

## EXECUTIVE SUMMARY

While research shows an increase in the average wealth of older people in recent years and a comparatively high rate of home ownership, a broad-picture focus on the average obscures the fact that the distribution of wealth amongst many older Australians is unbalanced. For a significant minority, cost of living pressures are placing them in increasing financial stress. These older Australians do not enjoy a decent quality of life.

Australians have endured cost of living increases over recent years. In many cases, incomes have generally risen commensurately and compensate for these cost pressures. However, many older people, especially those on low, fixed incomes with little discretionary spending capacity, are vulnerable to these rises. In particular, they are disproportionately affected by cost increases in essential goods and services - food, rent, petrol, household utilities and healthcare. Escalating housing rents and the growing cost of medical care (most notably, a lack of affordable and timely dental services and the cost of pharmaceuticals) are of particular concern.

The number of older Australians likely to suffer these cost of living pressures will increase in the future. Projections show that by 2042 the proportion of the population aged 65 and over will double to be one in every four people, while growth in the labour market is likely to remain stagnant. Taken together with increasing life expectancies, these trends have the potential to slow economic growth and reduce older Australians' standard of living.

The Australian social security system remains aimed at alleviating poverty and hardship and uses various measures to determine eligibility. The adequacy of pension and superannuation levels, and the indexation arrangements for government benefits, payments and concessions substantially impact on the ability of older people to deal with cost of living pressures.

As one of these measures the Age Pension is primarily designed to be a social protection mechanism and not an income replacement measure. However, while there has been an increase in the real value of the Age Pension over the last decade, evidence suggests that for those on a full pension this level may be insufficient to maintain a basic, decent standard of living. People consistently gave evidence to the committee that the maximum single-rate pension level as a proportion of the maximum couple-rate pension is notably inadequate. Further, the indexation arrangements for the Age Pension and other relevant government payments fail to reflect the specific spending patterns of older people. Along with this, the decline in the value of concessions and the trend towards user-pays systems have eroded the purchasing power of the pension.

Consistently expressed in evidence was the overwhelming view that those most at risk of financial stress are single pensioners - especially women - receiving the full-rate pension and living in private rental accommodation. Older people with severe

disabilities or chronic illnesses and those in residential aged care are also particularly sensitive to cost of living pressures.

Participation of older people in social and community activities – both because of their life experience and the time they can dedicate to these activities - is beneficial to everyone, including the older people and the value they bring to the community. However, for older people on restricted budgets the capacity to engage in social and community activities can be severely limited.

More and more, older Australians are taking on caring responsibilities - caring for their partners, grandchildren and sometimes their own parents. At the same time, the level of participation of older Australians in voluntary work is comparatively high. These activities are insufficiently recognised and supported in government policies and yet they unquestionably benefit the broader Australian community.

Many older people will need to work beyond the retirement ages experienced by preceding generations. Employers will have to be open to employing older people, while older people will need to maintain skills relevance (particularly in an era of rapid technological change). In short, Australians will need to work longer and save harder if they want a decent quality of life in retirement.

Governments have introduced a range of initiatives to encourage individuals to plan financially for retirement. Most notable was the introduction of compulsory superannuation in 1992 and subsequent reforms to the superannuation system. These have been instrumental in improving the financial outlook for future older Australians. The generation of private savings has already taken some pressure off the age pension system enabling better targeting of age pension resources. As superannuation balances grow the proportion of older people receiving the full Age Pension will decline, while the standard of living for many older people is expected to improve.

However, for current and imminent retirees who have had limited opportunity to take part in the compulsory superannuation system, the Age Pension will remain critical to their future well-being. For some Australians – those in part-time and periodic employment and those on particularly low-incomes—compulsory superannuation yields limited benefits. Further, improvements to the superannuation system, whilst commendable, have tended to benefit those on middle to high incomes with low-income earners largely missing out. These superannuation issues are particularly acute for older women, who are more likely to have worked in part-time and periodic employment for lower remuneration.

The committee has made a number of recommendations which aim to alleviate the current pressures experienced by older Australians on low incomes. These include a review of the Age Pension base level and indexation arrangements, a review of financial thresholds to access government services, benefits and concessions, the introduction of measures to improve access to dental care and changes to residential care fee structures.

The committee has also proposed a series of recommendations designed to meet the future challenges that an ageing population will present. This includes the introduction of measures to encourage an increase in the level of superannuation contributions and enable Australians in part-time, periodic and low-income employment to participate more fully in the superannuation system. Initiatives to facilitate greater attachment to the labour market for older people have also been recommended.

With the demand for rental housing set to increase dramatically over the next twenty years, the committee has recommended a national strategy that aims to ensure a diversity of affordable housing options for older people. A review of Commonwealth Rent Assistance has also been proposed.

Older Australians have contributed substantially to Australia's current prosperity and many continue to contribute to the broader community through voluntary work and caring responsibilities. The committee has made recommendations that recognise and support these valuable activities.

