 in 2009–10 through additional bonuses and utilities allowances.

3. Providing additional assistance in subsequent budgets prior to the implementation of the recommendations of the Henry Review through additional bonuses and utilities allowances.

4. Increasing Rent Assistance to eligible income support recipients, during the transition period when new housing strategies are being implemented and until the Henry Review recommendations are known.

5. Investing in a national energy efficiency program (NEEP) in order to mitigate the effects of increased utilities costs arising from the introduction of a Carbon Pollution Reduction Scheme, in addition to adjustment to pensions to cope with CPRS-induced price rises.

6. Through the Henry Review, examining the current inequitable and inefficient tax measures, and identifying reforms to implement a more progressive tax and transfer system that supports the government's social inclusion agenda.

7. Considering specifically:
   - concessionary treatment of capital gains and negative gearing
   - tax and asset test treatment of the family home
   - tax treatment of superannuation
   - the adequacy of both pensions and allowances.

8. Introducing reforms which promote workforce participation and savings for all groups over the life course, to minimise the incidence of poverty in old age while maintaining an appropriate safety net.

More detail of the Brotherhood of St Laurence's recommendations in these and other areas will be outlined in our submission to the Henry Review.

References

Australian Bureau of Statistics 2008, *Consumer Price Index, Australia*, datacube, Cat. No. 6401.0, ABS, Canberra.

Australian Taxation Office 2008, *Taxation statistics 2005–06*, Canberra.

Australian Treasury 2007, *Tax expenditure statement 2007*, Canberra.

Department of Climate Change (DCC) 2008, *Carbon Pollution Reduction Scheme Green Paper July 2008*, Department of Climate Change, Canberra, viewed 22 September 2008, <http://www.climatechange.gov.au/greenpaper/report/index.html>.

Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) 2008a, *Improving the lives of Australians*, submissions to the Senate Standing Committee on Community Affairs Inquiry into the cost of living pressures on older Australians, Occasional Paper 21, FaHCSIA, Canberra, viewed 22 September 2008, <http://www.fahcsia.gov.au/research/op21/op21.pdf>.

Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) 2008b, *Pension Review background paper*, prepared by J Harmer, FaHCSIA, Canberra.

Garnaut, R 2008, *Draft report June 2008*, Garnaut Climate Change Review, viewed 29 July 2008, <http://www.garnautreview.org.au/CA25734E0016A131/pages/draft-report>.

Headey, B, Marks, G & Wooden, M 2005, 'The structure and distribution of household wealth in Australia', *Australian Economic Review*, vol.38, no.2, pp.159–75.

KPMG 2008, *A national energy efficiency program to assist low-income households*, KPMG, Brotherhood of St Laurence & Ecos Corporation, <http://www.bsl.org.au/pdfs/KPMG_national_energy_efficiency_program_low-income_households.pdf>.

Morris, A 2007, 'On the edge: the financial situation of older renters in the private rental market in Sydney', *Australian Journal of Social Work*, vol.42, no.3, pp.337–50.

National Institute of Economic and Industry Research (NIEIR) 2007, *The impact of carbon prices on Victorian and Australian households*, report prepared for the Brotherhood of St Laurence, <www.bsl.org.au/pdfs/NIEIR_Impact_of_carbon_prices_on_Vic&Aust_households_final_May2007.pdf>.

NATSEM 2008, *'Wherever I lay my debt, that's my home': trends in housing affordability 1995–96 to 2005–06*, AMP/NATSEM Income and Wealth Report issue 19, AMP, Canberra.

Senate Standing Committee on Community Affairs 2008, *A decent quality of life: inquiry into the cost of living pressures on older Australians*, SSCCA, Canberra.

Temple, J B 2008, 'Correlates of housing affordability stress among older Australians', *Australasian Journal of Ageing*, vol.27, no.1, pp.20–5.

Westpac & ASFA 2007, *Westpac ASFA Retirement Standard* (December 2007), Westpac & ASFA.

Yates, J 2007, *Affordability and access to home ownership: past, present and future?*, AHURI, Sydney Research Centre.