



***Centrelink's 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***

Table of Contents

	Page
Executive Summary	iii
Introduction	1
Demographic Trends	2
The Needs of an Ageing Population	5
➤ Retirement incomes	5
- Income support payments	5
- Superannuation	6
- Concessions	8
- Complexity in the income security system	9
- Financial Information Service	12
➤ Workforce participation	14
➤ Housing and home ownership	19
➤ Health, lifestyle and aged care	21
➤ Education	25
Issues and Challenges for Centrelink	27
➤ Challenges for the next 40 years and how Centrelink can help	28
- Information for, and in, retirement	28
- Changing attitudes	29
- Encouraging participation by mature age workers	29
- Community Connections	30
- Integration in services and programs	30
➤ Looking ahead ...	31
References	32

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Executive Summary

Centrelink was established in 1997 to provide exceptional service to the community by linking Australian government services and achieving best practice in service delivery. Service delivery to people who are retired and approaching retirement is a substantial part of Centrelink's responsibilities. It delivers payments and services to more than 2 million people in this customer group, on behalf of agencies such as the Departments of Family and Community Services, Health and Ageing and Veterans' Affairs. The demographic trends facing Australia over the next 40 years will clearly have a significant impact on the nature and way Centrelink delivers programs to this customer group.

The needs of an ageing population are wide-ranging and present challenges and opportunities.

- In terms of **retirement incomes**, spending on income support payments will continue to be driven by the increased population of age pension age, though this will be partly offset by declines in the coverage rate and numbers receiving full-rate pension.
- **Superannuation provisions** will become more prominent in retirement incomes, though there will still be groups who are not sufficiently covered. There are issues causing some dissatisfaction with these provisions, though recently announced plans (eg for consolidating savings in one superannuation account, taxation treatment and tighter fiduciary control of funds) will go some way to addressing these concerns. There is certainly merit in Centrelink being involved in hardship cases requesting early release of superannuation.
- **Access to concessions** continues to be a reason for retirees inappropriately arranging their retirement incomes to qualify for pension, though this attraction may diminish somewhat when extended concessions are negotiated for Commonwealth Seniors Health Card holders in the various States. A cheaper alternative to having people on pension might be to provide concessions for all people over retirement age.
- **Complexity in the income security system** is a major issue, as income support provisions are successively tightened and targeted. Examples include the private trust and companies changes, income testing where partners are paid under different parts of the income support system, and in the different approaches used for targeting assistance for customers in different types of aged accommodation.

The potential for creating confusion in customers is also seen in the different income and assessment approaches used by different parts of Government (such as the Australian Taxation Office and Centrelink). It has also been noted in the interaction of provisions affecting aged care residents (who are affected by the interplay of aged care and income support programs).

Options for addressing the complexities in the income support system include the idea of applying ATO assessments within the social security system.

- The need for accurate and comprehensive information about retirement planning and income options highlights the increasing need for Centrelink's **Financial Information Service** (FIS). Apart from continuing to do what it has always done well, FIS has the potential to be expanded in terms of customer groups (for example, to people at much younger ages when they are starting out in their working life), and to cover a much wider range of issues (such as aged care, health, lifestyle matters, and support and community services).
- **Workforce participation** is also a key element in addressing the needs of an ageing population. In the next 40 years the growth of the working age population will significantly decline, and the early retirement trends of those aged 55 and over will exacerbate the supply of labour. There are therefore good reasons to encourage continuing workforce participation by mature age workers.

Centrelink has experience and is able to assist in this regard, through its delivery of assistance and programs under the Australians Working Together initiative.

Issues that require some consideration, however, include removing perverse incentives (such as retiring early, then running down superannuation, to be followed by a move onto age pension), encouraging attitudinal change amongst employers so that they employ more mature age workers (including to deal with their increasing numbers of mature age customers) and ensuring that programs and provisions in the income support system are directed at the right incentives and outcomes.

Options for encouraging workforce participation include increasing the retirement age, 'loosening' income testing provisions in relation to earnings after retirement, and widening the Australians Working Together initiative to encompass programs for workforce participation after age 65.

- **Housing and home ownership** is a major factor in financial security in retirement years and there is a complex set of issues affecting ultimate decisions about how and where older people live. The Government's programs encouraging people to remain in their own homes rather than move into aged care facilities is already having an impact on these people's housing decisions.

In relation to home ownership, current patterns in the aged population may not be reflected to the same extent in future years amongst the retired population. For those who own their homes, this may dictate decisions that may not be in the best interests of the retired person or appropriate to their needs (for example, many retain their homes

primarily to pass on to their children, and some may make unwise decisions about selling their former home when moving into aged care accommodation).

Appropriate support services, information and referrals are therefore required.

- In terms of **health, lifestyle and aged care** issues the future cohorts of retired people are likely to face different challenges to current retirees. They will be living longer, with a greater emphasis on lifestyle issues and positive ageing. Caring responsibilities will become more complex as they find that they're responsible for caring for their children/grandchildren as well as their own parents.

Transition into aged care is likely to remain a difficult and major decision point, at a period of stress and when the person is less likely to be able to cope. An expanded support and information service, such as FIS, would be a particularly effective mechanism for better preparing retired people for these major decisions.

- **Education** for retired people and those approaching retirement will take on a greater priority in the next 40 years. To ensure economic participation and retain workforce attachment, many mature age people will need re-skilling, and to achieve full social participation, there will need to be expanded opportunities for community activities including through volunteering.

Ideally, planning for retirement should be included in secondary and tertiary education, with the focus on educating people to save, manage their money and maximise their retirement incomes from sources other than income support.

Computer literacy will become increasingly important, providing greater opportunities to open up this service delivery channel to customers who have not in the past used it extensively.

Issues and challenges for Centrelink in the next 40 years will include:

- Taking on a broader role in the coordinated delivery of a wide range of government services and programs, through Centrelink's wide and decentralised network.
- Bringing together public, private and community sectors to work towards more integrated services (for example, through the AWT initiative).
- Developing whole of government retirement-related information services that could be delivered through FIS with an expanded target market and broader set of subject matter issues.
- Influencing community attitudes, for example in the areas of income support in retirement, continuing workforce participation and active community involvement.

- Encouraging workforce involvement by mature age workers as a key element of AWT, and possibly extending AWT to encompass involvement by those who have passed the traditional retirement age.
- Developing and expanding connections to available community and welfare services, so that a more comprehensive range of information and referrals is available; Centrelink's Community Connections program, in particular, is an excellent starting point for this.
- Encouraging greater integration of policies and programs directed at retired people, and by being the one-stop-shop for all government health, income support and welfare programs for the ageing population.

Centrelink looks forward to the opportunities and challenges to address the ageing of the population over the next 40 years. We can make a positive difference to the lives of many Australians who are planning for, or in, retirement, and we are optimistic and confident that we will make a significant contribution to achieve the Government's outcomes and objectives.

Introduction

Centrelink was established in 1997 to provide exceptional service to the community by linking Australian government services and achieving best practice in service delivery. Its vision is to make a positive difference to Australian individuals, families and communities particularly during transitional periods in their lives.

Centrelink's services cover an extensive range of programs. It has approximately one third of the Australian population as customers, with nearly a third of these receiving multiple benefits. Every year, Centrelink pays around \$53.4 billion¹ in benefits and allowances (around one third of total Commonwealth outlays).

Service delivery to people who are retired and approaching retirement is a substantial part of Centrelink's responsibilities. The population aged 65 years and over was estimated by the ABS at around 2.4 million as at 30 June 2001²; data at March 2002 show that 82% of people aged 65 and over are receiving income support payments from either the Department of Family and Community services (FaCS) or the Department of Veterans' Affairs (DVA)³. The remaining 18% of those aged 65 and over are self-funded retirees, the majority of whom (277, 927 or 11.39%) are in receipt of Commonwealth Seniors Health Cards (CSHCs). In other words, Centrelink delivers payments (eg. Age Pension) or services (in the form of CSHCs) to close to 80% of those aged over 65, and DVA delivers services to a further 13%⁴.

¹ Centrelink *Annual Report 2001-02*, p. 13.

² Australian Bureau of Statistics, ' *Australian Demographic Statistics*' (Cat. No. 3101.0).

³ Department of Family and Community Services *Older Australians: Fact Sheet 1* May 2002

⁴ *Older Australians Fact Sheet 1* p.1

Demographic Trends

The Intergenerational Report⁵ identifies a number of major demographic trends over the next 40 years. Birthrates are expected to fall, as will mortality rates, with consequent increased life expectancy. By 2042 Australia's population is forecast at 25 million (an increase of around 30%), with particularly higher growth in the numbers over 65 years. Over the next 40 years the number of over 65s will increase from the current 2.5 million (making up 13% of the current total population) to 6.2 million (or 25% of the total population) in 2042. The growth in the older age groups will be particularly apparent in those aged 85 and over; at 300,000 they currently make up 1.5% of the population but by 2042 they will comprise 1.1 million or 4.3%.

At the same time there will be decreasing representation of young people (0 to 14 years) and those of working age (15 to 64 years) amongst the population. (See Table 1 below)

Table 1: Changing Age Structure

Projected Population (millions)					
Age	2002	2012	2022	2032	2042
0-14	3.9	3.8	3.8	3.8	3.7
15-64	13.2	14.6	15.1	15.3	15.4
65-84	2.2	2.7	3.8	4.7	5.1
85 and over	0.3	0.4	0.5	0.8	1.1
Persons	19.6	21.5	23.2	24.5	25.3

Percentage Distribution					
Age	2002	2012	2022	2032	2042
0-14	20	18	16	16	15
15-64	67	68	65	62	61
65-84	11	13	16	19	20
85 and over	2	2	2	3	4
Persons	100	100	100	100	100

Source: APS Futures Forum Presentation, 13 August 2002, 'Intergenerational Change in Australia: Economic, Fiscal and Financial Implications', Phil Gallagher, Retirement and Income Modelling Unit, Treasury.

⁵ *Intergenerational Report 2002-03* 2002-03 Budget Paper No. 5, p.22.

Based on current trends this will result in a significant rise in Commonwealth outlays, primarily in the areas of health, aged care and income support (age pension).

Expenditure on people aged 65 and over in 1998–99, in terms of main program areas, totalled \$16.6 billion for age, service and related pensions (representing an average real growth rate for the 10 years to 1998–99 of 2.7% per annum); \$5.2 billion for public hospitals; \$1.9 billion for medical services; \$0.96 billion for pharmaceutical services; \$3.4 billion for residential aged care; and \$0.9 billion for home-based care ⁶. (See Table 2 below)

Table 2: Government funding for people aged 65 and over, by service type, 1998 –99

Service Type	\$ billion	Average annual real growth, 1988-89 to 1998-99(a)
Pension (b)	16.61	2.7
Public hospitals	5.23	4.9
Medical services	1.87	7.5
Pharmaceutical services	0.96	8.6
Residential aged care	3.42	5.0
Home-based care (c)	0.91	8.6
Total	29.00	3.8

(a)Real growth calculated from expenditure deflated using the GDP deflator.

(b)Includes Age Pension and Service Pension.

(c)Includes Community Aged Care Packages, Commonwealth-funded respite services, Aged Care Assessment Program, HACC and Carer Allowance.

Source: Australian Institute of Health and Welfare (AIHW) 2002, *Older Australia at a glance 2002 (3rd edition)* AIHW Cat. No. AGE 25. Canberra: AIHW & DOHA, p. 60

Outlays by Centrelink on pensions and other payments to those aged 65 and over totalled around \$15.9 billion in 2000-01, representing about 2.3% of GDP and 41.3% of payments under Social Security legislation⁷.

Projections by Treasury’s Retirement and Income Modelling Unit suggest that the percentage of GDP spent on Age and Service Pensions will reach 4.6% in 2041-2042, a 58.62% increase from the 2.9% of GDP spent in 2001-02.

⁶ Mathers et al. 1998 cited in Australian Institute of Health and Welfare (AIHW) 2002, *Older Australia at a glance 2002 (3rd edition)* AIHW Cat. No. AGE 25. Canberra: AIHW & DOHA, p. 60)

⁷ *Older Australians Fact Sheet 1*, p.1.

Population ageing is not likely to be experienced uniformly across all population groups. For people of Aboriginal and Torres Strait Islander background, preliminary estimates from the 2001 Census show that the majority (93%) are aged under 55 years, with only a small minority (2.8%) aged 65 and over. Their life expectancy is considerably shorter than that for other Australians; for indigenous males born during the period 1998-2000 it was 56 years and for indigenous females it was 63 years (compared with 77 years and 83 years for Australian males and females as a whole, respectively).⁸

Overseas born people make up a significant proportion of those aged 65 and over. Based on preliminary estimates from the 2001 Census, 32% of all those aged 65 and over were overseas born and just over 61% of these were from diverse cultural and linguistic backgrounds (DCALB)⁹. By 2011 it is expected that the proportion of DCALB people will rise to 22.5% of the older population - a 66% growth rate over the 15 year period. It is also expected that by 2011 people born in Italy will make up the largest group of DCALB older people, followed by those born in Greece, people born in Germany, people born in the Netherlands and people born in China. Some 15 years after that, by 2025, the three main groups of older DCALB people will be from Italy, Greece and Vietnam. In the next 40 years, the older DCALB population will continue to increase numerically and also their representation amongst various age groups of the older population - especially amongst those over 80 years - will grow substantially¹⁰.

⁸ Australian Institute of Health and Welfare (AIHW) 2002 *Older Australia at a glance 2002 (3rd edition)*. AIHW Cat. No. AGE 25. Canberra: AIHW & DOHA, p. 48

⁹ Australian Institute of Health and Welfare (AIHW) 2002 *Older Australia at a glance 2002 (3rd edition)*. AIHW Cat. No. AGE 25. Canberra: AIHW & DOHA, p. 2

¹⁰ Australian Institute of Health and Welfare, *Projections of Older Immigrants - People from culturally and linguistically diverse backgrounds, 1996-2026* May 2001

The Needs of an Ageing Population

Retirement incomes

For most of those approaching or in retirement over the next 40 years, their major concern will be ensuring an adequate retirement income. This will likely come from the key sources of government income support, superannuation and personal savings. In the next 40 years the extent to which those in retirement will be relying on income support payments from the Government is likely to change. Not only will more retirees be looking to fund their retirement entirely from self-provision, but those with entitlement to income support payments will also be increasingly using income from their own sources to supplement their Government payments.

Income Support Payments

The Intergenerational Report ¹¹ notes that a key driver of age pension spending will continue to be the increased population of age pension age, though this will be partly offset by a decline in the coverage rate (ie a decline in the proportion in the eligible age group receiving a pension) and a decline in the proportion of pensioners receiving full rate Age pension. The Report notes that the population aged 65 and over is forecast to increase by around 150% between 2002 and 2042; over the same period, the projected spending on age and service pension payments to individuals, as a proportion of GDP, is forecast to increase from 2.93% to 4.59% ¹².

Centrelink, from its experience in delivering retirement income programs and services, is already seeing this shift in increasing numbers of pensioners in receipt of part-rate pensions (because of other income or assets) and a decreasing proportion in receipt of maximum rate pension. In the first quarter of 1999 there were 1,152,684 maximum rate pensioners (around 67% of all age pensioners, and by the first quarter of 2002, this number had risen marginally to 1,200,266 (or just under 67%). In comparison, part-rate pensioners had increased from 553,936 (or 32.5%) to 598,954 (or 33.3%) over the same period. Over this period, around half of all new grants have been at the part-rate, and it is expected that by 2050 there will be approximately two thirds of all age pensioner customers on part-rate and only one third on maximum rate.

¹¹ *Intergenerational Report* p. 42.

¹² *Intergenerational Report* pp. 22 & 44.

Superannuation

Superannuation provisions will be an increasingly important component of retirement incomes in the future, reflecting the fact that the superannuation system encourages and requires greater self-provision for retirement. In addition to compulsory superannuation contributions through the Superannuation Guarantee, people in the workforce are likely to be making voluntary superannuation or other private savings provisions towards their retirement. The Intergenerational Report¹³ notes that the increase in pension payments to this group over the next 40 years will be offset by the increased numbers of retired people drawing superannuation savings. Centrelink data over the period 1997 to 2002 has already shown the impact of superannuation savings; it shows an increasing number of age pensioners with at least some superannuation assets (from 78,500 to 149,500 - or an increase of 90.5%).

However, there will still be groups in the community for whom superannuation provisions will not be a significant component of their retirement incomes; these include overseas born workers who have not been able to contribute to superannuation, women with periods outside the workforce, those with a weaker attachment to the workforce (such as those in temporary employment), women in casual employment with incomes not high enough to engage the standard superannuation guarantee and those not sharing fully in the superannuation outcomes following separation or divorce.

While amendments to both family law and superannuation-related legislation (made in 2001 to allow married couples to split between themselves, on separation, payments from a superannuation fund) will in time redress the situation, there is likely to be a continuing period where existing separated couples make claims on the social security system because of their requirements for financial support.

Centrelink is ideally placed to assess the superannuation issues facing those of retirement age. For example:

- From discussions with customers via professionally conducted focus groups (Value Creation Workshops) age pensioner customers have commented that they need information on how to deal with superannuation and that this, particularly, is an area where early advice would be valuable (that is, before they retire and make decisions which are likely to have permanent tax and income implications). Customers at these workshops also commented that superannuation rules keep changing, which makes it difficult to keep up with current arrangements and their impact on future retirement incomes.

¹³ *Intergenerational Report* p. 10.

- Concerns are also expressed that there is often a lack of freedom in superannuation investment choices (with the result that the opportunity to maximise superannuation savings is limited) and that administrative fees on superannuation schemes can on occasions appear very high, thus proving a disincentive for further self-provision. It is noted, however, that there have been moves recently to remove some of these disincentives, such as the proposed legislative changes that would allow people to take a more active role in managing their superannuation in the future by letting them choose where to invest and to consolidate their savings in one account if they choose; this is also expected to reduce the impact of related fees and charges¹⁴.
- An ongoing concern for many older people is also the impact of taxation on superannuation. Because it is taxed at a number of points (eg when superannuation lump sums are rolled over or reinvested, when taxpayers stop their superannuation pension and then start accumulating it again in the same superannuation fund etc) there are additional disincentives for further self-provision.
- Recent experience shows that when superannuation funds collapse because of inadequate fiduciary control by the fund managers, there is no security for investors who may be largely relying on these funds for their retirement income. Addressing these perceptions and concerns (for example, through a stronger prudential regulatory framework and legislation) is clearly a prerequisite to achieving greater confidence in superannuation as the major source of retirement income for those approaching retirement. There has been some progress towards addressing these concerns with the intention announced by the Government to introduce reforms such as universal licensing of funds, adoption of risk management planning, enhanced disclosure and enhanced enforcement under a new framework¹⁵.
- The recently announced changes in relation to the phased increase in the preservation age from 55 to 60 between the years 2015 and 2025 will also create some concern for those facing retirement over the next 10 to 20 years, as they come to understand that they will need to save more and longer for their retirement. An important outcome of these changes, however, will be the message to those in the workforce that they need to take greater responsibility, and from an earlier age, for their financial well-being and security in retirement.

An expanded role for Centrelink has been proposed by the former Senate Select Committee on Superannuation and Financial Services, arising from its inquiry into the effectiveness and efficiency of the current rules governing early access to superannuation benefits on existing compassionate and severe financial hardship grounds. Its report on *Early Access to Superannuation Benefits* was presented to the Senate in January 2002, and recommended the administration of all claims for early access to superannuation be the responsibility of one agency, preferably Centrelink. In responding to the Inquiry, Centrelink noted that it currently

¹⁴ Senator the Hon Helen Coonan, Minister for Revenue and Assistant Treasurer, Media Release *Unclaimed Super Recovery Initiative to Reunite Australians with Missing Billions*, 24 October 2002

¹⁵ Senator the Hon Helen Coonan, Minister for Revenue and Assistant Treasurer, Media Release *Safety of Superannuation a Priority for Reforms*, 28 October 2002

provides assistance to individuals and families who may be distressed because of personal circumstances or financial hardship. It does this through its broad service delivery network of Customer Service Centres, Call Centres, social workers and specialist staff (such as Financial Information Service officers), as well as referrals to community support groups. Centrelink therefore considers that it is well placed to take on the early release business if necessary and if funded appropriately for the additional resources, skills and IT systems required.

Concessions

Central to the issue of projected levels of payment for age pension into the future is the concern by many of those retired or approaching retirement to gain and retain an income support payment (even if a minimal amount). This is usually done in order to qualify for concessions and fringe benefits provided by Commonwealth, State and local governments. Apart from concessional pharmaceuticals under the Pharmaceutical Benefit Scheme (PBS), full and part rate pensioners can receive considerable benefits in the form of reductions on property and water rates, discounted electricity bills, reduced fares on public transport and on Great Southern Railway lines, and reductions on motor vehicle registration and driver's licence fees. Private businesses also make concessions available to pensioner customers. Interestingly, at June 2002 there were just under 80,000 age pensioner customers receiving a pension of less than \$65 per week, in part reflecting their desire to maintain eligibility for concessions.

The attraction of a pension for some retirees reflects the availability of concessions via their Pensioner Concession Card. Centrelink's retired customers have commented that it is important to them to retain their concession cards and through it, the access provided to community services and benefits. Additionally, for those not eligible for age pension because of high income and, in particular, asset holdings, the Commonwealth Seniors Health Card provides attractions because of the availability of the same Commonwealth pharmaceutical concessions, and the potential for access to other State based concessions in the future (subject to the outcomes of current negotiations with the States). Currently, there are around 280,000 CSHC holders, compared with approximately 42,000 in 1998 before the first of the Budget changes that increased the income limits for CSHC eligibility. Currently, around 92% of the retirement-age population hold a PCC or CSHC from either Centrelink or DVA.

Because of the value placed on concessions, a future consideration for Government might be to provide concessions for all the population over retirement age (irrespective of income support eligibility) which might then provide an incentive for some to move off pension. It may be cheaper to give people concessions than to have them on pension. Such an initiative would need to be linked with a message that encouraged planning to maximise retirement income - a role that Centrelink's FIS is ideally placed to deliver. It should be acknowledged, however, that for a number of pensioners, regular receipt of income (irrespective of the amount) is important to their overall management of financial affairs, and their feelings of security in retirement years.

Complexity in the income security system

The income security system is widely acknowledged to be a particularly complex one. The Department of Family and Community Services Submission to the Senate Select Committee of Inquiry into *Superannuation and Living Standards in Retirement*¹⁶ makes the point that there is complexity in the application of the means test arrangements which are designed to achieve a balance between targeting and providing incentives for self-provision. It notes the growing market complexity in asset holdings, particularly among older Australians, as well as complexity in investment structures (such as private trusts).

The recently released Australian National Audit Office Report No 17 of 2001-02, on *Age Pension Entitlements*, commented that the complexity of and interaction between the varied and changing circumstances of Centrelink's customers, the legislation and processing requirements, is a continuing and major challenge for Centrelink staff¹⁷.

Similarly, a cost efficiency review of Centrelink, undertaken by Boston Consulting Group, has commented on the increased workload complexity for Centrelink.¹⁸ Sources of complexity include:

- proliferation in the rules staff need to know and the rapidity of rule change;
- increased customer complexity, with new Age Pensioner customers having more complex assets than previously; and
- unnecessary rule complexity.

The report makes the point that changes in the profile of new age pension customers have changed the complexity of Centrelink's workload. For example, the average age pension applicant in 2002 is much more likely to have complex financial assets than the average age pension applicant in 1997. Increasing complexity drives increased new claims processing time; in particular, business assets which are now held by 12% of new applicants (compared with 3% of applicants in 1997) are very difficult and time-consuming to assess.

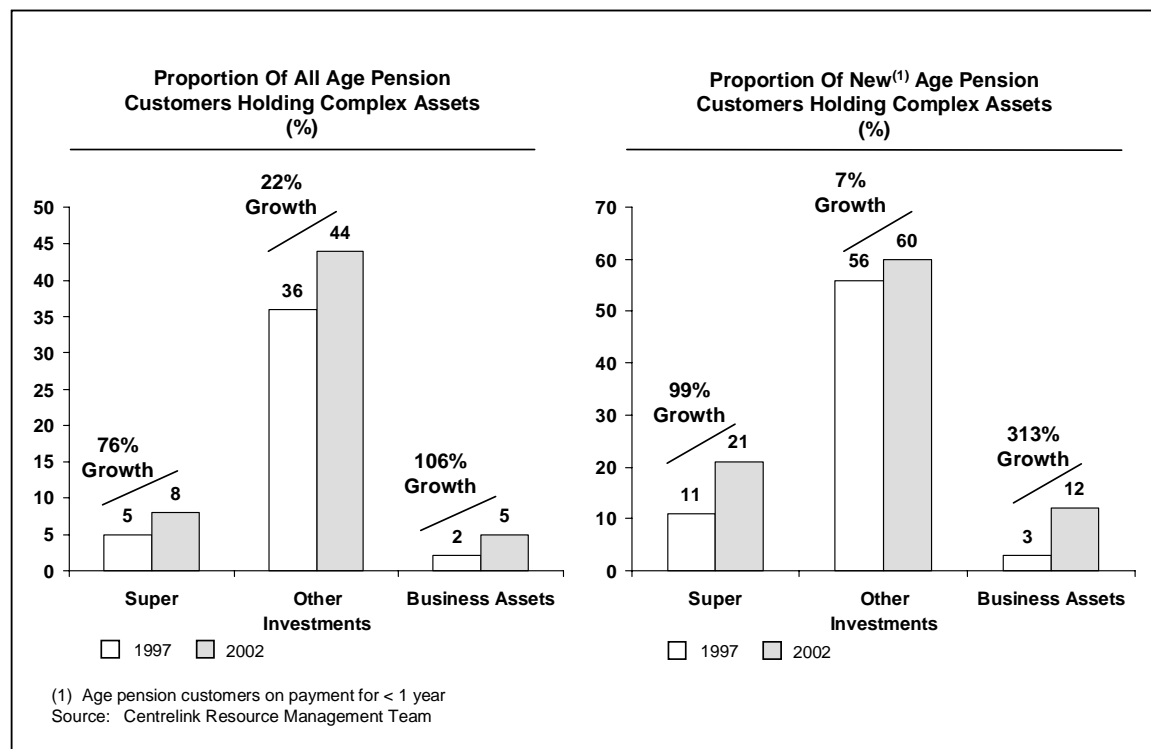
The proportion of new and existing age pensioners holding complex assets is illustrated in the following exhibit from the Report.

¹⁶ Department of Family and Community Services: Submission to Senate Select Committee Inquiry into *Superannuation and Living Standards in Retirement*, July 2002

¹⁷ Australian National Audit Office, Report No. 17 of 2001-02, *Age Pension Entitlements*, November 2002, p.20.

¹⁸ Boston Consulting Group, *Centrelink Cost Efficiency Review*, October 2002, pp 75-6.

Exhibit 1: Age Pension Customers Holding Complex Assets



Additional insights into the increasing complexity in income support provisions can be gained from data showing the number of assets that Centrelink’s age pensioner customers now have, compared with just five years ago; while there was an 8.1% increase in the number of age pensioners over the period from 1997, the number of assets owned by these customers has increased by 23.5%, and the increase has been most notable in business assets (including private trusts and companies), superannuation, and boat, caravan and vehicle assets. The number of age pensioners with income has also increased by close to 10% over this period and although most pensioners (75.6%) have savings or investment income, there are also substantial numbers with superannuation income in some form (11.6%). Those in receipt of overseas pension income comprised 3.7%, while 2.6% had real estate income. Only 2.5% were receiving income from earnings.

Frequent changes to income support provisions have been noted by customers at Value Creation Workshops; comments from participants highlight their view that it is difficult to deal with current retirement provisions when the goal posts and rules keep changing. These differences are exacerbated where legislation differs across portfolios - for example, in the way income and assets are assessed for Australian Taxation Office purposes, compared with Centrelink’s purposes under the social security legislation. People don’t know what may happen in the future and this leaves them in a grey area. Indeed, many customers can’t understand how their income and assets affect their pension now. Customers ask for more and better information on how assets are assessed (is it on the basis of buying price, selling price or insurance value?), share valuations, gifting provisions and earnings.

It is not only that there are complexities in the means test arrangements. The real difficulties arise when there are further refinements and targeting applied to other parts of the income security system that then interact with the income and asset testing provisions. Examples include:

- the recently introduced changes targeted at those with an interest in a private trust or company, where another set of complex income and asset test provisions have been added to the existing complex provisions. Because of the complex nature of these trusts and companies provisions, customers are encouraged to send their forms to their accountants to complete, and Centrelink had to train around 400 Complex Assessment Officers to deal with these assessments.
- complexities in income testing for couples where the partners are paid under different income support systems. The Newstart system uses an income test involving strict fortnightly income provisions; the pensions system allows for fluctuating income, with income averaged over a 13 week period. For couples where the partners are paid under the different systems, the interaction of the income testing provisions can be confusing for both customers and Centrelink staff.
- situations where, if a customer separates from his or her partner and leaves the principal residence, the share of the value of the home becomes assessable to the customer who has left the home; in some of the more affluent areas, this has led to a reduction or cancellation of the pension for the customer leaving the home.
- complexities in relation to aged accommodation. There are effectively three different sets of income support rules applied to the three different types of aged accommodation - retirement villages, hostels and nursing homes. This can become difficult for customers to understand when they age in place and transfer from retirement village to hostel to nursing home; at each point of transfer new rules apply and this is often at a time when they are least prepared for making appropriate decisions. An additional complexity applies to granny flat accommodation, where Centrelink is required to apply deprivation rules, a test of reasonableness based on the customer's life expectancy and value of the accommodation, and where Centrelink staff need to provide advice about the consequences of effectively giving away substantial amounts of money.

Similarly, the interaction of complex arrangements under the income security system with complex programs from other portfolios (eg residential aged care arrangements) adds to the difficulties of retired customers making the most appropriate choices to maximise their overall retirement incomes. For example, if the person enters high level residential aged care, they will be required to pay an accommodation charge if they can afford it, with the maximum charge being calculated on a sliding scale, based on their assets at the date they enter care; the aged care facility's assessment of circumstances and assets is different from the way Centrelink assesses income and assets for the purposes of working out their pension. In terms of their pension entitlement there are complexities in working out the best options for dealing with their former home - either leaving it for their partner, family or carer to continue to live in, selling it, or renting it out. In each situation there are significant issues and in some instances substantial disadvantages in taking various actions.

Policy change in relation to income support programs inevitably gives rise to development of schemes to avoid tax and maximise pension entitlement. As Centrelink's Value Creation Workshops have highlighted, the mindset of those retired or approaching retirement is generally not about maximising their total income but rather how their pension can be maximised; this is often achieved at the expense of their overall financial outcomes. Changing this mindset is one of the more significant challenges for the next decade if retirement income provisions are to be sustainable over the next 40 years.

An approach worthy of further consideration is the option of applying Australian Taxation Office assessments in the social security system as the basis for determining customers' incomes, thereby avoiding what may appear to be duplicative effort by Centrelink in undertaking the current complex income assessments. This arrangement would need to address the current different rules of the tax and income support systems in terms of definitions of income, and of types of income that are exempt from assessment, etc.

Financial Information Service

It is clear that the complexity of the current income support system, and the frequent changes to it, is making it increasingly important for average Australians approaching retirement to make sensible and informed decisions about their best longer-term options for financial security; this puts a premium on the type of information service offered by Centrelink. The Financial Information Service (FIS) is a free service offered to all people (including those not on income support) as an educative and information brokerage service, which helps people to make best use of their own resources. The majority of FIS customers are of mature age but not all are in receipt of Centrelink's payments or services. FIS services are also promoted to people at a much younger age with a view to encouraging greater financial self reliance in later years. This is consistent with Centrelink's desire to be able to provide broader 'Planning Services for the Future' to its customers and the community in general. It provides accessible and relevant information to the community and retirees, to enable them to maintain or improve their standard of living by planning effectively for retirement and maximising their overall retirement income.

Currently FIS limits its services mainly to financial information and impacts on income support entitlements, but there is a clear role for an expanded range of information. For example, if information about aged care, health, support and community services were included, a more holistic service could be provided to meet the needs of a larger number of retired customers and their families.

Financial information is targeted at pre-retirees, retirees, people becoming redundant or retrenched, and to rural communities; FIS also provides information to intermediaries such as financial, welfare, community and industry groups. The Service is particularly well regarded by customers and those in the community as it does not attempt to "sell" financial products.

Customers at Value Creation Workshops have commented that they have experienced difficulties in choosing the right financial advisors or companies in order to get unbiased information and advice (“It’s easy to get assistance but difficult to get unbiased advice.”) Because many financial advisors work on a commission basis, this was considered by older people as creating a bias in the information they provide. By comparison, those who had used FIS considered it a valuable and trusted service.

These commendations are supported by the results of independent market research which show a high level of satisfaction with FIS. Around 93% of FIS one-on-one contact customers were satisfied with the service, and around 89% of FIS seminar participants (who include industry experts) were satisfied. More importantly, research indicates that increasing numbers of FIS customers are acting on the information provided by the service, and this should translate in future years to smaller pension outlays. There are clearly greater opportunities and potential benefits to be gained from the expansion of the Service over the next decade or so.

Workforce participation

In the next 40 years, there will be substantial change in the workforce as a result of structural ageing of the population, people retiring earlier and a decreasing supply of younger skilled workers. These factors, together with changing participation patterns, will affect the retirement incomes of those over retirement age.

There have been a number of workforce participation trends apparent over the last decade or so. For example, as Access Economics¹⁹ have highlighted, there has been:

- a general decrease in the participation rate for all men in the civilian labour force but a general increase in the participation rate for women in the workforce;
- an increase in the proportion of the workforce working part-time, accompanied by a decrease in the proportion working full-time;
- longer periods spent in education by the young (with consequent lower full-time participation rates amongst these age groups); and
- an increase in early retirement for men, shown in the declining participation rate for men aged 45 to 64, and most notably seen in the declining rate for those aged 60 to 64.

The growth in the working age population is currently around 180,000 people a year, but that growth is declining; it is predicted to grow by just 125,000 for the entire decade of the 2020s and by the latter years in that decade it will have declined to zero. It is likely that the adjustment to this decline will be less noticeable in the initial stages, since many older workers will continue working because they have insufficient funds to retire.²⁰

Various reports have identified the overall upward trend in workforce participation in recent decades (especially attributable to the strong increase in female participation rates) but have also forecast that these trends are unlikely to continue due to population ageing²¹. In addition, an increasing trend towards earlier retirement before age pension age has become apparent, as reflected in ABS data; in 1997, 76% of men and 73% of women had already retired from full-time work before age pension age²².

¹⁹ Access Economics *Population Ageing and the Economy*, January 2001 p.xvi.

²⁰ *Population Trends, Annual Economic Update*, BIS Shrapnel, Canberra Times, 21 January 2002, p.3.

²¹ *Intergenerational Report*,

²² 1997 ABS Survey of Retirement and Retirement Intentions cited in *Australian Institute of Health and Welfare (AIHW) 2002. Older Australia at a glance 2002 (3rd edition)*. AIHW Cat. No. AGE 25. Canberra: AIHW & DOHA, p. 15.

Changes in employment overall will be influenced by changes in the working age population, the workforce participation rate, the unemployment rate and average hours worked. Access Economics argues that the increases in participation required to offset the slowing growth in working age population must come from mature Australians²³, especially among those aged over 55 years. It argues, amongst other things, that employers need to introduce more flexible work practices, look to recruit mature workers and encourage later retirement to avoid labour shortages in the future.

The implications of relatively low levels of employment amongst mature age Australians has also been highlighted in the National Strategy for an Ageing Australia²⁴. Age discrimination is seen as a common but artificial barrier to full participation by those aged 55 and over. The projected increase in the working age population from 1997 to 2021 shows that, with the numerical increase in mature aged groups, their low employment levels will have an increasingly negative impact on productivity levels and growth in GDP.

In addition, work by the Social Policy Research Centre found that the likelihood of being retrenched is increased if the person is male, 55 years and over, unmarried, born outside main English speaking countries, having only secondary school education or less, and being a tradesman or labourer²⁵. A further study by the Centre found, inter alia, that small businesses are the greatest source of employment for mature age workers (especially in the business services industry), and that employers' knowledge of the age profile of future labour supply was poor with most expecting an endless supply of younger workers²⁶. It seems that the advantages of having older workers, including their high productivity levels, increased experience and skills, company loyalty, better attendance and greater commitment to quality, are not being recognised.

Centrelink can play a major role in national efforts to reverse these trends and expectations. Australians Working Together is the Government's response to the outcomes of a review in the late 1990s of the Australian welfare system. The features of the reforms are:

- individualised service delivery
- a simpler income support structure
- incentives and financial assistance
- mutual obligations
- social partnerships.

²³ *Access Economics*, p.29.

²⁴ The Hon. Kevin Andrews MP, Minister for Ageing, 'National Strategy for an Ageing Australia' *An older Australia, challenges and opportunities for all*, February 2002

²⁵ Norris K and Bradbury B, 'Analysis of Trends and Characteristics of the Older Workforce', *Social Policy Research Centre*, University of New South Wales, November 2001

²⁶ Bittman M, Flick M and Rice J, 'The Recruitment of Older Australian Workers: A Survey of Employers in High Growth Industry (Draft Report)', *Social Policy Research Centre*, University of New South Wales, September 2000

Amongst the groups targeted for assistance are mature age workers, with the aim to increase the economic and social participation of those over 50 years. Initiatives for these workers will include voluntary and more flexible participation requirements, and additional places in funded services to assist these customers to participate. But some customers, including older workers from non-English speaking backgrounds, will need help to address barriers to participation and so the role of Personal Advisers will be important in assessing at an early stage these barriers, ensuring that customers are streamed into services appropriate for their individual needs, and encouraging them on the right pathway. By combining the Personal Adviser role with FIS services, a particularly effective mechanism could be developed to ensure better participation and outcomes for mature age workers who find themselves out of a job.

There is a range of issues, however, that currently provides perverse incentives or at best, mixed messages for those considering continuing working into traditional retirement years. For example:

- There are some who currently retire early and for a period, run down their superannuation, and then at pension age move onto age pension. The FaCS Submission to the Senate Select Committee Inquiry into Superannuation and Living Standards in Retirement ²⁷ comments that the gap between the preservation age for superannuation and age pension age increases the potential for double dipping in terms of superannuation savings and age pension entitlements; it is possible for people to access their superannuation savings and to use some before age pension age, and then to qualify for age pension. There is also an additional disincentive to returning to the workforce, even on a part-time basis, in the reluctance of employers to take on these mature-age people.
- There are no significant incentives for those on part-rate pension to maintain the real value of their assets. As a result, some will run down their assets and move from part-rate to full-rate pension.
- There are disincentives to continuing workforce involvement in the provisions of the social security system. The treatment of income from earnings in the age pension income test discourages some from anything but marginal workforce attachment.
- The Pension Bonus Scheme seems not to have attracted much interest or take-up. This program allows those approaching age pension age to work and defer claiming age pension, thereby earning a tax-free lump sum bonus. However, it is unsuccessful in terms of incentives (participants currently need to register before a bonus can be accrued, must defer pension for a minimum of 12 months from date of registration, cannot accrue a bonus after age 75 and must complete at least 960 hours of paid work each year); it can not be accessed if the person has received an income support

²⁷ Department of Family and Community Services: Submission to Senate Select Committee Inquiry into *Superannuation and Living Standards in Retirement*, July 2002, p.17.

payment (except Carer Payment) after reaching age pension age and so any post-retirement workforce involvement is effectively discouraged for these people. In

addition, it is likely that only a small proportion of those currently on the Scheme have deferred receiving their age pension solely because of the Scheme's benefits; most would have been continuing in employment anyway, without the Scheme.

In its submission to the Senate Select Committee's Inquiry into Superannuation and Living Standards in Retirement, the Council on the Ageing (Australia) argues that the Pension Bonus Scheme should offer more to people staying on in employment for shorter periods²⁸. It states that under present arrangements a single person working for an additional three years gets roughly one third of the bonus of the person working five years, although the person is saving the Government around \$20,000 on the Age pension and is paying taxes. It is COTA's view that the program in its present form does not meet the needs of older people or take sufficient account of their labour market circumstances.

Issues such as these highlight the need to clearly identify incentives and disincentives in developing such policies and programs. The need to be more flexible and create opportunities for different workforce involvement for those reaching and passing retirement age is therefore clear. Options for consideration include:

- increasing the retirement age (an option that has been discussed in various fora, but with the emerging demographics over the next 40 years, is now likely to be more actively debated in the areas of labour market supply and demand, and income support policies and programs). Apart from contributing to economic growth and decreased demands for income support outlays, it also has significant benefits in terms of better health and life satisfaction for these mature age workers;
- rewarding those in receipt of income support payments and who continue working by loosening the income test or even by not counting any of their earnings against their income support payments. This could be achieved via the tax system (in the case of full-time workers) or via the income security system (in the case of other workers);
- widening the Australians Working Together provisions to specifically encourage ongoing participation for those in "retirement" years - either in employment (full-time, part-time, temporary/casual or permanent) or in voluntary community activities; and
- better focusing by businesses on customer services to meet the needs of their growing aged customer base. It is increasingly being recognised that older people's preference (including amongst those mature-aged who have become unemployed) is to be serviced by staff of a similar age and experience, who are more likely to understand their viewpoint and issues. Recently reported examples of the recruitment of older people to service the needs of older customers include Westpac which has recruited

²⁸ Council on the Ageing (Australia) *Superannuation and Standards of Living in Retirement*, May 2002, p.19.

900 older people, Bunnings Warehouse which has recruited experienced tradesmen over the age of 50 because their older customers prefer dealing with people their own age, Hertz, Australia Post and Centrelink which has employed older people to become personal advisers, providing career guidance and helping customers develop career plans.

Centrelink's discussions with retired customers have highlighted the difficulties for some in finding alternative ways to deal with their time once they are no longer working. This was more often the case with customers forced to retire early due to health or redundancy. One in four customers expressed their first choice in activities and interests as a recreation club, but around one in five said their interests included part time or casual work. As a second choice, a further one in five also opted for part time or casual work. Voluntary work featured in around 18% of customers' responses for their first choice of activities, and in 15% of second choice activities. Greater incentives could be provided for alternative community involvement (such as in voluntary work); one option would be to use a bank of voluntary work "credits" that those who have contributed can draw on for themselves at times of need.

Whatever the incentives to continuing workforce involvement, there needs to be greater recognition of the contribution that workforce involvement provides - not only directly through better use of experience and skills and to the economy, but also indirectly through reduced health costs, more healthy ageing, increased social and community participation etc. This will mean that the type of employment (eg full-time/part-time) and hours of attendance for these people will need to change, along with the nature of work (eg work at home, flexible hours etc), in order to better suit those approaching retirement years. It will also require a change in employers' attitudes to using older/mature age workers (perhaps with the option of subsidies - at least in the first few years - for employers to keep or take on older workers).

Housing and home ownership

Housing arrangements in retirement years are likely to change for most people. 1996 Census data show that most people (69%) over 65 live in separate houses, and a further 22% live in other private housing²⁹. Most lived as a member of a couple, though as they age, they are more likely to find themselves living in non-private dwellings or living alone. The Census also indicates that around 75% of people over 65 fully own their home and a further 5% are paying it off. Around 12% of this population group are renting accommodation.

Centrelink data similarly show that, by the time they start receiving income support payments in retirement, most pensioners have paid off their own homes (68 %) or are paying off their homes (1%); only 10% of age pensioners 65 years or over at June 2002 are in receipt of rent assistance. For those who are older income support recipients (for example, aged 80 years and over) the proportion in receipt of rent assistance is around 10% (at June 2002), but these older pensioners are less likely to be in private rental housing than their younger counterparts.

In terms of future trends, there may be marked differences from current housing and home ownership patterns. With the changing nature of employment in the years ahead (moving away from full-time employment to more casual and part-time employment), the number of young people able to maintain a mortgage and purchase a home is likely to decrease. This is likely to also impact in the future on home ownership rates amongst succeeding cohorts of retired people.

For some in retirement, changes in housing arrangements may only involve modifications to their existing homes to enable continued independent living. For others, however, there may be significant changes ranging from a move into smaller accommodation or retirement village, through to residence in an aged care facility such as a nursing home or hostel. This can be a very difficult decision; Centrelink's customers have indicated that people don't like moving from a place they know, that they want to stay in their own homes as long as possible and that there is an emotional preparation that needs to happen for accommodation moves to occur smoothly.

Home ownership is one of the key factors in financial security in retirement years. For those owning their own homes, critical issues relate to:

- whether they have fully paid off their homes by the time they reach retirement;
- the impact on retirement incomes from maintaining ownership of their homes as an asset (even if they no longer live there);
- the view held by many retired people that they should retain their family home so that it can be passed to their children;

²⁹ *Older Australia at a Glance*, No. 21: Housing of older Australians

- continuing to stay in the family home which in some cases may be inappropriate for retired people's needs. It may be too large, for example, for the requirements of the retired couple or person, and may reflect inappropriate use of the existing housing stock. Maintenance and modifications are also likely to be an important and related concern;
- uncertainties when people move out of their former homes in terms of their future housing, such as 'progression' to retirement village, then to hostel and then to nursing home. These changes may impact on their income support payments and there are no real guarantees that people in need will be able to access the aged care facilities that they hoped or planned to.

While the Government's agenda is to keep aged people out of institutions and living independently in their own homes for as long as possible, this puts a premium on having the available support services and referrals operating effectively and smoothly. Centrelink's experience in operating five Carelink sites in rural and remote areas in Western Australia suggests that there are still gaps in services, referrals and service delivery. Support for independent living requires a fully integrated range of health and welfare services, delivered in an integrated manner. It also requires a comprehensive and up-to-date information service delivered by an agency trusted in the community. Such a service would ideally deliver a full package of information on matters such as income, employment, housing, health, transport, volunteering opportunities, community services, and the like. This might be more effectively achieved in conjunction or partnership with community organisations. Centrelink already has the capacity and proven track record in developing such services.

Health, lifestyle and aged care

A major issue in population ageing is the increasing health costs associated with more people living longer. However, the increasing numbers per se should not suggest that health costs will necessarily rise at the same rate or to the same extent. Rather, the level of health expenditure into the next 40 years will very much depend on people's employment and lifestyle choices in retirement and the availability of opportunities for community participation.

The Intergenerational Report ³⁰ states that the Commonwealth spent 4.3% of GDP on health in 2001-02, an increase from 1.7% 30 years ago. In fact, Health spending has recently exceeded \$60 billion - some \$5.1 billion more than 1999-2000, and a growth rate of 5.1% which is significantly higher than the ten-year trend of 4.4% ³¹. Non-demographic growth (such as new medications listed on the PBS and greater use of diagnostic procedures such as magnetic resonance imaging), rather than population growth, has been the real driver for increased health spending over that time. It is forecast to increase to 8.1% of GDP by 2041-42 ³², with spending on PBS subsidies projected to grow the faster.

It is also apparent that those approaching retirement have been more likely in recent years to have had health or disability problems in the period leading up to age pension age. The impact in terms of retirement provision has been that these customers have had less opportunity to achieve personal savings for financial security in retirement. In recent times, however, with the increasing attention on encouraging customers with a disability back into the workforce or community involvement through Australian Working Together, and with an increased emphasis on capability rather than incapacity, numbers in receipt of Disability Support Pension are likely to plateau or decline, with consequent impacts on numbers transferring to Age Pension at age pension age.

Centrelink's Value Creation Workshops found, not surprisingly, that retired people consider personal health and mobility issues to have a significant impact in retirement years. Dealing with health issues and getting health care is crucial, and for most retirees, health advice and information was the most important or second most important service that retired people need to support them in retirement.

Family support and carer issues are also likely to become increasingly more important for those moving into retirement years; for example, over the next 40 years baby boomers as a group are likely to be more involved in continuing care and support for their own children at the same time as caring for their aged parents. The reality for some of these retirees will be

³¹ *Intergenerational Report*, p.34.

³² Australian Institute of Health and Welfare Media Release *Health spending passes \$60 billion*, 3 September 2002

³³ *Intergenerational Report*, p.37.

that they may be caring for their own children and grandchildren, at the same time as caring for their own parents. The true level of caring responsibilities tends not to be recognised. The caring role impacts most on women and often means that they leave the workforce early; ABS data from the 1998 Survey of Disability, Ageing and Carers indicate that 70% of all primary caregivers are women, with over half of these providing care to either children or parents, and 27% caring for both children and parents³³. These trends are reflected in the number of people in receipt of Carer Allowance - currently at 290,490 (November 2002) and 30% up on the numbers two years ago. Some of Centrelink's retired customers report that they need to deal with elderly or sick relatives, or issues for other family members; this can then compound their own retirement issues and concerns.

Residential aged care is a further concern for many aged people, with critical decisions affecting care and ongoing income support provisions having to be made at a time when either the aged person or their families are in stressful circumstances. At 30 June 2001, there were 134,004 permanent residents and 2,604 respite residents in residential aged care. Around 72% of permanent residents were women. By far the majority of permanent residents were aged 75 years or over (85%); indeed, 50% were aged 85 and over, and 6% were 95 and over. The numbers in the 65 to 74 age group were similar for both sexes, with the proportion who were women increasing substantially in the 75 to 84 years, and 85 and over, age categories.

In the later 1990s, approximately 7% of people aged 75 and over were in residential aged care³⁴. As a proportion of GDP, Commonwealth spending on aged care (both residential aged care and community aged care) made up 0.7% in 2001-02, but is forecast to increase to 1.8% in 2041-42³⁵. This increase will mainly be in residential aged care, which Access Economics expects will start impacting in the 2030s³⁶. In preparation for this impact, the Minister for Ageing has, for example, recently announced the development of a National Aged Care Workforce Strategy to identify the workforce profile of the aged care sector and its needs until 2010³⁷.

It is often acknowledged that the transition into aged care is difficult for individuals and families to manage.

- Very few are prepared for this stage in their lives or make the effort to understand the provisions and processes before they need to. There is clearly a requirement for more education on this topic well before these decisions need to be made.

³³ Australian Bureau of Statistics 1999, *Disability, ageing and carers: summary of findings Australia*, 1998. Cat. No. 4430.0 Canberra:ABS, cited in Australian Institute of Health and Welfare (AIHW) 2002 *Older Australia at a glance 2002 (3rd edition)*. AIHW Cat. No. AGE 25. Canberra: AIHW & DOHA, p. 42.

³⁴ *Older Australia at a Glance*, No 29: Nursing homes

³⁵ *Intergenerational Report*, p.38.

³⁶ *Access Economics*, p.xvii.

³⁷ The Hon Kevin Andrews MP, Minister for Ageing, Media Release *Minister Announces National Aged Care Workforce Strategy*, 15 August 2002

- Associated with these decisions, estate planning issues need to be considered well before the move into aged care. Estate planning gives the person certainty that their wishes will be undertaken after they die. It can include matters such as arranging a will, setting up nominee arrangements with agencies like Centrelink, putting in place prepaid and prearranged funeral plans, organ donation etc and means that issues surrounding incapacity and death are less traumatic for those remaining.
- Transition into aged care highlights the importance of preplanning overall, including arrangements for power of attorney. Power of attorney, for example, allows people to plan ahead and ensures that, in the event of incapacity, they have someone, who they have chosen, to make financial and legal decisions on their behalf.
- Additional difficulties arise for particular groups of aged people, particularly those from culturally and linguistically diverse backgrounds. The Minister for Aged Care has recently identified the need for culturally appropriate care, noting that the number of older Australians from these backgrounds will increase by 66 per cent between 1996 and 2011, which is substantially greater than the general increase in the population over 65³⁸.
- Because of the interplay between health, welfare and income support provisions for people in residential aged care, there is potential for undue complexity in program arrangements. For example, the treatment of the former home under the social security provisions and the requirements for paying an accommodation bond or charge to aged care facilities makes decision making difficult for the resident and in some cases has resulted in residents making unwise decisions about the disposal of their former homes.

These difficulties point to the need to simplify arrangements and streamline overall processes across government; they suggest the need for greater integration in policy development and program planning, and for fewer agencies to be involved in service delivery.

One option for better preparing retired people for such major decisions, and for better integrating information services to these people, is that of an expanded FIS role to cover a wide range of topics and issues, such as health issues (eg covering information on safety, diet, exercise, social interaction/isolation), housing, residential aged care, time use and consumer-related issues. This would be additional to FIS's current role in providing information on financial planning and preplanning for those in and approaching retirement.

The expanded FIS service could also be utilised to provide information services to young people on how best to manage money and debt, and how to plan for retirement, including changing work and income patterns in the future which may ultimately affect their savings patterns and outcomes.

³⁸ The Hon Kevin Andrews MP, Minister for Ageing, Media Release *Need for Culturally Appropriate Care will Grow*, 25 October 2002.

Centrelink might also usefully develop further capacity in facilitating the delivery of community support programs. In recent years a number of Centrelink offices have become voluntarily involved in supporting community agencies in the delivery of their programs to the retired community. Notable examples include:

- the involvement of Centrelink's Coffs Harbour and Illawarra Call Centres in the Red Cross' Telecross service on a voluntary basis, whereby aged people are contacted daily to check on their well-being;
- activities aimed at bridging the digital divide and increasing the computer literacy of senior citizens, through community partnerships with Gold Coast Seniors on the Net, and Brisbane Seniors Online, and similar initiatives in Port Augusta and Adelaide;
- inviting community service organisations into Centrelink offices to meet there or deliver their services - for example, a families-related community project delivered at Beenleigh.

All of these initiatives have been developed and undertaken by Centrelink staff in a voluntary capacity. The potential for further development of social coalition activities such as these is reflected in Centrelink's mission which includes building a stronger community through building quality relationships with business and the community to improve the social well-being of the Australian society; it would provide a more human face for government and a more efficient service for the community.

Education

Education is an important base for ongoing financial security and successful community and workforce participation in retirement. Increasingly, lifetime education will be the norm over the next 40 years and will cover formal educational courses and training directed at attaining workplace qualifications, as well as more general education in life skills matters. With the likely need to encourage more of the “retired” population to retain some workforce attachment, those approaching retirement years will be required to develop slightly different or even new skills to better equip them for changed workforce participation over these years. The Australian Chamber of Commerce and Industry’s Chief Executive, Peter Hendy, has made a similar observation recently³⁹. He predicts that in future years, retirement at age 55 will be a luxury that fewer older people will be able to afford because the pressures on real incomes will draw them back into the workforce, and that therefore more resources will need to be directed at programs providing re-skilling.

Educational programs will need to continue diversifying, for example, to cover such matters as:

- Planning for retirement. This ideally should be part of basic secondary and tertiary education, so that as soon as the individual makes the transition to the workforce, they will be prepared for decisions about saving, managing money and investing for their retirement and the future, including superannuation choices. While Centrelink’s FIS has already made some steps in this direction, there is room for a much greater role for FIS in expanding this activity.
- Income support eligibility and entitlements. The focus should be on educating those approaching and in retirement about money management, savings, and ways of maximising the totality of their retirement income. Centrelink has seen in recent years an increasing trend for potential customers to organise their affairs in such a way as to maximise their age pension entitlement but to the detriment of their overall retirement income.
- Skills for social and community participation in retirement. The role of the University of the Third Age exemplifies the broad range of interests older people in the population have, and the way in which older people can be self-supporting in meeting their own educational needs and interests.
- The benefits and positive outcomes from volunteering. Continuing an active attachment in retirement to community groups and activities is acknowledged to be a major factor in maintaining a healthy older life.

³⁹ Australian Chamber of Commerce and Industry Media Release, *The Ageing Population: A Business Perspective*, 4 October 2002, p.9.

Another important new skill for older Australians will be the development of computer literacy. The digital divide has already been acknowledged as an issue for those in retirement. Telstra recently highlighted the results of research that identified website design as a major barrier to older people accessing on-line services, as well as the need to have such sites more accessible to people with varying physical, sensory and cognitive abilities (to reflect the increasing numbers of older people with a disability in the coming 50 years)⁴⁰. Centrelink has already been involved in activities aimed at bridging the digital divide and increasing the computer literacy of senior citizens. This will be an ongoing focus for Centrelink's future involvement in community and business partnership projects.

⁴⁰ Telstra Media release: *Telstra bringing older Australians online*, 30 October 2002.

Issues and Challenges for Centrelink

Centrelink is ideally placed to service the needs of retired people, and those planning for retirement. Because of its already pivotal role in delivering income support programs and a range of ancillary retirement-related programs (such as aged care income assessments and operating Carelink centres for the Department of Health and Ageing), it would be administratively appropriate and cost-effective for Centrelink to take on a broader role in the coordinated delivery of a wide range of government services and programs. This would have the direct advantages and benefits of a more holistic service delivery to these groups in the population, taking account of the interplay between different client agency programs.

An integrated model involving delivery of programs from across more portfolios would also reduce the layers of complexity arising from the current elaborate and targeted welfare programs for older Australians. Such a move would be especially supported by Centrelink's retired customers who have commented that having to deal with more than one department is difficult, as there is no exchange of information and a lack of communication between these agencies.

Centrelink is already moving in the right direction for ensuring easy access to a broad range of services and programs. It has the technology available for smarter, faster and more effective service delivery, and has developed a range of access channel options to overcome barriers of older people accessing our services. In addition to its large and decentralised network of Customer Service Centres across Australia, Centrelink currently supports a range of mechanisms to deliver information and provide access to a wide cross section of the community. It has direct contact with around 6.4 million customers (or 32% of the Australian population), but provides entitlements to around 9.5 million people. It achieves this through a network of 314 Customer Service Centres, 320 community agents, 27 Call Centres and a range of specialist service centres and access points. This network supports a broad strategy for information delivery, including:

- internet;
- newsletters; and
- information brochures.

Information provision is not limited to income support customers, and there is a strong emphasis on working with local communities, community groups and client agencies to achieve the delivery of information, services and programs to customer groups.

In addition, the social coalition will become increasingly important in the next 40 years for delivering programs and solutions to older Australians. There are already moves apparent in bringing together the public, private and community sectors to work towards more integrated services, and Centrelink is well-positioned to progress this through the links it has already established with community groups (both formally and informally). This will be further reinforced as Centrelink fully implements the Australians Working Together initiatives which

includes the key outcome of stronger communities generating more opportunities for social and economic participation; social partnerships are the basis to achieving this objective and encompass, inter alia, building community business partnerships - a key role for Centrelink in developing formal and informal links with the local community.

Challenges for the next 40 years, and how can Centrelink help

Information for, and in, retirement

Because of people's need to plan ahead and prepare adequately for retirement, information is a critical tool. The importance of maximising total retirement income is the key message, and this needs targeting to all retirees and those approaching retirement; indeed, there is a strong argument for making such matters an inclusion in life skills education for those in secondary and tertiary education so that they can make informed decisions about matters such as superannuation when they move into workforce participation.

Those in and approaching retirement also need information which is targeted at particular times and events in this period, and available from particular access points. Centrelink's customers have themselves made this point; they say they need financial information that is independent and unbiased, and they need this information before people reach the point of retiring. Over one third of our customers say that they would prefer to obtain information about services and programs for the retired at an office that provides information about all Government and community services. The information areas of greatest need include retirement planning generally, investment options, maintaining lifestyle and concessions information. They see the opportunity for a service which assists customers in planning for the full range of changes brought on by retirement, and that FIS is the ideal starting point for such a service.

This suggests that programs such as the existing FIS should be extended with a broader charter in terms of target groups (eg to incorporate information programs to much younger audiences), and with a broader set of subject matter issues to cover. FIS has proved very successful over many years in educating customers to maximise the benefits able to be obtained through their own resources. Building on this experience, it would be desirable to extend this form of servicing to assist customers and the community to plan for their ongoing economic and social participation beyond their immediate situations. This service would have personal benefits to the customer beyond retirement income and continuing workforce participation, with maintained health status and improved standards of living in retirement being among the flow-on benefits.

Changing attitudes

The education process to encourage a change of attitude towards retirement needs to commence now. There is a need to convince people of the benefits of early planning, as research suggests that around one-third of people in or approaching retirement have done little or no planning. Most do not recognise or value retirement planning information until close to or after the event. Changing community attitudes towards income support in retirement is also a priority issue; people need to recognise that the best outcomes will be achieved not by trying to maximise their entitlement to the Government's income support provisions but rather through their superannuation provisions and personal savings. As a related area, attitudinal change is needed in favour of continuing labour force involvement and greater active community participation; this needs to be supported through access to re-skilling programs and volunteering opportunities.

These matters fit well within Centrelink's remit. The Australians Working Together initiative, linked with information services through FIS, would provide the ideal approach to changing these attitudes.

Encouraging participation by mature age workers

With the changing of the age demographic for the Australian population, more focus will be required in the next 40 years on encouraging participation by mature age workers in the workforce and community sectors. Whereas in past years the emphasis has been on increasing youth economic and social participation, it is likely that, with the "thinning" of the youth workforce, an emphasis will revert to retaining experience and skills in the workforce. Initiatives such as employing mature age workers to deliver services to mature age customers are a positive example, but a substantially wider range of initiatives is needed - such as opportunities for using these skills and corporate experience in full-time, part-time, casual, temporary and voluntary positions. Creativity and flexibility are the keys to success in achieving these outcomes, aligned with getting the incentives right for continuing workforce involvement - for example, through the tax system and under the income test provisions of the social security system.

Again, encouraging mature age worker participation economically and socially, is a key plank of the Australians Working Together initiative that Centrelink is currently delivering. At present, however, there is no formal link between that initiative for mature age workers and the subsequent retirement income support and lifestyle issues. A broadening of the AWT program would achieve a more integrated set of welfare reform outcomes and would recognise the importance of workforce attachment well past the traditional retirement age. Centrelink is ideally placed to achieve such an integrated program.

Community Connections

An important issue for many is making the right connections to available community and welfare services when they are needed. There are already significant enhancements available in the community in terms of referral services for those needing health and related information and contacts, through a range of services such as the Carelink service; through its delivery of Carelink services in a number of sites, Centrelink is well aware of the benefits and positive outcomes that such initiatives can have.

Centrelink's Community Connections initiative is likewise making a significant contribution to information and customer referral, and on a much wider front. Community Connections builds on the extensive links that have been developed by Centrelink's decentralised network of Customer Service Centres and Call Centres throughout Australia, and their close knowledge of local conditions and contacts. It provides up-to-date information about local community services and resources, such as community providers' contact details, opening hours, customer groups they service and referral requirements. A related Centrelink service, Community Connect, provides community service providers with access to various Centrelink tools to enable streamlined service delivery for shared customers.

The need for a more comprehensive whole-of-government approach in such information databases and networks is apparent, as identified by Centrelink's retired customers. The Centrelink program could be appropriately extended and enhanced to cover these wider community connections, with additional resourcing and support from all tiers of government.

Integration in services and programs

On a broader scale across a range of Commonwealth government departments, there are difficulties created for retired people because of the lack of integration in services and programs which are all directed to the same target group. The result is policy developed in isolation. Even when different portfolio initiatives are delivered under the one Centrelink banner, Centrelink is often placed in a position where it is compelled to achieve integration of these various provisions so that they appear to be seamlessly delivered and 'make sense' to its customers.

Having different agencies developing their specific retirement-related provisions in isolation leads to customer confusion and annoyance at having to deal with multiple government agencies (even though the information requirements and services are closely linked). More importantly, it leads to unnecessary complexity in rules and delivery arrangements, as well as the significant risk of unintended consequences. As a result, government policy is perceived as fragmented and working at cross purposes.

There have been occasions in the past when the option of a single department of ageing to look after all ageing issues, policies and programs has been suggested to overcome a lack of integration in such areas. From a policy sense, there would be advantages in such a move, and from a service delivery perspective, it is clear that Centrelink would be ideally placed to be the agency for a comprehensive and co-ordinated service delivery role.

Based on its considerable experience, Centrelink has an important and valuable role in being able to deliver via a one-stop-shop a diverse range of community and welfare-related programs. In addition to greater integration in policy decision making for health, welfare and income support programs, client agencies need to be aware of the contribution that Centrelink can make to achieving co-ordinated delivery of a range of programs in the one location. Centrelink's capacity to provide a whole-of-government approach needs to be better recognised and reflected in the range of business it undertakes.

Looking ahead ...

In the light of these issues and challenges, Centrelink looks forward to the next 40 years and the opportunities that will be presented to deliver services and programs that will make a positive difference to the lives of the many Australians moving towards and in retirement. We are optimistic and confident that we can make a significant contribution in a wide range of areas to achieve the Government's objectives. We will achieve our vision, enunciated when Centrelink was established, to provide exceptional service to the community by linking Australian government services and achieving best practice in service delivery.

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