



*fac*s making a difference

FaCS Submission to the House of Representatives Standing Committee on Ageing

Inquiry into long-term strategies
to address the ageing of the
Australian population over the next 40 years

December 2002

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EXECUTIVE SUMMARY

The Committee's terms of reference are to inquire into "*long term strategies to address the ageing of the Australian population over the next 40 years.*"

Demographic change over the next 40 years will involve substantial growth in both the proportion of the population over age 65, and associated government spending. This will be accompanied by a sharp reduction in the growth of the working age population – previously a strong driver of Australian prosperity. Demographic change also carries risks and opportunities for family formation, fertility, care and social participation.

In broad terms, the effects of demographic change can be addressed by:

1. promoting higher labour market participation and reducing premature retirement to counteract the reduction in the growth of the population of working age and to safeguard retirement incomes;
2. preserving Australia's internationally moderate rate of population ageing by assisting families to realise their goals for employment and fertility;
3. supporting social participation, particularly amongst the elderly; and
4. preventing long-term deterioration of the Commonwealth budget due to slower economic growth and increased age-related spending.

The Department of Family and Community Services (FaCS) is responsible for policies that can substantially address these goals. For FaCS, the approach to the economic, budgetary and social impacts of structural ageing can be divided into four action areas:

- *Increasing participation:* Despite more than a decade of robust economic growth, welfare dependence is increasing among working age people. Without further preventative policy action, the number of older working age people on income support is likely to grow in the coming decade. Welfare reform offers scope to forestall that growth and improve the current relatively low rates of labour market participation among mature age people, women (particularly lone parents), people with disabilities, and jobless families. Together with limiting economic growth, these low rates of participation can have deleterious effects on individual's wellbeing and their retirement incomes and, in the case of jobless families, can increase the risks of intergenerational income support dependence. The Indigenous Australian population - being very youthful - includes a large cohort now moving into working age, presenting a further challenge for economic participation.
- *Consolidating retirement incomes:* While Australia has a comprehensive retirement incomes system, based on superannuation, private savings and means tested income support payments, demographic change is expected to lead to increases in Age Pension expenditure from the current 2.9% of GDP to 4.6% by 2042. Increasing labour force participation, and preventing premature retirement, would further improve living standards in older age, particularly for women and older working age people.
- *Supporting family formation and resilience:* International evidence suggests that higher labour force participation need not be incompatible with high fertility, providing the right mix of policies are in place to support parents' work and family choices. Supporting family resilience through capacity-building investments in early childhood development

and youth can be the basis for greater independence in adulthood and a more productive future workforce. Promoting family stability will continue to be important as relationship breakdown can increase the incidence of income support reliance, children growing up in jobless families, and reduce retirement savings. Population ageing will also change patterns of care. Delays in family formation may lead to simultaneous care for children and older people becoming more common. The increasing prevalence of disability with age, and growth of older age cohorts, could increase the demand for care for people with disabilities and their carers.

- *Responding to ageing communities:* Some states and territories will have higher concentrations of older communities, suggesting greater local tailoring of policies and service delivery. Although older Australians will continue to have busy, active lives, there is a risk that demographic change will increase the number of older Australians experiencing social isolation. A larger number of older Australians will be considering their housing options as they age. Lower transaction costs and planning flexibility could facilitate better housing transitions for older people. There is evidence that the trend toward lower rates of home ownership among younger Australians will not persist when they grow older.

1. CONTEXT

This section provides an overview of Australia’s demographic outlook; notes key economic and budgetary effects; and summarises the consequences of demographic change for the FaCS portfolio and its client groups – which are further explored in subsequent sections.

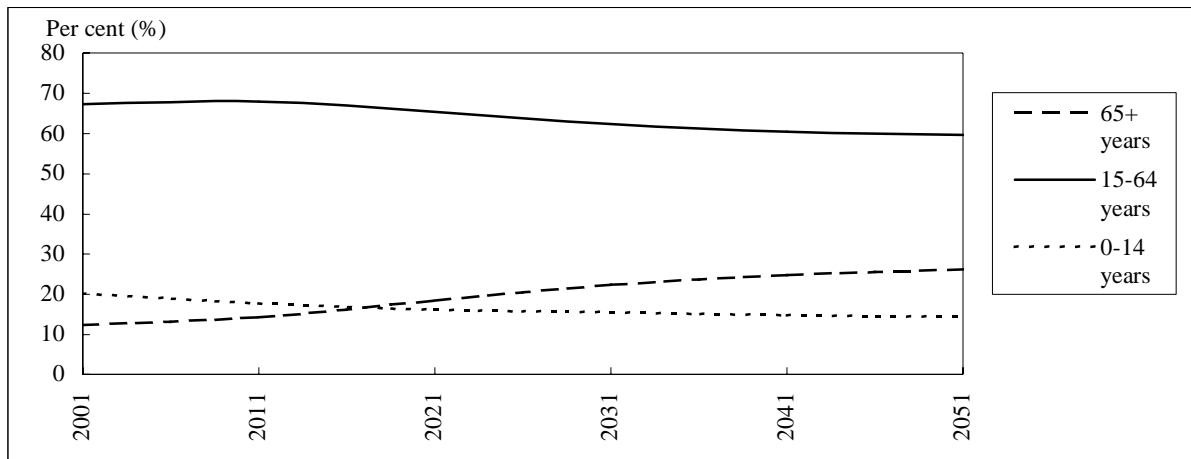
AUSTRALIA’S DEMOGRAPHIC OUTLOOK

Like many other developed countries, Australia’s population is ageing. In particular:

- It is expected that life expectancy at birth will increase from 76.2 years for men and 81.8 years for women in 1999, to 83.3 years for males and 86.6 years for females by 2051;
- The total fertility rate (TFR), which has progressively declined since the 1960s to reach a historic low of 1.73 babies per woman in 2001, is anticipated to continue to fall during this decade to around 1.6 babies per woman; and
- The peak of the large ‘baby boom’ generation (ie. those born between 1946 and 1966) will be entering the over-65 age group between 2011 and 2031.

These factors will lead to the ‘structural ageing’ of the Australian population (see Figure 1). The proportion of the population aged 65 years and over is expected to increase substantially, from 12.4% in 2001 to 26.1% in 2051 (with the number of Australians aged 65 and over increasing from 2.4 million in 2001 to 6.6 million in 2051). Conversely, the proportion of the working age population (aged between 15 and 64) is expected to fall from 67.4% to 59.6 % over the same period. The youth population, as a proportion of the total population, is expected to decline from 20.2% to 14.4%.

Figure 1: Proportion of population in various age groups, 2001 to 2051, per cent of total population



Source: ABS, Population Projections Australia 1999-2101 (Cat. 3222.0).

ECONOMIC AND BUDGETARY EFFECTS

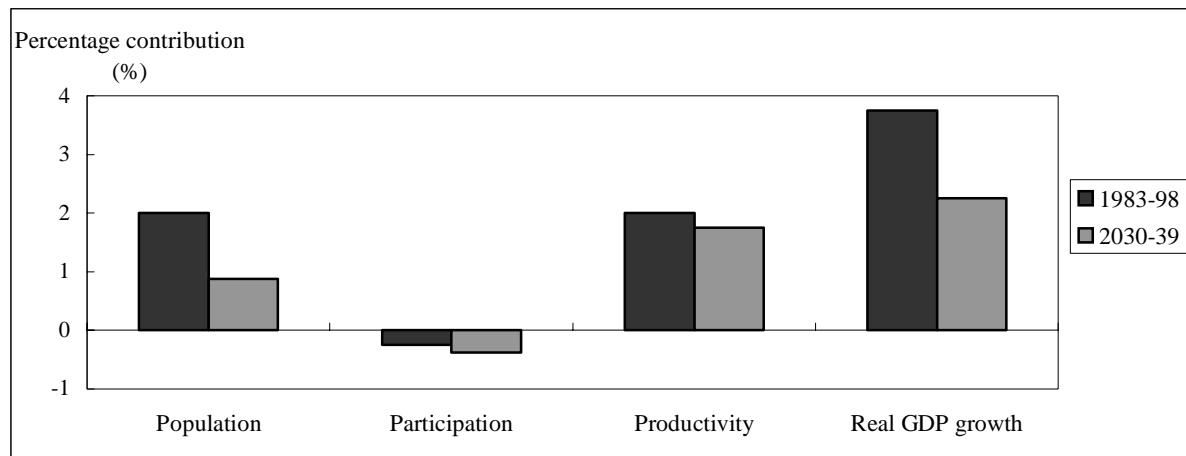
Structural ageing is expected to reduce the rate of economic growth, due to lower workforce and population growth

Future growth of the Australian economy over time will broadly reflect the impact of:

- *Population growth*: Growth in total population, particularly people of working age;
- *Participation*: Participation reflects the contribution of people of working age to Gross Domestic Product (GDP), and incorporates three factors: the participation rate (ie the proportion of people of working age who want to work in the paid workforce); the unemployment rate; and average hours worked; and
- *Productivity*: Productivity growth indicates a higher level of output for a given level of inputs, enabling higher rates of growth of both GDP and real wages.

Projections contained in the Commonwealth Government Budget Paper No. 5 *Intergenerational Report 2002-03* (IGR) suggest that economic growth in Australia will slow over the next four decades if current policies and participation trends remain unchanged. This decline will be attributable to the impact of structural ageing, especially lower growth¹ of the working age population (see Figure 2). Productivity growth is assumed to return to its thirty-year average of 1.75% per year over the decades ahead, down from an average of 2% per annum during the 1990s.

Figure 2: Growth in real GDP, 1983-2039, average annual contribution rates, per cent



Source: Commonwealth Department of the Treasury, 2002.

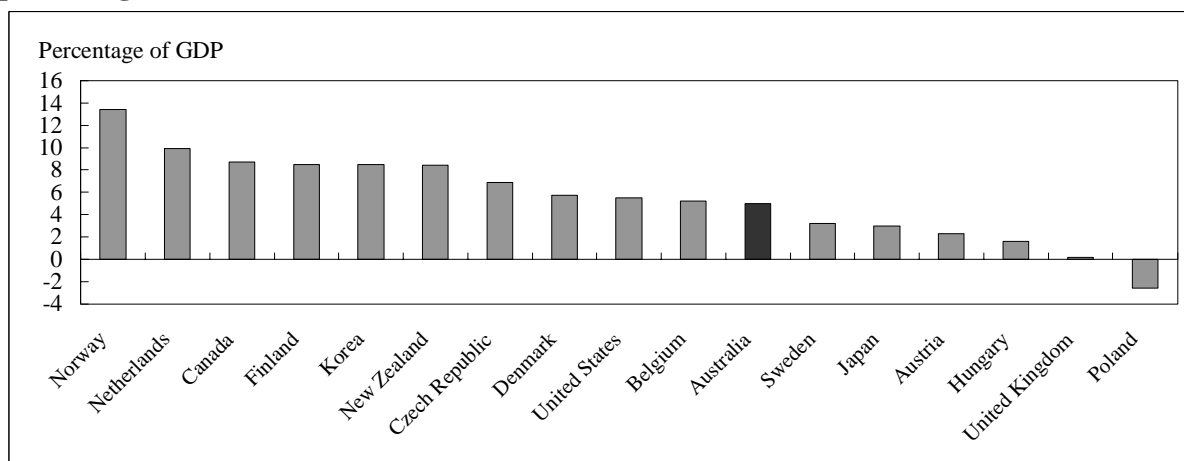
Structural ageing will increase government spending, but this will be moderate compared to other OECD countries

While Australia is relatively well placed compared to other OECD countries to adjust to long-term demographic change, spending pressures associated with structural ageing are expected to rise steadily from 2015 onward (see Figure 3). The gap between Commonwealth

¹ Slower growth of the working age population, in particular, is projected because of the dual effects of the 'baby boom' generation reaching retirement age and declining fertility. This is reflected in recent Access Economics (1999) projections, which indicate that the rate of growth of the working age population may decline from 170,000 per annum today to only 125,000 for the whole of the decade of the 2020s.

expenditure and revenue is expected to grow to 5% of GDP by 2041-42, or \$87 billion in real terms (IGR, 2002).

Figure 3: Total age-related spending (including health care expenditure) – increase as percentage of GDP to 2050



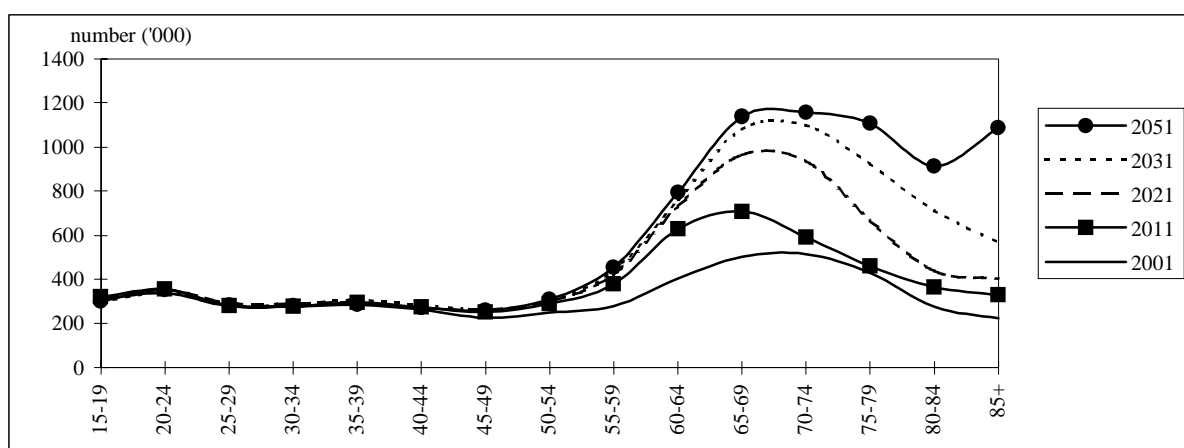
Source: Dang, Antolin & Oxley (2001)

EFFECTS OF DEMOGRAPHIC CHANGE ON FACs' PORTFOLIO INTERESTS

Increases in the number of people receiving income support is expected to be driven by people over 50 years of age

If present trends persist, spending on income support payments will increase from around 6.8% of GDP in 2001-02 to approximately 7.4% of GDP by 2041-42 – some \$14 billion dollars extra per annum. Much of this extra spending will be driven by a large increase in the number of working age people over 50 years receiving income support, and growth in the numbers of age pensioners, as seen in Figure 4.

Figure 4: Projected income support recipients, by age group, 2001 to 2051^(a)



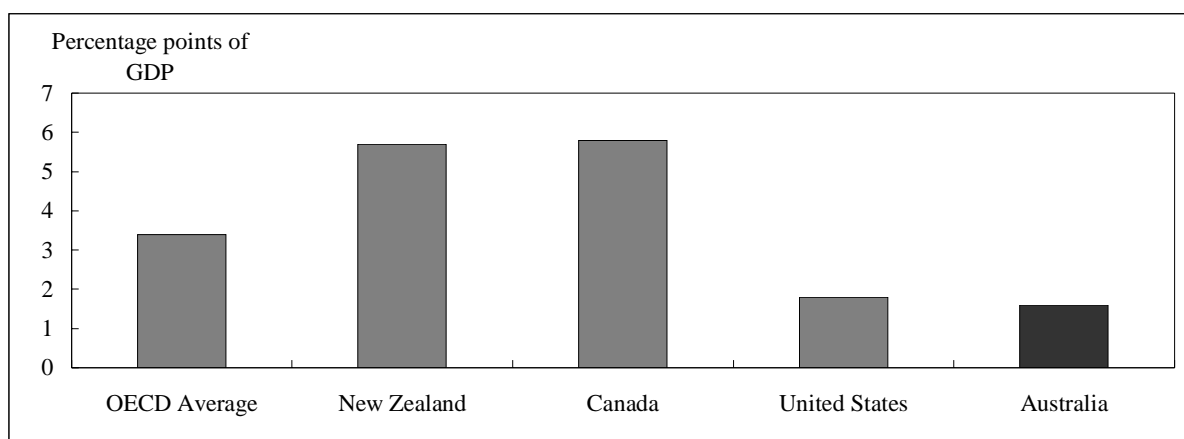
(a) Assuming age-sex recipient proportions for June 2001 are constant. ABS population projection Series II are also applied. Source: Tesfaghiorghis, 2002 (forthcoming).

According to FaCS estimates (Figure 4), the number of working age income support recipients is expected to grow strongly, from 2.9 million recipients in 2001 to around 3.6 million in 2051. Welfare dependency in the 50-64 working age group is projected to show

the strongest proportional growth, from 930,000 people in 2001 to approximately 1.6 million by 2051.

Age and Service Pensioner numbers are expected to increase from approximately 2.1 million (1.8 million age pensioners and 300,000 service pensioners) in 2002 to 5.1 million in 2051, or by 143% over the projection period. The proportion of people receiving a full rate of pension will decrease, and the proportion receiving a reduced rate of pension will increase. Assuming continuation of current means test arrangements, the Age Pension will remain affordable by international standards, even though the proportion of the population of pension age will double between now and 2042 (see Figure 5).

Figure 5: International comparisons of projected increases in spending on age pensions, 2000 to 2050



Source: Dang, Antolin & Oxley (2001)

Australia also faces the prospect of significant growth in the number of people receiving Disability Support Pension, particularly people of mature age. It is expected that the total number of DSP recipients will increase by 36.1% between 2001 and 2051 (Tefsfaghiorghis, 2002, forthcoming). Given current trends, DSP customer numbers will rise quickly in the coming decade from 639,400 to 778,200, an increase of 21.7%. Within this group, the number of DSP recipients aged between 45 and 64 is projected to increase from around 412,900 in 2001 to around 638,500 in 2051, an increase of 54.6%².

Structural ageing involves risks and opportunities for social policy

Apart from growth in customer numbers, demographic trends leading to structural ageing present a number of other risks and opportunities within the scope of FaCS portfolio interests, including:

- *‘Demographic compression’*: occurring when key life events such as finding a partner, birth of children, home purchase, and caring for parents become compressed into a shorter space of the overall life cycle, placing greater demands on families.
- *Pressures on family formation, stability and fertility*: Key contributing factors include:
 - the need for longer periods of education to prepare for entering a more highly-skilled labour market;

² Age cohort figures for DSP customer numbers include recipients of the Special Payment and Sickness Allowance.

- the converging aspirations of both women and men to establish a career before having a family;
 - the costs of housing and childrearing;
 - longer periods before seeking the employment security and stability prerequisite to having children; and
 - problems in balancing the achievement of work and family goals – and the desirability of more family-friendly provisions in some workplaces.
- *Social participation and wellbeing:* Demographic change highlights the following issues:
 - although most older people have active lives, there is a risk that the number (if not the proportion) of older people experiencing social isolation will increase with the growth of older age cohorts;
 - a larger number of older Australians are likely to seek opportunities for volunteering;
 - older Australians prefer to ‘age in place’, but for people who do wish to move, high transaction costs and planning constraints may inhibit moving to more suitable housing; and
 - shorter life expectancy and health problems impair the wellbeing of Indigenous Australians, and reduce economic participation and access to retirement savings.

Structural ageing entails four areas of action for FaCS

For FaCS, the approach to the economic and budgetary impacts, as well as the social impacts of population ageing, can be divided into four action areas:

- *Increasing participation:* Greater labour force participation among people with relatively low participation rates (especially women and lone parents, jobless families, mature age people, and people with disabilities where they have the capacity to do so) could improve individual and familial wellbeing, partially offset slower labour force growth, and contain future growth in outlays.
- *Consolidating retirement incomes:* While Australia’s ‘three pillar’ retirement income system compares favourably to other countries, there is scope to further improve living standards in retirement by increasing labour market participation among people with relatively low participation rates and promoting transitional retirement.
- *Supporting family formation and resilience:* Policies that effectively support parents’ labour force and fertility choices can support economic participation and growth as well as safeguard Australia’s relatively slow pace of structural ageing. Investments in building the capacity of children and youth can improve future levels of adult participation and promote a more productive future workforce.
- *Responding to ageing communities:* Promote social participation, facilitate home ownership, support ‘ageing in place’ and housing transitions where needed in older age. Respond to the issues raised by the youthfulness of Indigenous Australian communities, including the challenge of economic participation. Further develop strategic relationships within and between governments to meet the potential challenges of demographic change.

The remainder of this submission will examine these four areas of focus in greater detail, including the role of current policies, and will outline possible future directions to address the risks and opportunities of structural ageing.

2. INCREASING PARTICIPATION

Demographic change provides important reasons to increase labour force participation:

- *Higher economic growth:* higher participation would reduce the adverse effect of slower growth of the working age population.
- *Better future labour supply:* higher participation today may also assist the labour supply in future decades – children of employed people tend to have higher rates of labour force participation.
- *Improved wellbeing - now and into the future:* higher participation will help people to save and enjoy higher living standards in retirement. Employed people also usually enjoy better physical and mental health.
- *Improved government budgets:* higher participation would drive a stronger economy, improve revenue, and reduce outlays - including income support.

This section proceeds by outlining:

- *Current trends:* identifies trends in income support dependency, particularly people who may have the potential for higher levels of workforce participation, including jobless families, people with disabilities, women of child-rearing age and mature age people;
- *Future effects:* provides FaCS estimates of the longer-term impact of structural ageing on customer numbers, including the impact on Parenting Payment (PP) and Disability Support Pension (DSP) customers, and the increase in the number of people receiving passive income support; and
- *Policy directions:* a summary of FaCS policies that promote labour force participation, and potential future policy directions.

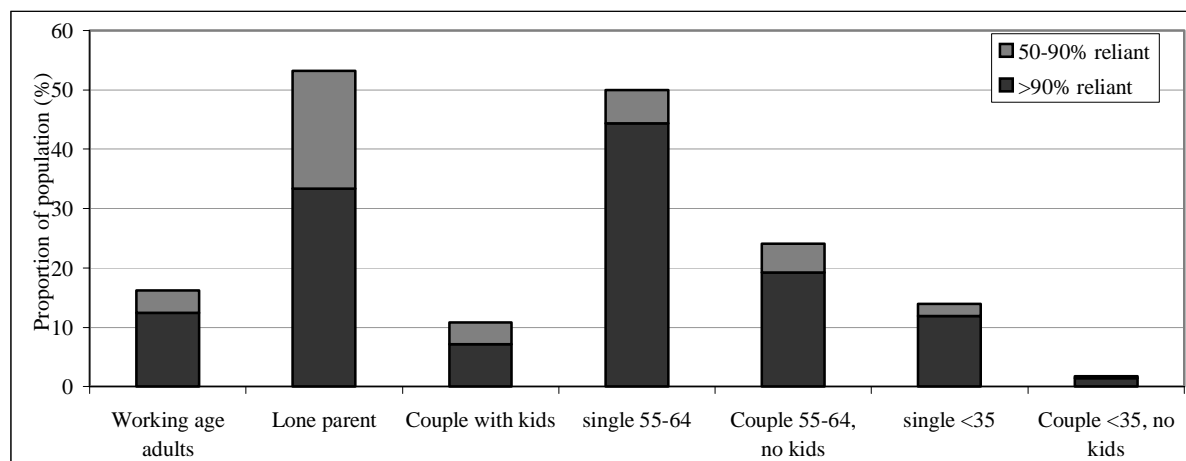
CURRENT TRENDS IN INCOME SUPPORT DEPENDENCY AND POTENTIAL FOR HIGHER PARTICIPATION

The number of people of working age receiving income support has been increasing

About one in six³ working age adults receive more than half their income from welfare payments (income support and family assistance). About one in eight receive more than 90% of their income from welfare. As illustrated in Figure 6, lone parents and single people over the age of 55 have the heaviest reliance. A third of lone parents and nearly half of single 55-64 year olds rely on welfare for more than 90% of their income.

³ This data is based on an ABS survey which excludes people living in institutions and does not fully capture social security payments. Thus, this estimate should be considered conservative. While not directly comparable, Centrelink administrative data suggests that the proportion reliant on income support for more than 50% of their income is nearer to one in five, and the proportion reliant for 90% of their income is about one in six.

Figure 6: Reliance on social security payments among working-age people, 1999-2000



Source: ABS, *Income Distribution Australia 1999-2000* (Cat. 6523.0)

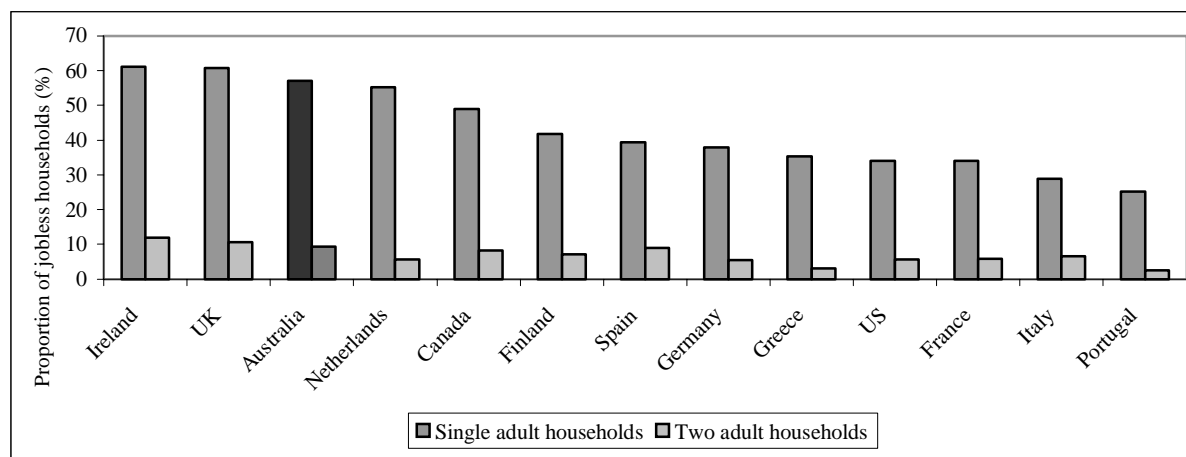
The number of people receiving two of the main working age income support payments has been increasing. Between 1990 and 2002, the number of people receiving the Disability Support Pension (DSP) doubled. DSP is currently the most common income support payment made to people aged 45 to 64, due in part to the high movement of older unemployed customers onto DSP. Since 1990 the number of Parenting Payment Single (PPS) recipients increased by 75%. Over 25% of lone parents on income support receiving the PPS payment spend five years or more on their current episode on PPS. Recent research (Gregory & Klug, 2002) estimates that ‘the average time spent on income support of people who enter PPS must be well over twelve years and for many well over 15 years’. Many lone parents continue to rely on other forms of income support, including DSP, for extended periods after they lose eligibility for PPS as a result of their child turning 16. Five years after losing eligibility 51% remain on income support. [Attachment A](#) provides more information about PPS and DSP.

Australia has internationally high rates of jobless families – with 850,000 dependent children

In June 2002, there were 446,800 Australian families with dependent children under 25 in which no parent had a paid job. Two-thirds of these families were lone parent families. Most lone parent families arise as a result of relationship breakdown. Of particular concern is the number of children within these jobless families (852,400 children), and the risks of intergenerational income support dependence. For households with children under 15, a 1996 comparison of OECD countries showed Australia had the third highest rate of joblessness⁴ (see Figure 7). This partly reflects the passive nature of many income support payments. Less than 20% of the parents in couple families and less than 1% of the lone parents were expected to look for work. Most parents in these households report to the ABS that they are not looking for work.

⁴ Australia has the third highest rate of jobless families for both one-adult (57%) and two-adult households with children (9%). These rates have improved somewhat, but are still 54% for lone parent families and 7% for couple families.

Figure 7: Joblessness among working-age households with children under 15, selected OECD countries, 1996

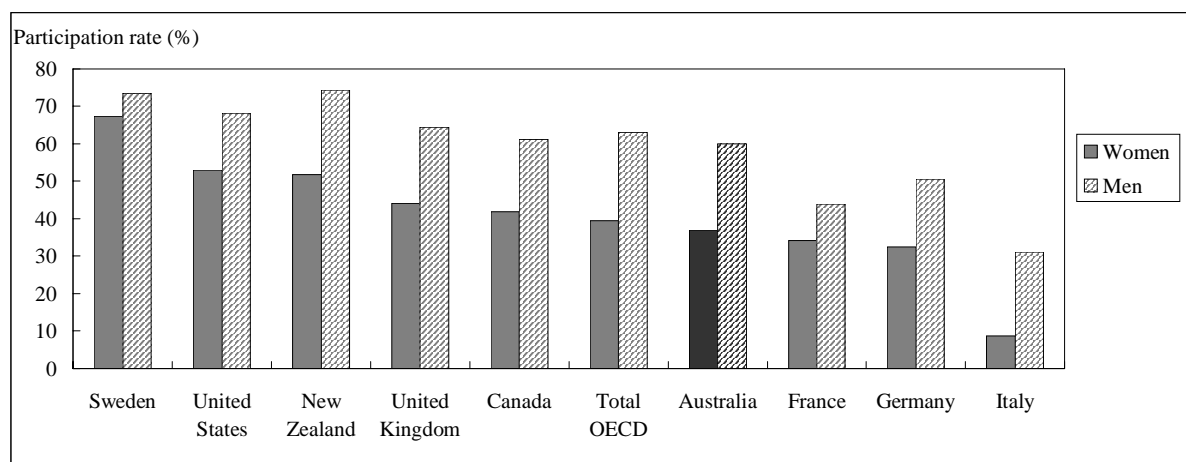


Source: OECD Employment Outlook, June 1998

Australia also has generally low rates of labour force participation, including women and mature age people

Together with high levels of jobless families in Australia, many overseas countries have substantially higher participation rates for both men and women aged 25-54 years (see Figure 8). This suggests that there may be scope both to raise male participation rates closer to levels achieved in previous decades, and to accelerate the underlying increase in female participation. If Australia were to achieve a similar pattern to other developed countries, there would be a significant increase in participation for women in the 25-44 year age group – the main childrearing years. The OECD foresees an increase in women’s years spent in employment from 29 years to 39 years by 2030 (OECD, 1998).

Figure 8: Labour Force Participation Rates (ages 25-54), Selected OECD Countries

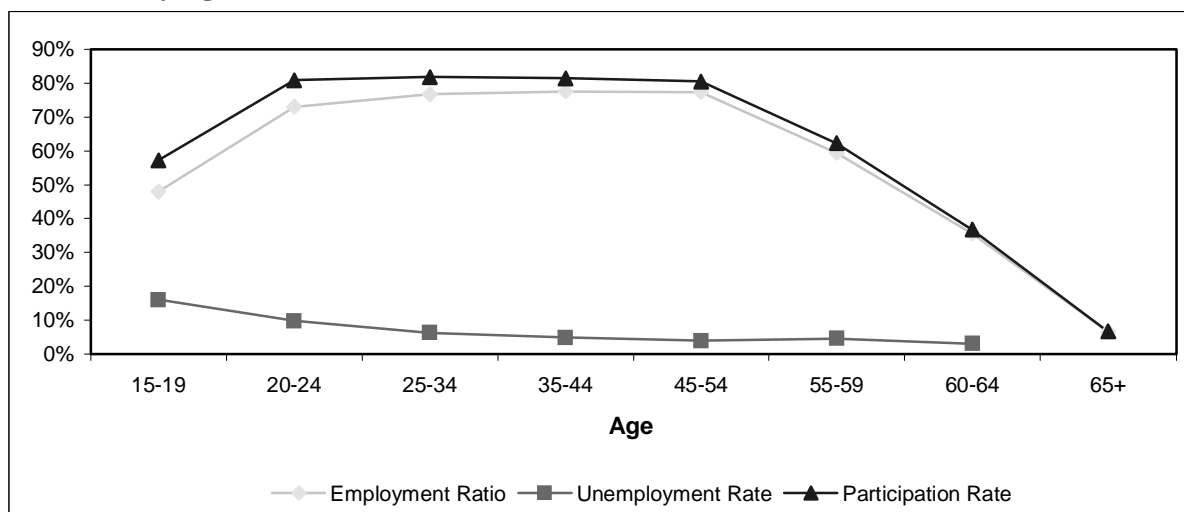


Source: OECD Employment Outlook, July 2002

Australia’s participation rates for mature age people (aged 55 to 64 years) are also below the OECD average for both men and women, and this mature segment of the working age population is set to increase over the coming decades (see Attachment B). Overall, in July 2002 the labour force participation rate for Australians aged 55 to 64 years was 48.6% compared with 50.8% for the OECD average (OECD, 2002). Australia ranks below Canada

(51.3%), United Kingdom (54%), United States (60.2%) and New Zealand (62.9%). Figure 9 shows the decline in participation as people age.

Figure 9: Employment to population ratio, participation and unemployment rate, 2002, Australia, by age



Source: ABS Labour Force June 2002 (Cat 6203.0)

Negative attitudes to employment of mature age people are common

Research conducted by Drake Personnel for FaCS shows that employers currently favour younger job applicants when recruiting and selecting employees, and no employers reported that they preferred people aged 50 and over. Employer attitudes to older workers are also reflected in the beliefs held by income support recipients. The FaCS Mature Age Participation Pilot, conducted in 2000-01, showed a high level of pessimism among mature age people about finding a job. More than two-thirds of people rated their chance of finding a job as poor or very poor, with age, lack of skills, and illness/health problems given as reasons for this pessimism.

However, the future reduction in the relative supply of younger workers may prompt employers to give greater consideration to hiring older workers, although this is uncertain ([Attachment C](#)). Businesses that meet this challenge may derive substantial competitive advantage in the labour market. This will require effective workforce planning, including:

- *Skill focus:* recruitment practices focusing on skills and experience rather than assumptions about age and ability;
- *Retention policies:* for experienced and effective employees; and
- *Training:* anticipating needs of people to build and maintain their skills and abilities.

FUTURE EFFECTS OF STRUCTURAL AGEING ON WELFARE DEPENDENCY

Together with low levels of participation and high levels of welfare dependency for particular groups, structural ageing is likely to increase the number of income support recipients over the coming decades. Australia faces the prospect of significant growth in the number of people receiving DSP, particularly amongst people of mature age. It is expected that the total

number of DSP recipients will increase by 36.1% between 2001 and 2051. Within this group, the number of DSP recipients aged between 45 and 64 is projected to increase from around 412,900 in 2001 to around 638,500 in 2051, an increase of 54.6%. Further, as over 40% of Parenting Payment customers are currently aged 30-40 years, they will be in the later years of their working lives or of Age Pension age when structural ageing places the greatest demand on the social security system. If current trends continue they will have little or no workforce attachment, and minimal, if any, retirement savings.

Population ageing means that the number of people on pensions can be expected to increase at a higher rate than the number on allowances. The ratio of pensioners to allowees rises with age – by the mid-30s age group there are more pensioners than allowees. Projecting current age-specific rates of receipt, by 2010 pension numbers would increase by about 19% compared to 12% for allowances. This movement away from activity tested payments results in people having less access to services designed to help people back into work, as well as being removed from the incentives for job service activity.

CURRENT POLICY STRATEGIES

The Commonwealth Government has introduced policies to assist people to build and maintain their capacity for economic participation throughout their working life. Examples include:

- *Child care:* Policies to promote affordability, access, choice and quality in child care, enabling parents to participate in the paid workforce.
- *National Agenda for Early Childhood:* Supporting investment in children's early years, encouraging better outcomes for young people and a more productive future workforce.
- *Engaging youth:* Policies and programs to ensure that young people are adequately equipped to contribute to the economic future of the nation, as described by the *Footprints for the Future Report (Attachment D)*.
- *Australians Working Together (AWT):* The AWT package provides new funding to employment and community services to expand and improve the range of assistance available to Australians looking for work, including mature age people. Key initiatives include the Personal Support Program (PSP), Helping Parents to Return to Work and the Working Credit. The 'A Fair Go for Mature Age People' strategy will provide more help for mature age people to improve their job prospects, learn new skills or get involved in their community (*Attachment E*).
- *Disability Reforms:* Proposed changes to the DSP to improve participation for people who have the capacity to work.
- *Strategies for mature age people:* The Commonwealth is looking at ways to boost the workforce participation for mature age people in other ways, including development of Commonwealth Age Discrimination legislation.
- *Stronger Families and Communities Strategy:* Aimed at supporting and strengthening communities and facilitating partnerships between business, community groups and governments (*Attachment F*).

POTENTIAL FUTURE DIRECTIONS

Pro-employment welfare policies can be reinforced to encourage greater workforce participation. The discussion paper on reform of income support for people of working age canvasses possible directions to reduce the ways the system can limit labour force participation. Some of the current system features include:

- *Passive income support:* Around 1.8 million of 2.8 million working-age recipients receive 'passive' income support. After excluding full-time students, only 460,000 working-recipients are required to look for work as a condition of receiving payment.
- *Value of pensions versus allowances:* The total value of the pension 'package' (base payments and social security add-ons, access to concessionally priced goods and services) can be considerably higher than the value of the income support and services package provided to people receiving social security allowance payments.
- *Inconsistent incentives:* Social security and other income tests mean that in some circumstances better financial returns are received from small amounts of paid work than from more substantial paid work. This is often caused by multiple and overlapping income tests, which can apply to allowees, low-income working families with a number of teenage children, public housing tenants, and people with child support liabilities.

There are a number of further strategies which complement the welfare reform agenda by supporting economic and social participation, including:

- *Promoting family stability:* will continue to be important as relationship breakdown can increase the incidence of income support reliance, financial vulnerability in retirement, and children growing up in jobless families. Pro-employment welfare policies will also support family stability by reducing the incidence of jobless families, particularly jobless couple families. Early intervention for children will also increase future rates of workforce participation and productivity.
- *Social partnerships with community and business:* create opportunities for younger and older people to participate economically and socially. Government and business could adopt employment, retention and recruitment practices that provide more flexible opportunities for participation by an ageing workforce. Businesses that meet this challenge may derive substantial competitive advantage in the labour market.
- *Lifelong learning:* to ensure sufficient learning and re-skilling opportunities are available over longer working lives, together with chances to develop education and skills relevant to changing labour markets. Life skills training in financial planning, problem solving and resilience building and opportunities to support increased social and business entrepreneurship may also be relevant to building people's capacity to participate economically and socially.

3. CONSOLIDATING RETIREMENT INCOMES

This section provides an overview of Australia's retirement income system; identifies people at risk of lower retirement incomes; and outlines current strategies and potential future directions.

IMPLICATIONS OF AGEING

Australia's comprehensive 'three-pillar' approach to retirement incomes is cost-effective and sustainable by international standards

Australia has a retirement income system directed towards facilitating adequate retirement income outcomes. It consists of three components or 'pillars':

- Age and Service Pension payments ([Attachment A](#)) targeted through the income and assets tests ('the means test');
- Compulsory employer contributions through the Superannuation Guarantee (SG); and
- Voluntary superannuation and other private savings, including homeownership.

As at March 2002, around 82% of people aged 65 and over received the Age Pension, Service Pension or other income support supplement.

The retirement income system will evolve substantially in coming decades. By 2050, with a fully mature Superannuation Guarantee, it is expected that no more than 75% of people aged 65 or over will receive Age/Service Pension or Income Support Supplement. Around two-thirds of pensioners will receive a reduced pension, compared to around one third today. However, the majority of older Australians will still rely on Age Pension for a significant part of their income.

The OECD and the World Bank have recognised the advantage of Australia's approach to retirement incomes, including its comprehensive coverage, long term sustainability and cost effectiveness. A summary of income support payments and concessions provided to retirees is provided in [Attachment H](#).

Earnings may also supplement retirement incomes for those people who can and wish to work, either on a part-time or casual basis, after retirement age, constituting a potential 'fourth pillar' in the retirement income system. As described in the discussion above, strategies to enable people to maintain labour force attachment are likely to represent a critical future policy response to structural ageing of the population.

Women, and people who withdraw prematurely from the labour market, face lower retirement incomes

The capacity of people to accumulate retirement savings depends on the period over which they have earned income and the level of their income (which determines superannuation contributions and how much they can save per annum). While retirement savings are generally increasing through rising superannuation coverage, two groups stand out as being less able to prepare for retirement:

- *Women:* many women have had interrupted workforce participation due to childbearing and caring responsibilities, or have been working part-time, and therefore have had less opportunity to accumulate superannuation or other savings⁵; and
- *Older people of working age:* Although the participation rate of older people is rising, it can be particularly difficult for those who lose a job to find employment. Some older workers are also vulnerable to incentives and pressure to take early retirement.

Other factors also influence levels of retirement preparation:

- *Family breakdown:* can diminish wealth and result in some parents relying for long periods on income support (particularly Parenting Payment) while they raise children, reducing their capacity to save for retirement and their ability to compete in the labour market;
- *Household savings:* While Australia's household sector net saving, relative to GDP, generally increased from 1959-60 to 1974-75, it has subsequently declined from a high of 11.1% in 1974-75 to 2.5% (or \$16.9 billion) in 2000-01;
- *Constraints on superannuation saving:* Inability, or disincentives, for individuals and employers to continue making superannuation contributions past a certain age; and
- *Community attitudes:* Changing community attitudes to retirement have seen increasing numbers of people commencing retirement in their mid-fifties. This increases the period of retirement their savings must fund. Longer periods in retirement will see a higher proportion of people starting retirement as self-funded retirees and coming onto Age Pension later in life.

Future policies may also need to address attitudinal and other reasons driving early retirement trends. The ABS survey on retirement and retirement intentions illustrates the reasons for mature age persons leaving the labour market. These data suggest that significant causes of involuntary early withdrawal from labour force participation include ill health and injury, and retrenchment. Common reasons for voluntary cessation of work include beliefs about age (eg. 'too old'); reaching compulsory retirement age; and caring responsibilities (for further information, see [Attachment I](#)).

CURRENT POLICY STRATEGIES

Apart from boosting workforce participation at all stages of the life cycle, including for mature age workers, key policies aimed at securing retirement incomes for older Australians include:

- *Indexing payments:* Indexation of pension payments twice yearly in line with movements in prices and wages helps ensure that pensioners are protected against inflation and share improvements in community living standards as measured by wages;
- *Pension bonus scheme:* is designed to encourage older Australians to continue working beyond pension age, providing a one-off, tax-free lump sum to eligible people ([Attachment B](#));

⁵ However, in broad terms, women's labour market participation has been increasing over the past three decades, providing more people with greater opportunities to work and save for their retirement.

- *Increasing the preservation age for superannuation:* To reduce incentives to retire prematurely and assist preservation of savings there will be a progressive increase in the superannuation preservation age from 55 to 60 years between 2015 and 2025;
- *Increasing the age pension age for women:* The age at which women qualify for age pension is gradually increasing. By 1 July 2013 it will be 65 years, the same as for men.
- *Tax concessions:* Tax concessions for superannuation savings help people increase their disposable retirement incomes. There are also taxation rebates for pensioners and for older Australians;
- *Stronger incentives:* to encourage Australians to plan and save for their retirement, including maintenance of the Superannuation Guarantee (SG), providing a broader environment for enabling people to make additional retirement savings if they so wish, and enabling part-rate pensioners with income from investments to keep more of their pension. A new measure to provide a superannuation co-contribution of up to \$1,000 a year where low income earners make voluntary contributions to superannuation will also help to improve retirement incomes;
- *Concessions:* The Commonwealth Seniors Health Card (CSHC), Health Care Card and Pensioner Concession Card (PCC) provide a range of discounts and concessions to retirees for a range of services; and
- *Means test:* Maintaining the integrity of the means test contributes substantially to the affordability of the pension system. By way of illustration, in 2002-03, it is estimated that in the absence of the means test, current age pension and service pension outlays alone would be \$6 billion to \$7 billion higher than now – a figure that will significantly increase in future decades.

POTENTIAL FUTURE DIRECTIONS

While many mature age people not participating in the workforce contribute to society in other ways, such as through caring and volunteering, measures to enhance greater workforce participation into the future for these people is likely to represent a critical plank in Australia's overall policy response to structural ageing, including:

- *Promoting transitional retirement:* could enable people to combine some workforce participation with other responsibilities and interests. Phased or transitional retirement allows for a gradual transition from full-time work to no paid work, providing flexibility to accommodate other responsibilities or interests, for example, caring responsibilities and volunteering. There is also potential for retirement incomes to be supplemented by earnings for those people who can and wish to work beyond Age Pension age, perhaps on a part-time or casual basis.
- *Attitudinal change:* promoting greater awareness among employers and the broader community of the knowledge and skills of older workers, as well as assessing and reviewing policies that either support early withdrawal from the labour market or prevent phased retirement.

4. SUPPORTING FAMILY FORMATION AND RESILIENCE

This section discusses the implications of ageing for families, current policy strategies, and potential policy directions. Key trends discussed include the phenomenon of ‘demographic compression’; patterns of delayed fertility; key pressures on family formation; the experience of OECD countries in the implementation of work and family policies; potential increases in caring responsibilities; the increasing prevalence of disability with age; and potential changes in demand for child care.

IMPLICATIONS OF AGEING

A significant factor in the structural ageing of Australia’s population has been the steady decline in overall fertility

Structural ageing, and associated trends, will place additional demands on people of working age and families. An important driver of these demands is ‘demographic compression’. Demographic compression occurs when a number of key life events - such as finding a partner, birth of children, home purchase, and caring for parents - become compressed into a shorter space of the overall life cycle, particularly mid working age and older working age. As noted in Barnes (2001) and Jackson (2001), key trends placing greater pressure on family formation and fertility include:

- *Rising employment entrance costs:* The rewards of more highly skilled work means that people are investing more in education. Time spent acquiring education is greater than in the past. Higher educational levels among women are more often associated with childlessness.
- *High housing costs:* The cost of housing can be high in capital cities, often requiring two incomes to service mortgages.
- *High cost of children:* Raising children can be expensive - particularly child care costs in the early years (recent NATSEM data estimates a cost of \$450,000 to raise two children from birth to age twenty). Women who have children earn less over their lifetime than other women, and may have lower employment security and retirement incomes.
- *Converging workforce aspirations:* The workforce aspirations of women and men are now very similar. Getting a career established first can be a priority – often meaning having fewer children and doing so later.
- *Enduring gender roles:* Many women still do a disproportionately large share of housework and child care, despite rising levels of participation in paid work.
- *Workplace culture:* Although family-friendly provisions are now more common, the culture of the traditional working week can reinforce gender roles and make it harder for women and men to reconcile work and family aspirations.
- *Stability and security:* are often a prerequisite to ‘settling down’, buying a house and starting a family. Relationship breakdown can also play a part in limiting fertility.
- *Potentially higher future taxation levels:* The IGR estimated that future Commonwealth revenue may need to grow by some \$87 billion per annum – largely borne by people of working age.

The government currently addresses the issues detailed above through a broad range of policy settings and program initiatives. For detail, see sections below discussing current policy responses and potential future directions.

A new pattern of delayed fertility is ‘stretching’ each generation and reducing family size – possibly below women’s expectations

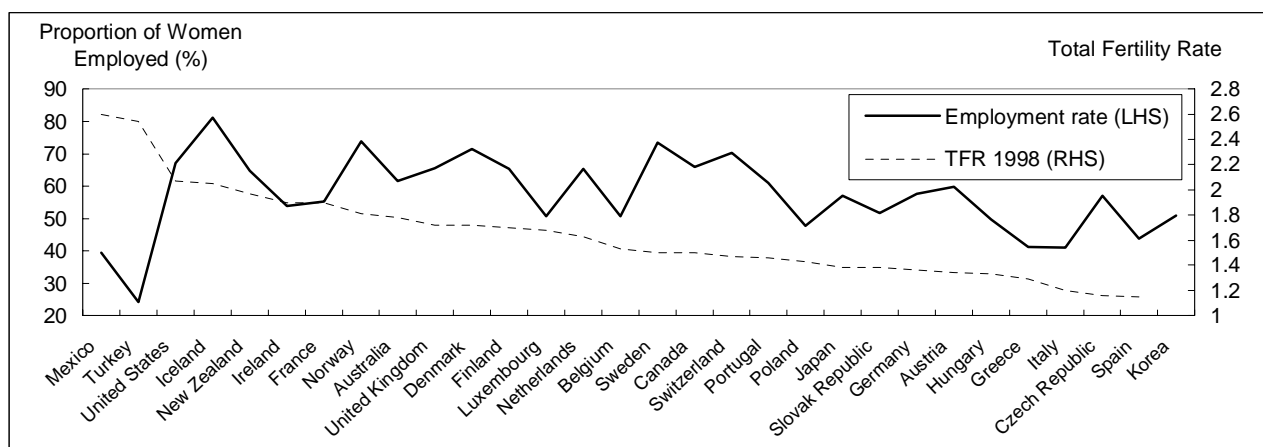
The median age of Australian mothers at the birth of their children has risen from 25 years in 1971 to 30 years in 2001. Declining fertility rates of younger women are offset partially by a rise in fertility rates of older women. This trend toward later childrearing is ‘stretching’ out each generation, and is resulting in fewer children overall.

There is some evidence to suggest that some women may be having fewer children than they would like. Among the group of 14,000 18-23 year old women in the Australian Longitudinal Study on Women’s Health, 92% indicated that they would like to have children by the age of 35. However, current assessments (Rowland & Merlo, 2000; ABS Births Australia, 2000) indicate that between 20% and 24% of women will remain childless. Further investigation of women’s fertility intentions may explain how and why they change over time.

Well-developed work and family reconciliation policies support labour force participation, family formation and fertility choices

The 2001 *OECD Employment Outlook* suggests that countries with high women’s labour force participation rates tend also to have relatively high fertility rates and, in general, this occurs in countries with well-developed work and family reconciliation policies (Figure 10).

Figure 10: Proportion of women employed and total fertility rate



Source: OECD Employment Outlook 2002 (Employment Rate); OECD Social Indicators 2001 and World Bank, World Development Indicators, 2002 (Fertility Rate)

While there is no set formula, the type of policies that may have a positive impact on work and family reconciliation include:

- *Family-friendly workplaces:* smoother transitions between work and childrearing; flexible work hours; parental leave; other conditions tailored to individual circumstances.

- *Assistance with costs of children:* reducing loss of income when ceasing paid work to have a baby; addressing costs and incentives to resume work; assisting with costs of raising children, including availability of affordable, flexible child care.
- *Relationship support:* assistance with the establishment and continuation of relationships.
- *Social support:* support for entry into secure housing and higher education.

Business can also reap significant economic benefits from family-friendly practices. Some are investing in programs to reduce work/life conflict so as not to lose valuable staff and to avoid the expense of continuous re-recruitment. The OECD noted that there is a role for government in highlighting these potential benefits.

Investing in children now is about economic development in the future

There is now compelling evidence of the importance of the early years of a child's life in shaping lifelong outcomes. Early childhood experiences, along with other key experiences throughout children's development, affect education, career prospects, health, reliance on welfare, substance misuse and becoming entangled with the criminal justice system. Investing in children's development, including improving access to quality child care, will be central to future work force productivity and social well being.

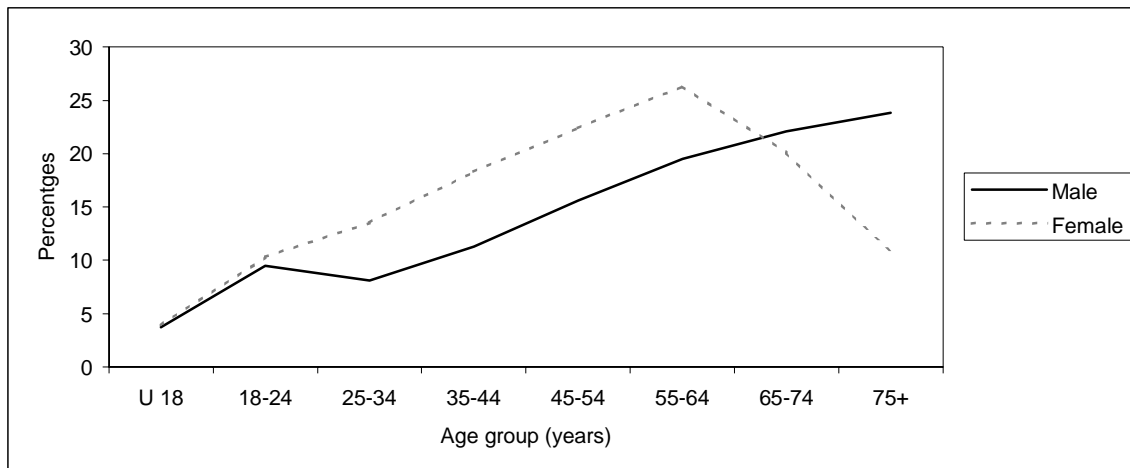
Caring responsibilities may increase as Australia's population structure continues to age

The trends for young adults to enter the labour market later, and the resultant delay in family formation, may mean that future parents will face the simultaneous demands of supporting adult children and frail parents. The incidence of such 'demographic compression' may reduce informal elder and disability care provision and prompt an increase in market-based care provision. Other factors contributing to this may include:

- *Increased women's labour force participation and a trend towards longer working hours:* women have traditionally played a large role in informal care;
- *Greater labour mobility:* meaning adult children are unable to care for elderly relatives in distant locations; and
- *Relationship instability:* making it difficult to care for dependent older relatives due to family conflicts, or the practical difficulties of caring for older persons who no longer live together, or the responsibilities of single parenthood.

In addition to looking after children, 2.3 million people look after relatives who are elderly or have a disability or illness. More than half of all such carers (59%) combine their caring role with paid work, with the majority working full-time. Most people providing care are in older working age groups (Figure 11). Most of those caring for a parent are women (73%).

Figure 11: Carer rates by age of carer for the elderly, people with disabilities and people with long-term conditions, 1998



Source: ABS (1998)

The increasing prevalence of disability with age, and growth of older age cohorts, could increase demand for services for people with disabilities and their carers

Over one in five people aged 45 to 54 identify as having a disability, rising to just over one in three people between the ages of 55 and 64. Over half of all people aged 65 and over have a disability. Between 2000 and 2006 the number of people aged between 45 and 64 with a severe or profound core activity restriction (the target group for services funded under the Commonwealth State Territory Disability Agreement) is projected to increase by 19.3%, or 59,500 people. The number of people with severe or profound disabilities aged 65 and over is similarly expected to increase by an estimated 15% or 76,300 people.

As carers themselves continue to age, the provision of primary care for people with disabilities will need greater support in future. Carers tend to be older: in 1998, 43.2% of primary carers were aged between 45 to 64 years, 21% were aged 65 years and over, while only 35% were aged 15 to 44 years. The needs of many people with disabilities are often related more to loss of informal primary carers in middle age than decreased functional abilities associated with ageing. Therefore, there is a need for both support programs to assist families caring for ageing people with a disability living at home and the development of residential options for those needing placements when families can no longer provide care in the home.

People with disabilities are not a homogenous group. For some the future experience of ageing will be quite different to that of others. People who acquire a disability as part of the ageing process tend to have more resources at their disposal, and are more able to access a variety of community and residential aged care support services. On the other hand, people with a lifelong disability are likely to have more complex needs, have fewer financial and other resources to draw on and experience more difficulty accessing aged care support services without assistance.

Structural ageing may increase the demand for formal child care

Provision of childcare will be important to support the future labour force participation of parents. Future Commonwealth expenditure on childcare will depend mainly on:

- projected trends and patterns in workforce participation and potential reductions in the availability of informal care;
- fertility and the consequent reduction in the number of children of childcare age; and
- the cost of continuing to improve the quality of child care.

Reduced rates of workforce growth and future policies to promote workforce participation of parents may increase the number of hours mothers work and the demand for formal child care. Increasing rates of workforce participation among older workers, particularly women, may also lead to a decrease in the availability and willingness of grandparents to care for their grandchildren, reducing the supply of informal child care. Furthermore, rising expectations, and greater willingness to invest in children, may increase future demand for high quality child care. The social impact of more children in formal child care for longer periods is currently being debated. The Government is closely monitoring the debate and is convening an expert workshop early next year to examine this issue further.

CURRENT POLICY STRATEGIES

Policies which support parents' labour force and fertility choices can support economic participation and growth and safeguard Australia's relatively slow pace of structural ageing. Investments in building the capacity of children and youth can improve future levels of adult participation and promote a more productive future workforce.

Families

Current family policy settings aim to support parents with the social and financial costs of raising children; support choices about how parents balance work and family responsibilities; and help build the resilience of both families and communities.

- Support for people to balance work and family responsibilities is addressed through provision of child care subsidies, additional child care services and support, lower personal tax rates and a flexible industrial relations environment.
- Over \$11 billion per year is spent in direct financial assistance to families with children, through the Family Tax Benefit, with a further \$5.6 billion paid as Parenting Payment. The New Tax System (introduced July 2000) increased family payments by \$2 billion per year. Assistance is also provided to parents through the Baby Bonus (introduced July 2002), Maternity Allowance, Maternity Immunisation Allowance, and the Transition to Work program ([Attachment A](#)).
- Investment in family stability supports caring roles and contributes to the stability and productivity of the workforce. More than \$70 million per year is invested in support for family relationships and parenting, particularly through the Family Relationships Services Program and the Stronger Families and Communities Strategy's "Families Initiatives". In addition, the government supports family members and others to provide elder care, including for the frail aged and elderly people with a disability. Currently, \$600 million is paid in Carer Payment, and a further \$640 million in Carer Allowance.

Addressing child care affordability, access, choice and quality supports work force participation and invests in the future. Provision of child care enables parents to participate in the paid workforce and high quality child care has a significant impact on outcomes for children, potentially including their adult independence and productivity. A number of payments, programs and policies address these issues:

- *Child Care Benefit*: The introduction of Child Care Benefit improved affordability of childcare, and \$1.6 billion per annum is spent on childcare (Attachment A).
- *Wider choice*: Choice of child care services has been expanded to assist families who have difficulty accessing traditional services with the introduction of In-home care.
- *Quality*: A National accreditation system provides for quality assurance.
- *Child Care: Beyond 2001*: This Commonwealth Child Care Advisory Council report emphasises a re-conceptualisation of child care for child development, education and care, and the achievement of workforce flexibility that balances parents and employers needs and preferences with the best interests of children.

Care for People with Disabilities

The third Commonwealth State/Territory Disability Agreement (CSTDA) will address ageing and disability. In August 2000, the Commonwealth announced an additional \$150 million funding over two years to help address unmet need by providing in-home and respite care services enabling people with disabilities who have ageing carers to remain supported within their families in their local communities. This funding will be continued in the third CSTDA. Under the new CSTDA, bilateral agreements between the Commonwealth and States/Territories will focus on developing processes for improving issues at the aged care/disability interface and developing long-term demand strategies to handle future pressures such as ageing.

POTENTIAL FUTURE DIRECTIONS

Families

Future support to families would seek to further ensure that:

- the decision to have children does not lead to marginalisation from the labour force;
- transitions between paid work and childbearing are smoother;
- families are able to create an environment conducive to child development/wellbeing;
- pressures of balancing work and family do not impact on relationship stability;
- the needs of people with multiple caring responsibilities are addressed; and
- the total fertility rate is not further significantly reduced.

Achieving better work and family balance will require continuing engagement of community, business and government. Increased participation among parents can be achieved by creating an environment that supports parents to work and workers to have children. While an increasing number of organisations are providing family-friendly provisions in the workplace – particularly flexible hours, regular part-time work and paid family/carer's leave

– there remains scope to further develop such measures. Promoting accessible and high quality child care will also be important.

Strategies that reduce barriers to having and raising children will be important to reducing structural ageing in the long-term. It is desirable to prevent further significant drops in the fertility rate and so preserve Australia’s internationally moderate rate of structural ageing. The Department will continue to look at factors that shape people’s fertility choices and outcomes and that impact on families’ well-being and capacity to balance their responsibilities. It will be important to monitor how these influences develop as the consequences of structural ageing lead to further social changes, and possible stresses.

Improving early childhood experiences will require the commitment of governments and the community. Mounting evidence suggests that an investment in early childhood development can bring about improvements in the life of a child, and provide tangible social and economic benefits to society, such as increased workforce productivity. Future policy will need to look at gaps and overlaps in service provision across all levels of government and scope for better linkages and coordination.

Care for People with Disabilities

A cross-sectoral framework of service provision for people with a disability who are ageing will need to be developed. The differing responsibilities of the Commonwealth and State/Territory governments in the provision of aged care and specialist disability support can result in program and funding boundaries that are difficult to transcend. This can result in problems for people ageing with disabilities accessing disability services and generic aged care services.

Key policy questions to be addressed include the identification of target groups for combined disability and aged care support; determining clearly the point at which a client’s need for State funded disability support becomes complemented by a need for Commonwealth provided aged care support; and establishing what mixed funding responses need to be developed to meet these needs. In particular, several strands of policy and service development are required to effectively meet the needs of older people with an intellectual disability, including:

- *Policy innovation:* identifying areas where neither the disability or aged care sector has appropriate services to meet the needs of older people with disabilities and systematically addressing this through innovative policy and service approaches (eg. case management, service coordination, retirement planning, and flexible accommodation);
- *Partnerships:* developing partnerships and joint planning aimed at the removal of cross and intra-sector obstacles;
- *Better access:* supporting inclusion and ensuring that older people with disabilities are ‘visible’ within the aged care system – ensuring combined disability and aged care services are appropriate, easily accessible and responsive to older people with a disability; and
- *Residential and funding options:* developing residential options for both elderly carers and their family member with a disability who is also ageing.

5. RESPONDING TO AGEING COMMUNITIES

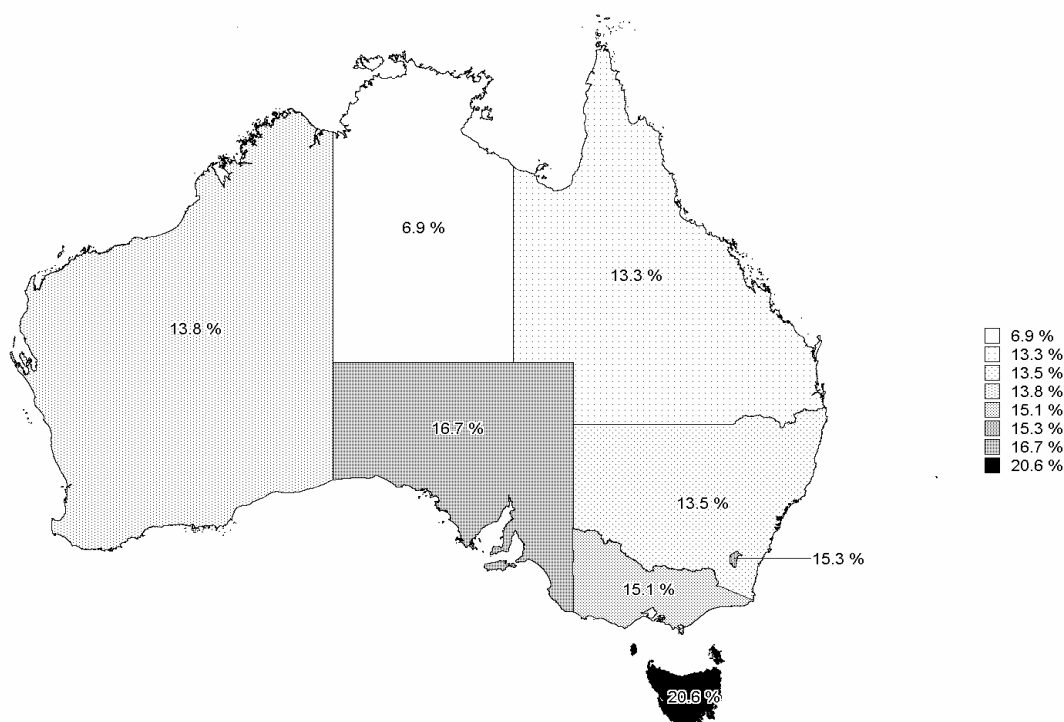
This section proceeds by noting the changing demographic profile of communities and the implications for service delivery, social participation and volunteering. It outlines how demographic change will also have important consequences for Indigenous communities. Finally it examines trends in home ownership and the changing housing needs of older Australians.

IMPLICATIONS OF AGEING

While all states face an ageing population the extent of this varies

States with older and potentially shrinking populations may have significantly different economic and social conditions, including housing markets, labour markets and demand for age-related services. Given differences in the age composition of states and territories, priorities and service delivery may differ in future between locations. The map below illustrates the different age structures that will arise in each state/territory. Tasmania is ageing fastest, while the Northern Territory is ageing the slowest.

Figure 12: Growth in the proportion of the population over age 65 – 1999-2051 by state and territory



The population of some States will commence declining over the next 50 years. This is most notable in South Australia and Tasmania where population declines are forecast from 2026.

One risk of structural ageing is an increasing number of older people experiencing social isolation

Although most older Australians lead active, busy lives, numerical ageing is likely to increase the number (if not the proportion) of older people experiencing social isolation and loneliness. Major life events, such as retirement from paid work, moving house, a major illness or caring for an ill person, and bereavement may contribute to isolation or reduce an older person's ability to join social activities. Women may be more likely to experience isolation given their propensity to live longer than men.

Other issues that may contribute to social isolation may include lack of awareness of information about community services, and cultural and/or religious or language barriers. Around one in five older Australians were born in a non-English speaking country, and a proportion are unable to communicate effectively in English (Jackson, 2002). The number of older people born in non-English speaking countries will grow in coming decades as today's working age cohorts, with higher concentrations of people born overseas, move into older age.

Structural ageing is likely to increase the number of older people wishing to participate in volunteering

Community and non-profit organisations often recognise and utilise the knowledge, skill and wisdom of older people. In 2000, around 528,100 people over the age of 65 undertook volunteer work. Older Australians have made important contributions to the community and welfare, religious and health sectors. In particular, education, training and youth mentoring may provide opportunities for fostering intergenerational linkages, where the life skills of older people can be shared with younger generations.

While people in all age groups are participating more often in volunteer services, the number of older volunteers will also increase due to the growth of older cohorts. Increased social participation among older Australians has the potential to strengthen communities and reduce the risk of isolation for older people.

INDIGENOUS COMMUNITIES

As explained below, the youthful age profile of the Indigenous population raises a different set of priorities to those raised by the ageing of the total Australian population.

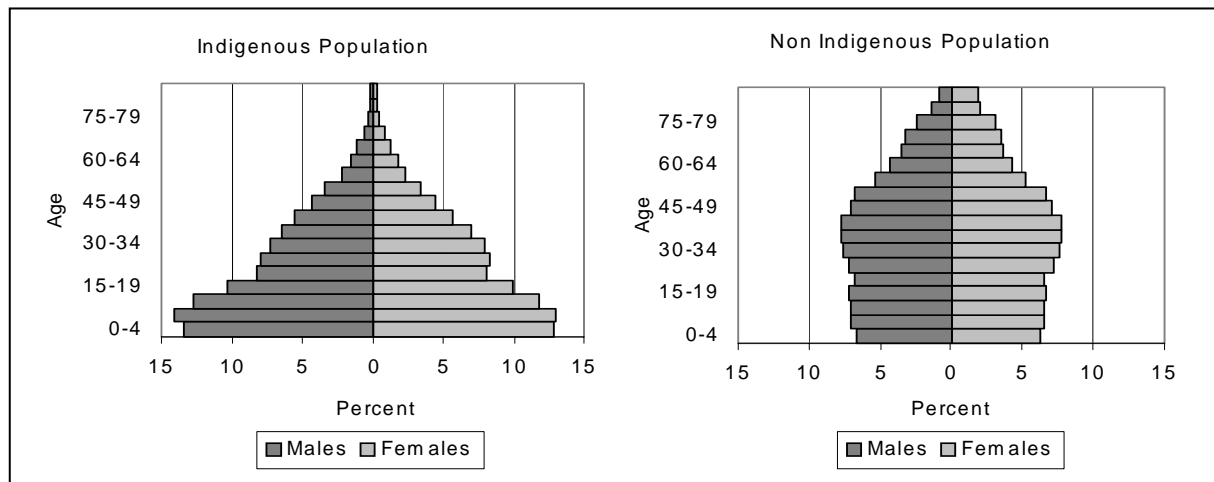
The ABS 2001 Census indicated that there were over 410,000 people in Australia who identified as being of Indigenous origin, representing 2.2% of the total Australian population (up from 1.6% in 1991). However, adjusting for undercounting and numbers where ancestry was not stated, the ABS estimates the resident Indigenous population in 2001 was 460,140 (2.4% of the total estimated resident population). Some 30% of Indigenous people live in major urban areas, 42% in other urban areas and 27% in rural areas compared with 62%, 23% and 14% respectively for the general population.

The Indigenous Australian population has a youthful age structure

The Indigenous fertility rate is higher than that of the general Australian population. The total fertility rate (TFR) for the Indigenous population was 2.14 in 2001 compared to 1.73 for

the overall Australian population. The median age of Indigenous mothers in 2001 was 24.8 years, compared to 30.0 years for all women. These characteristics all contribute to a much younger Indigenous age structure compared to that of the overall population (as seen in Figure 13 below.)

Figure 13: Indigenous age structure compared with non-Indigenous age structure



Source: Estimated Resident Population, based on ABS Census (2001)

Preventive investment in the years of early childhood, school-to-work transition, and family formation may be particularly important in the future. Although gains have been made in areas such as reducing infant mortality rates and increasing engagement in education, high levels of unemployment, family violence and housing problems persist within many Indigenous communities. In coming decades this may undermine the future economic security of the growing numbers of Indigenous people entering workforce age and progressing to older age.

In the current decade, the number of young Indigenous people entering working age will grow rapidly – a challenge for economic participation

According to the ABS, the Indigenous working-age population is predicted to grow by almost 29%, from 221,542 to 284,637, between 1996 and 2006. This population growth, combined with an already high unemployment rate (23% overall, and higher in particular communities), suggests that a continued focus on youth-to-work transitions will be necessary.

Continued encouragement of economic opportunities in remote Australia is necessary, together with support for young people and families to assist them to take up work, education and training opportunities. Between 2001 and 2016, the Indigenous population in remote Australia is projected to increase by 8,234, from 36,671 to 44,905, with most of this growth being among people of working age.

Indigenous people’s health problems impair economic participation and limit access to retirement savings

Life expectancy for Indigenous peoples is much shorter than the total Australian population – 56 years for Indigenous males (21 years less than for the total Australian male population),

and 63 years for Indigenous females (19 years less than for the total Australian female population). Health problems often also contribute to early withdrawal from the workforce and reduce economic security in older age. Continuation of efforts to improve indigenous health would improve the social and economic outcomes of indigenous people.

HOUSING

Homeownership increases with age and reduces recurrent expenses for older people

The tenure of households is strongly related to lifecycle stages, generally following a pattern of renting in early adulthood, moving to home purchase and mortgages as partnerships are formed and children are born, and owning the home outright in older age. High levels of homeownership among older Australians provide low recurrent cost housing, resulting in better retirement incomes for the aged with relatively lower income support needs (1999 ABS Survey data).

However, some older people in private rental do have relatively high recurrent costs. According to FaCS research, 6.4% of elderly couple households, and 9.5% of elderly single households, pay more than 30% of their income in private rental costs.⁶ Older people comprise a large share of public housing tenants with almost 152,000 older people in public rental housing in 1999. Government subsidisation of rental costs alleviates some of the financial pressures for people with lower incomes.

There are concerns that homeownership will decline into the future, but this trend is uncertain and remains too early to call

The decline in home ownership has been most marked in the 25-34 year and 35-44 year age groups, with declines of close to nine and eight percentage points respectively from 1988 to 1997-98. This trend has been related to a host of broader social and economic trends including younger people staying in education longer, delaying marriage and having their first child later in life.

However, analysis by Mudd et al (1999) suggests that homeownership rates of different age cohorts tend to converge as each cohort ages. In other words, at later ages the gaps in the rate of home ownership narrow as younger cohorts begin to 'catch up' with older cohorts. For these reasons, and the relatively simplistic nature of much of the modelling which suggests longer term declines in home ownership, FaCS considers that claims of a crisis in homeownership are not sustained, in particular in the light of the strong recent growth in first home buyers.

Nonetheless, it will remain important for policymakers to monitor these trends into the future, as this may have implications for future retirement security and demand for public and private rental housing.

⁶ In general terms, payment of 30% or more of income in housing costs has been regarded as indicating 'housing stress' for low income households. This though is very much a 'rule of thumb' and ignores many factors, such as trade-offs between housing and other costs, and should only be used as an indicative reference point and not as an absolute benchmark.

Older people wish to 'age in place' but can find obstacles if they decide to move

Research by the Australian Institute of Family Studies (AIFS) highlights that older Australians have generally shown a strong preference to remain in their homes and to 'age in place'. While older Australians generally want to retain their housing, there are also factors which prevent older people who wish to move from doing so. These include:

- *Lack of flexibility*: especially at a State/local government level, with, for example, planning regulations that limit the type of housing that may be constructed.
- *Transactions costs*: such as stamp duty on property transfers which make moving to more suitable housing more expensive. Home buyers may pay between \$2,900 to \$15,000 in stamp duties on the purchase of a median priced house.

Structural ageing will drive changes in the housing market to better suit older people

The right type of housing may become an increasingly important element of maximising independence as people grow old. As noted by a range of commentators (eg Kendig, 1999), the building and construction industry may find a growing market in supplying housing that can be adapted to support a person throughout the lifecycle. There may also be increasing demands for the provision of innovative housing solutions such as 'cluster housing' which provides independent stand-alone units supported by a network of domiciliary services and shared communal facilities.

CURRENT POLICY STRATEGIES

Older Australians have been identified as a key target group for the Stronger Families and Communities Strategy (SFCS)

In response to the social and economic effects of ageing, the Strategy seeks to:

- encourage older people to remain engaged in the community by funding projects such as community gardens and volunteering;
- ensure the provision of care between generations by funding projects that support grandparents who have caring responsibilities, including in Indigenous communities; and
- build social capital by supporting projects that bring community members together to identify local solutions to local issues, and by investing in leadership activities targeting non-traditional leaders such as older women.

Other community initiatives relevant to older people include:

- the Voluntary Work Initiative, designed specifically to support income support customers, particularly those aged 50 and over, provides a matching and referral service to voluntary organisations;
- AWT – *A fair go for mature age people* helps people from 50 to Age Pension age who receive income support payments to improve their job prospects;
- the Family and Community Network Initiative (FCNI) ([Attachment F](#)) funds projects that enhance the capacity of communities and services to work together more effectively;

- the Prime Minister's Community Business Partnership ([Attachment F](#)) encourages businesses in local regions to generate opportunities for older workers and other groups; and
- the Commonwealth working with State/Territory governments to extend concessions available to pensioners to Commonwealth Seniors Health Card (CSHC) holders, including reciprocal transport concessions to State Seniors Card holders travelling interstate. This initiative targets self-funded retirees.

Current policy developments: Indigenous communities

- AWT measures aim to provide more individually tailored support.
- The Community Participation Agreements initiative, designed to increase social and economic participation in remote areas.
- Projects funded under programs such as the Stronger Families and Communities Strategy, the Family and Community Networks Initiative and Reconnect ([Attachment F](#)) are focused on enabling community-based groups to address aspects of Indigenous disadvantage through initiatives employing local capacity building, cultural appropriateness and self-governance principles.
- Indigenous Parenting and Family Well-being program ([Attachment F](#)) focus on strengthening families.
- FaCS funds many Indigenous child care centres, playgroups and disability services, and provides funds to the States and Territories for Indigenous housing programs and crisis accommodation.
- Initiatives to improve financial literacy and budgeting include assisting the Traditional Credit Union in the Northern Territory with community education activities, and funding the Cape York Family Income Management project ([Attachment F](#)).
- Strengthening Indigenous Communities pilots are being developed jointly by FaCS and other Commonwealth agencies. These pilots will work in a 'bottom up' way with a small number of Indigenous communities to identify innovative ways of achieving positive outcomes from Government expenditure.
- Indigenous housing bilateral agreements provide a framework for the Commonwealth State and Territory governments to share responsibility for housing outcomes for Indigenous people by working together to improve and simplify the planning, coordination and delivery of Indigenous housing programs.
- In 1996, Commonwealth, State and Territory housing ministers established the Commonwealth State Working Group on Indigenous Housing to develop practical strategies to improve housing outcomes for Indigenous Australians.

Current policy developments: Housing

- The Commonwealth-State Housing Agreement (CSHA) provides funding to assist those whose needs for appropriate housing cannot be met by the private market. The key areas of focus under the current CSHA include structural ageing.
- The Commonwealth Rental Assistance (CRA) program ([Attachment A](#)) is a non-taxable income supplement payment added on to the pension, allowance or benefit of eligible income support customers, including older people who rent in the private rental market.

- The Commonwealth Government provides funding for the Supported Accommodation Assistance Program (SAAP) ([Attachment F](#)) which provides support accommodation services to the homeless, including older Australians.
- Owner-occupied housing is treated favourably by the tax and social security systems.

POTENTIAL FUTURE DIRECTIONS

The key to meeting the housing needs of older people in the future relates to choice and ability to change dwellings, affordability and adaptability. Collaboration between government, the private sector and the community sector will be important. A range of possible policy interventions could be made including:

- *Adaptable housing*: A greater focus on innovative housing services, which can more easily meet the aspirations of older people to ‘age in place’;
- *Utilising home equity*: Initiatives to allow aged homeowners to access the equity in their home, and which overcome previous low rates of acceptance of such products; and
- *Reducing costs*: including transaction, conveyancing duty and other costs associated with moving house to meet changing lifecycle circumstances including older age.

The rising number of Indigenous people entering working age in the coming decades will raise longer-term challenges for economic participation. Further improving health outcomes would also assist participation and improve retirement savings.

A larger number of older Australians may seek opportunities for volunteering in future. Supporting the social inclusion of older Australians will be important.

ATTACHMENTS

ATTACHMENT A: OVERVIEW OF SELECTED FACS PAYMENTS

Age Pension

The Age Pension is a means tested safety net payment for older people who are unable to fully provide for themselves in retirement.

Age Pension is funded from general taxation revenue and there is no explicit tax or contribution required. It is a flat rate payment. In other words, the same basic rate of pension is the starting point for calculation of a pensioner's Age Pension payment, regardless of previous earnings. Neither receipt of, nor rate of payment of Age Pension is linked to previous workforce participation. In this way, Age Pension is potentially available to the entire Australian community of Age Pension age (subject to residence qualifications), including those with marginal connections to the workforce, or no previous employment history.

Age Pension is thus the fundamental building block of Australia's retirement income system, in that it provides the foundation that the compulsory and voluntary superannuation pillars, and voluntary earned income build on. Age Pension provides a critical "safety net", assisting those who have not been able to accumulate sufficient superannuation and other savings.

At 30 March 2002 there were 1.8 million age pensioners. Age pension can be paid to people over Age Pension age (65 for men and, currently, 62⁷ for women). Generally a person must be an Australian resident, and residing in Australia, to be granted the Age Pension. However, in certain circumstances, a pension may be granted to a former Australian resident who lives in a country with which Australia has a social security agreement.

Notwithstanding the progress made in expanding superannuation coverage, the Age Pension is a major provider of retirement income for the majority of Australians. At March 2002 around 82% of people aged 65 or over received an Age Pension, Service Pension, or an income support supplement. 66.5% of age pensioners receive the maximum rate of pension (ie. they have private income and assets below the means test free areas). 33.5% of age pensioners receive a part-rate pension because of their income or assets (*Centrelink customer data*, March 2002). Of age pensioners granted in the last 12 months, 51.8% received a full-rate pension and 48.2% received a part-rate pension (*Centrelink customer data*, March 2002).

The rate of age pension is adjusted every March and September in line with movements in the Consumer Price Index. Payment rates are also indexed in line with wages growth; the maximum single rate of pension is maintained at (at least) 25% of Male Total Average Weekly Earnings, with flow-ons to the partnered rate. Pensioners are therefore protected against price increases, and also share in improvements in community living standards, as measured by wages.

⁷ The age at which women qualify for the age pension is gradually increasing. By 1 July 2013 it will be 65 years, the same as for men.

Maternity Allowance

Maternity Allowance is a one-off payment to help with the extra costs of a new baby and is claimed from the Family Assistance Office. To be eligible recipients must:

- have a newborn child or have care of a newborn child; or
- have a stillborn child or a child who dies shortly after being born; and
- be eligible for Family Tax Benefit Part A within 13 weeks of the child's birth or of the child being entrusted to your care; and
- have family income below a certain limit

Maternity Immunisation Allowance

This is a one-off payment provided to parents who fully immunise their children by the child's 19th month. It is claimed from the Family Assistance Office. To be eligible recipients must:

- receive Maternity Allowance at the time of the baby's birth or be receiving Family Tax Benefit Part A when the child is aged 18 to 24 months;
- ensure the child is fully immunised at 18 to 24 months; or
- be on a recognised catch-up schedule; or
- have a valid exemption from the immunisation requirement (such as for medical reasons or a parent's/carer's conscientious objection).

Parenting Payment

This payment provides financial help for people who are primary carers of children. Parenting payment can only be paid to one person who cares for a child. To be eligible recipients must:

- be caring for a dependent child aged under 16;
- have income and assets below a certain amount; and
- be an Australian resident.

Recipients who are eligible for Parenting Payment (Single) may also be eligible for a Pensioner Concession Card and Pharmaceutical Allowance.

Family Tax Benefit (A)

Family Tax Benefit Part A is a payment to help families with the cost of raising children. To be eligible recipients must:

- have a dependent child up to and including the age of 20 (who does not get Youth Allowance or a similar payment); or
- have a dependent full-time student aged 21 to 24 years (who does not get Youth Allowance or a similar payment); and
- earn income under a certain amount.

This allowance is paid until the child turns six years.

Recipients with four or more children, will also get a Large Family Supplement. A Multiple Birth Allowance can also be added to the Family Tax Benefit if the recipients have triplets, quadruplets or more.

Family Tax Benefit (B)

Family Tax Benefit Part B is designed to provide extra assistance to single income families, including sole parents, especially families with a child under five years.

Family Tax Benefit Part B gives extra assistance if recipients have:

- a family that has one main income, including sole parents; and
- a family that has dependent children under 16 (or up to 18 if they are the youngest qualifying child and undertaking full time study and not in receipt of Youth Allowance or similar payment).

Sole parents receive the maximum rate of Family Tax Benefit Part B, regardless of income.

Child Care Benefit

Child Care Benefit is intended to help with the cost of child care for long day care, family day care, occasional care, outside school hours care, vacation care and registered care.

The amount recipients receive depends on:

- the weekly number of hours the child is in care and the type of care used;
- whether the recipients are caring for someone, studying or training, looking for work, doing voluntary or community work, or have a disability;
- the school status of the relevant children; and
- family income (for approved child care only).

If an approved child care service is used, Child Care Benefit is paid directly to the service to reduce the fees charged. Alternatively, recipients may choose to pay full child care fees and claim the Child Care Benefit as a lump sum after the end of the financial year.

If registered care is used, Child Care Benefit is paid directly to the recipient on presentation of appropriate child care receipts.

Baby Bonus

The Baby Bonus is a Commonwealth government initiative helping families when they have a baby. If recipients had a baby, or gained legal responsibility for a child aged under 5, they are eligible for the Baby Bonus.

The bonus is paid whether or not recipients are eligible for any other family benefits. There is no upper limit on taxable income when getting the Baby Bonus.

Many families will be entitled to an annual amount of \$500, although this will be less in the first year, calculated from the baby's date of birth (or the date legal responsibility began). Some families will be entitled to a higher amount.

Disability Support Pension

The Disability Support Pension is a payment for people whose physical, intellectual or psychiatric impairment prevents them from working, and for people who are permanently blind. To qualify for a Disability Support Pension, a person must:

- have a disability, illness or injury which attracts an impairment rating of at least 20 points on the impairment tables (see note below) and be unable to work full-time (or be retrained for full-time work) for at least two years because of a disability, illness or injury (full-time work means work for at least 30 hours a week at award wages); or
- be permanently blind;
- be aged at least 16, but less than Age Pension age on the day the claim is made; and
- meet residence requirements.

Note: Impairment tables are computer based tables that rate a person's impairment according to the severity of medical conditions and how they affect their ability to work. Impairment tables are completed by Centrelink staff using information provided in medical reports and details provided by customers.

Rent Assistance

Rent Assistance provides recipients with extra assistance if renting privately. To qualify for Rent Assistance recipients must:

- receive a pension;
- receive more than the base rate of Family Tax Benefit if they have dependent children;
- receive an allowance or benefit if they don't have dependent children; and
- be over the age of 25, or
- are partnered, or
- are under 25 (under 21 if receiving Disability Support Pension) and living permanently or indefinitely apart from parents or guardians; and
- meet residence requirements.

Those in receipt of Austudy Payment are not eligible for Rent Assistance.

Newstart

Newstart Allowance provides unemployed people with help while they are looking for work and allows participation in activities designed to increase their chances of finding work. To qualify for Newstart Allowance recipients must:

- be aged 21 or over and under Age Pension age;
- be unemployed;
- have income and assets under a certain amount;

- be prepared to enter into, comply with or vary an existing Preparing for Work Agreement; and
- satisfy the Activity Test and Mutual Obligations; and
- meet residence requirements.

Transition to Work Allowance

Transition to Work offers practical help, such as training and funding to help recipients develop skills. The assistance package is tailored to suit individual needs.

Transition to Work has been developed for parents, carers and mature age people 50 years and over who are starting work for the first time or are returning to work after an absence of 2 years or more. Recipients do not have to be receiving another payment but must:

- be looking for paid work;
- have been out of the workforce for over 2 years; or
- have not been in paid employment for more than 15 hours a week for more than 13 weeks in each of the past two years; and
- be a parent, someone who has been caring for others, or a mature age person 50 and over.

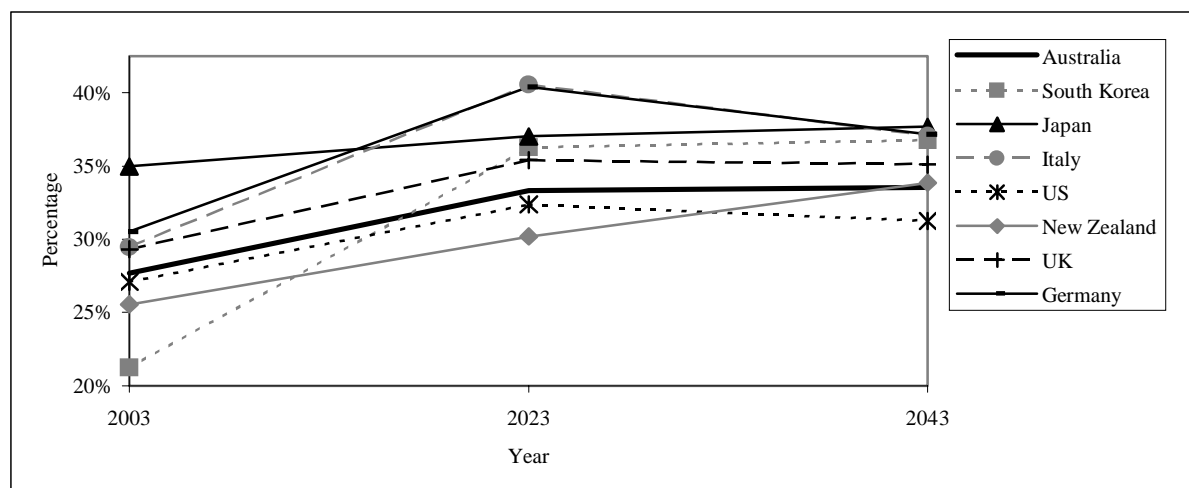
Pension Bonus Scheme

The Pension Bonus Scheme provides a tax-free lump sum for people who defer claiming Age Pension and continue to work. To be eligible for the Pension Bonus Scheme, recipients must defer receipt of the Age Pension for at least 1 year and work at least 960 hours each year of deferment. The amount paid depends on how long recipients deferred claiming the Age Pension, the rate of pension claimed and marital status.

ATTACHMENT B: TRENDS IN THE PROPORTION OF MATURE AGE PEOPLE IN SELECTED COUNTRIES

Within the population (aged 20 to 64), Australia will experience an increase in the percentage of people aged 50 to 64, from 27.7% in 2003 to 33.3% by 2023 (see Figure 9). This increase will stabilize between 2023 and 2043, to 33.5%. This trend is similar to countries such as the United States and the United Kingdom, with Australia having the second lowest percentage of older workers by 2043 among the countries listed in Figure 9.

Figure 13: Percentage of mature age (50-64) population to working age (20-64) population, 2003-2043



Source: US Census Bureau (2002)

ATTACHMENT C: WILL STRUCTURAL AGEING IMPROVE EMPLOYMENT AMONG MATURE AGE PEOPLE?

The report by Access Economics, *Population Ageing and the Economy* (2001) suggests that projected tightening of labour markets (driven by slower workforce growth, and stimulated by the spending of retiring 'baby boomers') could absorb into jobs some people who would otherwise be unemployed. The report concludes that an important strategy to offset the adverse effects of structural ageing is the promotion of higher employment participation among older workers. The report notes that higher participation could have substantial benefits for individuals and the economy, including:

- *Higher standard of living:* Higher workforce participation would mean per capita annual incomes would increase by around 4%. Higher participation appears achievable - research indicates three out of five workers who faced mandatory retirement wanted to keep working.
- *Reduced Commonwealth fiscal burden:* Higher workforce participation could largely cancel out any negative effects of an ageing population. The older Australians who would keep working would keep paying taxes instead of receiving pensions. The boost to public coffers could be \$8 billion a year. The benefits to health care spending could also be large. Employed people are, on average, healthier than people out of employment. The causality runs in both directions - the ill find it harder to get jobs, and people in jobs are healthier because of the increased exercise and social activity that work brings.
- *After a lag, reduced unemployment:* Wages earned and demand generated by more working older Australians would increase the growth rate of the economy, generating more jobs. Enough jobs would emerge to employ all extra working older Australians and reduce unemployment among the young. For every four older Australians remaining in the workforce, there would be one additional unemployed person, a net gain of three jobs. But, according to the report, this effect passes. An increasing labour supply is like pressing the accelerator - there is a lag as the speed of the car gradually increases up to the new level. Once the slack has been taken up, large benefits flow through.

FaCS notes that the actual benefit unemployed older people derive from structural ageing will depend on several factors. On the one hand, the baby boom cohort, being better educated, may fare better in the labour market than older workers did in previous structural changes (eg. industry and tariff restructuring). The sheer growth in the number of older people of labour market age may also shift community, business and political attitudes in favour of their participation. On the other hand, their participation may be reduced by incentives for early retirement, skill levels potentially out of kilter with labour demand, negative attitudes among some public and private employers to hiring older people, and expectations of older people themselves about their retirement plans.

ATTACHMENT D: FOOTPRINTS TO THE FUTURE: SUMMARY REPORT FROM THE PRIME MINISTER'S YOUTH PATHWAYS ACTION PLAN TASKFORCE

The Youth Pathways Action Plan Taskforce was set up by the Prime Minister in September 1999. Members of the Taskforce were asked to suggest better ways of supporting young people and their families in the changeover from being students at school to having an independent adult life.

The Taskforce included people from non-government organisations who work with young people, employers, researchers and representatives from Commonwealth and State Government departments. Some Taskforce members were specifically chosen as representatives of Indigenous Australians, and of young people themselves.

The Taskforce organised public consultations around Australia, conducted surveys of young people and their parents, received written submissions, organised case studies and commissioned special research. From this the Taskforce made 24 recommendations to government, which it hopes will be supported by Commonwealth, State, Territory and Local Governments as well as the community sector.

ATTACHMENT E: AUSTRALIANS WORKING TOGETHER

The AWT package, announced in the 2001-02 Federal Budget, provides improved personalised assessment and service, more opportunities for training and work experience, and better incentives and reasonable requirements for people to find work, increase their earnings or contribute to their communities.

A Fair Go for Mature Age People

New funding through *A Fair Go for Mature Age People*, encompassing AWT measures affecting mature age people, provides people receiving Newstart, Mature Age, Partner and Widow Allowances, access to Centrelink Personal Advisors and referral to other services (such as the Language, Literacy and Numeracy Programme and the Personal Support Programme) and provides flexible activity requirements.

In accordance with the focus on providing better access to payments and services to help customers engage with the workforce and community, access to Mature Age and Partner Allowance will be closed, with most people who would have claimed those payments granted access to Newstart Allowance.

A better deal for people with disabilities

As part of the AWT package, in September 2002 Centrelink introduced improvements to the way in which claims are accessed for Disability Support Pension and Newstart Allowance (incapacitated). There will be increased use of external expertise to assess people's capacity to work, and referral to early intervention and assistance for people at high risk of claiming a Disability Support Pension.

More help for parents to return to work

To help parents commence planning for a return to work well before they lose eligibility for Parenting Payment when their youngest child turns 16, AWT contains measures such as a yearly interview with a Personal Adviser, information for parents on the benefits of going back to work, ways to manage family and work, and tips about how to look for work or take on study, training or volunteer work. The successful Jobs, Education and Training Program (JET) is still available, on a voluntary basis, to parents who are not required to attend annual interviews under the AWT measure. From July 2003 parents with a youngest child aged 13-15 will be required to complete up to 150 hours of Centrelink approved part-time activity over each six months (averaging six hours a week).

Help to participate

The Language, Literacy and Numeracy Programme assists people to improve their English language, and/or literacy and basic maths skills, and a supplement is provided to assist with the incidental costs of undertaking this training.

The Working Credit will encourage workforce-age people on income support to take up full-time, substantial part-time or irregular casual work by allowing them to keep more of their income support payment while working. It will be implemented from 28 April 2003, subject to the passage of legislation.

Helping people find jobs

Mature age people are now able to access Job Search Training as soon as they start receiving income support, a Training Account to help get work-related skills, and a new Transition to Work programme which brings together a range of individual and flexible transitional assistance for people who have been away from the workforce for a long time, and for those who have never had paid jobs. This builds on the Jobs, Education and Training (JET) and the Return to Work programmes that have been helping people, particularly women and mature age people, return to paid work after long absences.

Getting people the right help

The Personal Support Programme helps those people on payments who have severe personal obstacles to work, such as those suffering from homelessness, drug or alcohol addiction, mental illness and domestic violence.

ATTACHMENT F: GOVERNMENT PROGRAMS MENTIONED IN THE SUBMISSION

The Family and Community Network Initiative

The FCNI is a four year pilot project which aims to improve access to family-related information and services for families and community organisations. It also aims to enhance the capacity of communities and services to work together more effectively to address the needs of families and communities.

From 1 July 2002, the Family and Community Network Initiative was extended, with funding of \$8.5 million over four years. The program will provide funding for:

- long-term community capacity-building projects. The projects will strengthen the community by improving access to information about community and family services available within each community; and
- one-off projects that contribute to information access and community networks.

Prime Minister's Community Business Partnership

Aims to encourage and facilitate partnerships between businesses and the communities of which they are a part and to develop and promote a culture of corporate social responsibility in Australia.

Reconnect Program

An early intervention program improving the level of engagement in family, work, education and the community by young people who are homeless, or at risk of homelessness, and their families. By the end of June 2002, FaCS had approved the establishment of 93 Reconnect services. Of these, 89 are operational with the remaining services expected to be operational from July 2002. When fully operational, Reconnect will provide 100 services with 7000 young people and 5000 parents being assisted per year.

Traditional Credit Union

Banking or credit facilities in many remote communities are limited or non-existent. This creates many problems for Aboriginal people who are largely welfare dependent and reliant on payment by cheque. For example, banks are staffing their facilities on the basis of the increased use of online services, including Internet and telephone banking which means fewer staff to assist customers in person. Aboriginal people from the bush are therefore disadvantaged when they come to "town".

In the Northern Territory, a Traditional Credit Union (TCU) has been established in response to these issues. This agency was developed by the Arnhem Land Progress Association (ALPA) and now operates successfully in 6 Top End communities.

The Cape York Family Income Management project

The Cape York Family Income Management project, funded under the Stronger Families and Communities Strategy, helps families in Aurukun, Coen and Mossman Gorge make the most of their income as a group to improve living standards and achieve other goals. Eighteen local people are training as family facilitators to help people to manage their money and negotiate family agreements. Community representatives, the Cape York Partnerships Office, Westpac Bank and four Commonwealth and state departments are overseeing the project.

Indigenous Parenting and Family Well-Being Program

The Indigenous Parenting and Family Well-Being Program has \$1.7 million per annum to assist and enhance development of Indigenous parenting and family programs. This program is being transferred from the Department of Health and Aged Care to FaCS.

Stronger Families and Communities Strategy

The Commonwealth Government's Stronger Families and Communities Strategy was announced in April 2000. The Strategy commits \$240 million over four years to prevention and early intervention initiatives for Australian families and communities. As part of the Strategy, the stronger families fund will encourage communities to find new ways to strengthen families, with a focus on early childhood and effective parenting.

Supported Accommodation Assistance Program

Since 1985, under bilateral agreements, the Commonwealth Government and the State/Territory Governments have jointly funded the Supported Accommodation Assistance Program (SAAP). The program provides transitional support and accommodation to homeless people and those at risk of homelessness to help them achieve self-reliance.

ATTACHMENT G: CONCESSIONS AND ALLOWANCES FOR PENSIONERS AND SELF-FUNDED RETIREES

The Commonwealth provides a range of benefits to individuals in addition to income support payments. Changes in recent years have broadened the availability of assistance to people not eligible for the Age Pension.

Pensioner Concession Card

The PCC is issued to persons receiving a pension including Age Pension, Disability Support Pension and Parenting Payment (Single), Mature Age Allowance, Mature Age Partner Allowance and Bereavement Allowance. The PCC is also issued to people over 60 who have been getting the Newstart Allowance, Sickness Allowance, Widow Allowance, Partner Allowance, Parenting Payment (Partnered) or a Special Benefit continuously for the previous nine months. In addition, PCC holders receive Pharmaceutical Allowance and may also receive Telephone Allowance as add-ons to their main payment

Commonwealth Seniors Health Card

The CSHC targets self-funded retirees of Age Pension age (currently 62 years for women and 65 years for men) who meet certain eligibility criteria, that is:

- the person is not receiving another income support payment from Centrelink or the Department of Veterans' Affairs;
- the person meets an income test of under \$50,000 a year (single person) or \$80,000 a year (couple, combined income); and
- they are an Australian resident.

The Government announced in 2001 that the Commonwealth would negotiate with state and territory governments to extend some or all of the concessions currently available to pensioners to holders of the CSHC.

Commonwealth and State concessions

The Commonwealth has arrangements in place with the states to ensure that all pensioners receive certain 'core' concessions (council, water and sewerage charges, electricity, motor vehicle registration and public transport). This is done through an annual Specific Purpose Payment to all state and territory governments that ensures that all holders of the Pensioner Concession Card receive these concessions without discrimination.

The agreement does not specify the level of concession that must be offered, as state and local governments determine these matters. The benefits obtained from concessions differ significantly between the states.

State Government Seniors Cards

These cards are issued by each state to their residents who are (generally) aged over 60 and no longer working full-time. Eligibility varies slightly from state to state, and the benefits available are generally offered by the private sector, and may include travel, dining and entertainment, and financial products.

Some state governments also target a limited range of concessions at holders of State Government Seniors Cards however the Commonwealth has no influence over these concessions.

Rail Concessions

The Commonwealth funds Great Southern Raid (GSR) to provide concessions to PCC holders and Commonwealth Seniors Health Card holders on GSR services that were formally Commonwealth owned. These services are the Indian Pacific, the Ghan, and the Overland. These concessions can range between \$25-\$500 per journey.

Pharmaceutical Allowance

Pharmaceutical Allowance is paid to help pensioners and some allowees with the cost of certain prescriptions listed under the Pharmaceutical Benefits Scheme (PBS). Pharmaceutical Allowance forms part of the rate payable to all pensioners, Sickness Allowance recipients, certain allowance recipients with temporary incapacity exception from activity testing requirements, and long term allowees who are over 60 years of age and have been receiving income support for at least 9 months. The current rate of Pharmaceutical Allowance is \$5.80 per fortnight for a single person; or \$2.90 per fortnight for each member of an eligible couple.

Telephone Allowance

Telephone Allowance (TAL) is a quarterly payment to assist with the rental of a domestic telephone or mobile phone line. To be eligible for TAL, a person must have a phone connection in their name or their partner's name, and be receiving either an eligible pension or allowance payment through Centrelink or the Department of Veterans' Affairs, or the Commonwealth Seniors Health Card.

The amount of TAL payable is dependent upon the person's circumstances. Both an eligible single person and an eligible couple receive the full amount of TAL (\$18.00 per quarter), as the costs to rent a telephone line are the same for one person or a couple. Where only one member of the couple is receiving an eligible benefit, the allowance is paid at the half-married rate of \$9.00 per quarter.

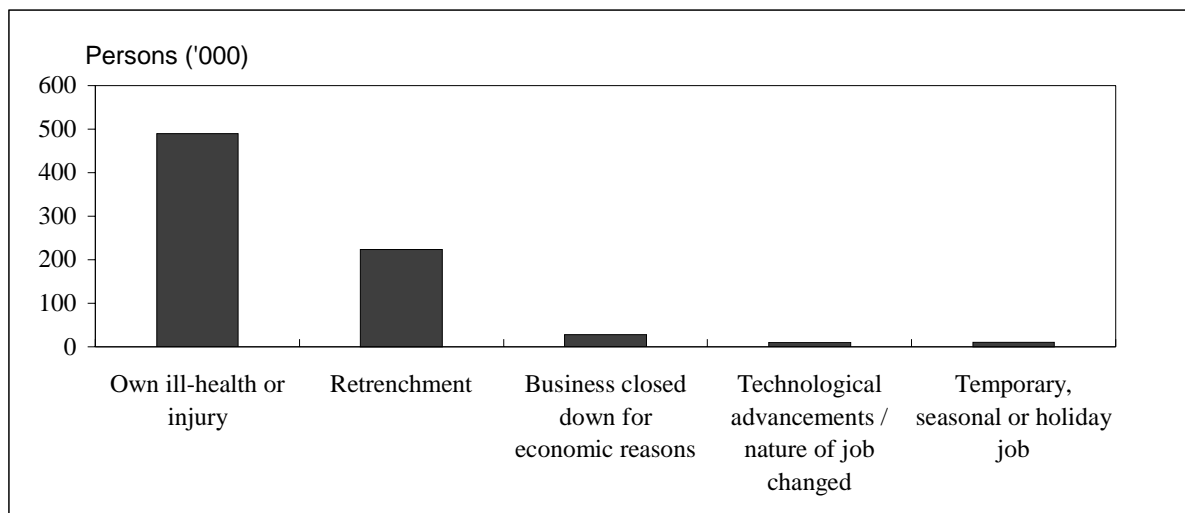
Rent Assistance

Rent assistance is a supplementary benefit paid to age pension customers who pay private rent. Private rent includes caravan park site fees, mooring fees and some retirement village fees. People paying rent to a state or territory government housing authority for the rental of government housing or residing in Commonwealth funded aged care are not eligible for rent assistance.

Before rent assistance becomes payable, a minimum amount of rent (rent threshold) must be paid. Rent assistance is then paid at 75 cents for every dollar of rent paid above the rent threshold, up to a maximum rate.

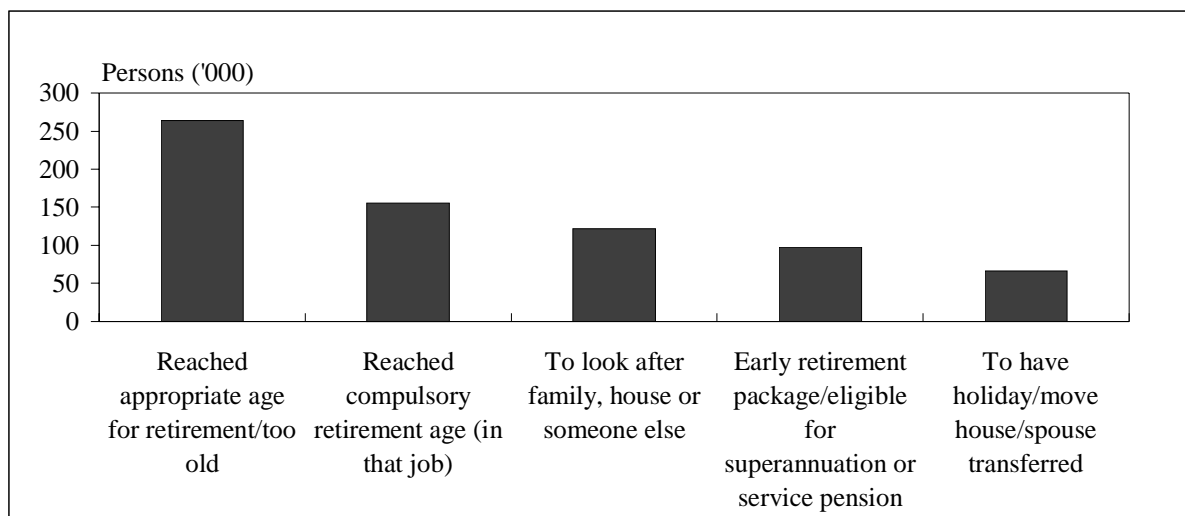
ATTACHMENT H: REASONS FOR CEASING LAST FULL-TIME JOB

Figure 14: Reason for ceasing last full-time job, 45 to 64 years, November 1997, Involuntary retirement



Source: ABS, 1999.

Figure 15: Reason for ceasing last full-time job, 45 to 64 years, November 1997, Voluntary retirement



Source: ABS, 1999.

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