



Council on the Ageing (Australia)

*Long Term Strategies to Address the
Ageing of the Australian Population over
the Next Forty Years*

Submission to the House of Representatives
Standing Committee on Ageing

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THE WORK OF COUNCIL ON THE AGEING

The Council on the Ageing (COTA) is the peak consumer organisation dedicated to protecting and promoting the well-being of older people. It has the members, skills, knowledge base, and resources to support this role. The Council on the Ageing (Australia) has a number of functions including:

- policy analysis and policy development
- program development
- provision of information and advice to older people on Commonwealth policies and programs
- provision of information and advice to the Commonwealth Government about issues of importance to current and future generations of older people based on consultation with older people and research.

The Commonwealth Government provides financial support to assist COTA (Australia) in fulfilling its policy, consultation, representation and information dissemination roles.

At the State and Territory level, COTAs are involved in both service delivery to older people and policy work primarily focused on State issues. Individual members play an important role in maintaining the State-based organisations. Through their consumer base, State and Territory Councils on the Ageing provide the management structure for the Council on the Ageing (Australia) and thereby inform policy and priorities.

COTA (Australia)'s membership includes key national organisations which represent consumers and service providers. These organisations make a substantial contribution to the Council's policy development process.

COTA's membership is open to people over 50 years of age. Our policy work covers a wide range of issues of concern to this group: health services including private health insurance, employment, financial services, retirement and pre-retirement incomes, aged and community care services, housing, and information communications technology.

COTA has both individual members and organisational members, which indirectly provide a very large membership base. Whether members or not, many older people, their carers and relatives as well as organisations come to COTA for information and advice and to alert us to issues in relation to Government policies and programs. The Seniors Information Services which COTA runs or auspices in most of the States and Territories field around 100,000 calls per annum.

At the time of presenting this submission, Council on the Ageing is in the process of forming a legal partnership with National Seniors Association.

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KEY POINTS

The Council on the Ageing welcomes this inquiry into the Long Term Strategies to Address the Ageing of the Australian population over the next Forty Years. The terms of reference for the inquiry are:

The House of Representatives Standing Committee on Ageing will inquire into and report on long term strategies to address the ageing of the Australian population over the next forty years.

We understand that this inquiry will investigate a broad range of issues including the current and future adequacy of retirement incomes, workforce participation, aged care, education, and health.

COTA believes that Australia is well placed to meet the challenges of an ageing population. Assertions that population ageing will lead to an economic and social crisis are refuted by a wide range of evidence.

However Australia will need a forward plan for management of the changing demographics. We have envisaged three tiers to this planning process.

1. Level one: the broad economic, social and environmental context.

The capacity of Australia to successfully manage an ageing population in a way that is fair, equitable and sustainable will depend to a very large degree on the following factors:

- ◆ a sound economy with low levels of unemployment, sustainable growth and low levels of income inequality;
- ◆ a stable and harmonious society characterised by intergenerational respect, racial tolerance, gender equity, and fairness in the distribution of resources;
- ◆ a physical environment that provides for a high level of amenity and public health. Environmental sustainability is also a corollary of sustainable economic growth.

.2. Level two: the community context.

The ageing of the population will also be most successfully managed if the community settings are appropriate. In this layer of policy action the following factors are important:

- ◆ community and urban planning
- ◆ transport
- ◆ housing

- ◆ social and cultural amenities

3. *Level three: the program context.*

This level of policy action covers areas over which governments are able to dedicate specific expenditure for specific purposes. The major areas government portfolio areas relevant to planning for an ageing Australia include:

- ◆ retirement incomes
- ◆ health and health services
- ◆ residential aged care
- ◆ community care.
- ◆ housing
- ◆ education and training

The foundations for future success have been laid in many of Australia's existing institutions and policy frameworks including the three pillar retirement income policy, a quality health system underpinned by Medicare and Australia's residential aged care system.

However, it is prudent to review and evaluate current policies and programs to ensure that they will meet future needs and build on what has already been put in place. Ongoing research is needed to inform policy development.

There are also some significant gaps in policy frameworks such as in relation to Australia's ageing workforce. Increasing workforce participation amongst older workers has beneficial effects for both the economy and individuals, and mature age employment opportunities must be increased. Government has an important role to play in assisting and encouraging increased workforce participation by older people.

While rises in health care costs must be monitored, the benefits of improved health for individuals and the economy should not be ignored.

Care must be taken to ensure that co-payments and other measures intended to limit the growth in government health expenditures do not have negative effects on health and well being and ultimately increase overall health costs.

It is essential to maintain a strong and viable universal health system and a sound social safety net. This requires a sound revenue base at all levels of government. Redistributive mechanisms, including a progressive taxation regime and direct assistance to the most needy in the community are required to achieve equity.

It is COTA's view that Australia has the opportunity to create an age friendly community which recognises the value and contribution of its seniors. This can be achieved without disadvantage to younger members of the community – a society for all ages.

1. THE AGEING POPULATION

What crisis?

The Government's Intergenerational Report¹ (IGR) stems from the Charter of Budget Honesty Act², Section 21 which requires an assessment of:

...the long-term sustainability of current Government policies over the 40 years following the release of the report, including by taking account of the financial implications of demographic change.

Thus the IGR is required to project current policy settings over the next forty years, clearly an unrealistic, static scenario applied to a dynamic situation – a naïve extrapolation of the past into the future – an approach which is inherently flawed.

The economist's dictum, *ceteris paribus*, rarely holds good. Predictions are notoriously unreliable. In a report published in 1992, the United States Congressional Budget Office estimated health expenditures would consume about 18 per cent of GDP by the year 2000. The actual figure was 13.2 per cent; the prediction was almost 40 per cent too high – for a period just eight years away.³ All things change, many of them unpredictably.

In the Australian context, the 1975 Report of the National Population Enquiry⁴ omitted population ageing as an important issue, whereas only 15 years later this became a matter of concern and now, only 27 years later forms the basis for this inquiry and the IGR. Neither was this deficiency in the 1975 report raised by commentators and critics – population ageing was largely an unrecognised issue at the time. Changes to any one of the variables recognised in the IGR could dramatically effect the predicted outcomes. Introducing variables which are currently unknown or little considered (as was population ageing in this 1975 report) compounds the potential for error.

Australia and other nations have coped well with change in the past. Substantial shifts in patterns of government expenditure have been made without social disruption or economic collapse. The adjustments required to accommodate population ageing are not as dramatic as those which have already been made successfully.

¹ Commonwealth of Australia (2002) *Intergenerational Report 2002-03*, Budget Paper No.

² Commonwealth of Australia. Budget Honesty Act, 1998

³ Rice, T. *Addressing cost pressures in health care systems*. Health Policy Roundtable Conference Proceedings. Productivity Commission, Melbourne 7-8 March 2002. pp67-157

⁴ National Population Inquiry 1975, *Population and Australia: A Demographic Analysis and Projection*, Canberra: AGPS.

In the major industrialised countries, transfer payments increased from about 10 per cent of government expenditure to about 40 per cent from the 1920s to the late 1980s; this involved an increase from about 1 per cent to about 12 per cent of GDP...public health spending alone has increased in the OECD countries from about 2.5 per cent of GDP in the mid-1960s to about 6 per cent in the mid-1980s, while the public share of total health expenditure increased from 60 per cent to 80 per cent over the same period. In Australia, transfer payments increased from 6.4 per cent to 15.4 per cent of GDP from 1968 to 1987...

Having undergone these increases, that have been largely unrelated to population changes, it seems unduly alarmist to suggest that anticipated population ageing will create a social expenditure crisis.⁵

COTA and others, such as McCauley⁶ have expressed concerns about the narrow analysis of the IGR. Dowrick and McDonald⁷ make a number of cogent criticisms, including that the IGR...

is weighted to the pessimistic side... (and)

- *understates the effect of a fall in unemployment*
- *greatly underestimates the potential for future increases in labour force participation rates*
- *presents an unduly certain picture of the levels of future costs of health and aged care.*

The ageing population has generated many myths. “Future holds massive deficit”, proclaimed a recent headline, for example. The IGR is the most recent contribution to the emerging alarmism around population ageing. Future costs are largely indeterminate:

...the margins of error surrounding projections of health care spending are much wider than for pensions. Health and long term care costs will be affected by a range of factors in addition to ageing: technology, increases in supply (hospitals, and medical personnel), incentives facing suppliers and patients, changes in prices/costs of health care relative to other goods and services and increased underlying demand as incomes rise. While these additional factors have explained the bulk of past increases in spending, there is little consensus on the relative importance of each for the future.⁸

This submission shows that a much more optimistic view of the effect of population ageing is sustained by a very wide range of well-regarded sources.

⁵ Creedy, J. *Population Ageing and the Growth of Social Expenditure* in Productivity Commission and Melbourne Institute for Applied Economic and Social Research, Policy Implications of the Ageing of Australia's Population, Conference Proceedings, Ausinfo, Canberra. 1999, page 235.

⁶ McAuley, I. *Death is inevitable, why aren't taxes? The Commonwealth's Intergenerational Report.* www.econ.usyd.edu.au/drawingboard/digest/0206/mcauley.html

⁷ Dowrick, S and McDonald, P. *Comments on Intergenerational Report, 2002 – 03.* Australian National University, 2002, p10

⁸ Thai Than Dang, Antolin, P and Oxley, H. *Fiscal Implications of Ageing: Projections of Age-related Spending.* Economics Department Working papers No 305. OECD, Paris, 2001.

Richer, not Poorer

Australian society will be enriched, not impoverished by the increasing proportion of older people. Older people provide many contributions to society which should not be ignored just because this form of “production” does not appear in the national accounts.

For instance, older people make up a significant proportion of carers, for example – caring for children with disabilities, their ailing partners, and other family members on an occasional, regular or ongoing basis. “37% of child care in Australia is provided by relatives and friends (1,162,100 children use this form of care). In the majority of cases, this care was provided by grandparents.”⁹ This caring role represents savings of many millions of dollars in government expenditure were older people not to so willingly give their services.

The net contribution to society made by seniors as volunteers will increase as the population ages, rather than diminishing according to recent research¹⁰:

As the baby boomers march steadily towards the conventional retirement age, their numbers can be expected to swell the volunteering market. The latest ABS survey, Voluntary Work Australia (2001:1 & 6) conforms: “growth in volunteer rates occurred for both sexes and across all age groups, but particularly in the 18 – 24 (17% to 27%) and 55 – 64 (24% to 33%) years groups.” And “although the number of volunteers was highest in the age group 35-44 years, median hours of voluntary work tended to increase steadily with age, up to 65-74 years age group”

Healthy ageing

The assumption that health and aged care expenditures will increase exponentially due to the ageing population is doubtful, for many reasons, including the fact that, ...*cross country comparisons reveal that the size of the aged population is only weakly associated with health expenditure.*¹¹

The vast majority of older people are healthy, active and independent. Only approximately 7% live in residential care, and this percentage is not expected to increase over time. The ageing population is accompanied by improving health and well-being amongst older people as a result of the sound public health policies which have been pursued over many years in Australia, access to a universal health care system, and improving medical technology. Further developments in geriatric medicine are likely to have positive impacts.

Healthy ageing is likely to lead to more people remaining in the workforce for longer. Early retirement is likely to diminish, and as the demand for staff increases due to falling numbers of younger workforce participants, older people will remain in, or re-enter the workforce, making a contribution to the economy through their productivity and payment of taxes.

⁹ ABS Child Care in Australia, June 1999, Cat No 4402, published June 2000

¹⁰ Team Consultants. *BOOMNET: Capturing the Baby Boomer Volunteers*, Department of Premier and Cabinet, Perth, WA 2001, p9

¹¹ Kinnear, P. *Population Ageing: Crisis or Transition?* The Australia Institute 2001, Summary, vi.

Dependency ratio

Far from being unsupportable, the projected dependency ratio (i.e. the proportion of dependent persons to those in the workforce) over the next 50 years in Australia has already been exceeded overseas, with neither disastrous social consequences, nor economic failure. As the population ages, youth dependency declines. Total dependency ratios in 2051 will be approximately the same as they were in 1970 in Australia. The number of dependents that each worker had to support in 1947 was greater than it is projected to be in 2041.¹²

Total dependency ratios in Sweden, Japan, Canada and the United Kingdom, for example, as projected by the Population Division of the United Nations¹³ all exceed those of Australia, as does that of the USA for most of the coming years:

Country	1975	2000	2025	2050
Sweden	55.8	55.3	63.8	79.6
Japan	47.5	46.8	69.6	95.8
Canada	53.0	46.5	58.0	68.4
UK	59.5	53.2	58.9	73.3
USA	55.4	51.5	58.7	65.6
Australia	56.9	48.8	57.0	67.0

Tax impact

One of the most pervasive myths is that of the “disappearing taxpayer”. Many writers, (such as Smith, quoted in Cameron, 2001, p2¹⁴) bemoan the fact that there will be insufficient taxpayers to support the legions of retired people, disregarding the fact that retired people also pay tax. Changing demographics will not reduce the number of taxpayers.

Australia’s recent switch to a consumption tax as the most important source of revenue for government means that all consumers pay tax. Consumption patterns may change with ageing, but older people remain consumers of goods and services. The Goods and Services Tax provides a reliable long term source of revenue to the Commonwealth – revenue which flows through to the States and Territories.

Many older people pay income tax on their investment and other earnings. Fuel taxes, taxes on alcohol, tobacco and gambling will continue to provide revenue to government, irrespective of the ageing population. In fact, increased leisure brings about increased usage of many goods and services, increasing tax revenues. Similarly, retention of older workers within the workforce will generate additional income tax revenue.

Neither is it a fact that income tax receipts will necessarily fall, even if workforce participation decreases, and the dependency ratio increases. A tighter labour market may lead to increased wages for those whose skills are in demand. Higher wages will incur higher

¹² Kinnear, 2001, op cit.

¹³ Population Division, DESA, United Nations. *World Population Ageing 1950-2050* accessed at <http://www.un.org/esa/population/publications/worldageing19502050/countriesorareas.htm>

¹⁴ Cameron, R. *It’s Time for a Retirement Reality Check*. Presented to the ASFA 2001 Conference, September, 2001

income taxes if the current progressive income tax regime is maintained. Falling unemployment rates will reduce Commonwealth government expenditure. The taxpayer is not a species endangered by shifting demographics.

While the tax burden may be expected to increase marginally due to increased expenditures and reduced revenue, this does not lead us to anticipate an unacceptable, nor unmanageable burden for future generations, nor the Commonwealth:

*Some growth in social expenditure, relative to GDP, is expected, but it seems excessive to view this in terms of leading to a social security crisis.*¹⁵

Taking a holistic view of revenue and expenditure, and allowing for adjustments in the balance of public and private expenditures which can be anticipated over the coming years, we conclude that the overall tax impact attributable to population ageing is likely to be minimal, and is it certainly within the nation's capacity to deal with even the most dire (and least likely) consequences of the ageing population.

The apparent crisis connected with population aging (sic) is partly an illusion stemming from a narrow focus on the spending needs of a few public programs. If the full span of private as well as public burdens is taken into account, the increase in dependency burden appears much more modest.¹⁶

Responsiveness, not reactivity

We do not deny the need to plan for the changing demographic profile. Indeed, we welcome this opportunity to discuss the long term needs of Australia in the context of the shift towards an older population profile. However, we emphasise that planning and adjustment processes should occur in a rational framework, free from unhelpful alarmism and myth, without sensationalism and an air of crisis, responding in a timely and appropriate way to changing circumstances rather than reacting inappropriately in haste.

*In Australia, ageing is not a "crisis" as suggested by the World Bank (1994), nor is it even that "complex and formidable set of interrelated challenges" proposed by the OECD (1998). Ageing promises to change some social and economic relationships and interactions over the next 30 or 40 years, but these relationships are not cast in stone. They have always been subject to change, development and renegotiation; ageing represents a continuation rather than a break with this historical trend.*¹⁷

¹⁵ Productivity Commission and Melbourne Institute for Applied Economic and Social Research, Policy Implications of the Ageing of Australia's Population, Conference Proceedings , Ausinfo, Canberra. 1999,p 248

¹⁶ Burtless, G. *Does Population Aging Represent a Crisis for Rich Societies?* The Brookings Institution, 2002, p1

¹⁷ Productivity Commission and Melbourne Institute for Applied Economic and Social Research, Policy Implications of the Ageing of Australia's Population, Conference Proceedings , Ausinfo, Canberra. 1999, p28-29.

The final report of the National Strategy for an Ageing Australia provided a reasonable policy framework for taking forward the population ageing debate into good policy responses. Its strength lies in its whole of government approach that takes into account the wide range of other stake holders, including community organisations and business, who will also contribute to sound ageing population policy.

2. PARAMETERS OF LONG TERM PLANNING

Guiding Principles

The general principles on which policy and program development should be based include:

- Economic, social and environmental sustainability
- Guaranteed access to high quality health and other services
- Maintaining equity, including inter-generational equity
- Redressing disadvantage
- Recognising and valuing diversity
- Building on strength of existing systems/programs, while overcoming their shortcomings, to maximise their efficiency, appropriateness and effectiveness
- Building social capital
- Providing flexibility and choice to individuals wherever possible
- Enabling all people to participate in every aspect of community life

Creating a Basis for the Future

Current problems and emerging issues and concerns must be addressed to establish a sound basis for the future. In the short and medium term, policy improvements are needed in many areas affecting seniors, in order to address the ageing of the population over the next forty years. This submission, and previous submissions made to government by COTA (Australia) provide details of a range of initiatives required to address seniors' current problems, issues and concerns.

Research

Policy development and program evaluation must be supported by a strong research base. There is an urgent need for a much higher level of Commonwealth funded research into evidence-based practice for both residential and community care and other aspects of ageing.

While there have been many major advances over the last decade, program development and delivery in Australia continue to be informed primarily by a limited range of short-term consultancies, broad-brushed aggregate statistics and by-products of academic efforts. Australian governments, contrary to their counterparts overseas, have not recognised very well the value of applied research. Politicians and policy makers appear reluctant to have their programs subjected to critical scrutiny and the public gaze.¹⁸

The Australasian Journal on Ageing advisory committee, which consists of some of Australia's leading ageing researchers, would be able to provide advice as to how such a research program should be structured, as well as key research priorities.

¹⁸ Kendig, H and Duckett, S. *Australian Directions in Aged Care: the Generation of Policies for Generations of Older People*. Australia Health Policy Institute Commissioned Paper Series 2001/05. University of Sydney, 2001.

Investment

The ability of the economy to meet the changing needs of the population depends to a large degree on sound investment decisions. Government has a key role to play in ensuring that education, health and other aspects of social infrastructure are put in place and maintained.

Productivity rises when workers are well educated, use the best, most advanced equipment, and are supported by a sound economic infrastructure (such as adequate transportation systems and utilities). These factors, in turn, depend upon high levels of investment in many areas — education, training, research and development, new equipment and facilities, and the construction and maintenance of infrastructure.¹⁹

In this submission, we reiterate the need to maximise use of the labour force by increasing mature age employment, providing adequate skills training for older workers, enhancing lifelong learning opportunities and building social infrastructure. These investments will repay themselves many fold. Failure to invest in this way will result in reduced productivity, inability to meet the needs of the ageing population and inter-generational inequity.

Working Together

Regrettably, the IGR is limited to Commonwealth finances. While this Inquiry is an initiative of the Commonwealth Parliament and our submission focuses on Commonwealth Government activities, it must be recognised that State/Territory and local governments have important roles to play in respect to seniors and planning to meet the challenges of an ageing population.

We note with regret that Commonwealth– State relations and disagreement over the level of government that should take responsibility for funding services often dominate discussions on health service provision in Australia. There appears to be a tendency for governments to blame one another for shortcomings in systems rather than working together to achieve quality outcomes for consumers. The failure of governments to adequately fund dental care typifies this problem.

COTA believes that inter-governmental cooperation and coordination are vital to effectively meeting the needs of the ageing population.

¹⁹Rasell,E, Sawicky,M and Baker D. *Ensuring Prosperity in an Aging Society*, accessed at <http://www.epinet.org/Issuebriefs/Ib125.html>

3. CURRENT ISSUES AND CONCERNS

COTA believes that, while there is no impending crisis caused by population ageing, corrections and continuous improvement to current policy settings are needed to establish a firm base for the future. We have made public many seniors' issues through our policy submissions, including:

- *Health and Ageing portfolio: submission to Federal Budget 2002-03*. March 2002
- *Coming of age: an integrated policy framework for Australia's ageing workforce: submission to Federal Budget 2002-03* for Department of Employment and Workplace Relations; Dept of Education, Science and Training; Dept of Family and Community Services; Dept of Attorney-General. February 2002
- *Social security and social support for older Australians*. Submission to the Federal Budget 2002-03 to Department of Family and Community Services. December 2001
- *An agenda for the new millenium: retirement incomes, housing and support for older Australians*. Submission to the Federal Budget 2001-02
- *Investing in the future: Australia's ageing workforce*. Submission to the Federal Budget 2001-02
- *Older Australians: an agenda for the new millenium in health and aged care*. Submission to the Federal Budget 2001-02
- *Superannuation and standards of living in retirement*: Submission to the Senate Select Committee on Superannuation Inquiry into Standards of Living in Retirement
- *Response to Attitude, Life-style and Community Support discussion paper of the National Strategy for an Ageing Australia*. January 2001
- *Submission to the Interdepartmental Committee Review of the Pharmaceutical Benefits Scheme (PBS)*. July 2002
- *Submission to the Department of Health and Aged Care on the Better Medication Management System Bill 2001*. July 2001

These submissions, and others, are accessible through our website, www.cota.org.au and will not be reiterated in detail here. However, we take this opportunity to restate some of the key points in relation to health, aged care, employment, lifelong learning and retirement incomes policies.

HEALTH

Medicare

Australia's health system is underpinned by Medicare—a universal system of health care which has been ...*very successful in securing access and equity and in controlling total health expenditures*²⁰.

COTA believes that Medicare meets the guiding principles which we have set above. It provides equitable access to high quality health care to most people, and does so more

²⁰ Costa, C. *Health Services in Transition: Privatisation by Stealth*. Presentation from Immediate Past President of the Doctors Reform Society National Conference, 1999 accessed at www.drs.org.au/conference/1999/costa.html

effectively than other systems in use or proposed. Medicare is the best way to contain costs in health service delivery. It is superior to systems such as the privatized model in the USA, and should be maintained to meet the health care needs of the ageing population over the coming years.

*The Australian health-care system is in good shape: the costs are reasonable in an international context; there are no financial barriers to access to hospital care; there is universal coverage of access to primary care; and the outcomes in terms of health status of the population are good. Medicare provides a very sound foundation for health-service delivery in Australia*²¹

A serious pressure point for older people is the declining access to bulk billing. Due to the decline in bulk billing doctors, particularly in non-metropolitan Australia, older people are now contributing co-payments for GP services which were up until a year or two ago fully covered by bulk billing.

The loss of bulk billing is creating serious hardship for many low income older people with complex and chronic conditions. For an individual on a full age pension needing to see a doctor once or twice a week, his or her income can be reduced by amounts in the order of \$6-\$12 per week or more. This is yet another factor contributing to the financial hardship reported by many older people.

COTA believes that Medicare bulk billing should be available for all low income older people.

Health care card

There is no justification for additional support for higher income groups amongst the older population. Non-pensioner retiree groups have been the targets of significant public expenditures in recent years through initiatives such as the extension of the Commonwealth Seniors Health Card to people on incomes of \$50,000 (singles) and \$80,000 (couples) which will eventually afford this group with the full suite of both Commonwealth and State Government concessions. With an ageing population, this measure will prove very expensive over the long term and is not justifiable on either efficiency or equity grounds.

COTA believes that the income limits for eligibility for the Commonwealth Seniors Health Card be capped at the current levels rather than indexed so that as income levels rise over time, there is a gradual reduction in the number of people eligible for them.

Private health insurance rebate

It is critical that the Government evaluates the outcomes of its private health insurance policy in terms of real effects on access to health care. The analysis of the effects of the private health insurance rebate undertaken by Stephen Duckett and Terri Jackson²² shows that:

²¹ Duckett, S. J., *Taking Medicare Forward* Blue Book Number Two, 2001. Australian Fabian Society pamphlet number fifty-seven, p1.

²² Duckett S and T Jackson (2000) *The New Health Insurance Rebate: an inefficient way of assisting public hospitals*, in *Medical Journal of Australia*, Vol 172, 1 May 2000, p439

...the subsidy cannot be justified on efficiency grounds, as, on the basis of available evidence and taking casemix into account, public hospitals are more efficient than private hospitals.

The rebate for private health insurance is:

- inequitable in that it provides a subsidy to high income earners many of whom were in private health insurance anyway. High income earners are not particularly price sensitive to the cost of private health insurance.
- inefficient because of the greater efficiencies in the public system
- unsustainable because of the high costs involved and the marginal outcomes in relieving pressure on public hospitals.
- poorly targeted as it aims to increase the numbers of Australians with private health insurance rather than provide a rebate to people who use private health care including private hospitals.

Given that a large number of low to middle income earners have taken up private health insurance because of Lifetime Health Cover, there are difficulties in removing the 30 per cent rebate. However, responses include means testing the rebate so as to exclude high income earners from the benefit.

Pharmaceutical Benefits Scheme

Australia has a Pharmaceutical Benefits Scheme of which we can be proud. It provides affordable medication and is a critical part of the health and aged care system. Management of the costs of pharmaceuticals both to Government and the consumer ensures that people can continue to obtain the drugs they need to improve quality of life and maintain independence.

A recent report of the Productivity Commission²³. shows that pharmaceutical costs are not high in Australia by world standards:

...comparisons show that manufacturer prices in Australia for the top 150 pharmaceuticals are much lower than in the United States, Canada, the United Kingdom and Sweden. Prices in Australia are closer to those in France, and about the same as those in Spain and New Zealand.

The level of spending on drugs in Australia is in line with other OECD countries and the level of subsidy provided by the government to the PBS is generally lower than in almost all other OECD countries.²⁴

The 28 per cent increase in pharmaceutical co-payments for older Australians in the 2002-03 Federal Budget, together with the de-listing of medications commonly used by older people, will diminish the effectiveness of the health and aged care system and may well be counterproductive in terms of overall costs. Overseas experience shows that people will visit and require hospitalisation more, and there will be more deaths as a result of increased drug costs.

²³ Productivity Commission, www.pc.gov.au/research/commres/pbsprices/finalreport/pbsprices.pdf, pxvi

²⁴ The Parliamentary Library Current Issues Brief No 12, page i.

Local and overseas research suggests that increased co-payments:

- do not have an effect on reducing demand for health care,
- has a discriminating effect on the poor and
- result in actions such as the people budgeting by not taking all their medicines, taking lower doses than prescribed, or one family member option to go without medicine so they could afford medicines for others. (Donovan, J, 2002, p18²⁵).

Government needs to balance the growth in outlays under the Pharmaceuticals Benefits Scheme against therapeutic outcomes. Any policy which aims to reduce the access of sick people to the medicines they need is inappropriate. Indeed, it is important to weigh both the costs and benefits of increased pharmaceutical use and improved technology;

In the case of heart attacks, for every dollar spent, there was a gain of seven dollars²⁶

Doctors, consumers and pharmacists need better education on the use of drugs through the National Prescribing Service. Intensive promotion of pharmaceutical products to general practitioners by pharmaceutical companies is a matter of concern to COTA and others. Pharmaceutical promotion contributes to PBS “leakage” and manufacturers are reported to spend up to one third of sales revenue on marketing.²⁷

Marketing programs involve persuasive advertising directed to consumers and physicians, large numbers of sales representatives, physician hospitality and international trips, conference sponsorships, lavish drug launches, gifts and gimmicks.²⁸

Inappropriate use of medicines and the rapid growth in use of pharmaceuticals as a substitute for other forms of treatment amongst older people is a further matter for concern.

...anti inflammatories are approved only for serious chronic arthritis, not for period pain or headaches. But that doesn't stop people using these drugs for relatively minor conditions, nor doctors prescribing them. Drug companies have learnt to take advantage of this. There's nothing to stop them promoting all the other uses to doctors...The resulting cost is crippling the PBS²⁹

²⁵ Donovan, J. *The benefits of the Pharmaceutical Benefits Scheme to the Australian community and the impact of increased co-payments.* Health Issues, vol 71, June 2002, pp17-20.

²⁶ Cutler, D.M. & McClellan, M. *Is technological change in medicine worth it?* Health Affairs, vol 20, no. 5, Sept/Oct 2001., pp 11-29

²⁷ Harvey, K. *The Pharmaceutical Benefits Scheme under threat.* Health Issues vol 71, June 2002, pp11 – 16.

²⁸ Moynihan, R, Heath, I & Henry, D. *Selling sickness: the pharmaceutical industry and disease mongering.* British Medical journal, vol 324, pp886-891.

²⁹ Goddard, M. *Fixing the Pharmaceutical Benefits Scheme.* Australia Institute Newsletter No 31, June 2002

Our work with older people has identified the need for:

- more information and education about prescribed medicines and consumer education about the use of non-drug approaches to maintaining health and preventing illness for older people;
- better communication between consumers and health professionals about the wise use of medicines, including the use of generic medicines;
- strategies to encourage older people to manage their own medicines and improve the quality of consumer decisions about the wise use of medicines.

To limit the growth in PBS and overall health expenditure, COTA recommends:

- New strict controls on the direct and indirect advertising and promotion of pharmaceuticals.
- Legally binding price/volume agreements with pharmaceutical companies where sales have exceeded estimates on which the original price was based.
- Greater transparency for the reasons for delisting drugs from the PBS, including consumer impact statements.
- More resources for independent information and education about prescription medicines to both general practitioners and older people.
- Ongoing funding for Wise Use of Medicines programs.

Health Promotion

Many modern diseases are encouraged by social, behavioural, environmental and lifestyle choices. Public health focussed on prevention and early identification of health problems is particularly crucial to older people. Encouraging good nutrition and exercise is a more cost effective way of dealing with osteoporosis rather than hip replacement. Health promotion plays a vital part in cost control in the health system. Many of the common health conditions of older people are preventable. Their prevention would mean huge savings to the public purse. Successful prevention also reduces social disruption and cost to individuals and their families. Expenditure on health promotion is a wise investment for the future.

This inquiry, focussed on the long term, is well positioned to recognise the benefits to the Commonwealth's expenditures on health and aged care of health promotion and public health measures, which currently attract only about 1.6% of overall health funding in Australia. . The attitudinal changes to smoking are a good example of what can be achieved through long term health promotion work. The proportion of people who now smoke in Australia is amongst the lowest in the world³⁰, and we can expect concomitant reductions in smoking related disease and reduced health care costs as a result.

COTA believes that a fixed proportion of the health budget should be dedicated to health promotion measures.

³⁰ Australian Institute of Health and Welfare 2002. 2001 *National Drug Strategy Household Survey: State and Territory Supplement*. AIHW Cat No, PHE 37. Canberra. AIHW (Drug Statistics Series No.10, p3.

Dental care

One of the worst examples of poor health policy is in divorcing the oral health of individuals from all other aspects of their health care. The greatest deficiency of our national health system is that there is no assistance for low income people to maintain oral health. Many older people are missing out on basic dental care and are subject to very long delays in receiving treatment.

Poor dental health can contribute to the deterioration in overall health and can lead to premature admission to a nursing home or death. Early intervention for dental problems is important in preventing further deterioration and to encourage preventive dental health practices.

Many people will reach older age groups with their own teeth rather than dentures. This will have significant implications in the future for the need for good dentistry to maintain those teeth in good working order. This is especially the case if the teeth have been filled as they are most likely to be for the pre-fluoridisation generation.³¹

COTA believes that a national dental health policy is needed. To achieve the aims of the policy, the Commonwealth will need to provide funding for dental care in addition to that already provided by the States and Territories.

Disability issues

The ageing population presents two major problems in the disability area:

Firstly, the number of older people with long standing disabilities is increasing. Older people with disabilities have greater needs than others in respect to mobility, access to services and health care. They are also likely to have fewer financial resources to enable them to provide for themselves. It is vital that additional support is provided by government to them. Recent budget initiatives suggest that, contrary to recognising these needs, government is moving to reduce payments to people with disabilities. This trend must be reversed.

Secondly, the number of older people caring for younger people with disabilities is also increasing. Many older people are wondering what will happen to the people for whom they care when they are no longer able to do so. Support for carers is welcome, but over emphasising family responsibility, when it is clear that this form of support is having negative consequences both for the carer and person cared for, is both undesirable and unsustainable.

COTA believes that the Commonwealth should commission research into the needs of both groups and institute programs to alleviate these problems.

³¹ Australian Institute of Health and Welfare (1994) *Australia's Health*, Australian Institute of Health and Welfare, Canberra, p97

AGED CARE

Residential Care

Despite the increases provided for in the 2002–03 Commonwealth budget, there are serious funding shortfalls which must be addressed if a high quality and accessible system of residential care is to be maintained. The Minister for Ageing has announced a review of the adequacy of aged care funding, which will be completed in 2003. We look forward to the review and the rapid implementation of improved funding levels and arrangements. Adequate funding for capital works and to meet workforce costs is particularly critical to meet the needs of that small but very vulnerable proportion of the aged population requiring this type of care. Investment in residential care is long term. Rectifying the funding arrangements soon will be more cost effective than delaying the necessary changes, and establish a firm foundation for the residential care sector in the forty year period to which this inquiry relates.

Community care

Community care is well recognised as a cost effective means of achieving what most older people prefer – to remain in their own homes with as much independence as possible. Expansion of the Home and Community Care Program, and an increased number of Community Care Packages are most welcome, as is the introduction of the Veterans Home Care Program. However, ongoing monitoring and review of community care programs is essential if they are to meet community needs and expectations.

It is particularly important that people with low care needs are catered for at an early stage in order to prevent escalation of their needs. The shortage of residential care accommodation has caused community care services to be focussed on people with higher care needs, making access to services for those with lesser needs difficult or impossible. The result can be premature admission to residential aged care or at worst hospital admission or death.

COTA supports the findings of *Targeting in the Home and Community Care Program*³², which shows that there needs to be a fundamental reconsideration of how resources within the HACC program are distributed between competing priorities and between various levels of care needs.

³² National Ageing Research Institute and Bundoora Extended Care Centre (1999) *Targeting in the Home and Community Care Program*, Aged and Community Care Service Development and Evaluation Reports, July 1999-No. 37, Department of Health and Aged Care, Canberra

EMPLOYMENT

There is a considerable body of analysis and modelling which points to possible negative long run effects arising from diminution of the labour force as a consequence of population ageing. Certainly, given the relatively superior position of Australia vis a vis population ageing, there will be attractive opportunities overseas for Australians, and a “brain drain” could well be one consequence of population ageing. However, we emphasise that this is a variation in the labour market which can be accommodated, not a crisis:

*...there is little reason to believe that ageing will inevitably reduce the savings rate, or lower labour productivity, or significantly limit the size of the labour force.*³³

Increasing the workforce participation of older people has more immediate and positive effects than increasing fertility rates, as noted by the Treasurer in his recent address to the Australian Financial Review Leaders’ Luncheon³⁴. *The Recruitment of Older Australian Workers: A Survey of Employers in a High Growth Industry*³⁵, shows the complexity of employer attitudes to older workers and their behaviour in the employment of older workers resulting in the low uptake of mature workers by employers despite positive attitudes. The study emphasises the importance of:

- early intervention for those who become unemployed
- up to date skills especially in computer related areas
- the potential of incentives such as wage subsidies in providing incentives to employers to employ mature age people.

The two reports point up the urgency of a coordinated policy response to Australia’s ageing workforce. As a small, open economy, the optimisation of Australia’s human resource capacity will be essential to manage the challenges ahead in maintaining and increasing our international competitiveness. Our competitiveness will be linked inextricably to our capacity to be leaders in the knowledge economy. We cannot afford to lose our existing talent to other countries or to waste it through discriminatory employment practices and lack of attention to lifelong learning.

Over the past few years, COTA has been appalled at the waste of skills and experience of the mature age people who have contacted us. A number have reported that they can readily find work consistent with their skills and experience in Asia but not in Australia. Others are relegated to jobs below their skill level and many are forced into early retirement.

Hopefully, the Government’s Innovation Action Plan *Backing Australia’s Ability* will begin to remedy some of these issues. However, the Government still needs to go further in terms of positioning older workers to take advantage of opportunities in the new

³³ Johnson, P. *Ageing in the 21st Century: Implications for Public Policy* in Productivity Commission and Melbourne Institute for Applied Economic and Social Research, *Policy Implications of the Ageing of Australia’s Population*, Conference Proceedings , Ausinfo, Canberra. 1999, p16.

³⁴ Costello, The Hon. P., *The Paths to Increasing Australian Prosperity*. Accessed at www.treasurer.gov.au/tsr/content/speeches/2002/004.asp

³⁵ Michael Bittman, Mardi Flick and James Rice. *The Recruitment of Older Australian Workers: A Survey of Employers in a High Growth Industry* (2002)

economy, to defer retirement plans and continue to contribute to the economic development of the nation. Such investments in the medium to long term will:

- add to national saving
- flow on to positive net benefits to the community
- compensate for past under-investment in some public infrastructure and in intellectual capital (via research, skills development etc)
- increase self provision of retirement income and thus reduce Commonwealth pension expenditures
- increase income tax revenues as older workers remain members of the workforce.

The requirements to manage the ageing workforce cross a number of policies and programs in a range of areas, in particular:

- education and lifelong learning
- programs that focus on ensuring that mature workers are competitive in the contemporary labour market
- effective age discrimination legislation combined with employer education
- sound social security provisions.

Approaches need to be developed that offer opportunities for the employment, education and training of all older workers and need to be compatible with the life stage, experience, maturity, values and learning styles of diverse groups of mature age people. COTA recommends that the Commonwealth develops an integrated and targeted employment policy for Australia's ageing workforce.

Phased Retirement

Phased retirement – gradual rather than sudden departure from the workforce, is an attractive option for many people. Increasing the age of departure from the workforce can make a very significant difference to retirement savings and reduces the demand for government benefits. Income tax receipts are also increased if people are working for longer. As the OECD has suggested, small changes to the labour market participation of older people can make a big difference:

...the payoffs from relatively small changes in the balance between work and retirement could be particularly large.³⁶

The Western Australian Office of Public Sector Management³⁷ gives a range of reasons why phased retirement is attractive to public service employers:

³⁶ *Ageing and Income: Financial Resources and Retirement in 9 OECD Countries. OECD 2001* accessed at <http://www.oecd.org/EN/document/0,,EN-document-0-nodirectorate-no-27-19299-0,00.html#title0>

³⁷ <http://www.dpc.wa.gov.au/psmd/pubs/stremp/retirement/retire03.html>

- to prevent skills shortage particularly at middle to senior management.
- to maximise the return of investment in human capital.
- to provide a system for effective succession planning
- to respond to ageing clients and their needs.
- to retain "public sector knowledge"
- to assist with the creation of a flexible responsive workforce

These arguments apply equally to private sector employment. However, there are barriers to phased retirement, including negative stereotypes of older employees and age discrimination, and poor interface between social security, taxation and superannuation policies.

COTA believes that phased retirement will become the norm rather than the exception over the coming years, with beneficial effects for both individuals and the community.

Government needs to take action to facilitate this by improving the interface between social security, taxation and superannuation, putting its promised age discrimination legislation before the Parliament, and promoting the benefits of employing older workers to dispel negative stereotypes.

Life-long learning

Lifelong learning aims to provide opportunities for adults throughout the life course to undertake education and skills upgrading and is thus a much larger concept than employment related learning. The skills of mature age people will need to be fostered and enhanced to meet future workforce requirements in the context of the ageing population and a smaller pool of younger, recently educated people entering the workforce.

The technological environment will continue to undergo profound and rapid change. We will need a culture of lifelong learning if Australia is to respond to these continuous changes. The costs to Australia of *not* developing a culture of lifelong learning may be very severe with respect to our rate of economic growth and our competitiveness in the global economy. Over the longer term this translates into a fall in our standard of living.

Education is an important conduit into paid employment and is an important form of social participation in its own right. This has important effects in terms of social cohesion and equity. An economically polarised society damages the fabric of society creating negative effects for everyone. Lifelong learning will empower individuals to develop constructive responses and will assist in nurturing Australia's democratic and peaceful traditions.

Lifelong learning does not feature strongly in current national education policy. Lifelong learning should, at the minimum, encompass the following characteristics:

- high level accessibility in terms of time, cost and location.
- modularity – components of education should be linked to each other.
- recognition of prior learning.
- locally based.
- relevant to both specific labour market needs and broader personal and social interests.
- diversity in approaches, venues, methods, content.
- appropriate use of technology.

COTA believes that the Federal Government needs to institute a number of actions to support a culture of lifelong learning in Australia:

- develop an explicit policy of education for older adults.
- reduce barriers to existing education and training opportunities for older adults such as costs, time and location.
- provide incentives for the education and training of older adults in the workplace.
- extend community and internet-based learning options.
- foster the development of methodologies for the learning of older adults.

A national policy framework for adult learning as recommended by Adult Learning Australia should be adopted.

Combating age discrimination

To increase workforce participation of mature age people, it is essential that age discrimination barriers in the labour market were addressed.

The Government is planning to implement Age Discrimination Legislation in 2003. Although there is age discrimination legislation in state government jurisdictions, the lack of federal legislation means that not everybody is covered by age discrimination legislation. In addition, the lack of uniformity of state laws means that individuals can be treated differently in law depending on where they live. There are also concerns about the low level of enforceability of age discrimination legislation both within the state legislative framework and in any future federal legislation.

While legislation alone can be a blunt device for obtaining behavioural change, it nevertheless can be an important backdrop for educating the community about important social issues. Government can have a major role in attaching resources for education about age discrimination both in general terms and in relation to the specific legislation. A community education campaign will reinforce the intention of the legislation but should focus on the positive aspects of behaving and making decisions in ways that are free from age bias.

The need for federal legislation is underscored in the report of the Commonwealth's Human Rights and Equal Opportunity Commission on age discrimination (HREOC, 2000, p116):

The Commonwealth bears ultimate responsibility for the protection of human rights in Australia. It should also lead the way and model best law and practice.

We envisage that better federal age discrimination legislation will be an important springboard to engaging employers in issues about the mature age workforce. While some employers will continue to find ways to discriminate on the basis of age, comprehensive legislation will nevertheless be an inducement to examine assumptions that are driving hiring and firing decisions. We have seen this happen in the area of sex discrimination over the past 20 years.

There is a range of issues relating to the processes for enforcement of both present State and Territory legislation and future federal legislation which is beyond the scope of this submission. However, as for many forms of legislation, enforcement should be a measure of last resort, with the primary purpose of the legislation being promotion of positive behaviours and attitudes and prevention of discriminatory practices.

RETIREMENT INCOMES

The three pillars

Australia's three pillar approach to retirement incomes, relying on a means tested, fully funded, government age pension, mandatory superannuation through the superannuation guarantee, and voluntary savings through superannuation and other investments, is supplemented with additional supports including:

- Continuing, but often reduced workplace involvement for many seniors through part time employment, business involvement or consultancy work.
- An array of concessions, most of which are available on a means tested basis, including health care and public transport concessions, reduced up-front charges for electricity and gas, and concessional rates for vehicle and drivers' licencing.

It is important to note that State and Territory governments provide many concessions to seniors, including subsidised spectacles, dental treatment, discounted council rates and admission to various public facilities free or at reduced cost. It is vital that State and Territory governments retain the ability to maintain these concessions. Maintaining the revenue base at all levels of government is important.

Australia is fortunate in having a retirement income system which is close to the World Bank's ideal, and:

In comparison with most other OECD countries, Australia is well prepared to cope with the prospective increase in pension outlays.³⁸

However, the community has a poor understanding of the Australian retirement income system, and, in particular, the importance of the Age Pension in the three pillar approach. Cameron³⁹ reports that:

In this year's research, ANOP discovered that only 29% expect to receive a government pension.

Most people, for the next twenty years or more, will need the Age Pension to supplement their retirement savings from superannuation, and it is envisaged that self and public provision will interact for the foreseeable future to provide retirement income. COTA believes that it is important for the general public to understand our retirement income system so that they can make informed and rational decisions about their own retirement income

³⁸ OECD Economic Surveys: Australia. OECD 2001, p12

³⁹ Cameron, R. *It's Time for a Retirement Reality Check*. Presented to the ASFA 2001 Conference, September, 2001 p5

accumulation strategies. Public information and education campaigns should be initiated by the Commonwealth to fully inform the community on Australia's three pillar retirement income system.

Capacity to pay

Individuals' expenditure on health and other services should not be ignored in analysing the demand for increasing government expenditure. Many people currently pay for services, and it is anticipated that more will be able to contribute in this way in future. The IGR is a good example of estimates of future health care costs to government which:

...ignore... the increased willingness and ability of the current and future elderly to pay these costs...⁴⁰

The need for co-payments, means testing and targeted concessions and benefits is widely accepted as long as those who are unable to contribute to their own care still have access to services. Eligibility for the highest level of PBS subsidy was broadened in October 2001 through extension of the Seniors Health Care Card to people on incomes of \$50,000 (singles) and \$80,000 (couples) which will eventually afford this group with the full suite of both Commonwealth and State Government concessions. With an ageing population, this measure will prove very expensive over the long term and is not justifiable on either efficiency or equity grounds.

*Trends in the Assets and Incomes of Older Australians*⁴¹ points to the long term increase in the wealth of older Australians between 1986 and 1998. Increasing wealth can be expected to lead to increasing ability to pay for a range of services which have historically and are currently financed by government.

However, the study showed both the unequal distribution in wealth amongst older people and the inequitable growth in wealth amongst income groups, in both cases favouring the most wealthy 25 per cent over the decade. The middle 50 per cent lost ground, although the lowest 25 per cent gained ground, albeit from a very low base. It also shows that much of the wealth of older Australians is in real estate, principally the family home. This is not a liquid asset, and many older people become less willing and able to relocate as they age.

In our submission to the Senate Select Committee on Superannuation's Inquiry into Standards of Living in Retirement, we have recommended a range of measures, including introduction, with appropriate safeguards, of Home Equity Conversion products to the market.

More disturbing are the findings of Harding, Lloyd and Greenwell in *Financial Disadvantage 1990-2000: The persistence of poverty in the decade of growth*⁴², which shows that there has been a persistent rise in poverty amongst older Australians between 1990 and 2000. In 1990, people 65 and over had a poverty rate of only 7.2 per cent of the cohort rising to 11.2 per cent

⁴⁰Freund, D and Smeeding, T.M. *The Future Costs of Health Care in Aging Societies: Is the Glass Half Full or Half Empty?* Paper presented at the seminar: Ageing Societies: Responding to the Policy Challenges. University of New South Wales, April, 2002.

⁴¹ Harding et al, *Trends in the Assets and Incomes of Older Australians*, NATSEM

⁴² Harding, Lloyd and Greenwell in *Financial Disadvantage 1990-2000: The persistence of poverty in the decade of growth*, NATSEM, Canberra, 2001, p17.

in 2000. In addition, the proportion of 50-64 year olds in poverty rose from 10.6 per cent to 11.5 per cent. The report notes:

The key change during the past decade has been the steady increase in poverty rates among the aged. While the risk of being in poverty used to be much lower for the aged than for those in the workforce, now the risk is similar. (p vii)

The report also acknowledges that after-housing poverty rates have not changed for the aged over the decade.

Equally disturbing information appears in NATSEM's, *Trends in Income and Expenditure Inequality in the 1980's and 1990's*⁴³, which suggests the possibility that:

... there were more aged persons in the bottom decile (of income) who were drawing from savings to finance their expenditure. (p20) (Parenthesis added)

and went on to note that:

...a change in the composition of the bottom decile, with retired households...moving in... (p22)

COTA's concerns about older people relate to the incidence of before-housing poverty amongst many older Australians. This means that many older Australians are being tipped into poverty by factors other than housing. It also indicates that while some will be able to pay for their care in future, there will be others who cannot.

COTA believes that it is vital to maintain a well targeted safety net for those older people who do not have the capacity to pay for the services they need.

Retirement income adequacy

Older people on full pensions and allowances continue to struggle to make ends meet. Increased user pays charges, removal of some medications from the Pharmaceutical Benefits Scheme and pressures on services such as dental care have all played a part.

The Government needs to address the issues raised by the recent studies which indicate a disturbing increase in poverty amongst older people. There is much evidence to suggest that current Age Pension and safety net do not result in the "modest but adequate" lifestyle which they are intended to provide. The Government must find the resources to assist older people on the lowest incomes and with the least assets and priority must be given to older people without their own homes.

The University of New South Wales' Social Policy Research Unit has made an estimate of the amount needed by different family types to achieve a "modest but adequate" standard of living.⁴⁴ A standard which...*affords full opportunity to participate in contemporary*

⁴³ Harding A, King, A and Kelly, S. *Trends in Income and Expenditure Inequality in the 1980's and 1990's*. NATSEM Discussion Paper No. 56, December 2001

⁴⁴ Saunders, P. et al. *Development of Indicative Budget Standards for Australia*. Policy Research Paper No. 74, Department of Social Security, Canberra. 1998 p63.

Australian society and the basic options it offers. It is seen as lying between the standards of survival and decency and those of luxury as these are commonly understood.

...the modest but adequate standard for a retired 70 year olds in 2001 is \$13,260 per year for a single person and \$19,500 per year for a couple. These levels, in turn, are about 30% and 15% higher respectively than the Age Pension.⁴⁵

COTA believes that the Government should provide an annual supplement of \$300 (indexed) or 3 per cent to full pensioners. The Age Pension and social safety net must be maintained and enhanced for those who are dependent upon it to enable them to live a modest but adequate lifestyle.

Despite increasing numbers of people able to access superannuation savings in later life, the Age Pension will continue to be important in overall retirement income provision for the foreseeable future. Compulsory superannuation contributions, through the Superannuation Guarantee, were introduced only in 1992, and then at the low level of 3% of income. Gradual increases have been made over the subsequent years, culminating in the 9% rate from July 2002.

For medium to low income earners who have not made substantial voluntary savings, the superannuation accumulated between 1992 and 2002 (when the first “baby boomers” start to retire) is almost insignificant in providing retirement income. Without substantial voluntary contributions, superannuation pay-outs for many of these retirees will be in the realm of \$50 - \$70,000.

Cameron⁴⁶ refers to Association of Superannuation Funds of Australia (ASFA) calculations that:

...an average worker saving 9% through super for 30 years will only get around \$19,000 per year.

However, even this will not be the norm for some 30 years as the 9% rate did not apply until July this year. In the interim, the Age Pension will be required as the main retirement income support by a substantial number of older people. Maintaining the adequacy of the Age Pension is vital both for full and part pensioners.

Supplementing the Superannuation Guarantee with voluntary contributions can provide adequate retirement income for many people. Encouraging voluntary contributions through public information and education gives individuals the opportunity to make suitable arrangements which fit with their lifestyle and income and expenditure patterns. Further mandatory savings would impact upon individuals’ ability to plan their savings appropriately and inhibit whole of life planning for matters such as home purchase, children’s education and career development.

⁴⁵ King, A. *Superannuation – The Right Balance?* CPA Australia, Melbourne. 2001, p6

⁴⁶ Cameron2001, op cit, p9

Gender and retirement income

Women are disadvantaged in terms of retirement savings in a number of ways:

- Accumulation of superannuation is a function of the level of contributions and the period of accumulation. Women's earnings are lower, on average, than those of men, and women are more likely than men to have a broken workforce participation.
- Women live longer than men, and therefore need more retirement income than men.
- Marital breakdown and divorce lead to loss of financial security through access to a partner's superannuation. Even if a woman does access a share of her partner's superannuation through divorce settlement, she still faces long term disadvantage after divorce, as recent studies by the Australian Institute of Family Studies indicate. A substantial increase in the number of divorced women entering retirement can be expected over the next few years⁴⁷ Many of these women are in a poor financial position.

A number of steps would help to redress the systemic disadvantage which women experience in accumulating retirement savings. Access to adequate and affordable child care assists parents to continue working, as do "family friendly" workplaces and work practices. Government co-contributions to superannuation accounts during periods of absence from the workforce would also help to redress the current gender imbalance.

COTA believes that the special needs of women need to be taken into account in setting retirement income policies in place. Measures which support women's employment and compensate women for loss of the ability to make contributions to their superannuation accounts during absences from the workforce are supported.

⁴⁷ Clare, R. *Women and Superannuation*, Paper presented at the Ninth Annual Colloquium of Superannuation Researchers, July 1996. p2

CONCLUSION

There are both challenges and opportunities in the years ahead in terms of Australia's ageing population.

The present Inquiry of the House of Representatives Committee on Ageing will make a significant contribution to the present debates and policy formulation.

We conclude with four key ideas about the nature of the public policy needed for an ageing Australia.

1. Social and economic participation

Public policy must aim to maximise opportunities for social and economic participation by older Australians, including promoting positive approaches to the contribution of seniors and the ageing of the Australian population, and by breaking down age discrimination in all areas of social and economic life.

2. Fairness and sustainability

Public policy in relation to older Australians needs to be fair and sustainable and take account of the needs of the entire community in the short and long term. Policies are needed which are fiscally and economically responsible and which fairly balance the competing needs and interests of diverse groups amongst the senior population and other sectors of the community.

3. Protection and extension of services and programs that are used and valued by older Australians

Policies are needed which maintain and improve services and programs which older Australians use and value. These include primary health care, hospitals, pharmaceuticals, employment services, utilities, public transport, residential care, housing and community care. Public policy must seek to ensure that there is an adequate "safety net" of services and income support which all seniors can access according to fair and equitable criteria in order to maintain a reasonable quality of life.

4. Protection against and redressing disadvantage

All older Australian have the right to security, dignity, respect, safety, high standards of treatment and care and to equal participation in the community regardless of income, status, background, location, frailty or any other social or economic factor. Public policy must have a strong focus on older people who are most vulnerable or disadvantaged in terms of these criteria.

