The Senate

Standing Committee on Community Affairs

A decent quality of life

Inquiry into the cost of living pressures on older Australians

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ACRONYMS AND ABBREVIATIONS

ABS	Australian Bureau of Statistics
ACCV	Aged and Community Care Victoria
ACON	Aids Council of New South Wales
ACOSS	Australian Council of Social Service
AIR	Association of Independent Retirees
AMP	Australian Mutual Provident Society
AMWU	Australian Manufacturing Workers' Union
ASF	Australian Seniors Finance
APSL	Australian Pensioners' and Superannuants' League
AWOTE	Average Weekly Ordinary Time Earnings
COTA	COTA Over 50s
CPI	Consumer Price Index
CPSA	Combined Pensioners & Superannuants Association
CSHC	Commonwealth Seniors Health Card
CSSA	Catholic Social Services Australia
DFWA	Defence Force Welfare Association
DVA	The Department of Veterans' Affairs
CACP	Community Aged Care Packages
EACH	Extended Aged Care at Home Packages
EACH D	Extended Aged Care at Home Dementia Packages
FACSIA	Department of Families, Community Services and Indigenous Affairs
FAHCSIA	Department of Families, Housing, Community Services and Indigenous Affairs
GDP	Gross Domestic Product
GST	Goods and Services Tax

HACC	The Home and Community Care Program
MTAWE	Male Total Average Weekly Earnings
NATSEM	National Centre for Social and Economic Modelling
NCOSS	Council of Social Service of New South Wales
NIA	National Institute of Accountants
OECD	Organisation for Economic Cooperation and Development
PBS	Pharmaceutical Benefits Scheme
PCC	Pensioner Concession Card
WAA	Women's Action Alliance

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.

RECOMMENDATIONS

Chapter 8

Base pension levels

Recommendation 1

8.34 The committee recommends that the Government review the suitability of the base pension levels through economic analyses of amounts required to achieve at least a modest standard of living for retired Australians, with particular consideration given to the adequacy of the percentage rate for single older people receiving the age pension compared to couples. (*Chapter 3*)

Standardisation of indexation

Recommendation 2

8.35 The committee recommends that:

(i) the Government review and standardise the indexation methodology of pensions, social security and other government retirement benefits to ensure they maintain their relative levels. In particular, the Government should note limitations highlighted during the inquiry about the use of the Consumer Price Index, as well as other possible indexation mechanisms such as the Australian Bureau of Statistics' Household Expenditure indices.

(ii) the review should also address the particular financial disadvantage of single women, many of whom have had a life of broken working patterns and an inability to access superannuation arrangements.

(iii) while the review is undertaken and to ensure immediate relativity, the Government should index Commonwealth funded superannuation benefits and the military pension to Male Total Average Weekly Earnings or the Consumer Price Index, whichever is the higher, as is currently the practice with the age pension. (*Chapter 3*)

Superannuation

Recommendation 3

8.36 The committee recommends that the Government continues its review of incentives and initiatives related to superannuation savings, especially aimed at facilitating and encouraging greater savings for older people in vulnerable groups. In particular this review should consider measures that will ensure a reasonable standard of living for older people, especially women, those on below average incomes, those who have lived with long-term chronic illnesses and those whose earning capacity has been greatly limited by their caring responsibilities. (*Chapter 3*)

Reverse mortgages

Recommendation 4

8.37 The committee recommends that the Government monitor the usage and impact of older people accessing reverse mortgages and other similar products, including their effect on the eligibility of older people for government benefits and pensions. (*Chapter 2*)

Indirect benefits including concessions and rebates

Recommendation 5

8.38 In order to increase the capacity of indirect benefits to meet the needs and ameliorate financial stress experienced by older people, the committee recommends that:

(i) the Government review the efficacy of indirect benefits.

(ii) governments at all levels should provide services, subsidises, rebates and concessions for older people which recognise the limited incomes available to this age group and should ensure these indirect benefits are set at a fair and appropriate level and are sufficiently indexed to maintain their real value.

(iii) the financial thresholds for eligibility for indirect benefits, including the Commonwealth Seniors' Health Card, should also be set at a fair and appropriate level, and be indexed to maintain their relative accessibility.

(iv) in order to achieve greater national uniformity, Commonwealth, State, Territory and local governments work together to develop a nationally recognised senior's card to provide concessions and benefits to eligible older people and to negotiate reciprocal arrangements across jurisdictions with respect to public transport concessions. (*Chapter 4*)

Residential aged care

Recommendation 6

8.39 The committee recommends that the Government review the access and funding arrangements for concession residents in residential aged care facilities under the hardship provisions of *The Aged Care Act 1997*. In particular, it should determine the amount required to finance basic needs such as pharmaceuticals – including medication not covered under the Pharmaceutical Benefits Scheme – clothing, toiletries, and some discretionary spending to allow necessary social participation and at least a decent quality of life. (*Chapter 6*)

Recommendation 7

8.40 The committee recommends the Government review the disparity in the fees paid by those people entering residential aged care requiring high level care and those requiring low care to ensure that all people in residential aged care are treated equitably. (*Chapter 6*)

Housing

Recommendation 8

8.41 The committee recommends that the Government review current arrangements, incentives and initiatives related to the housing of older people and develop a strategy to ensure a diversity of affordable housing options for older people. This strategy should include the availability of public housing, an enhancement of the capacity of housing associations, local government, religious groups, community organisations and the private sector to assist older people.

8.42 In particular, the review should consider initiatives that would improve the situation of those in the most vulnerable economic situations – such as the adequacy of rental assistance for pension recipients in private rental accommodation – and ensure that subsidies and rental assistance are adequate to cope with rental cost increases and allow access to affordable and appropriate housing. (*Chapter 5*)

Dental care

Recommendation 9

8.43 The committee recommends that the Government consider the appropriateness of current dental care arrangements for older people. The consideration should involve engagement with the State and Territory governments and aim to introduce measures to increase access to adequate dental care and include a cost-benefits analysis of the impact of inadequate access to dental care on other aspects of the health care system. (*Chapter 5*)

Volunteers

Recommendation 10

8.44 The committee recommends that the Government consider financial initiatives to assist older people in continuing to contribute to the community as volunteers. Such measures should recognise the benefits derived by the community from such participation and address the increasing cost burdens met by volunteers. (*Chapter 6*)

Labour market participation

Recommendation 11

8.45 The committee recommends that the Government continue developing initiatives and incentives to encourage greater involvement in the labour market among older people to improve the quality of life of their retirement, contribute to the economy's productivity and reduce the strain on the Government's social security budget. (*Chapter 7*)

Same-sex couples

Recommendation 12

8.46 The committee recommends that the Government amend *The Aged Care Act,* Commonwealth supported superannuation schemes, taxation measures and other relevant Commonwealth legislation and mechanisms to remove any actual or potential discrimination against same-sex couples. This should ensure such couples experience identical opportunities to heterosexual couples in achieving quality of life in retirement, meeting cost of living pressures and enjoying retirement benefits. (*Chapter 6*)

Financial advice and other information

Recommendation 13

8.47 The committee recommends that the Government review the range of financial advisory options for older people, including those planning for retirement, and enhance information programs that aim to inform and educate older people about their entitlements and ways to manage and maximise personal finances.

Financial institutions, businesses and other professional services

Recommendation 14

8.48 The committee recommends that the Government encourage financial institutions, businesses and other professional services structure their customer services, fees and penalties to take into account the position of pensioners and other older people with limited capacity to pay and, wherever possible, assist them to take advantage of low-fee plans and options.

Kinship care

Recommendation 15

8.49 The committee recommends that:

(i) the Government investigate the circumstances of grandparent carers, with particular concern for the type and level of support available to those taking on the role of primary carer though both formal adoption and informal kinship care.

(ii) governments at all levels increase the level of support and respite available to older Australians undertaking kinship care, particularly for those taking on the role of primary carer to younger children. (*Chapter 6*)

CHAPTER 1

INTRODUCTION

Terms of reference

1.1 On 14 June 2007 the Senate referred the issue of the cost of living pressures for older Australians to the Committee for inquiry and report by 13 September 2007. The reporting date was subsequently extended to the last sitting day in March 2008. Following the 2007 election and change in government the inquiry was formally re-adopted by the Senate on 14 February with a reporting date of 20 March 2008. The full terms of reference for the inquiry required the committee to inquire into and report on the following matters:

(a) the cost of living pressures on older Australians, both pensioners and self-funded retirees, including:

(i) the impact of recent movements in the price of essentials, such as petrol and food,

(ii) the costs of running household utilities, such as gas and electricity, and

(iii) the cost of receiving adequate dental care;

(b) the impact of these cost pressures on the living standards of older Australians and their ability to participate in the community;

(c) the impact of these cost pressures on older Australians and their families, including caring for their grandchildren and social isolation;

(d) the adequacy of current tax, superannuation, pension and concession arrangements for older Australians to meet these costs; and

(e) review the impact of government policies and assistance introduced across all portfolio areas over the past 10 years which have had an impact on the cost of living for older Australians.

Conduct of the inquiry

1.2 The inquiry was advertised in *The Australian* newspaper and on the committee's website. Invitations to provide a submission were also sent to government institutions, community groups and other interested stakeholders, commentators and organisations. The committee received 239 public submissions and 21 confidential submissions. A list of the individuals and organisations that made public submissions to the inquiry has been included as Appendix 1.

1.3 The committee held public hearings in Melbourne on 23 August 2007, Canberra on 20 September 2007 and Brisbane on 8 February 2008. The list of witnesses who gave evidence to the committee at the public hearings has been provided in Appendix 2. Copies of the Hansard transcript are available through links at http://www.aph.gov.au/Senate/committee/clac_ctte/older_austs_living_costs/hearings/index.htm.

Acknowledgement

1.4 The committee received substantial assistance during the inquiry and thanks those organisations and individuals who made submissions, gave evidence at the public hearings and otherwise provided assistance.

Structure of the report

1.5 The report has been structured into eight chapters, which discuss the key income and cost pressures faced by older people, their consequences for quality of life and community participation, and key government policies and initiatives that impact on these issues. The inquiry was undertaken prior to the change of government following the 2007 election. References to government policies in accordance with term of reference (e) refer to the former Coalition Government. An update on the policy initiatives of the new Labor Government since the election is at Appendix 3.

1.6 This chapter provides the context for the inquiry including details regarding its conduct, the terms of reference and background on the ageing population. Chapter 2 outlines the general financial situation of older people, particularly with respect to assets and debt levels. Chapter 3 provides a review of the various income streams available to older people, notably pensions and superannuation, and their adequacy. It also reviews the other payments available and the prevailing indexation methodology that applies to incomes and payments. Chapter 4 discusses the concessions and rebates provided to older people, their significance for affording the costs of living and issues surrounding their indexation. The array of cost pressures faced by older people is outlined in chapter 5. This includes general inflationary pressures, the expenditure patterns of older people, as well as movements in the prices of specific goods and services. Chapter 6 outlines the quality of life experienced by older people, especially as a result of caring responsibilities and rising cost pressures, as well as their effect on community participation and social isolation. A general review of government initiatives and policies to assist older people in meeting cost of living pressures is provided in chapter 7. Chapter 8 summarises the committee's view and provides recommendations on possible policy initiatives and areas for further investigation.

Background

Defining older people

1.7 As was mentioned in the submission from the Department of Families, Community Services and Indigenous Affairs (FACSIA)[1] and provided in evidence to

1 Following the 2007 election FACSIA became the Department of Families, Housing, Community Services and Indigenous Affairs

the inquiry by a range of witnesses, identifying and defining retirees and older people has become more complex. Most of the submissions did not clearly define older people. However, unless otherwise stated, in this report older people are considered to include Australians in retirement or of retirement age. Retirement age includes men of 65 or over, men in receipt of a veterans' service pension aged 60 or over, women aged 63.5 and over and women in receipt of a veterans' service pension aged 60 or over. The Committee acknowledges that National Seniors represents people aged 50 and over and that their background is across the board.

1.8 There is now a substantial emphasis on managing retirement, career egress and departure from the workforce. Retirement is no longer a fixed date whereby individuals stop working, but often now involves continued work in some capacity to suit lifestyle or financial imperatives. Consequently, the demographics of retirees and older people incorporate diverse segments of the population, distinct age-cohorts and people of different financial means. For instance, despite the nominal retirement ages of 65 for men and 63.5 for women, 24 per cent of Australians aged 45-64 have completely retired and 9 per cent are partly retired.[2]

Demographic change and economic and social challenges

1.9 Living standards and their sustainability for older people are of growing importance to Australian society. This is due to Australia's anticipated demographic change over the coming decades, which will result in a higher proportion of older people in the population than ever before. This is a common trend among Western countries as fertility rates fall and life expectancy increases, especially as a result of medical breakthroughs, technological progress, higher incomes and less manually intensive labour. Life expectancy has been extended to 80 for men and 84 for women.[3] At the same time, years spent in retirement have increased to 16.8 years for men and 22.6 years for women.[4] It is important to note that these demographic characteristics do not yet hold true for Aboriginal and Torres Strait Islander peoples.

1.10 The 2007 *Intergenerational Report* reported that the proportion of the population over 65 will double to approximately 25 per cent over the next 40 years. During this period, total labour force participation rates are expected to decline as a result of the majority of this age-group entering retirement.[5] This shift in the age

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2 AMP & the National Centre for Social and Economic Modelling, 'May the Labour Force Be With You', November 2005, *AMP.NATSEM Income and Wealth Report Issue 12*, p. 20.

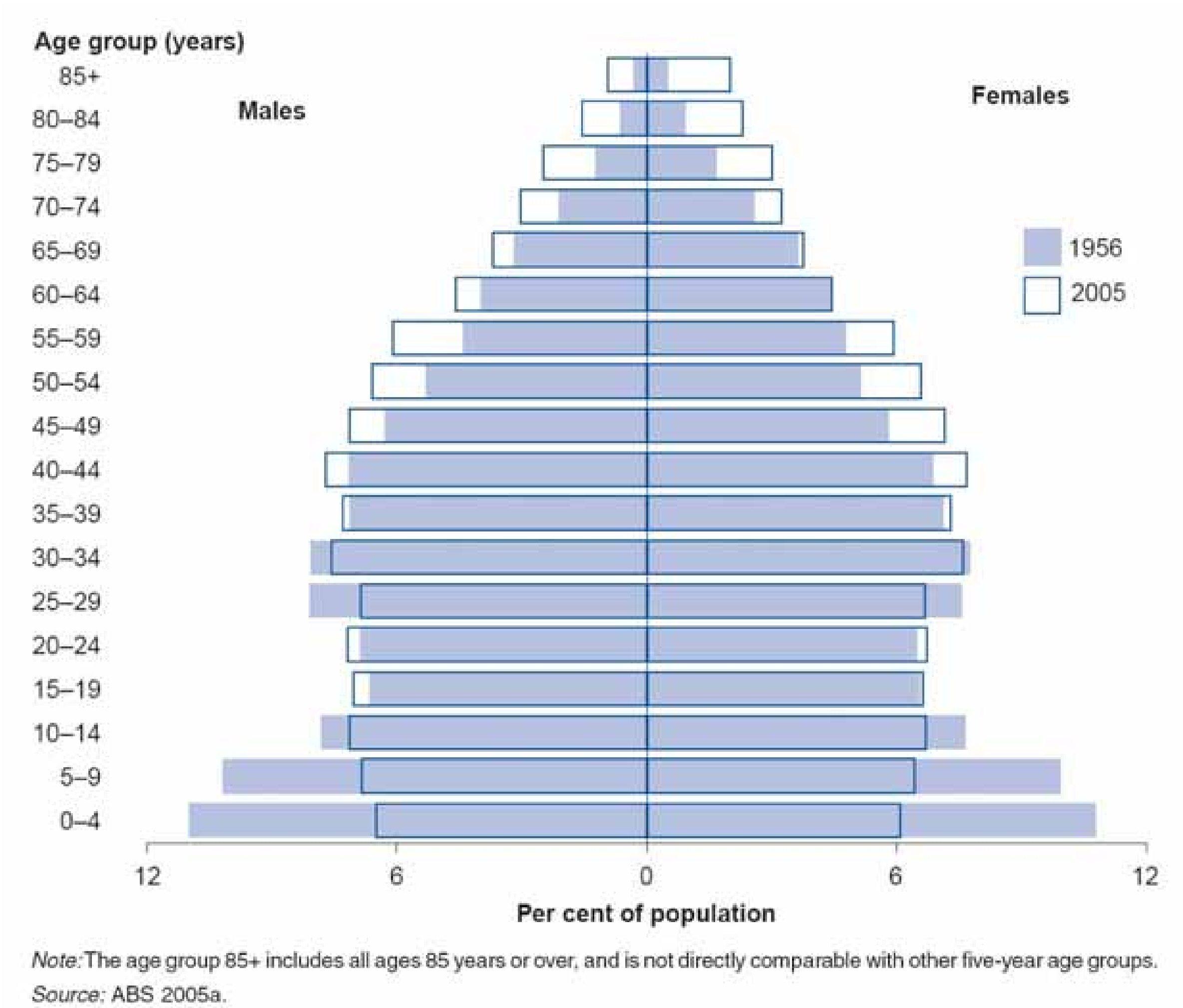
3 Hazel Lim-Applegate, Peter McLean, Phil Lindenmayer and Ben Wallace, 'New Age Pensioners—Trends in Wealth', 2007, *Australian Social Policy 2006*, p. 1; Greg Coombs and Brian Dollery, 'The Ageing of Australia: Fiscal Sustainability, International Equity and Inter-temporal Fiscal Balance', November 2004, *Australian Journal of Social Issues, Volume 39*, p. 460.

4 Megan O'Connell, 'The Role of Training in Preventing the Labour Market Exclusion of Older Workers', February 2005, refereed paper presented to the *Transitions and Risk: New Directions in Social Policy Conference*, Centre for Public Policy, University of Melbourne, p. 4.

5 The Hon. Peter Costello MP, *Intergenerational Report 2007*, April 2007, pp. ix-xi.

structure of the economy will continue the trend over the last fifty years captured in Figure 1.1. Currently, there are 5.25 people of working age in the labour market for every person aged 65 or more. However, if we assume current working age participation rates continue, this will fall to 2.2 by 2050-51. The ageing of the population will disproportionately affect some States, with South Australia and Tasmania particularly affected following their historical propensity to have younger people migrate.[6]

Figure 1.1: Age structure of the Australian population, 1956 and 2005



Source: AIHW, Australia's Health 2006, p.16.

1.11 These shifts in Australia's demography have various potential impacts, especially on the performance of the economy, the characteristics of the electorate, the nature of services required, as well as costs associated with health, aged care, pensions and other aspects of public administration. The sustainability of economic growth will be put under pressure as a result of lower labour force growth, lower productivity, skills shortages and budget pressures, as older people require greater government

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6 Productivity Commission, *An ageing Australia: Small Beer or Big Bucks?*, 2004, pp. 1-3.

spending than younger ones. Spending on age pensions is expected to rise from 2.9 per cent to 4.6 per cent of GDP between 2002 and 2042, with rises in the number of eligible recipients (though offset to a certain extent by enhanced superannuation accumulation). Similarly, health and aged care spending is projected to rise from 4 per cent to 8.1 per cent of GDP over this period, as older people have greater requirements for medical treatment and pharmaceuticals. The lower labour market participation that would ensue will be ameliorated to an extent by a (declining) pool of new young workers, increasing participation from women, immigration, improved education and the consequent greater participation rates created, and greater encouragement for older people to work.[7]

The significance of cost of living rises for older people

1.12 The terms of reference for the inquiry are fundamentally aimed at assessing the standards of living for older people, the capacity of the government to influence these factors and the efficacy of past measures taken for this purpose. There are various factors relevant to calculating standards of living that are intangible and difficult to measure, such as social networks. For this reason, the terms of reference seek to ascertain the effect of cost pressures on some of these aspects of community participation. Clearly, cost of living pressures are fundamental factors in determining the proportion of income and expenditure required on essentials, the remaining resources for disposable income and discretionary spending.[8]

1.13 Since the early 1990s, Australia has experienced continuous economic growth, moderate inflation, high business investment, improved wages, record low unemployment and sustainable enhancements in living standards.[9] However, the strength of the economy has highlighted the need to ensure that all Australians have shared in the benefits and that certain segments have not been specifically disadvantaged or left behind. Economic growth can sometimes be associated with rises in the cost of living, which can be particularly felt by those on lower incomes, such as pensioners and self-funded retirees.

1.14 Of particular importance to this inquiry, older people, and particularly retirees, are often more vulnerable to rises in the costs of living than many other

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7 Productivity Commission, *An ageing Australia: Small Beer or Big Bucks?,* 2004, pp. 4-5; Greg Coombs and Brian Dollery, 'The Ageing of Australia: Fiscal Sustainability, International Equity and Inter-temporal Fiscal Balance', November 2004, *Australian Journal of Social Issues, Volume 39*, pp. 461-462; Megan O'Connell, 'The Role of Training in Preventing the Labour Market Exclusion of Older Workers', February 2005, Refereed paper presented to the *Transitions and Risk: New Directions in Social Policy Conference*, Centre for Public Policy, University of Melbourne, p. 3.

8 Harry Greenwell, Rachel Lloyd and Ann Harding, 'An Introduction to Poverty Measurement Issues', December 2001, *National Centre for Social and Economic Modelling Discussion Paper No: 55*, pp. 11-12.

9 The Hon. Peter Costello MP, *Address to Australian Businesses, Ensuring Australia's Economic Prosperity: The Intergenerational Report*, 10 April 2007, p. 2.

people. Those that are still working have limited time to improve their financial situation before entering retirement. Those that are in retirement often receive fixed incomes and can be extremely sensitive to even small rises in the cost of living. Consequently, this report explores the general change to costs of living that have been experienced across the Australian community, the financial capacity of older people to meet these costs and the impact on living standards and quality of life.

1.15 The financial well-being of older people depends on numerous factors, which will be explored throughout this report and include degree of wealth, retirement income, availability of concessions and costs incurred. Older people represent a very diverse group, which means that their well-being depends on their personal circumstances. However, there are various trends common to the demographic, which are affecting these issues. The FACSIA submission to the inquiry acknowledged that the needs of older Australians are diverse, and their circumstances are not homogenous, and provided a statistical snapshot of the general characteristics of older people. These include that older persons are on average wealthier, have lower levels of debt, have high rates of home ownership, have disposable incomes that are approximately half of the disposable incomes of all households, and tend to report experiencing higher levels of prosperity and lower levels of financial stress than other groups.[10]

1.16 FACSIA also argued older people were less likely than other demographics to experience financial stress. The level of financial stress declines with age to about 5 per cent in those over 70. Other findings of its research included that older people have very low levels of subjective poverty. That is, very few (less than two per cent) consider themselves to be poor.[11]

1.17 However, these findings were contradicted in personal evidence provided to the inquiry by many submissions from older people and community organisations involved in the provision of services for older people. St Vincent de Paul Society research into cost pressures on various households since 1990 concluded:

> Increased cost pressures have disproportionately impacted upon various households depending upon the stages of their life cycles and income source. It [St Vincent de Paul's report: *Winners and Losers: the Story of Costs, Social Policy Issues Paper 2*] finds that since 1990 there has been a growth in inequality due to changes in the cost burdens of various goods and services. Of particular concern is the impact these cost pressures have on the aged, parents and those reliant on the rental housing market and public transport.[12]

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10 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 3.

11 Department of Families, Community Services and Indigenous Affairs, *Social Policy Research Paper 29: Income Poverty, Subjective Poverty and Financial Stress*, 2007, pp. ix-xi, 25, 33.

12 St Vincent de Paul Society National Council, *Winners and Losers: the Story of Costs, Social Policy Issues Paper 2*, 19 December 2004, p. 1.

Conclusion

1.18 The demographic change anticipated in Australia over the coming decades has highlighted the importance of this inquiry. The shrinking of the labour force and increased proportion of people in retirement will have substantial impacts on the costs of public administration and the quality of life of older people.

1.19 Also, the contradictory evidence highlighted above regarding the general financial situation and well-being of older people has reinforced the importance of the inquiry and was characteristic of the broader evidence presented to the committee. In part, this was the result of different focuses and methodologies employed in the research. It also reflected distinct findings when personal and anecdotal evidence was compared to broader statistical analysis and general overviews of the older population. This has highlighted the different demographics, entitlements, financial situations and quality of life characterising different segments of the older population.

1.20 Evidence before the committee highlighted that older Australians from culturally and linguistically diverse backgrounds have complex needs. It is important that those delivering services are conscious of the cultural and linguistic diversity of older Australians. It needs to be recognised that the homogeneity of particular culture groups also varies and it should not be assumed that all members of the group hold the same values and beliefs. Service provides need to recognise that not be aware of all the potential linguistic and cultural barriers to ensure they provide effective and appropriate assistance.[13]

1.21 Many older Australians who speak English as a second language revert to their primary language as they age. Service providers need to be conscious of this fact and tailor services to ensure that any language barriers can be overcome.

1.22 The committee also heard that many elderly Indigenous Australians have complex health needs. There is a need for Aboriginal people to have timely access to aged care services and other supports. The appropriateness of those services can be diminished without attention to individual needs and responsiveness.[14]

1.23 The following chapters of this report examine the differing circumstances that highlight the distinct experiences of different segments of the older population in relation to cost of living pressures. They will focus on key aspects of coping with cost of living pressures including the incomes and wealth of older people, the role played by concessions and subsidies, the movement in the costs of living both recently and over the past decade, as well as the impact these factors have on quality of life and community participation.

13 Ethnic Communities Council of Victoria, *Submission* 53, p.2.

14 Council of Social Service of NSW, *Submission* 54, p.10.

CHAPTER 2

WEALTH AND DEBT

Asset accumulation

2.1 There is a common public perception that the current generation of retirees and those approaching retirement have substantial wealth. Certainly, older people have a high and growing—due to the ageing of the population—percentage of total household wealth. According to Kelly and Harding, the current generation of older Australians are the wealthiest yet.[1] Other research has similar findings, noting that the share of wealth held by people aged 65 and over rose from 17 per cent in 1986 to 27 per cent in 1997, while the proportion of the population in that age group increased by a much smaller margin—from 10.5 per cent to 12.1 per cent.[2] This represents an increase in the average wealth of older people of 90 per cent in this period.[3] More recent research has noted the continuation of this trend, with those aged 65 and above possessing 22.9 per cent of total household wealth, with those aged 55-64 possessing 24.3 per cent.[4]

2.2 Research into the financial circumstances of older people has noted that between 1999 and June 2004, 30 per cent of partial-rate age pensioners increased their total assets in real terms, including three per cent that lost eligibility for the pension due to assets growth. Another 30 per cent maintained 80-100 per cent of the value of their assets in real terms, with most of the devaluation due to inflation rather than drawing down on the nominal value.[5]

2.3 In its submission to the inquiry, FACSIA reported similar findings. It cited ABS data that indicated households headed by a person aged 65 or older hold $778 billion in net assets. The average and median wealth levels of older households ($566 600 and $355 800 respectively) exceeded those of younger households ($355 800 and $282 900 respectively). These patterns were also reflected in terms of comparisons of couple households and single person households.[6]

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1 Simon Kelly & Ann Harding, 'Don't Rely on the Old Folks' Money: Inheritance Patterns in Australia', December 2006, *Elder Law Review Volume 4*, p. 1.

2 Hazel Lim-Applegate, Peter McLean, Phil Lindenmayer and Ben Wallace, 'New Age Pensioners—Trends in Wealth', 2007, *Australian Social Policy 2006*, pp 5-6.

3 Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, p. 5.

4 AMP & the National Centre for Social and Economic Modelling, 'Baby boomers – doing it for themselves', March 2007, *AMP.NATSEM Income and Wealth Report Issue 16*, pp 1, 16, 18.

5 Hazel Lim-Applegate, Peter McLean, Phil Lindenmayer and Ben Wallace, 'New Age Pensioners—Trends in Wealth', 2007, *Australian Social Policy 2006*, p. 16.

6 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 3.

2.4 Older people enjoy a comparatively high rate of home ownership with 82.1 per cent owner occupiers, and an average home and contents value of $409 900. Older couples enjoy a comparatively higher rate of owner occupancy than older singles with 90.4 per cent compared to 74.5 per cent. The home ownership rate for age pensioners was lower at 70 per cent. Home ownership helps the living standards of those in these circumstances by reducing costs, compared to those in rental accommodation. In addition to the financial benefits, older people that own their homes enjoy greater stability and housing reliability. FACSIA reported that many older people prefer stability of housing, with a familiarity and attachment to their local area, its facilities and friends in the area, more than the house itself.[7]

2.5 The assets exemption for home-ownership for eligibility for the aged pension means that some retirees have a valuable asset combined with a limited income stream. However, FACSIA submitted that there was little evidence to suggest older people were asset rich and income poor. In particular, FACSIA noted that only 16 per cent of older households are in the top half of the wealth distribution but the bottom half of the income distribution. Further, only 1.3 per cent of the older population had wealth in the highest quartile and income in the lowest quartile.[8]

2.6 Other evidence considered by the inquiry suggests that a focus on average or demographic wealth accumulation belies the fact that the distribution of wealth is often uneven.[9] For example, in 2002, 80 per cent of those aged 65 and above only possessed 37 per cent of the wealth in this age bracket.[10] Consequently, many older people remain financially and socially disadvantaged.

2.7 Although some pensioners are able to generate income additional to their pensions such as through investments in other assets, the Combined Pensioners and Superannuants Association argued that the capacity to do so declines with age. By the age of 75, the age pension tends to be the only income received.[11] Also, the National Institute of Accountants (NIA) warned that changes to accounting standards have resulted in more conservative investment strategies for pension funds, which means that returns are not being maximised.[12]

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7 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, pp 6-7.

8 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 10.

9 Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, p. 2.

10 Simon Kelly & Ann Harding, 'Don't Rely on the Old Folks' Money: Inheritance Patterns in Australia', December 2006, *Elder Law Review Volume 4*, pp 1, 3.

11 Combined Pensioners & Superannuants Association (CPSA), *Submission 66*, p. 4.

12 National Institute of Accountants, *Submission 67*, p. 6.

Realisation and conversion of asset value

2.8 Consideration of wealth in determining capacity to afford cost of living pressures can be misleading. Research by AMP and the National Centre for Social and Economic Modelling (NATSEM) has highlighted that a large proportion of the wealth of older Australians is preserved in illiquid assets, most notably the family home.[13] The growth in the share of total household wealth experienced by older people over the past decade has been attributable largely to the housing price boom. Therefore, although many older people are wealthy on paper, utilisation of that wealth would require sale of the family home, which many would be highly reluctant to consider.

2.9 The Australian Housing and Urban Research Institute (AHURI) reported that older people are most likely to move as they age as a result of increasing problems with house and garden maintenance, particularly with the death of a spouse or declining health.

2.10 According to a survey by AHURI, 82.8 per cent of respondents viewed the family home as an investment for the future, 86 per cent believed home-ownership increased choices about lifestyle and 74.8 per cent argued that it was an investment that could be sold or borrowed against to fund requirements in old age. AHURI considered that this underlined the common perception of home ownership providing an important enabler to a person's future lifestyle choices.[14] The survey found that the attachment of home-owners was more likely to be to their neighbourhood than the home itself. AHURI argued:

> The symbolic dimension of the home as the foundation for personal identity is now somewhat blurred as the values of consumption and lifestyle begin to take precedence.[15]

2.11 However, according to the Brotherhood of St Laurence, many retirees actually find it very difficult to convert assets into a means that can enhance their standard of living. This is because the boom in property values has also proportionally increased the competition, availability and costs associated with purchasing retirement villages and lifestyle apartments. Consequently, an increasing proportion of homeowners are being financially excluded from these housing options due to the lower value of their family homes. According to the Brotherhood of St Laurence, many homeowners have now joined non-homeowners in suffering the problem of affordable housing options for older people.[16]

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13 AMP & the National Centre for Social and Economic Modelling, 'Baby boomers – doing it for themselves', March 2007, *AMP.NATSEM Income and Wealth Report Issue 16*, pp 1, 16, 18.

14 AHURI, *Ageing in place: intergenerational and intrafamilial housing transfers and shifts in later life: AHURI Final Report No. 88,* October 2005, p. ix.

15 AHURI, *Ageing in place: intergenerational and intrafamilial housing transfers and shifts in later life: AHURI Final Report No. 88,* October 2005, p. ix.

16 Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, p. 17.

Debt levels

2.12 FACSIA argued that older households possess much lower levels of debt compared to other households. Further, it maintained that only 2-3 per cent of older people (aged 65 and over) are still repaying a mortgage, which is a tenth of the national average.[17] NATSEM and AMP research has also reported that debt levels decrease with age and retired households generally have fewer debts than households where there is continuing employment. The debt levels of retired households are almost a quarter of those of employed households, but it is probable that superannuation is used to reduce debt.[18]

2.13 However, while other evidence considered by the inquiry confirmed these arguments, it also highlighted that older people appear to be taking greater debt into retirement than previously was the case. Almost 90 per cent of older Australians aged 60-64 have paid off their mortgages on the family home, according to AMP and NATSEM.[19] This represents a fall from over twenty years ago. In 1986, 98 per cent of retiree households and 94 per cent of households with one person in the older age bracket had paid off their mortgage.[20]

2.14 The submission of the Brotherhood of St Laurence reported similar findings. It argued that while 79 per cent of 65 year old households own their own homes, this includes only 57 per cent of those aged 55 to 64. In 1982, 56 per cent of those aged 50-59 owned their own home without a mortgage and by 2003-04 this had fallen to 46 per cent. The percentage living in a home where they are paying a mortgage went from 28 per cent in 1982 to 38 per cent in 2003-04.[21] Those on fixed incomes have greater difficulty servicing loans that accrue compound debt.

2.15 The higher proportion of retired households that own their own homes suggest superannuation has been used to pay off mortgages.[22] This is also reflected in research by FACSIA[23] and evidence provided by Hobsons Bay City Council. The latter's community profile has indicated home ownership levels increase consistently with

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17 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, pp. 3, 7.

18 AMP & the National Centre for Social and Economic Modelling, 'The Lump Sum: Here Today, Gone Tomorrow', March 2004, *AMP.NATSEM Income and Wealth Report Issue 7*, p. 8.

19 AMP & the National Centre for Social and Economic Modelling, 'Baby boomers – doing it for themselves', March 2007, *AMP.NATSEM Income and Wealth Report Issue 16*, pp. 2, 9-10.

20 AMP & the National Centre for Social and Economic Modelling, 'The Lump Sum: Here Today, Gone Tomorrow', March 2004, *AMP.NATSEM Income and Wealth Report Issue 7*, p. 7.

21 Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, p. 15.

22 AMP & the National Centre for Social and Economic Modelling, 'The Lump Sum: Here Today, Gone Tomorrow', March 2004, *AMP.NATSEM Income and Wealth Report Issue 7*, p. 8.

23 Hazel Lim-Applegate, Peter McLean, Phil Lindenmayer and Ben Wallace, 'New Age Pensioners—Trends in Wealth', 2007, *Australian Social Policy 2006*, p. 10.

age, but drop for persons aged 85 and over. Similarly, the proportion of those renting or paying off a mortgage decreases with age, but increases for persons aged 85 and over. The submission does not draw a definitive conclusion for this phenomenon but speculates:

> This may be due to persons aged 85 years or more having used up their retirement benefits and being forced to sell or re-mortgage their home when their funds run out.[24]

2.16 The FACSIA research formed a similar conclusion. But both the FACSIA research and the Hobsons Bay City Council raised the other possibility that this age group simply reached retirement in a less affluent and superannuation-focussed period and accumulated fewer retirement funds over the course of their lives than younger retirement cohorts.

2.17 The Association of Independent Retirees (AIR) also reported a significant decline in home ownership after the age of 85, based on a survey of its members. It concluded that this was due to the increasing cost of maintenance due to loss of a male partner, reduced physical capability to conduct maintenance and increased age of homes.[25]

Dependents and financial pressures later in life

2.18 Whether or not older people continue to have dependents appears to be a key influence on lifestyle choices that affect retirement. Typically, Australians who have retired or are of retirement age have had no dependent children. However more recently, according to research by AMP and NATSEM, many in this demographic still have dependent children. More than half of people aged 50-54 have dependent children and 13 per cent of those aged 65-69. The research noted the financial freedom associated with not having dependent children is not necessarily felt by this age-group, especially the younger members.[26] This has been reflected in the debt settlement among people in retirement or of retirement age, as aforementioned with respect to house ownership and mortgage liquidation. The National Institute of Accountants made similar observations noting that the increasing trend towards delayed marriage and child-birth, and subsequent marriages, are resulting in extended periods into later ages of associated financial obligations.[27]

2.19 Consequently, the proportion of couples aged 60-64 with children who own their homes outright is 75 per cent, which is lower than for couples in this age group without children. AMP and NATSEM concluded that this reflects the greater financial

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24 Hobsons Bay City Council, *Submission 3, Ageing Community Profile: Ageing Well Strategy 2007-2017*, February 2007, p. 27.

25 Association of Independent Retirees, *Submission 2,* p. 7.

26 AMP & the National Centre for Social and Economic Modelling, 'The Lump Sum: Here Today, Gone Tomorrow', March 2004, *AMP.NATSEM Income and Wealth Report Issue 7*, p. 1.

27 National Institute of Accountants, *Submission 67,* p. 6.

strain suffered by those who continue to have dependent children. This trend is also reflected in the level of broader debt experienced by older couples compared to older singles in Australia. Whereas a majority of single people aged 60-64 report that they did not have any debt, two-thirds of couple households and three-quarters of couple households with dependent children report still having debt. Most of this debt is attributable to credit cards. Further, while most Australians aged 60-64 have little higher education debt, almost one quarter of those with children reported having such a debt.[28]

2.20 Since 2002, the workforce participation rates of older men have increased. Although there are various explanations for this trend, it could partly be the result of people having greater financial responsibility, expenses and debts in the lead up to retirement. These responsibilities are partly the result of having children later in life and, consequently, those children undertaking secondary and tertiary education later. Also, the increase in the real prices of housing has meant that mortgages have increased and the time taken to pay off the mortgages has similarly increased.[29] AMP and NATSEM reported similar findings that greater financial burdens imposed by having children also influence the decision to take retirement and the potential phase-out from the workforce. People without children and of retirement age are three times more likely to retire than those with children.[30]

Reverse mortgages and equity conversion

2.21 During the inquiry, NIA and Australian Seniors Finance (ASF) highlighted the increasing use of reverse mortgages - or home equity conversion loans - by older people. These allow the retiree to exploit equity in their house while living in the family home, but do not require repayments until the owner leaves the home to enter aged care, sells the home or dies. NIA reported that the average reverse mortgage was $30 000 to $40 000, and that the industry had grown from nothing five years ago to being worth $647 million 2006 and is projected to reach a value of $3 billion by 2010. Home reversion schemes are also becoming increasingly popular, which involves the sale of the family home to a third party and then leasing the property back.[31]

2.22 ASF pointed to various reasons for reverse mortgages including financing renovations, capital purchases, vacations and accommodation bonds for residential care. However, ASF also argued that the pension was inadequate to help older Australians meet cost of living pressures and noted that some retirees were being forced to rely on credit to finance their living expenses. This included health expenses,

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28 AMP & the National Centre for Social and Economic Modelling, 'Baby boomers – doing it for themselves', March 2007, *AMP.NATSEM Income and Wealth Report Issue 16*, pp 2, 9-10.

29 Parliamentary Library Economic, Commerce and Industrial Relations Section, *An Adequate Superannuation-based Retirement Income?*, 16 March 2006, pp 13-14.

30 AMP & the National Centre for Social and Economic Modelling, 'The Lump Sum: Here Today, Gone Tomorrow', March 2004, *AMP.NATSEM Income and Wealth Report Issue 7*, p. 3.

31 National Institute of Accountants, *Submission 67*, p. 10.

dental care, local government rates and taxes, credit card debt and assisting with the education of grandchildren.[32] At the public hearing in Melbourne, ASF reiterated its concern that reverse mortgages were primarily being used to supplement the incomes of older people and meet needed expenses such as house maintenance and repairs. It maintained that this finding was the result of annual independent research into the attitudes and needs of older people. ASF asserted:

> Seniors who have accessed reverse mortgages are doing it for life needs. Sadly, some of them are doing it just to make ends meet. The majority of our loans and the majority of the industry's loans are to do things like renovate houses—not for lavish things, but to allow seniors to stay in their own homes and access some of the federal and state government care schemes.[33]

2.23 ASF also provided evidence that some older people utilise reverse mortgages to fund lifestyle choices, such as visiting overseas grandchildren or holidays, but that this constituted a minority. Others, often with limited incomes but valuable home assets, seek reverse mortgages to distribute their estates to their children at the time of need, rather than death.[34]

2.24 NIA highlighted the potential adverse effects of reverse mortgages, notably the impact of compounding interest, which can erode or exceed the value of the asset. However, it noted that most providers include 'no negative equity guarantees' to prevent this situation.[35]

2.25 ASF noted that despite initial reluctance, since 2004 a greater proportion of older people had accepted reverse mortgage and other equity release products. ASF provided evidence that as at December 2006 there were 27 500 reverse mortgages in Australia, constituting $1.6 billion. Further, ASF expected that as of August 2007 there were approximately 30 000 reverse mortgages representing $2 billion. The average reverse mortgage is about $50 000, with older people generally being prudent about their level of debt incurred through reverse mortgages. Some lenders, such as ASF, provide a maximum loan value ratio to cap the amount that can be borrowed at certain ages to prevent too great an escalation of debt. Repayment is required either on the death of the last resident or five years following the relocation of the last resident to permanent care.[36]

2.26 Mr Michael O'Neill from National Seniors Australia emphasised that many older people have limited options for generating additional income to meet cost of living rises. He argued that this can lead to poor or risky decision-making where

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32 Australian Seniors Finance, *Submission 42*, pp 7-8.

33 *Committee Hansard*, 23 August 2007, p. 1.

34 *Committee Hansard*, 23 August 2007, p. 10.

35 National Institute of Accountants, *Submission 67*, p. 10.

36 *Committee Hansard*, 23 August 2007, pp 4, 6 & 9.

immediate pressures take precedence over longer-term needs. Within this context Mr O'Neill noted the growing interest in reverse mortgages.[37] Along these lines, Mrs Maida Lilley from Older People Speak Out told the committee that many senior organisations are concerned about the future financial situation of older people accessing reverse mortgages.[38]

Conclusion

2.27 The evidence before the committee clearly demonstrates the complexity of assessing the financial situation of older people. Irrespective of their incomes, generally many older people are in a more advantageous financial position than much of the rest of the population with respect to assets and debt. Therefore, measures of the capacity of older people to afford the cost of living must take into consideration factors such as rates of home ownership and the consequently lower housing costs associated with these rates. But this also highlights the importance of ensuring there is adequate assistance for the large minority who, for whatever reasons, find themselves in a disadvantaged financial position with respect to their peers. For example, the Government needs to ensure adequate policies exist to assist the 30 per cent of aged pensioners who rely on the private, public or community housing rental market.

2.28 It is also apparent that, increasingly, people are having greater financial responsibilities later in life. This is the result of various factors including having children later in life, servicing greater mortgages as a result of higher house prices, financially supporting children through higher levels of education and growing instances of older Australians taking on 'kinship care' responsibilities. These factors will probably increase in emphasis with future cohorts of retirees, as housing prices have escalated over the past decade, access to tertiary education has improved and the cost of education has shifted much more to private individuals. These factors have resulted in greater debt being incurred at a younger age and the delay of entry into the workforce.

2.29 The committee considers that home-ownership is a key enabler for older people in realising greater future lifestyle choices. It provides an investment for future life-style decisions and increases the flexibility of decision-making because homes can be sold or borrowed against to provide for needs in old age. However, the form with which that equity is accessed must be carefully considered to avoid forcing older people into a perpetual cycle of debt that could result in a reverse mortgage debt compounding to greater than anticipated levels, particularly as life expectancy continues to increase.

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37 Mr Michael O'Neill, Chief Executive, National Seniors Australia, *Committee Hansard*, 8 February 2008, p. 37.

38 Mrs Maida Lilley, Older People Speak Out, *Committee Hansard*, 8 February 2008, p. 28.

CHAPTER 3

INCOMES

3.1 The Commonwealth Government assists in enhancing the living standards and ameliorating the cost pressures faced by retirees through the retirement income system, as well as supporting the provision of subsidies and concessions. The retirement income system is primarily comprised of what are considered to be three pillars: the public funded age pension, compulsory superannuation through the Superannuation Guarantee, and voluntary superannuation contributions and private savings.[1] Older people can also be on a variety of other pensions including the disability support pension, veteran's pension and carer payments.[2]

3.2 The inquiry highlighted to the committee the increasing importance of other measures outside the three pillars for assisting older people in meeting the costs of living. These include the taxation system, taper rates and concessions in assisting the capacity of older people to cope with the cost of living. In particular, the Commonwealth Government provides substantial funding for subsidies and concessions, including health services and pharmaceutical discounts, aged care and rental housing, which contribute to reducing expenses for older people and increasing their disposable incomes.

Superannuation savings

3.3 Superannuation is the key vehicle of the retirement income system and allows older people to maintain a higher standard of living than offered by the pension system alone. It involves compulsory savings through employment with contributions by employers on behalf of employees. Although many, and an increasing number of retirees, have some superannuation to supplement a part pension, the majority of retirees have limited benefits from compulsory superannuation. According to FACSIA, superannuation assets constitute 6.6 per cent of the wealth of older households. This is the result of the conversion of superannuation lump sums into other assets and the restricted capacity of current retirees to accumulate savings, due to the limited access to the superannuation system over the course of their working lives.[3]

3.4 According to research by NATSEM, half of 50-64 year old Australians have very little wealth with which to support their retirements. The financial situation for early retirees is bleak according to this research. In 2004, half of retirees aged 55-59 had incomes of less than $10 000 per year and very little superannuation, forty per

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1 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 1.

2 Combined Pensioners & Superannuants Association (CPSA), *Submission 66*, p. 2.

3 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 6.

cent had no superannuation and 25 per cent had less than $25 000.[4] In 2004, almost half of retired couples had a combined income of less than $20 000 per year. The incomes of many retirees generally rises as they reach preservation age and gain access to superannuation, but then falls within about five years, possibly as their superannuation is exhausted.[5] Only one quarter of retirees aged 55-59 had more than $100 000 in accumulated superannuation, according to 2005 research.[6]

3.5 There are various reasons for the inadequate levels of superannuation among much of the retired Australian populace. Most importantly, compulsory superannuation was not introduced until 1992. FACSIA submitted that prior to the introduction of award superannuation in 1986, approximately 39 per cent of the working population received superannuation contributions. Compulsory superannuation now extends to 95 per cent of full-time employees and 78 per cent of part time employees.[7] The rate of superannuation guarantee contributions was lifted to nine per cent of wages on 1 July 2002.

3.6 However, for many retirees, and those of or approaching retirement age, these reforms were insufficient and introduced too late to make a substantial difference to their retirement incomes. Numerous submissions to the inquiry highlighted that current retirees worked during a very different policy environment and had limited opportunities to generate superannuation to enhance their quality of life in retirement.[8] These retirees left the labour market before compulsory superannuation was introduced and/or had sufficient time to produce tangible benefits. The level of compulsory contribution was designed to provide an income stream of approximately 40 per cent of final salary on retirement after 40 years full-time employment. Current retirees did not contribute to their retirements for this period. Future retirees also potentially face similar problems if out of the full-time employment market for

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4 Ann Harding, *Analysing Australia's Aging Population: A Demographic Picture*, 27 September 2005, Paper presented to 'Australia's Ageing Population Summit 2005', Financial Review Conferences, p. 3.

5 AMP & the National Centre for Social and Economic Modelling, 'The Lump Sum: Here Today, Gone Tomorrow', March 2004, *AMP.NATSEM Income and Wealth Report Issue 7*, pp 4-5.

6 Ann Harding, *Analysing Australia's Aging Population: A Demographic Picture*, 27 September 2005, Paper presented to 'Australia's Ageing Population Summit 2005', Financial Review Conferences, p. 3.

7 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 43.

8 These included Mr John Thomas, *Submission 10*, p. 1; Mr Frank and Mrs Louise Ogden, *Submission 79*, p. 2; Ms Mary Maxwell, *Submission 34*, p. 1; Ms Patricia Strachan, *Submission 186*, p. 1; Name withheld, *Submission 123*, p. 1; Mr Ron Warpel, *Submission 124*, p. 1; Name withheld, *Submission 174*, p. 1; Mr James Naylor, *Submission 176*, p. 1; Ms Rosemary Taylor, *Submission 197*, p. 3; Ms Jeanette Lindsay, *Submission* 229, p. 1; Australian Seniors Finance, *Committee Hansard*, 23 August 2007, p. 12; Australian Council of Social Service (ACOSS), *Submission 211*, p. 1.

extended periods. This can be the result of contract and casual employment, caring responsibilities or long periods of absence due to education.[9]

The importance of employment patterns

3.7 Research has shown that women in retirement or of retirement age have been particularly disadvantaged on average, with less than half the superannuation balances of men.[10] FACSIA's submission to the inquiry also noted that single women in both retirement and pre-retirement cohorts have lower average and median superannuation balances than single men.[11] Catholic Social Services Australia submitted that almost 90 per cent of women aged 60-64 in 2003-04 had balances of under $100 000 and 75 per cent had less than $40 000—considered to be a low level.[12]

3.8 Women are more likely to have accumulated lower retirement savings than men, due to their employment patterns. These include greater career interruptions as a result of family responsibilities, lower gender-based pay rates, lower average wages, greater concentration in casual and low paid employment and, prior to the introduction of compulsory superannuation, greater likelihood of employment in industries or occupations where employers did not contribute to superannuation. These findings were provided in a report by the Commonwealth Government in conjunction with the University of Melbourne and the Melbourne Institute of Applied Economic and Social Research. The report highlighted:

> Women, particularly women living alone, currently have very limited capacity to provide for themselves financially in retirement and are more prone to live in poverty or on a low income in retirement.[13]

3.9 Evidence provided to the inquiry in submissions also argued that women had often historically been compelled to resign from employment when they married or became pregnant.[14]

3.10 The Aids Council of NSW (ACON) argued that sufferers of chronic illnesses, such as HIV/AIDS, also experience interruptions related to their employment, which impacts on their financial status in retirement.[15]

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9 Megan O'Connell, 'The Role of Training in Preventing the Labour Market Exclusion of Older Workers', February 2005, Refereed paper presented to the *Transitions and Risk: New Directions in Social Policy Conference*, Centre for Public Policy, University of Melbourne, p. 12.

10 Simon Kelly & Ann Harding, 'Funding the Retirement of Baby Boomers', 2004, *Agenda Volume 11 (2)*, pp 100-101.

11 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 6.

12 Catholic Social Services Australia, *Submission 95*, p. 9.

13 Australian Government Office for Women, *Women: Aspects of Retirement for Older Women*, 2006, p. 8.

14 Australian Seniors Finance Limited, *Committee Hansard*, 23 August 2007, p. 13; Ms Valerie Applegarth, *Submission 16*, p. 1; Ms Catherine Laing, *Submission 173*, p. 1.

3.11 The financial difficulties in preparing for retirement as a result of chronic illness were illustrated by Mr Bede Haywood who submitted:

> Getting hereditary cancer at the age of 30 yrs impacted on my whole life. It put an end to securing Bank and house loans, I was not allowed to increase my superannuation, personal insurance was a no go area and getting another job just about impossible particularly if it required a medical. So saving for retirement was not an option and being forced to leave the workforce early did not help.[16]

3.12 Only 29 per cent of people aged 45 and above who have not yet retired, believe they will need to rely on government benefits.[17] However, there is a discrepancy between expectations about life-style and vehicles for funding retirement, and the reality. Although many of those in retirement and those about to retire have only limited superannuation savings, the National Institute of Accountants argued that workers almost consistently underestimate their financial needs in retirement and many underestimate their life expectancy.[18] Along with this, some lack the necessary financial and investment skills to adequately prepare for their retirement.

Pension provisions

3.13 The age pension provides a safety net for older people with limited retirement savings and increasingly has a role as an income supplement. It is means-tested and designed to support a modest standard of living and ensure recipients can afford basic level participation in society. As at 1 July 2007, the full pension rate was $13 652.60 per year for singles and $22 802 for a couple.[19] This equates to $262.55 per week and $438.50 per week for single and couple pensioner households respectively.

3.14 Government benefits—primarily the age pension or veterans' payments—remain the principal source of income for three-quarters of Australians aged 65 and above. Only 10 per cent rely primarily on superannuation.[20] The Hobsons Bay City Council submitted that 80 per cent of its residents aged 65 and above are reliant on the age pension.[21]

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15 Aids Council of New South Wales, *Submission 212*, p. 6.

16 Mr Bede Haywood, *Submission 152*, p. 1.

17 AMP & the National Centre for Social and Economic Modelling, 'May the Labour Force Be With You', November 2005, *AMP.NATSEM Income and Wealth Report Issue 12*, pp 2, 20.

18 National Institute of Accountants, *Submission 67*, p. 4.

19 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 25.

20 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 8; AMP & the National Centre for Social and Economic Modelling, 'May the Labour Force Be With You', November 2005, *AMP.NATSEM Income and Wealth Report Issue 12*, pp 2, 20.

21 Hobsons Bay City Council, *Submission 3, Ageing Community Profile: Ageing Well Strategy 2007-2017*, February 2007, p. 6.

3.15 FACSIA submitted that the means-testing of eligibility for the age pension encourages regular consumption of capital over the course of retirement. It maintained that even modest savings can have a substantial effect on retirement income of age pensioners if consumed regularly, enhancing total income by 15 per cent for singles and 17 per cent for couples over the age pension alone. FACSIA reported that its economic modelling suggests part pensioners experience even greater benefits. This includes a 49 per cent increase over the pension entitlement for singles and 67 per cent increase for couples.[22]

3.16 The Department of Veterans' Affairs (DVA) pays pensions on the basis of age or invalidity to eligible veterans and partners, widows and widowers, as well as income support supplement for war widows and widowers with limited means and an income support allowance for eligible recipients of the disability pension. The DVA age service pensions are paid according to the same income and assets test as recipients of the age pension, but are paid five years earlier than the social security age pension. This reflects the effects of war service and impact on ageing and earning power. The invalidity pension may be paid at any age before a person turns 65 and is not means tested. Service pensions also have eligibility for pharmaceutical allowance, rent assistance, telephone allowance, utilities allowance and remote area allowance.[23]

The increase in partial-pension recipients

3.17 While the number of retirees receiving pensions has increased, this is due to a gradual increase in the proportion of older people receiving partial pensions. At the same time, there has been a decrease in the proportion receiving the full pension. Those receiving a part pension have their incomes supplemented by superannuation and generally receive a higher level of income than those receiving the full pension.[24]

3.18 Over the past 10 years, the Australian Government has altered the pension taper rates to ensure part-rate pension recipients receive greater pension payments for a given level of private assets or income. Along with this is a higher cut-out point. Consequently, a greater proportion of pensioners have become eligible for part pensions.[25]

3.19 In July 2000 the income test taper rate was reduced from 50 cents to 40 cents in the dollar to compensate for the introduction of the new tax system. This has increased the disposable income of part-rate income tested pensioners and increased

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22 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 40.

23 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, pp 33, 80.

24 Parliamentary Library Economic, Commerce and Industrial Relations Section, *An Adequate Superannuation-based Retirement Income?*, 16 March 2006, pp. 16, 22; Hazel Lim-Applegate, Peter McLean, Phil Lindenmayer and Ben Wallace, 'New Age Pensioners—Trends in Wealth', 2007, *Australian Social Policy 2006*, p. 1.

25 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 34.

the number of people eligible to receive pension payments. For a person with a $20 000 annual wage, the changed taper rates yield a benefit of $1 540 per year.[26]

3.20 Under the Better Super reforms, from 20 September 2007, the taper rate will ensure the pension is withdrawn more slowly and the point at which the pension cuts out is much higher. The pension assets test taper rate will be halved, so that pensioners only lose $1.50, rather than $3, for each $1000 over the asset test threshold. The changes will also make some that were previously ineligible for any pension to qualify for a part-pension. FACSIA submitted that the changes have been designed to increase incentives for saving for retirement and increase workforce participation by reducing the effective marginal tax rate. It also increases the disposable income with a person with investments yielding a $20 000 income benefiting by $3 831 per year.[27]

3.21 The value of assets held without losing pension eligibility has increased. FACSIA submitted that single pensioners that own their own home have had assessable assets increased from $343 750 to $520 750, and couples from $531 000 to $825 500. Similarly, single pensioners that do not own their own home will have their asset threshold raised from $464 750 to $641 750 and couples from $652 000 to $946 500.[28]

Indexation of retirement benefits

Pension indexation

3.22 The age pension is means tested and indexed twice each year (in March and September) to protect its value against inflationary increases in prices and rises in wages growth. In particular, the pension is indexed according to the higher rate of the Consumer Price Index (CPI) or 25 per cent of male total average weekly earnings (MTAWE). The addition of the indexation to reflect values in MTAWE commenced in 1998, as a result of legislation introduced in the previous year.

Effect of indexation linked to earnings

3.23 From 1982 to 1997-98, the real average incomes of older people rose as a proportion of average incomes for the population as a whole, according to research by FACSIA. This included a rise of 5.7 per cent for older couples and 6.7 per cent for older singles, compared to a real increase of four per cent for the broader population.[29]

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26 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 35.

27 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, pp 36, 38.

28 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, pp 37-38.

29 Hazel Lim-Applegate, Peter McLean, Phil Lindenmayer and Ben Wallace, 'New Age Pensioners—Trends in Wealth', 2007, *Australian Social Policy 2006*, pp 5-6, 13.

3.24 FACSIA provided evidence that the indexation of the pension to at least 25 per cent of MTAWE has ensured that the real value of the pension has increased above the CPI and the age pension cost of living index. That is, the pension rate has increased by 48 per cent, compared to a rise of 30.2 per cent for the CPI and 32 per cent for the pension cost of living index. This increased the payments to single pensioners by $72.80 per fortnight and to couples by $122.60 per fortnight.[30]

3.25 The indexation arrangements have coincided with high growth in the economy. Over the past five years, this has translated into wages growth outstripping the CPI and, consequently, a rise in the real value of the pension, due to the pension indexation arrangements. This coincided with a reduction in the proportion of older people for whom government benefits were the principal source of income—from 74.7 per cent to 65.4 per cent for couples and from 82.1 per cent to 79.7 per cent for singles—and a rise in the significance of other forms of income.[31]

3.26 Pension increases have exceeded CPI increases on 11 of the 16 indexations between 1997 and the time of the inquiry. On the other five indexations (20 March 2000, 20 March 2001, 20 September 2004, 20 March 2005 and 20 September 2006), the pension increased in line with the CPI, which increased at a greater rate than MTAWE. FACSIA has estimated that the indexation of the pension to MTAWE has increased age pension expenditure by $12.99 billion (in December 2006 dollars) than it otherwise would have been.[32] Figure 3.1 highlights the growth in the real value of the pension compared to rises in the CPI.

3.27 In addition to FACSIA, other evidence to the inquiry strongly supported the benefits of indexation of the age pension to MTAWE. The Brotherhood of St Laurence told the committee:

> With the introduction of MTAWE, many of the concerns of our organisation in relation to the financial wellbeing of older people were essentially being addressed by government policy directions.[33]

3.28 Despite this evidence, the committee received numerous anecdotal submissions that the pension is not maintaining its real value in the face of increasing cost of living pressures. The Combined Pensioners and Superannuants Association acknowledged the rise in the real value of the pension. However, the association argued that full rate pensioners still experienced financial stress.[34] Both Catholic Social Services Australia and Ms Beth Butler maintained that this was because the

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30 Department of Families, Community Services and Indigenous Affairs, *Committee Hansard*, 20 September 2007, pp 2, 4.

31 Hazel Lim-Applegate, Peter McLean, Phil Lindenmayer and Ben Wallace, 'New Age Pensioners—Trends in Wealth', 2007, *Australian Social Policy 2006,* pp 5-6, 13.

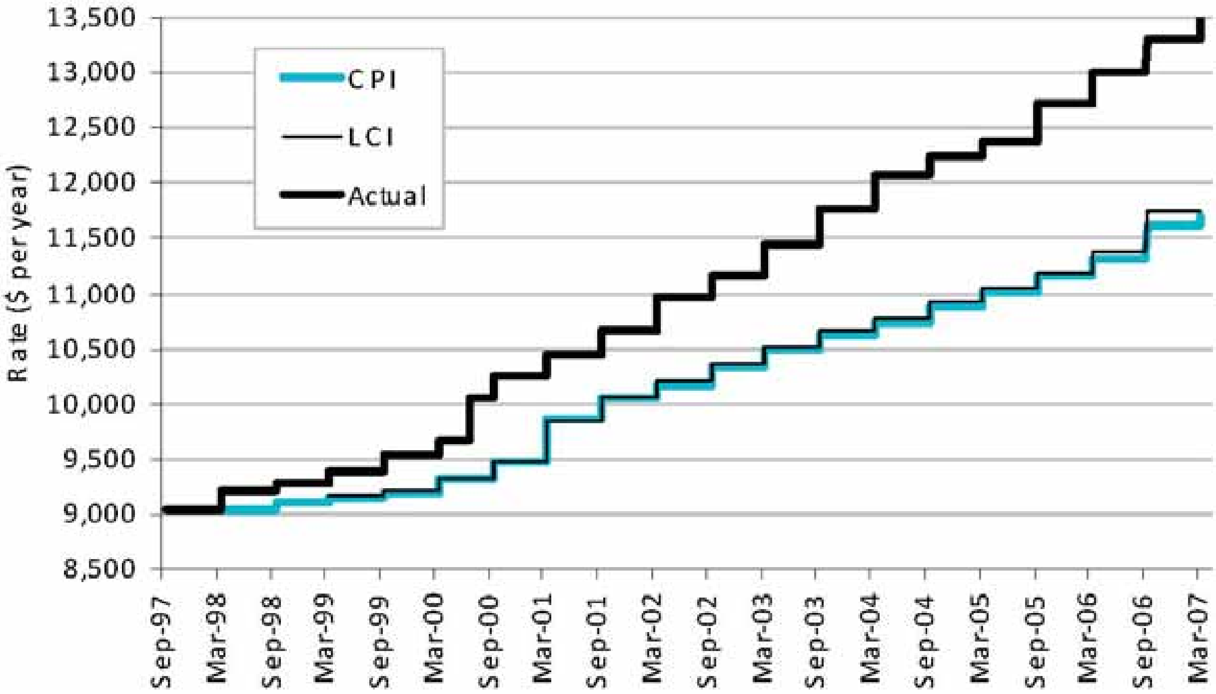
32 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p.28.

33 *Committee Hansard*, 23 August 2007, p. 27.

34 Combined Pensioners & Superannuants Association (CPSA), *Submission 66,* p. 6.

indexation level of MTAWE of 25 per cent was simply insufficient to provide an adequate standard of living for age pensioners.[35]

Figure 3.1: Actual pension rates – increases compared to increases in line with CPI only, and ABS analytical living cost index for age pensions only



Source: Submission 138, p.19 (FaCSIA).

3.29 According to evidence provided by the NIA, the increase in the real value of the pension following its indexation to MTAWE contrasts with the norm in various other OECD countries where the level of pension allocations are being reduced as a means of encouraging better retirement planning.[36] Similarly, Australia Fair research notes that Australia has relatively good minimum wages compared to other OECD countries,[37] which emphasises the value to pensioners of indexation to wage growth.

3.30 Also, despite the evidence of the real growth in the value of the age pension over the past year, some submissions raised concerns about the longevity of this result. Concerns were expressed about any decline or suppression of wage levels and the use of non-wage remuneration to accommodate increases in the costs of living, such as tax cuts, for workers. In particular, the Defence Force Welfare Association (DFWA) highlighted that MTAWE excluded superannuation contributions, fringe benefits and work-life trade offs. DFWA used the example of the introduction of the

35 Catholic Social Services Australia, *Submission 95*, p. 9; Ms Beth Butler, *Submission 104*, p. 2.

36 *Committee Hansard*, 23 August 2007, p. 12.

37 Australian Council of Social Service, *A Fair Go For All Australians: International Comparisons, 2007*, p. 47.

Superannuation Guarantee Charge in the early 1990s, which resulted in a slowing of wage rises, although workers received monetary remuneration with rises in their superannuation balances.[38] Various submissions highlighted that those in the labour force had been compensated for cost of living pressures through adjustment of taxation scales.[39] However, these benefits did not accrue to pensioners because they did not pay tax, despite being faced with many of the same cost of living pressures.

3.31 Similarly, some submissions to the inquiry raised concerns about the impact on the indexation and retirees' lifestyles as a result of the Coalition Government's Workplace Relations reforms allegedly suppressing wages growth.[40] The Australian Pensioners' and Superannuants' League Queensland (APSL QLD) highlighted information allegedly leaked from the Government, which suggested that many workers experienced the elimination or reduction of additional payments from workers' earnings and did not receive pay rises over the life of workplace agreements.[41]

The suitability of CPI indexation

3.32 The potential for future economic downturns and declines in wages growth brings to the fore the importance and validity of the other indexation measure for age pensions—the CPI. However, concerns were expressed in a large number of submissions about the suitability of the CPI for measuring the cost of living rises for older people.

3.33 FACSIA acknowledged that pensioner households have comparatively higher expenditure on food, health and housing, and less on transportation, education and financial and insurance services than other households. Self-funded retirees have comparatively higher expenditure on household contents, recreation and health, and lower expenditure on education, financial and insurance services. However, FACSIA argued that the cost of living indexes for pensioners and self-funded retirees were only marginally above the CPI for the year between the June quarters in 2005 and 2006. FACSIA argued that quarterly changes in certain commodities influenced community perceptions of the effect of cost pressures on the living standards of older persons.

3.34 Both FACSIA and the ABS have noted that the differences between the cost of living indexes and the CPI between June 1998 and June 2006 were moderate (see

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38 The Defence Force Welfare Association, *Submission 38*, pp 2-3.

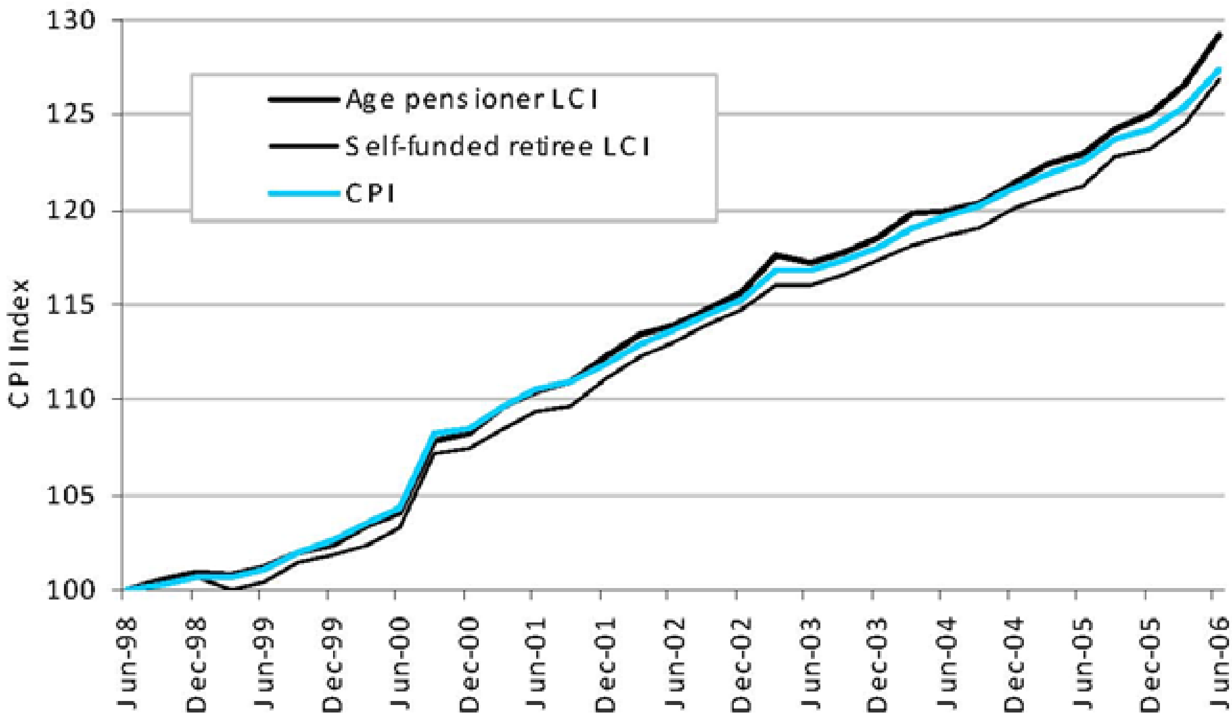
39 These included Mr Bernard and Mrs Barbara Murray, *Submission 86*, p. 3; Mr Alan and Mrs Elizabeth Hutchins, *Submission 83*, p. 1; Mr Tula and Mrs Chandra Wati Ram, *Submission 23*, p. 2; Mrs Sukhraji Prasad, *Submission 31*, p. 1; Mr Cy D'Oliveira, *Submission 131*, p. 2; Mr John Neve, *Submission 144*, p. 1.

40 Australian Pensioners' & Superannuants' League QLD Inc, *Submission 1*, p. 4; Australian Manufacturing Workers' Union, *Submission 204*, p. 18; Ms Anne and Mr Bill Byrne, *Submission 1*, p. 1; Mr Richard Sims, *Submission 26*, p. 1.

41 Australian Pensioners' & Superannuants' League QLD Inc, *Submission 1*, p. 4.

figure 3.2). The pensioner living cost index average was 3.3 per cent, the self-funded retiree index average was 3.0 per cent and the CPI average was 3.1 per cent. This resulted in overall rises of 29.2 per cent, 26.9 per cent and 27.4 per cent respectively.[42]

Figure 3.2: Comparison of Index Numbers for living cost index of age pensioner households, self-funded retiree households and CPI



Source: Submission 138, p.19 (FaCSIA).

3.35 Nevertheless, numerous submissions expressed concerns about the accuracy of the CPI as a reflection of inflation experienced by pensioners and retirees and the consequential erosion of the value of their incomes.[43]

42 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, pp 15-19; Australian Bureau of Statistics, 6463.0 – Analytical Living Cost Indexes for Selected Australian Household Types, June 2007, http://www.abs.gov.au/AUSSTATS/abs@.nsf/mf/6463.0?OpenDocument, (accessed 29 August 2007).

3.36 The St Vincent de Paul Society argued that the standard CPI data is of 'limited use' in understanding the impacts of price changes on different sectors or sub-groups of the community. CPI is a measure of broad economic or inflationary trends, with the 'CPI basket' representing the average expenditure of all private households in the eight capital cities. It does not, however, recognise household sub-groups and therefore cannot assess the differing impacts of price changes on household sub-groups.[44] The St Vincent de Paul Society argued that as a result of 'the anomaly between average and actual households', government transfers that are indexed to the CPI give rise to either 'over generous payments' or 'payments which underestimate the actual cost of living'.[45]

3.37 The St Vincent de Paul Society pointed out that household consumption patterns are influenced by stages in the life cycle and various life styles. It was argued that different consumption patterns affect the cost of living of different households. The relevance of the CPI – that is, how well an individual household's cost of living 'correlates with the official CPI' – depends on how closely the household consumption pattern reflects the CPI consumption pattern.[46]

3.38 More specifically, Dr Paul Henman observed that the CPI may not accurately reflect the spending patterns of older people:

> [T]he ABS's CPI basket of goods and services is chosen to be representative of Australian households as a whole, and as such, may not reflect the basket of goods and services that older Australians are likely to purchase.[47]

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43 These included St Vincent de Paul Society National Council of Australia, *Submission 92*, p. 6; Australian Council of Social Service (ACOSS), *Submission 211*, p. 1; Combined Pensioners & Superannuants Association (CPSA), *Submission 66*, p. 6; Association of Independent Retirees, *Submission 2*, p. 4; Australian Pensioners' & Superannuants' League QLD Inc, *Submission 1*, p. 3; The Defence Force Welfare Association, *Submission 38*, p. 2; Women's Action Alliance, *Committee Hansard*, 23 August 2007, p. 48.; Ethnic Communities' Council of Victoria, *Submission 53*, p. 2; Brotherhood of St Laurence, *Committee Hansard*, 23 August 2007, p. 32.; COTA Over 50s, *Committee Hansard*, 23 August 2007, p. 76.; Wide Bay Women's Health Centre, *Submission 55*, p. 8; Mr Robert Shortridge, *Submission 84*, p. 1; Mr Klaus and Mrs Christina Bernhard, *Submission 74*, p. 1; Name withheld, *Submission 48*, p. 1; COTA Over 50s, *Submission 96*, p. 3; Catholic Social Services Australian, *Submission 95*, p. 5; Ms Beth Butler, *Submission 104*, p. 2; Mr Peter and Mrs Mary Wright, *Submission 118*, p. 1; Mr Ian Mudge, *Submission 122*, p. 1; Mr Robert McShane, *Submission 128*, pp 1-2; Mr Dean and Ms Patricia Cornish, *Submission 150*, p. 1; Name withheld, *Submission 149*, p. 4; Mr Tom Hayes, *Submission 157*, p. 1; Ms Virginia Boskovic, *Submission 160*, p. 1; Mr Bert Hoebee, *Submission 213*, p. 1; Name withheld, *Submission 123*, p. 2; Mr Peter McSpadden, *Submission 127*, p. 20; Mrs V Melville, *Submission 178*, p. 1; Mr John Daniels, *Submission 75*, Appendix: Extracts from report written by Dr. Richard Denniss; Ms Norma Gardner, *Submission 121*, attachment 2.

44 St Vincent de Paul Society, *Submission 92*, p. 4.

45 St Vincent de Paul Society, *Submission 92*, p. 5.

46 The St Vincent de Paul Society, *Submission 92*, p. 5.

47 Dr Paul Henman, *Submission 218*, p. 3.

3.39 By way of example, Dr Henman went on to note that older Australians might be more likely to spend less on housing costs and more on health services.[48] Similarly, other witnesses pointed to basic essential costs, such as food, petrol and fares, electricity, medical fees and pharmaceutical prices, as being of greater importance in the costs of living for retirees.[49]

3.40 COTA argued that people on low and fixed incomes, such as age pensioners, exhibit expenditure patterns that are markedly distinguishable from those of the average person. It was noted that the ABS reported that between 1998 and 2006 the living costs for age pensioners showed the greatest increase of any household type.[50] COTA argued:

> We estimate that for some groups of pensioners costs may have increased by 15 points more than is reflected in the CPI over a 15 year period. Indigenous older people and those from culturally and linguistically diverse backgrounds are over-represented amongst these groups.[51]

3.41 COTA and the Ethnic Communities Council of Victoria cited similar research from St Vincent de Paul to highlight the changes in the CPI compared to costs more directly relevant to older persons. Weightings emerging from this study indicated that from 1990 to 2005 the CPI rose to 148.8 while the cost of living for age and disability pensioners (who were home owners and used private transport) increased to 153.99. For those in rental accommodation, it rose to 162.93. This was due to large rises in transport costs, health costs, dental services, insurance, utilities, dairy products and bread.[52] The Ethnic Communities Council also argued:

> This specialised research seems to match the anecdotal and very vocal feedback we have received from our membership that their income levels are declining and that they are suffering significant disadvantage and hardship despite Australia's generally high level of economic prosperity over the last 15 years.[53]

3.42 However, FACSIA expressed reservations about the methodology underpinning the cited St Vincent de Paul research at a public hearing in Canberra[54] and expanded on these concerns in a supplementary submission to the inquiry. Based on the St Vincent de Paul's published material - *Winners and Losers* – the newly

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48 Dr Paul Henman, *Submission 218*, p. 3.

49 See for example, ACOSS, *Submission 211*.

50 COTA Over 50s, *Submission 96*, p. 10.

51 COTA Over 50s, *Submission 96*, p. 3.

52 COTA Over 50s, *Submission 96*, p. 9; Ethnic Communities Council of Victoria, *Committee Hansard*, CA 40, 23 August 2007.

53 Ethnic Communities Council of Victoria, *Committee Hansard*, 23 August 2007, p. 40.

54 Dr N Hartland, *Committee Hansard*, 20 September 2007, pp 5-6.

named FaHCSIA (Department of Families, Housing, Community Services and Indigenous Affairs) identified several factors that, it believes:

> limits the usefulness and applicability of the Society's RPI modelling', and leads to questions about the Society's claim that some groups face increases in their cost of living of 30 per cent above the CPI.[55]

3.43 The DFWA made the point that the CPI does not take account of changing spending patterns, notably that: technological and economic progress often means that items previously considered luxuries can become norms; cost pressures often result in the purchase of qualitatively inferior products; and market changes can require additional spending, such as reductions in public transport services requiring greater reliance on private transport.[56]

3.44 Similarly, Dr Henman argued that consumption is not a static thing:

> There is a number of factors which mean that the basket of goods and services Australian households consume change over time'. These factors include 'growing living standards', 'technological change' and 'changing social dynamics.[57]

3.45 Dr Henman noted that, in particular, certain price pressures have not been adequately captured in the CPI basket. These price pressures include banking fees and charges; mobile phone services; internet access; and the reduction in bulk billing by GPs.

3.46 The ABS confirmed the limits of the CPI as a measure of the cost of living and argued that the analytical cost of living indexes are more appropriate mechanisms. The analytical cost of living indexes, including the ABS Pensioner Price Index, draw on information from the Household Expenditure Survey and have been designed to determine the necessary rise in income to allow continued purchases of the same quantity of consumer goods and services. The analytical cost indexes consider the impact of price changes on a particular household demographic (rather than a community average), use the national expenditure patterns for this group (rather than just in capital cities), and accommodate items such as house purchases and insurance in a way to better reflect a cost of living index:

> The indexes represent the conceptually preferred measures for assessing the impact of changes in prices on the disposable incomes of households…The Australian CPI, on the other hand, is designed to measure price inflation for the household sector as a whole, and as such, is not the conceptually ideal measure for assessing the impact of price changes on the disposable income of households.[58]

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55 FaHCSIA, *Submission 138*, supplementary information, 12 March 2008, p. 12.

56 The Defence Force Welfare Association, *Submission 38*, p. 2.

57 Dr Paul Henman, *Submission 218*, p. 4.

58 Australian Bureau of Statistics, *Submission 43*, p. 3.

3.47 The CPSA submitted that the ABS Pensioner Price Index was a more suitable measure of inflation experienced by pensioners than the CPI. CPSA highlighted that from 2001-2002, the ABS Pensioner Price Index began increasing at a rate higher than the CPI. However, the CPSA argued that the ABS Pensioner Price Index still has deficiencies. The ABS Pensioner Price Index measures actual expenditure – that is, it captures the spending behaviour of pensioners rather than creating a 'normative' basket of goods and services that reflects what 'experts' believe pensioners need.[59] However, as the CPSA pointed out, the focus on actual expenditure does not take into account the expenditure required but unaffordable to pensioners.[60] Similarly, the Brotherhood of St Laurence and the Ethnic Communities Council of Victoria raised concerns during the inquiry about the differences between ABS data, including on the household indexes, and anecdotal reports that the cost of goods and services are outstripping the CPI.[61] The Brotherhood of St Laurence called for more detailed modelling of the movement in the costs of goods and services.[62]

3.48 Along these lines, Dr Paul Henman stressed the difference in living standards for older Australians who own their homes outright and those in the private rental market, who 'face quite different and accelerating financial pressures'. Accordingly, he suggested that the ABS develop a CPI index for privately renting older Australians on the full-rate Age Pension.[63] Further, Dr Henman noted that Australia does, in fact, already have 'high quality research tools and datasets'[64] to undertake up-to-date assessments of the cost of living pressures and the impacts of these on older Australians, including sub-groups of older Australians (homeowners, private renters and social housing renters for example).[65]

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59 Dr Paul Henman, *Committee Hansard*, 8 February 2008, p. 4.

60 Combined Pensioners & Superannuants Association (CPSA), *Submission 66*, p. 6.

61 *Committee Hansard*, 23 August 2007, p. 40..

62 *Committee Hansard*, 23 August 2007, p. 32.

63 Dr Paul Henman, *Submission 218*, additional information, 19 February 2008, p. 2.

64 Notably these research tools include a range of equivalence scales. That is, 'measures of the relative amount of total expenditure or disposable income required by households of different compositions and in specific circumstances to attain the same standard of living', T.N Binh & P. Whiteford, 'Household Equivalence Scales: New Australian Estimates from the 1984 Household Expenditure Survey, *The Economic Record*, 1990, p. 221.

65 Dr Paul Henman, *Submission 218*, p. 1.

Indexation of other retirement benefits

3.49 Concerns about the indexation of retirement benefits were also raised in relation to military pensions and commonwealth superannuation.[66] The indexation of disability pensions was similarly raised, although there was bi-partisan support during the 2007 election campaign to index these in line with the age pension. It was argued that the acknowledgement of the utility of MTAWE in ensuring the age pension maintains its real value by community living standards, underscores the need for a similar mechanism for other retirement benefits. Many of these benefits remain indexed solely according to rises in the CPI and have had their comparative value eroded, if not their real value. In particular, frustration was exhibited at the maintenance of Commonwealth superannuation and some defence payments at their existing level on 5 July 2007, due to the CPI not increasing.[67]

3.50 DFWA noted that the difference between military pensions indexed at the CPI rate and the MTAWE was 29 per cent since 1990 in the favour of MTAWE.[68] Similarly, Mr Bert Hoebee argued that since June 1997, the age pension had risen by 51 per cent, compared to military pensions by 30 per cent. He submitted:

> There is clear evidence of the annual decline in Defence retirees' pensions' purchasing power and many of us therefore feel like second-class Australians, facing a continuing decrease in our standard of living as we grow older, despite years of loyal service to the nation.[69]

3.51 This was echoed by military retiree Mr Ray Gibson, who submitted that over the last decade military pensions have fallen approximately twenty percent behind rises in the age pension.[70]

3.52 The Superannuated Commonwealth Officers' Association argued that as Commonwealth superannuants' superannuation incomes are indexed by the CPI they are unable to keep pace with charges, such as some government fees, which are indexed at a higher rate. For example, Motor Vehicle Registration fees in the ACT are indexed according to MTAWE.[71]

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66 These included the Defence Force Welfare Association, *Submission 38*, p. 3; Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 10; Mr Warren Woodcock, *Submission 158*, p. 1; Name withheld, *Submission 163*, p. 1; Mr Bert Hoebee, *Submission 213*, p. 1; Mr Ray Walters, *Submission 103*, p. 1; Mr Wayne Koch, *Submission 164*, p. 12; Name withheld, *Submission 169*, p. 1; Mr Robert Shortridge, *Submission 84*, p. 3; Mr Ian Mudge, *Submission 122*, p. 1; Mr John Daniels, *Submission 72*, p. 1; Mr J S O'Neill, *Submission 214*, p. 1; Mr Stephen Thompson, *Submission 215*, p. 1, Mr Ray Gibson, *Submission 226*, pp 1-3.

67 Mrs V Melville, *Submission 178*, p. 1.

68 The Defence Force Welfare Association, *Submission 38*, p. 3.

69 Mr Bert Hoebee, *Submission 213*, p. 1.

70 Mr Ray Gibson, *Submission 226*, p. 3.

71 Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 10.

3.53 The 2002 *Report on Superannuation and Standards of Living in Retirement* by the Senate Select Committee on Superannuation recommended that commonwealth superannuation be indexed in the same way as benefits such as the age pension, to the higher of MTAWE or CPI. However, the Government's response to the report stated that it considered the CPI to provide an 'equitable and satisfactory method over a period of years for increasing pensions'. This was based on ABS data between June 1998 and June 2004, indicating the CPI had increased by 19.7 per cent, compared to 18.6 per cent for the cost of living index for self-funded retirees. The Government also reported that altering the indexation arrangements would have a substantial fiscal impact on the budget that would be difficult to sustain.[72]

3.54 Against the (former) Government's response noted above, Mr Coleman from the Superannuated Commonwealth Officers Association told the committee that there is 'ample evidence' that bringing superannuation indexation arrangements in line with indexation arrangements for the Age Pension is 'fair, affordable and long overdue'.[73]

The adequacy of income levels for older people

3.55 A key aspect of measuring the cost of living for older people is ascertaining the adequacy of the incomes and their capacity to keep pace with movements in the price of basic and essential goods and services. As has already been established, older people form a very diverse demographic and incomes can be wide-ranging.

3.56 The inquiry received numerous anecdotal submissions about older people experiencing financial stress. However, most of the research data seems to suggest that many older people have the means to provide a frugal but modest standard of living. This was illustrated in the submission of the Brotherhood of St Laurence. The submission pointed out that unlike younger singles and families receiving income support, income received from the age pension was higher than the poverty line. Couples who received the full pension and owned their own home were $150 per week above the poverty line and singles who did not own their own home were $29 per week better off.[74]

3.57 FACSIA submitted data and statistics on trends and the general circumstances of older people. FACSIA pointed to ABS data that highlighted that the average after-tax income of older households was $23 800 with the median $20 020 in 2003-04. FACSIA submitted that the disposable income of older persons was approximately

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72 Commonwealth Government of Australia, *Government Response to the Recommendations of the Senate Select Committee on Superannuation Report, 'Superannuation and Standards of Living in Retirement'*, 14 February 2005, p. 19.

73 Mr John Coleman, Superannuated Commonwealth Officers Association, *Committee Hansard*, 8 February 2008, p. 8.

74 Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, p. 9.

half of that of all households, although this was increased to two-thirds after factoring in lower responsibility for dependents.[75]

3.58 Other research by FACSIA suggests that older people are less likely to experience income poverty than younger people, although these findings are dependent on the measure employed. On before-housing poverty measures, poverty was found to be higher in the youngest cohort (18-24 year olds) and the two oldest age cohorts (65-70 and 70 and older). Of those 18-25 years, 20 per cent lived in poverty, while 30 per cent of those older than 70 lived in poverty. This was compared to less than 4 per cent of those aged 25-54 living in poverty. But the research found that age was negatively associated with after-housing income poverty and financial stress, which reflects the lower housing costs of older households.[76]

Measures of retirement income adequacy

3.59 Most of the research about adequate retiree income levels calls for either a level necessary to achieve a certain standard of living based on meeting certain essential costs, or a level based on an arbitrary percentage or replacement rate of pre-retirement income.

3.60 ASF highlighted that it considered the Australian pension scheme to be 'one of the best schemes in the world' and, unlike many other countries, remained affordable. However, it raised the issue of the lack of investigation into the adequacy of the pension. It provided the following evidence:

> There has never really been a guide—a basket of goods and services—that sets the age pension. It has been a little bit of guesswork. It was the CPI increase and then it was average weekly earnings…There is nothing magic about 25 per cent of average weekly earnings. When we talk about doing something on the adequacy of the age pension, there needs to be a basket of goods and services looked at so that we do have a base, which we do not now.[77]

3.61 Consequently, most research into the adequacy of retirement incomes focuses on replacement rates. FACSIA submitted that a replacement rate less than 100 per cent is generally considered acceptable for retiree incomes because retirees do not typically face the major expenses incurred by people of working age. This includes mortgage repayments, education expenses, child care fees and work-related costs. Further, older people also often have access to concessions and other age related

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75 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, pp 8-9.

76 Australian Government Department of Families, Community Services and Indigenous Affairs, *Social Policy Research Paper 29: Income Poverty, Subjective Poverty and Financial Stress*, 2007, pp ix, 13, 23, 34.

77 *Committee Hansard*, 23 August 2007, p. 11.

services. Replacement rates are anticipated to rise as a result of the maturation of the superannuation system from over 60 per cent in 2006 to 80 per cent by 2016.[78]

3.62 It has been suggested that these replacement rates would potentially provide older people with higher standards of living in retirement than experienced during their working lives. In particular, working people generally do not have access to these proportions of their income as disposable income.[79]

3.63 A level of 65 per cent of full-time pre-retirement income has often been cited as necessary to achieve an adequate retirement life-style. However, research by AMP and NATSEM has determined that most retirees rely primarily on the age pension and have an income of less than half of this amount.[80] This was echoed in evidence before the inquiry with most of the submissions from age pensioners highlighting difficulties in meeting cost of living expenses considering the provisions of the age pension. While the proportion of retirees reliant on the full age pension is likely to decline over time as superannuation matures, the current situation of some retirees remains of concern.

3.64 COTA argued that people 65 years and above have the lowest average incomes in Australia.[81] According to Queensland Shelter, Australians over the age of 65 are concentrated at the bottom of the income spectrum and constitute 43 per cent of low income households.[82] The Brotherhood of St Laurence submitted that older Australians are more highly represented in the lowest two income quintiles than in the higher quintiles.[83]

3.65 Some submissions suggested that the benchmark for the level of income required should be the Westpac-ASFA Retirement Living Standard amount required to ensure a modest standard of living in retirement. A modest income involved a basic standard of living that excluded eating out, travel, private health insurance, running a motor vehicle or entertaining at home. Some submissions raised concerns at the discrepancy in the Westpac levels and those of the maximum age pension.[84] ASF

78 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, pp 42-43.

79 Parliamentary Library Economic, Commerce and Industrial Relations Section, *An Adequate Superannuation-based Retirement Income?*, 16 March 2006, p. 11.

80 AMP & the National Centre for Social and Economic Modelling, 'The Lump Sum: Here Today, Gone Tomorrow', March 2004, *AMP.NATSEM Income and Wealth Report Issue 7*, p. 4; AMP & the National Centre for Social and Economic Modelling, 'May the Labour Force Be With You', November 2005, *AMP.NATSEM Income and Wealth Report Issue 12*, pp. 2, 20.

81 COTA Over 50s, *Submission 96*, p. 7.

82 Queensland Shelter, *Submission 45*, p. 2.

83 Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, p. 9.

84 Association of Independent Retirees, *Submission 2*, p. 4; Australian Seniors Finance Limited, *Submission 42*, p. 6; Women's Action Alliance (Australian) Inc, *Submission 93*, p. 3.

noted that the shortfall was 13 per cent for pensioner couples and 35 per cent for single pensioners per year.[85]

3.66 The Combined Pensioners and Superannuants Association has developed its own definition of low retirement income thresholds. This includes the levels of $18 500 per annum for single retirees and $25 500 for couples, which are similar to the Westpac levels. The current full rate pensions fall below these thresholds—the rate for singles is $13 652 per annum and couples is $22 802. Pensioners in receipt of the full rate of pension are entitled to earn some additional income—$3 432 for singles and for couples $6 032 per annum. The Combined Pensioners and Superannuants Association submitted that the allowable additional income puts the couple pensioner earnings over the low income threshold, but not singles. It was argued that 70 000 single full rate pensioners have no additional income and that 600 000 have some, though not necessarily the maximum, additional income.[86]

International comparisons of pension systems

3.67 Similarly, Catholic Social Services Australia argued that public spending on age pensions is low compared to most other OECD countries.[87] The Australian Manufacturing Workers' Union (AMWU) asserted that poverty rates among older persons in Australia were among the highest in the developed world and social security replacement rates were at the lower end of the OECD rankings.[88] Other research of international comparisons undertaken by Australia Fair has shown the financial situation of older Australians compares poorly with older people in other OECD countries. This research highlights that the proportion of older people living in low income households is above the OECD average. Almost 25 per cent of older Australians were deemed by the report to be living in poverty (on less than 50 per cent of median income).[89] The report stated:

> In OECD nations, people in retirement and aged 65 and over generally have lower relative income compared to those under 65. However, Australia stands out as having the lowest relative income of older people in the OECD and in 2000 Australia had the 6th highest poverty rate for older people in the OECD. Major reasons for this are that our age pensions are set at a low flat rate ($263 per week for a single pensioner in June 2007) while many other OECD countries pay a proportion of their previous wage, and

85 Australian Seniors Finance Limited, *Submission 42*, p. 6.

86 Combined Pensioners & Superannuants Association (CPSA), *Submission 66*, pp 2-3.

87 Catholic Social Services Australia, *Submission 95*, p. 17.

88 Australian Manufacturing Workers' Union, *Submission 204*, p. 7.

89 Australian Council of Social Service, *A Fair Go For All Australians: International Comparisons, 2007*,p. 3.

superannuation in Australia has only become available to a majority of workers in the last decade or so.[90]

3.68 However, FACSIA noted that the Australian pension scheme is distinct from the retirement income system in most OECD countries because the system is funded by general taxation revenue rather than individual contributions made throughout the working lives of recipients.[91] According to the Productivity Commission, Australia is better prepared to deal with the budget impacts of an ageing population on pension spending.[92] Further, NIA explained that the OECD trends are changing. In particular – as noted earlier - NIA provided evidence that in other OECD states, pensions are being reduced and eligibility is being tightened. This includes a renewed focus on supporting the lower paid workers, less generous pension indexation, pension ages being raised to 65, the introduction of defined contribution pensions where the private pension benefit depends on contributions and investment returns, as well as other measures being introduced to preserve the sustainability of the systems.[93]

The second world of retirement

3.69 The age pension is only designed to provide sufficient income for a frugal standard of living, so finances for pensioners will always be tight. However, anecdotal accounts and some of the evidence submitted to the inquiry highlight that there is a minority of older people experiencing severe financial stress. For instance, according to the Council of Social Service of New South Wales, 13.9 per cent of the retired New South Wales population cannot raise $2 000 for an important requirement, compared to 7.9 per cent of full time workers.[94]

3.70 Dr Paul Henman made the point that many retirees must live on a limited, relatively-fixed income for an extended period of time. During this time, household durables such as cars and whitegoods wear out and need to be replaced. For those with limited or no savings (and no capacity to save) these additional costs are a significant financial burden. To this end, Dr Henman recommended that a 'Pension savings account' be established, which would operate in a similar way to the Savings Account in the Newstart allowance. That is, Government would pay a notional ten dollars per week for each Age Pensioner, which would accrue and could be withdrawn as needed to meet large, one-off costs.[95]

90 Australian Council of Social Service, *A Fair Go For All Australians: International Comparisons, 2007,*p. 46.

91 Department of Families, Community Services and Indigenous Affairs, *Submission 138,* p. 21.

92 Productivity Commission, *An ageing Australia: Small Beer or Big Bucks?*, 2004, p. 16.

93 National Institute of Accountants, *Submission 67,* pp. 6, 11.

94 Council of Social Service of New South Wales, *Submission 54,* p. 4.

95 Dr Paul Henman, *Submission 218,* p. 7.

3.71 ACOSS argued that the incomes of the top 20 per cent of retirees have risen substantially over the past two decades, creating a gap in the living standards of those with investment assets and other retirees.[96] NATSEM research reached similar conclusions:

> This raised the prospect of the 'two worlds of retirement'…there will be one group of retirees who will be holidaying in camper vans and eating out at restaurants—and a larger group who will be living for some decades on the age pension with only limited personal resources to boost their living standards.[97]

3.72 In its submission, the Brotherhood of St Laurence highlighted research that suggests on average the incomes of older people grew slightly more than for younger people from 1986-1997. However, this growth in incomes was not evenly distributed. The income share of the upper quartile of older Australians increased, while the share of the bottom quartile decreased.[98] Further, the Brotherhood of St Laurence argued that the trend in increased income for older people has not continued. It maintained:

> In the 1990s, we grew increasingly confident that disadvantage amongst older people was declining...However, experience this decade is suggesting that the level of pensions and benefits is not keeping pace with costs of living.[99]

The plight of the single pensioner

3.73 As has previously been outlined in this chapter, rates of pension, allowances and income and assets test thresholds are determined by whether a person is a single or part of a couple. The maximum single rate of the pension is around 60 per cent of the maximum combined rate than can be paid to a couple. FACSIA argued that the Australian rate is similar to overseas standards, which average 60-70 per cent. This includes rates of approximately 56 per cent in Germany, France and Sweden to 66 or 67 per cent in the UK, New Zealand and the US.[100]

3.74 But the evidence considered by the inquiry and discussed in this chapter underlines that international comparisons for the pension system can be misleading, including the relationship between the single and couple pension rates. As has already been established in this chapter, the Australian pension system is funded through different means and performs a different function than in other OECD countries.

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96 Australian Council of Social Service (ACOSS), *Submission 211*, p. 2.

97 Ann Harding, *Analysing Australia's Aging Population: A Demographic Picture*, 27 September 2005, Paper presented to 'Australia's Ageing Population Summit 2005', Financial Review Conferences, p. 3.

98 Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, p. 6.

99 Brotherhood of St Laurence, *Submission 57*, p. 1.

100 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 25.

Consequently, Australian public spending on pensions, their replacement rates and the relative incomes of older people tend to be lower. Therefore, the committee retains concerns about the appropriateness of the level of the single pension and the appropriateness of its proportion of couple entitlements.

3.75 These concerns were shared by several submissions and witnesses to the inquiry - particularly with respect to the relative pension rates, allowances and additional earning thresholds, and the capacity of single pensioners to afford the costs of living.[101] It was argued that the support provided to single pensioners is inadequate leaving them either living in poverty or at extreme risk of falling into poverty. These submissions asserted that income differences between singles and couples did not reflect the benefit from cost sharing by couples. A number of costs that changed little whether incurred by single or couple households were outlined including: car registration and maintenance; petrol; insurance; gas; electricity; water; telephone costs; council rates; body corporate fees; rent; house maintenance; home appliances and furniture. COTA called for the rate of the single pension to be lifted to 70 per cent of the couple income, based on advice from the retirement income industry.[102] Dr Paul Henman told the committee that research indicates that single retiree home owners require 64 to 76 per cent of the couple pension to maintain a reasonable standard of living, while private renters need even more. He noted that the seven per cent difference between the Australian rate of 60 per cent and the OECD modified equivalence scale rate of 67 per cent is significant.[103] According to evidence presented to the inquiry, single households constitute 44 per cent of older households.[104]

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101 These included Australian Pensioners' & Superannuants' League QLD Inc, *Submission 1*, p. 3; Australian Council of Social Service (ACOSS), *Submission 211*, p. 1; The Australian Family Association, *Submission 7*, p. 1; Salvation Army Australia Southern Territory, *Submission 136*, p. 9; The Corrimal Pensioners and Superannuants Association, *Submission 177*, p. 1.Combined Pensioners & Superannuants Association (CPSA), *Submission 66*, pp. 2-3; Australian Council of Social Service (ACOSS), *Submission 211*, p. 1; Older People Speak Out, *Submission 94*, p. 3; Women's Action Alliance, *Committee Hansard*, CA 49, 23 August 2007; Australian Seniors Finance, *Committee Hansard*, CA 2, 23 August 2007; Brotherhood of St Laurence, *Committee Hansard*, 23 August 2007, p. 27; COTA Over 50s, *Committee Hansard*, 23 August 2007, pp 63-64; Ms Beth Butler, *Submission 104*, p. 1; Ms Norma Gardner, *Submission 121*, p. 1; Mr Cy D'Oliveira, *Submission 131*, p. 1; Name withheld, *Submission 162*, p. 1; Mrs D Lindsay, *Submission 165*, p. 1; Ms Denise Scassola, *Submission 166*, p. 1; Name withheld, *Submission 188*, p. 1; Ms Marion Vann, *Submission 202*, p. 1; Mrs Victoria Ingleby, *Submission 98*, p. 1; Name withheld, *Submission 125*, p. 1; Ms Constance Weller, *Submission 171*, p. 1; Name withheld, *Submission 192*, p. 1; Ms Rosemary Taylor, *Submission 197*, p. 3; Miss P A Robb, *Submission 151*, p. 4; Ms Janet Boddy, *Submission 17*, p. 2; Ms Beth Butler, *Submission 104*, p. 2; Ms Dorothy Ratnarajah, *Submission 156*, p. 1; Mrs Zoe Ray, *Submission 75*, p. 1; Mrs Margaret Ryan, *Submission 100*, p. 2.

102 COTA Over 50s, *Submission 96*, p. 3.

103 Dr Paul Henman, *Committee Hansard*, 8 February 2008, p. 2.

104 Mr Wayne Koch, *Submission 164*, p. 11.

3.76 The Australian Family Association argued that research by the Australian Government Office for Women shows that the majority of retirees feel financially secure and are able to adjust to receiving the lower income that comes with retirement, except for single retirees.[105] This was also reflected to a certain extent in the FACSIA submission, which provided data on self-reported levels of prosperity. The demographics most likely to describe themselves as poor or very poor were singles under the age of 65, single parents, and single men and women aged 65-74.[106]

3.77 Some of the submissions used quantitative data and statistics to highlight the precarious financial position of single pensioners. COTA noted that key characteristics of the lowest income quintile groups are a greater proportion of single households and greater reliance on government pensions and allowances as the key source of income, such as the age pension.[107] Similarly, the Combined Pensioners and Superannuants Association argued that on its measure of low retirement income thresholds, single rate pensioners fall well below these levels even if earning the maximum allowed additional income.[108] The Women's Action Alliance (WAA) highlighted that single pensioners fall below the Henderson Poverty Line (produced by the Melbourne Institute of Applied Economic and Social Research at the University of Melbourne) for March 2007 of $285.55 per week with an income of $265.45.[109] These accounts were reflected in anecdotal evidence provided to the inquiry. For example, Ms Janet Boddy relayed her problems in managing the costs of living:

> Those who are single incapacitated without family and living on in their own homes on an age pension are acutely vulnerable. And I am one of those people. At times I didn't know how I was going to have enough for food let alone anything else I might require such as wood for the fire, clothing etc.[110]

Single women

3.78 Evidence highlighted that single pensioners dependent on government benefits were most likely to be single women.[111] A report by the Commonwealth Government in conjunction with the University of Melbourne and the Melbourne Institute of Applied Economic and Social Research submitted:

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105 The Australian Family Association, *Submission 7*, p. 1.

106 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 12.

107 COTA Over 50s, *Submission 96*, p. 8.

108 Combined Pensioners & Superannuants Association (CPSA), *Submission 66*, pp. 2-3.

109 Women's Action Alliance (Australian) Inc, *Submission 93*, p. 4.

110 Ms Janet Boddy, *Submission 17*, p. 2.

111 Australian Government Office for Women, *Women: Aspects of Retirement for Older Women*, 2006, p. 5.

> There is a pattern emerging in all the three themes – retirement transitions, aspects of life in retirement and financial circumstances in retirement – that single women appear to be facing disadvantage…Single women had lower disposable incomes and lower superannuation balances and rely most heavily on government pensions in retirement.[112]

3.79 Some of the submissions sought to explain the greater representation of single women in disadvantaged financial positions. They argued that the precarious financial position of single women was the result of government policy, corporate norms and social pressures prevailing at the time, rather than a choice not to prepare for retirement. Miss P A Robb submitted:

> Women, particularly unmarried women, in my day were forced into low-paying jobs at 60% of the male rate of pay…Banks until recent times would not allow a single woman to borrow for a house. Married women were forced out of the work force when two million men from the armed services were demobilised after World War II, and jobs had to be found for them.[113]

3.80 Similarly, reflecting on the former circumstances of older people aged sixty-three and over and on the full age pension Ms Jeanette Lindsay wrote:

> Women in particular were deliberately excluded from superannuation, called "temporary", and denied fair promotion or equal pay with male peers. In the 1960s and beyond this occurred even when these women were likely to be breadwinners with children…Male divorcees took their superannuation with them, and very often did not pay support for their children of a previous marriage.[114]

3.81 Government research has shown that as a result of these greater financial pressures, retired single women are more likely than retired single men or retired couples to sell their home and move to lower cost accommodation.[115]

Pensioners that suffer the loss of a partner

3.82 The inquiry also received evidence about the impact of the death or displacement to care of a partner on the financial stress of the remaining partner. In many cases the remaining partners were women. FACSIA highlighted the availability of the Bereavement Payment, which applies to surviving partners for a period of 14 weeks following the death of a partner. Each year 24 000 age pensioners receive the payment, which amounts to approximately $1 927 per pensioner and $46.3 million for the government. It is designed to help fund funeral expenses and smooth the transition

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112 Australian Government Office for Women, *Women: Aspects of Retirement for Older Women*, 2006, p. 5.

113 Miss P A Robb, *Submission 151*, p. 3.

114 Ms Jeanette Lindsay, *Submission 229*, p. 5.

115 Australian Government Office for Women, *Women: Aspects of Retirement for Older Women*, 2006, p. 5.

from the couple rate to the single rate of the pension, particularly to cope with the cost of bills incurred by the deceased partner but not received until after the death.[116]

3.83 However, most of the submissions that addressed the impact of the loss of a partner argued that the difficulty in surviving on a single pension is particularly pronounced.[117] The remaining partner is required to meet similar costs from a much reduced income, as well as coping with death, or serious illness or health deterioration that accompanied entry into care of a partner. The Combined Pensioners and Superannuants Association described the loss of a partner as 'the pension trap'. The Association argued that there are 600 000 single full rate pensioners in this situation, largely widows in their 70s and 80s.[118] Mrs Zoe Ray recounted her difficulties in managing the cost of living pressures after the death of her husband. She submitted:

> When my husband died, my age pension was virtually cut in half, as was my earning capacity and the amount of investments I was allowed to have. I would like to point out that it is almost as cheap for two people to live as one. Housing, utilities, etc., are the same for two people as it is for one. Food is more expensive for one as, unless you buy in bulk, the price goes up and there is also more wastage.[119]

3.84 Similarly, Mrs Margaret Ryan relayed her experience on the widow allowance. She had not been employed since 1994 but the passing of her husband in 2005 changed her financial situation dramatically. Although she qualifies for the widows allowance ($424.30 per fortnight), as she does not receive a pension she is ineligible for many of the pensioner concessions such as on council rates, water rates, telephone bills and utility expenses.[120]

3.85 The inquiry also received evidence that in many cases widowed pensioners face additional expenses with a much reduced income. It was argued that widowed women are required to finance house and car maintenance and repairs that previously were undertaken by their late husbands.[121]

Additional payments and taxation benefits

3.86 Over the past 10 years, the Government has increased the disposable incomes of age pension recipients through bonuses and supplementary payments, particularly those designed to assist in meeting the costs of utilities and other large fixed

116 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 33.

117 See for example, Mrs Norma Bettridge, *Submission 225*, p. 1.

118 Combined Pensioners & Superannuants Association (CPSA), *Submission 66*, pp. 4-5.

119 Mrs Zoe Ray, *Submission 75*, p. 1.

120 Mrs Margaret Ryan, *Submission 100*, p. 2.

121 Women's Action Alliance (Australian) Inc, *Submission 93*, pp. 3-4; Name withheld, *Submission 125*, p. 2.

expenditure. The value of these payments has increased the real value of the pension by $2 558.60 per year. These payments include:

- The Aged Persons Savings Bonus and the Self-Funded Retirees Supplementary Bonus in 2001 to enhance retirement savings and income (up to a maximum of $1000 and $2000 respectively)
- the One-Off Payment to the Aged in 2001 worth $300 for those on pensions or low incomes
- the Utilities Allowance from 2004 (indexed to CPI and paid in two instalments each year with the March 2007 instalment valued at $53)
- the Senior Concession Allowance from 2004 to compensate for the lower accessibility to concessions (as at July 2007 worth $214 per year)
- one-off payments to Older Australians in 2006 and 2007 to meet household bills
- additional payments to carers from 2004 to those receiving the Carer Payment (up to $1000 or $600 per carer).[122]

3.87 Other payments that may be available to older people include the bereavement payment, carer allowance, carer payment pension bonus scheme, pensioner education supplement, remote area allowance and rent assistance. There is also the disability support pension, lump sum advance payment, partner allowance, pension loan scheme, utilities allowance and widow allowance.[123]

3.88 The Pension Bonus Scheme provides for a one-off, tax-free lump sum to people who receive the age pension if they have deferred claiming the age pension to continue working. According to FACSIA, the average payment is $12 292 and there are currently 62 756 registered on the scheme. The average bonus provides a substantial addition to eligible pensioners' retirement savings and is approximately one third of the total savings for a maximum rate pensioner's average assets above the family home.[124]

3.89 Aged & Community Care Victoria (ACCV) and the Wide Bay Women's Health Centre highlighted the value of the one-off lump sum payment of $500 to all seniors in the May 2007 budget. They argued that this constituted a relief to many residents in aged care, but would have been of greater benefit if introduced earlier and that it was not sufficient to cover all increasing costs.[125] Similarly, the Ethnic Communities' Council of Victoria argued that the payment did not provide a

122 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, pp 29-32.

123 National Institute of Accountants, *Submission 67,* p. 4.

124 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 39.

125 Aged & Community Care Victoria, *Submission 41*, p. 4; Wide Bay Women's Health Centre, *Submission 55*, p. 8.

sustainable solution to cost pressures on older Australians and difficulties experienced by those dependent on the age pension.[126] The Superannuated Commonwealth Officers' Association argued that one-off bonuses have provided important assistance to retirees. However, it was argued that they are insufficient to alleviate ongoing weekly budget pressures.[127]

Conclusion

3.90 The evidence before the committee is highly persuasive that the real incomes of recipients of the age pension and superannuation have experienced substantial growth over the past decade over increases in inflation. In the case of the age pension, the indexation of pension levels to MTAWE has been responsible for a substantial increase in the real value of the pension. In part, this has been the result of the growth in real wages that has partly been a product of the Government's workplace relations reform over the past 11 years. Similarly, since the introduction of compulsory superannuation in 1992, the rise in the level of the guarantee in 2002 and the growth in real wages, superannuation balances have inexorably grown.

3.91 However, the capacity of retirees to afford rises in the cost of living also depends on various other factors, including the suitability of the level of the retirement payment. Some of the submissions to the inquiry disputed the appropriateness of the current level of retirement benefits, most notably the age pension, though no submissions identified a more specific replacement level. Similarly, no evidence was provided to the committee to justify how the current levels of payments were arrived upon or their suitability in meeting the costs of living. The FACSIA submission discussion of adequacy of retirement income levels was confined to replacement rates, rather than the amount required for a certain standard of living.[128]

3.92 It is not evident to the committee that the current pension levels provide or ever provided a sufficient income with which to accommodate the costs of living. It is clear that a review is needed to ascertain what level of payment is required to achieve a subsistence level and – as discussed below – determine a method for adjusting this payment level to meet actual living cost increases. This may alleviate the need for some of the one-off payments that have been essential for older people to meet cost of living pressures over recent years and at the same time avoid the administrative costs associated with processing one-off payments. The necessity of such one-off payments suggests there are problems with the existing level of income payments. It is important to note, as was submitted by the Thirroul Retired Mineworkers' Association, retired people do not have the same capacity as working Australians to seek a better paying job, an additional job or extra hours to earn supplementary income to cover rises.[129]

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126 Ethnic Communities' Council of Victoria, *Submission 53*, p. 2.

127 Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 10.

128 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 23.

129 Thirroul Retired Mineworkers' Association, *Submission 4*, p. 1.

3.93 The committee accepts that many retirees feel financial stress and must exhibit great care in managing their incomes and expenses. In many respects older people, especially those on pensions, have demonstrated substantial financial prudence. The Australian Family Association submitted that older Australians are better equipped than other low income earners to cope with rises in household costs.[130] However, the committee has particular concerns about some segments of the retired population. In particular, it has concerns about the adequacy of the single pension to provide the necessary assistance in providing even a basic subsistence living without assistance from charities, family or friends. The committee considers that the single pension's proportion of the couple pension needs to be reviewed with a view to lifting it to achieve greater equity.

3.94 Other factors influencing the capacity of retirees to afford the costs of living include the availability and indexation of concessional arrangements, retirees' individual circumstances- especially home ownership status - and the fluctuations in particular lifestyle and essential costs. These will be explored in later chapters of this report.

3.95 Along with concerns about the adequacy of pension and other payment levels is concern with how they are updated over time. The committee considers it important that the indexation arrangements for government benefits reflect the cost pressures associated with those households. Although the pensioner cost index has been similar to CPI cost fluctuations, since 2001 the age pensioner cost index has consistently been higher than the CPI (see figure 2). In particular, age pensioners are on a subsistence income and even a small discrepancy between the CPI and household living costs can cause substantial financial stress. Such stress will particularly be felt if in future wage increases moderate, removing for pensioners the insulating effect of MTAWE indexation. Older people have a much more limited capacity to improve their financial situations. Therefore, if those discrepancies continue over the course of a number of years, as has been the case with the age pension, the recipients of those benefits will find it increasingly difficult to avoid experiencing financial stress. Consequently, an analysis of expenditure patterns specific to older demographics should be conducted to ascertain divergences from CPI, as well as the impact of continual divergence, even if minor. The use of the household expenditure survey for assessing age pensioner and self-funded retiree households should be investigated with consideration given to concerns raised during the inquiry about the use of this measure.

3.96 As discussed earlier in this chapter, it is unclear why retirees receiving government payments are subjected to different indexation mechanisms. Although this has clear implications for the Government's budget, this practice is inconsistent with principles of equity and fairness, and undermines the maintenance of the comparative value of many retirees' incomes. This was made apparent during the course of the inquiry when the Coalition Government agreed to change the indexation for the remaining veterans' affairs disability rates to bring them into line with the higher of

130 The Australian Family Association, *Submission 7*, pp 1-2.

the CPI or MTAWE. The FACSIA submission to the inquiry made an excellent case for the benefits that have accrued to recipients of the age pension as a result of indexation of the MTAWE. However, this also underscored the increasing divergence between the recipients of this indexation method, and retirees and older people whose incomes are simply indexed to the CPI.

CHAPTER 4

CONCESSIONS AND REBATES

4.1 Although the pillars of Australia's retirement income system have predominantly involved the age pension, compulsory superannuation and private savings, the committee notes the importance of concessions and rebates to the capacity of older people to finance the costs of living. In particular, the Commonwealth Government provides substantial funding for subsidies and concessions - including for healthcare and pharmaceutical discounts - which also contribute to reducing expenses for older people, thereby increasing their disposable incomes. Many concessions are also provided by state and local governments.

Available concessions

4.2 There are numerous types of concessions, allowances, offsets and other payments for which older Australians may be eligible depending on their financial and social circumstances. Although the Pensioner Concession Card (PCC) and the Commonwealth Seniors Health Card (CSHC) exist primarily to provide access to the PBS and certain Medicare services at a reduced rate, they also provide eligibility for other concessions. Approximately 85 per cent of people over the pension age have an Australian Government concession card.[1]

4.3 The PCC is available to all recipients of the age or service pensions, which constituted 3.15 million people in 2006. DVA also issues Gold and White cards to eligible veterans and war widows and widowers.[2] The Gold Card provides entitlements to the full range of health care services including medical, dental and optical care. The average cost during 2006-07 was $14 500 per card.[3] The CSHC provides eligibility for a more limited range of concessions and rebates and is available to self-funded retirees of age pension age with income below a certain threshold, which included 300 000 people in 2006.[4]

4.4 Some of the concessions, offsets and rebates available to older people include the senior Australians tax offset, pensioner tax offset, medical expenses tax offset, rent assistance (up to $104 per fortnight for singles and $98.20 each per fortnight for

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1 Department of Families, Community Services and Indigenous Affairs, *Committee Hansard*, 20 September 2007, p. 2.

2 Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, pp. 7-8; Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 50.

3 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 86.

4 Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, pp 7-8; Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 50.

couples), utilities allowance ($106 in 2006-07), a telephone allowance ($85.60 in 2006-07), council rate concessions, water and sewage concessions, vehicle registration concessions, public transport concessions and stamp duty concessions for property purchases, and a seniors' concession allowance for holders of the CSHC to recognise less access to concessions available to pensioners ($214 in 2006-07).[5]

4.5 Considering the boom in property prices over the past decade, there was substantial interest during the inquiry regarding the value of rent assistance. This assistance is provided by the Government to people in private rental accommodation who receive the age pension or other income support to recognise the potentially high costs faced. FACSIA reported that in 2006-07 the Government provided $361 million in rent assistance for aged pensioners, with 215 081 aged pensioners receiving rent assistance as at 30 June 2007. In March 2007 only 30 per cent of age pensioners receiving rent assistance were paying over 30 per cent of their income on rent. This figure would be 67 per cent without the rent assistance provided.[6] Housing costs including rental assistance are discussed in more detail in chapter 5.

4.6 Concessions provide important improvements to living standards of older people by decreasing out-of-pocket expenses. The Commonwealth Government provides funding to state and territory governments to assist with providing concession for rates, utilities, car registration and transport, and public and community housing. However, the state and territory governments exhibit discretion about what concessions are offered and the criteria determining their accessibility. FACSIA submitted that the Commonwealth payment for concessions amounted to approximately $200 million in 2006-7.[7]

4.7 Some of the submissions to the inquiry expressed concerns that self-funded retirees were often ineligible for many concessions.[8] In particular, the Wide Bay Women's Health Centre highlighted that the CSHC was not necessarily accepted by medical services or other institutions. The Centre noted that the PCC also has various rates of acceptance.[9]

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5 National Institute of Accountants, *Submission 67*, p. 4; Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, pp 7-8; COTA Over 50s, *Submission 96*, p. 7.

6 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 33.

7 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 51-52.

8 Wide Bay Women's Health Centre, *Submission 55*, p. 8; Ms Valerie Applegarth, *Submission 16*, p. 1; Ms Margaret Howard, *Submission 78*, p. 1; Mr Terry and Mrs Ellen Banko, *Submission 73*, p. 1; Name withheld, *Submission 27*, p. 1; Name withheld, *Submission 36*, p. 1; Name withheld, *Submission 48*, p. 2.

9 Wide Bay Women's Health Centre, *Submission 55*, p. 8.

Inter-state reciprocity for public transport

4.8 At the Canberra hearing, FACSIA discussed the negotiations between the Commonwealth and State and Territory governments regarding reciprocity of public transport concessions. In 2002 and 2004, the Commonwealth offered additional funding to allow State Seniors Card holders to travel on public transport at concessional rates outside their home State and to extend concessions to CSHC holders. The March 2004 transport offer was $5.6 million and the offer for extending concessions to CSHC holders was $75.4 million. However, the negotiations were unsuccessful and lapsed. Consequently the Government decided to provide funding directly to seniors in the form of the utilities allowance and the seniors concession allowance. The Government anticipated spending $54 million on the seniors concession allowance and $161 million on the utilities allowance in 2008.[10]

4.9 Nevertheless, many of the submissions to the inquiry expressed concern about the lack of reciprocity of public transport concession between the states.[11] This has substantial impacts on the quality of life of older people because of the increasing dispersal of families across the country. The ability to visit friends and families has enormous implications for quality of life and social isolation and impacts disproportionately on low-income older people. Ms Mary Maxwell noted that, ironically, Canada and the UK will accept a Seniors' Card issued in one of the Australian states for eligibility for travel concessions, but such a card would not be recognised in any of the other Australian states.[12] The Superannuated Commonwealth Officers' Association called for the Commonwealth to facilitate the renewal of negotiations between the states and territories to address the situation.[13]

4.10 As noted in Appendix 3, the new Labor government has committed funding of $50 million to establish national reciprocal transport concessions in cooperation with the State and Territory governments.

Indexation of the Commonwealth Seniors Health Card

4.11 Over the past ten years, the Government has increased the number of CSHC holders from 35 000 to 318 000. The CSHC income limits were indexed until 1999

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10 Department of Families, Community Services and Indigenous Affairs, *Committee Hansard*, 20 September 2007, p. 24. See also Senate Community Affairs Committee, Budget estimates 2007-08, Additional information FaCSIA, Question nos, 313 and 314.

11 These included: National Seniors, *Submission 60*, p. 7; National Seniors Goodna Redbank Branch, *Submission 39*, p. 2; Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 9; National Seniors, *Submission 60*, p. 7; Mr Lindsay Kayess, *Submission 115*, p. 2; Ms Anne and Mr Bill Byrne, *Submission 1*, p. 1; Mr Geoff Ball, *Submission 206*, p. 1; Mr Bernard and Mrs Barbara Murray, *Submission 86*, p. 4; Mr Graham Sharpe, *Submission 82*, p. 1; Ms Mary Maxwell, *Submission 34*, p. 5.

12 Ms Mary Maxwell, *Submission 34*, p. 5.

13 Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 9.

when they were raised substantially and indexation ceased. The limits were raised from $21 320 to $40 000 for singles and from $35 620 to $67 000 for couples. In July 2001, the income limits were again increased to $50 000 for singles and $80 000 for couples. FACSIA submitted that the limits would have been substantially lower without the rises in 1999 and 2001.[14]

4.12 However, concerns were expressed about the lack of indexation for the eligibility thresholds of the CSHC and the absence of any rise since 2001.[15] Submissions focused on the fact that while since 2001 incomes have increased, so too have costs. Therefore, inflationary effects have reduced the real level of the CSHC. The lack of rises or indexation of the threshold has meant that some older people have lost their access to concessions, particularly PBS prescriptions, visits to medical practitioners and hospital expenses, travel costs, telephone allowances and other concessions. Ms Aileen Monck elaborated on this issue:

> Many self funded retirees have had small increases in their gross income in recent years, because of upward movements in the share market which affects share dividends, allocated pensions etc. At the same time the cost of living has increased, as has the cost of pharmaceutical prescription items. Failing health as a person ages often requires the expenditure of quite large sums of money on prescriptions, and other pharmaceutical items. When this increased expenditure is taken into account it has the effect of reducing the net annual income of self funded retirees, but, because the gross income exceeds $50 000 annually, they either lose their entitlement or are unable to apply for the fore-mentioned card.[16]

4.13 The Superannuated Commonwealth Officers' Association advocated a rise in the qualification threshold and indexation to the higher of the CPI and MTAWE to reduce the risk of compromising the health of older people.[17]

The importance of concessions

4.14 As has already been established in this report, older people generally have lower incomes than most other demographics and have limited capacity to improve their financial situation following retirement. Therefore, concessions provide an extremely important means to help counter the adverse impact of rises in cost of living

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14 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 51.

15 This included: Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 9; The Association of Independent Retirees, *Committee Hansard*, 23 August 2007, p. 69; National Seniors, *Submission 60*, p. 17; Mr Desmond Reardon, *Submission 107*, p. 1; Name withheld, *Submission 149*, p. 5; Name withheld, *Submission 149*, p. 5; Mr Wayne Koch, *Submission 164*, p. 11; Ms Denise Scassola, *Submission 166*, p. 1; Ms Aileen Monck, *Submission 187*, p. 1; Name withheld, *Submission 112*, p. 1; Mr John Murray Newman, *Submission 69*, pp 1-2; Mr J S O'Neill, *Submission 214*, p. 1.

16 Ms Aileen Monck, *Submission 187*, p. 1.

17 Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 9.

pressures. A range of submissions to the inquiry emphasised the importance of concessions.

4.15 Estimates of the precise value of concessions to the weekly budget of older people differed among the submissions, but there was agreement that it was a substantial component. Also, the degree of subsidy received depends on individual retirees' circumstances, which vary significantly. For instance, according to the Council of Social Service of New South Wales (NCOSS) and the Combined Pensioners & Superannuants Association (CPSA), older people in rural and regional areas did not have the same opportunity to obtain public transport concessions as those in metropolitan areas. This could amount to a difference in benefits worth hundreds of dollars over the course of a year.[18]

4.16 Despite the different value of concessions being determined by different circumstances, some of the submissions estimated the value of their concessions. The submissions of Mr N Flannery and Virginia Boskovic maintained that the value of pension concessions amounted to $1 000 per annum.[19] FACSIA estimates were higher at approximately $1 600 per year for age pensioners and $1 200 per year for holders of the CSHC. As has already been discussed, the Commonwealth Government introduced the Seniors Concession Allowance of $214 for CSHC holders in recognition that the CSHC does not have the same concessional advantages as the PCC.[20] The Brotherhood of St Laurence did not provide an estimate of the monetary value of concessions but suggested the value could be even higher than suggested by FACSIA. It cited ABS data to argue that the health benefits and concessions received by older Australians equates to 25 per cent of their average weekly income. This includes concession rates for PBS pharmaceuticals, bulk-billed medical services, reduced threshold for the cap on non-hospital medical costs through the Medicare Safety Net, subsidised hearing, dental and ambulance services.[21]

4.17 It is clear to the committee that concessions are of great value to older people in assisting them to cope with cost of living pressures. As was argued by the CPSA:

> Concession and benefits are like hard cash to pensioners. Reducing or cancelling concession or benefits, or failing to index them, is tantamount to reducing the pension paid through Centrelink.[22]

4.18 The Corrimal Pensioners and Superannuants Association even argued that the availability of concessions was more important than rises in pension levels, as it

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18 Council of Social Service of New South Wales, *Submission 54*, p. 5; Combined Pensioners & Superannuants Association (CPSA), *Submission 66*, p. 11.

19 Mr N Flannery, *Submission 13*, p. 2; Ms Virginia Boskovic, *Submission 160*, p. 1.

20 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 52.

21 Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, p. 8.

22 Combined Pensioners & Superannuants Association (CPSA), *Submission 66*, p. 11.

provided a greater capacity to ensure priority needs are targeted and made affordable.[23]

Declining value of concessions

4.19 Despite the clear importance of concessions for older people in affording the costs of living, various submissions highlighted concerns that the concession arrangements were insufficient, too restrictive in their eligibility criteria, or were declining in their real value - mainly as a result of a failure to index their rates. This effectively resulted in the undermining of the capacity of older people to meet cost of living increases.

4.20 The Brotherhood of St Laurence argued that over the past 3-4 years it has observed increasing financial stress among older clients and has received similar reports from other organisations that work with older people. It indicated it was uncertain about what was responsible but noted that increasing costs were not met by increases in concessions.[24] CPSA submitted a similar argument but asserted more strongly that the erosion of the standard of living of pensioners was primarily attributable to changes in concession arrangements by the Commonwealth, state and territory, and local governments. It argued that these benefits and concessions form an integral component of pensioners' income packages but have been gradually reduced.[25]

4.21 Key concessions and rebates that were highlighted as being insufficient for meeting the needs of older people or declining in their real value to contribute to the financial stress of older people included medical fees, pharmaceutical benefits, dental fees, rent assistance, utilities allowances, telephone allowances, senior concession allowance, local council rates, motor vehicle registration, and public transport fees. The submission of Bernard and Barbara Murray outlined increases in their bills between 2001-02 and 2006-07 after the application of concessions. Although these figures did not account for differences in use, they demonstrated a 39.8 per cent increase in expenditure on health insurance, 28.4 per cent increase in council rates, 16.5 per cent in car insurance and registration, 9.5 per cent increase in house and contents insurance, and a 5.1 per cent reduction in telephone costs.[26]

4.22 Some of the submissions highlighted the cost imposed for medications that were not on the PBS. CPSA expressed particular concern with the gap between Medicare refunds and medical fees. It noted that the Pharmaceutical Allowance is only CPI-indexed if this results in an increase of 10 cents or more, and that it has not been increased for years with its real value dropping by 25 per cent. CPSA also noted

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23 The Corrimal Pensioners and Superannuants Association, *Submission 177*, p. 1.

24 *Committee Hansard*, 23 August 2007, p. 27.

25 Combined Pensioners & Superannuants Association (CPSA), *Submission 66*, pp 6-7.

26 Mr Bernard and Mrs Barbara Murray, *Submission 86*, p. 2.

that at the same time, the co-contribution per prescription has continued to rise. Further, CPSA maintained that the decline in bulkbilling for Medicare has meant that many pensioners are unable to afford consultations and put them off as well as expensive scans. CPSA also argued that dental access has declined with increasing unavailability of public dental care and difficulty affording private care. Further, CPSA argued that public podiatry programs are inadequate, forcing pensioners to use expensive private podiatry services.[27]

4.23 Transport was another key area where submissions highlighted increases in payments required from pensioners. For example, the Brotherhood of St Laurence pointed to the Victorian Government's reduction of the concession on motor vehicle registration for pensioners.[28] During a 2004 reform of the concession system, the Victorian Government removed the exemption for pensioners to pay registration fees and instituted a 50 per cent fee. It argued that the full concession was out of step with other concessions and was open to misuse.[29] The CPSA noted that the NSW Government has recently introduced a 15 per cent booking fee for country rail travel, which imposes a cost on a previously free service. Consequently, the CPSA reported, patronage fell by 25 per cent in the first 12 months of the fee introduction.[30]

4.24 Concessions related to housing are, evidence suggested, the most responsible for causing financial stress to retirees. In particular, it was argued that rebates on rates, electricity and water, and rental allowances have not increased in line with inflation. This was particularly highlighted in the submission of Mr Richard Sims.[31]

4.25 In terms of council rate subsidies Queensland, New South Wales and Victoria were highlighted as failing to index subsidies, despite rapid and sustained increases in property prices, which translated into higher council rates. COTA also raised the problem of the inadequacy and declining applicability of concessions, particularly in relation to council rates. COTA submitted:

> Although these concessions are valued by older people they leave many recipients struggling to meet necessary expenditures as costs rise faster than the concession and new, unsubsidised elements are added to basic accounts. For example rebates on municipal rates and utilities have not kept pace with the rising values of properties and the increasing cost of user pays systems.[32]

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27 Combined Pensioners & Superannuants Association (CPSA), *Submission 66*, pp 6-7.

28 *Committee Hansard*, 23 August 2007, p. 32.

29 Premier Steve Bracks, *Concessions Reform Delivers Fairer Outcome*, 28 April 2004, http://www.premier.vic.gov.au/newsroom/news_item_archives.asp?id=409, (accessed 17 August 2007).

30 Combined Pensioners & Superannuants Association (CPSA), *Submission 66*, p. 7.

31 Mr Richard Sims, *Submission 26*, p. 1.

32 COTA Over 50s, *Submission 96*, p. 16.

4.26 Mr Peter McSpadden noted that the Queensland State Pensioner Rate Subsidy Scheme provides a rate subsidy of 20 per cent up to a maximum of $180, but has not been increased since 1992. Since that time, the Queensland Government expenditure on the scheme has increased from $27.13 million in 1992-93 to $41.788 million in 2003-04, due to the increase in the number of Queenslanders receiving the subsidy.[33] The CPSA reported that there is no mechanism for indexing pensioner rebates on rates at the local government level in NSW. Consequently, the rebate has not been increased for 15 years, though rates have increased annually.[34] Mr Thomas and Ms Barbara Sharp provided an illustrative example of rising council rates accompanied by a fall in their rebate. In 2002 their council rates bill was $593.24 and the concession $505, compared to $906.99 and $425 respectively in 2007.[35] The Brotherhood of St Laurence also provided evidence that council rates in Victoria have risen by 6–14 per cent, and concessions have failed to keep pace.[36]

4.27 The cost of utilities associated with housing was another example of a failure of rebates to keep pace with price increases. Mr Thomas and Ms Barbara Sharp submitted that pension rebates are inadequate and, in some cases, have declined while charges rose. They provided figures that suggested the rebate on their electricity bill was 8 per cent and did not even cover the GST on the bill.[37]

4.28 The Superannuated Commonwealth Officers' Association provided a possible explanation for the rises in state and territory charges, which could also explain the apparent declining real value of concessions. It argued:

> The State and Territory shares of total revenue collected by the Commonwealth have been declining, while the Commonwealth share has been increasing. This has resulted in the Federal Government having large budget surpluses, while the States and Territories have had to increase their taxes and charges to make up the shortfall. These increases have impacted disproportionately on the elderly, who consume more State and Territory services than the general population.[38]

Conclusion

4.29 The rise in the real value of the age pension and other benefits for self-funded retirees over the past ten years has highlighted the need for the inquiry to examine other possible reasons for anecdotal reports of increasing financial stress for older people. As was mentioned in the previous chapter, the suitability of the current level

33 Mr Peter McSpadden, *Submission 127*, pp 13, 24.

34 Combined Pensioners & Superannuants Association (CPSA), *Submission 66*, pp 7-8.

35 Mr Thomas & Ms Barbara Sharp, *Submission 148*, p. 1.

36 *Committee Hansard*, 23 August 2007, p. 32.

37 Mr Thomas & Ms Barbara Sharp, *Submission 148*, p. 1.

38 Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 10.

of the aged pension needs to be investigated, irrespective of the rise in value that has occurred, as well as expectations of retirement.

4.30 But while much of the evidence presented to the committee focused on a perceived inadequacy of current pension entitlements and indexations to meet the cost of living, the committee emphasises the importance of the range of indirect benefits such as concessions and rebates provided by all levels of government. These benefits constitute a considerable financial investment by governments and provide a substantial boost to the living standards of older people that are not necessarily fully captured in analyses of income and expenditure patterns and data.

4.31 The evidence presented to the inquiry raised the committee's concerns about the appropriateness of concessions and their erosion as a result of inadequate indexation. For instance, some submissions suggested that some of the state governments have not increased or indexed council rate subsidies for fifteen years, despite inflationary effects and the increase in council rates that resulted from the property boom. There were limited contributions from state and local governments to the inquiry to shed further light on the apparent problem of the adequacy of rebates and concessions. But it appears as though the ageing of the population and resulting increase in the number of people eligible for concessions has led to an increase in expenditure on some of these benefits, even though concessions to individuals have not been increased. The failure to index any concession payment will invariably result in an increasing widening of the gap between its value and the cost incurred by the recipient. This particularly impacts on those on low, fixed incomes such as pensioners, and unless addressed will contribute substantively to their financial stress, exacerbate the deterioration in their financial well-being and have implications for their physical and psychological health.

CHAPTER 5

COST PRESSURES

5.1 The inquiry received numerous anecdotal reports from retirees and organisations arguing that the cost of living had outstripped inflation and created greater financial pressure for older households. The validity of some of these accounts was supported in quantitative data considered by the committee.

5.2 The cost pressures faced by older people reflect, in part, the general rise in prices and expenses experienced across the broader community. However, the spending patterns of different demographics can be extremely diverse and this is the case with older people. In particular, older people are more vulnerable to certain expenses—particularly those that represent essentials or basic costs of living—which consume a greater proportion of their expenditure. Older people are also subject to the additional costs that uniquely affect their demographic, due to increasing health and mobility problems commensurate with ageing.[1] Further, many older people are on fixed incomes, which means that rises in cost of living, if not met by increases in pension indexation or superannuation levels, can erode discretionary income or make previous spending habits unaffordable.

5.3 There are disagreements within the research community about the most appropriate means of collecting quantitative data to assess the impact of cost pressures on the community and, specifically, older people. Historically, most assessments of whether or not individuals live in poverty involve their after-tax income levels, which provide a measure of consumption capacity. However, standard of living is often more appropriately measured by actual consumption. Both measures have different strengths and limitations and more accurate assessments should take into consideration a range of measurements.

5.4 Problems with expenditure measurements are the inclusion of large one-off purchases that distort findings, and the possibility that a person may choose to consume little even though their capacity to consume is considerable. Furthermore, it has been argued that people who are forced to use savings, or to rely on credit, to finance general expenses are people who should be included among the poor. Both systems are complicated by the inclusion of issues such as capital gains and superannuation.

Rising cost pressures across the community

5.5 In many respects, the impact of rises in the cost of living is influenced by the effects on particular goods and services. According to a study by the *Herald Sun*, the

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1 Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, p. 9.

consumer price index has risen by 35 per cent since 1997 but this rise has been surpassed by increases in the costs of essential services and commodities, such as food, petrol, public transport, child care, insurance, medical bills and education. Electricity and gas prices have also risen, although according to the *Herald Sun* article regulatory controls and industry efficiency have limited the impact on households. Many of these increases have been afforded through a greater use of credit, with credit card debt having spiralled from $7.6 billion to $40 billion over the past decade.[2]

5.6 Other media reporting has suggested similar rises. *The Canberra Times* cited ABS data and reported that over the past five years the CPI has increased by 14.5 per cent, the cost of living for age pensioners has increased by 15.8 per cent and there have been some even higher rises in essential costs. For example, over the period, fruit and vegetables rose by 41.9 per cent, health bills by 31 per cent, housing costs by 20.6 per cent and fuel prices by 45.5 per cent.[3]

5.7 The seventh and most recent Household Expenditure Survey undertaken by the Australian Bureau of Statistics also highlights that some of the steepest rises in the cost of living have been in basic and essential costs. The survey found that the largest rises between 1998-99 and 2003-04 in average weekly expenditure on goods and services included housing costs, medical care and health expenses, miscellaneous goods and services, domestic fuel and power, household services and operation, and recreation. Over this period, these commodities experienced rises of 47.3 per cent, 41 per cent, 38.9 per cent, 32 per cent, 31.5 per cent, 29.1 per cent respectively. The lowest rises were in personal care, household furnishings and equipment, food and non-alcoholic beverages, transport, alcoholic beverages, clothing and footwear, and tobacco.[4]

Expenditure patterns of older people

5.8 Although this data has demonstrated a rise in cost of living pressure across the community, many submissions to the inquiry argued that the cost pressures faced by older people outstripped those of the rest of the community. Older people do not form a completely homogenous sub-group, although as a sub-group their spending patterns tend to be different to average households. This was discussed earlier in this report in chapter three with respect to the appropriateness of indexation for the aged pension.

5.9 Older people also have lower and fixed incomes, as well as lower discretionary spending than other demographics. Further, some of the submissions to the inquiry pointed to issues that placed additional financial strain on the expenditure of older people. This includes cost rises in basic and essential goods and services that

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2 Ian Royall, 'Feeling the squeeze: Households hit by rocketing price of living', 23 June 2007, *Herald Sun*, p. 11.

3 Danielle Cronin, 'Not gone, nearly forgotten', 1 September 2007, *Canberra Times*, p. 4.

4 Australian Bureau of Statistics, *Household Expenditure Survey: Summary of Results, 6530.0*, 2003-04, pp 8-10.

have outstripped inflation; above-inflation rises in health costs; the increasing user pays system that had transferred a greater proportion of out-of-pocket costs onto older people; and the imposition of the GST.

5.10 COTA submitted that the key expenditure items for older persons generally have risen at a greater rate. While transport costs rose on a par with the CPI at 18 per cent, housing costs rose by 47 per cent, recreation by 29 per cent, food and non-alcoholic beverages by 20 per cent, health practitioner fees by 44 per cent, health insurance by 34 per cent and domestic fuel and power by 32 per cent.[5]

5.11 Queensland Shelter highlighted a list of expenses it considered to have put particular pressure on older people:

> The GST, increased user pays costs, removal of some medications from the PBS and pressures on services such as dental care were referred to as having all played a part. The GST has been 'blamed' for increases in insurances and utilities. Coupled with all these are the current unrelenting private rental costs and increased petrol costs.[6]

5.12 COTA submitted that older persons have been particularly affected by recent social and economic changes, with more costs shifted to the individual. It argued:

> Cost pressures being experienced by older people are exacerbated by other social and economic changes including introduction of regressive indirect taxes, increases in user pays chargers in former public enterprises, co-payments for medical and pharmaceutical services and lack of accessible transport and affordable housing.[7]

Higher proportional expenditure on basics and essentials

5.13 Older people in lower income brackets spend a greater proportion of their income on basics and essentials such as domestic fuel and power, food and non-alcoholic drinks and household services. They spend comparatively less on recreation, clothing, footwear, alcohol and personal care.[8]

5.14 St Vincent de Paul[9] and the Brotherhood of St Laurence[10] submitted the proportional differences in the budgets of older people on some of these items. St Vincent de Paul estimated that pensioners spent proportionately more than the average household calculated in the CPI and were more sensitive to rises in food (30.68 per

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5 COTA Over 50s, *Submission 96*, p. 8.

6 Queensland Shelter, *Submission 45*, p. 3.

7 COTA Over 50s, *Submission 96*, p. 4.

8 COTA Over 50s, *Submission 96*, p. 10.

9 St Vincent de Paul Society National Council of Australia, *Submission 92*, pp. 4-6.

10 Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, p. 9; National Seniors, *Submission 60*, p. 12.

cent), household utilities (57.14 per cent), health (26.2 per cent), and communications (38 per cent). In contrast, aged pensioners spend proportionately less on housing (25 per cent), transport (22 per cent), alcohol (25 per cent), childcare (nil) and education (97 per cent).[11]

5.15 These findings were consistent with ABS data, which has highlighted the divergent spending patterns of high income earners compared to low income earners—which includes many older people. On 13 key categories of goods and services, high income earners tend to spend a greater proportion of their incomes than low income earners. However, low income earners are more sensitive to rises in five of those areas: housing costs, food and non-alcoholic beverages, household services and operation, domestic fuel and power and tobacco.[12]

5.16 The ABS has also highlighted that aged pension households have the highest proportion of expenditure allocated to food and both age pension and self-funded retiree households have a higher proportion of expenditure on health costs.[13] The proportion of older people with deteriorating health or disability increases with age, which imposes greater demand for health and aged care services. For example, according to the Australian Institute of Health and Welfare, during 2005–06 people aged 65–74 years made an average of 8 visits per person to a GP while those aged 85 years and over made 9.5 visits.[14]

5.17 Similarly, the Brotherhood of St Laurence noted that older people often face higher costs associated with ageing, such as health care, medications, hospital admissions, in-home care services, mobility aid and equipment, as well as home modifications to accommodate reduced mobility.[15] Along with this, as health declines, some older people may have to pay for services such as motor vehicle and car maintenance that were formerly performed by them.[16]

5.18 The higher emphasis on spending on essentials for older people was also borne out in some of the anecdotal accounts submitted to the inquiry. The submission of Bernard and Barbara Murray recounts their experiences as pensioners of the impact

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11 St Vincent de Paul Society National Council of Australia, *Submission 92*, pp 4-6.

12 Australian Bureau of Statistics, *Household Expenditure Survey: Summary of Results*, *6530.0*, 2003-04, p. 5.

13 Australian Bureau of Statistics, 6463.0 – Analytical Living Cost Indexes for Selected Australian Household Types, June 2007, http://www.abs.gov.au/AUSSTATS/abs@.nsf/mf/6463.0?OpenDocument, (accessed 29 August 2007).

14 Australian Institute of Health and Welfare, *Older Australians at a Glance 4th Ed.*, November 2007, p. viii.

15 Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, p. 9.

16 Mr David and Ms Elizabeth Jeffrey, *Submission 113*, p. 1.

of rises in the cost of essentials, notably food and petrol, on other expenditure. They asserted:

> Every year of the past ten, my wife has been complaining that our meagre income is barely keeping up with the ever increasing cost of food…Over those years we have bought very little in the way of new clothes or shoes. The rising cost of petrol over the past couple of years now has us thinking twice about travelling very far from home and the need to multipurpose our trips.[17]

5.19 Similarly, according to the *Herald Sun* study on the rises in cost pressures since 1997:

> Among the [financial] losers were the elderly, who were doing it tough because a higher proportion of their income was spent on essentials such as food and utilities. They have also not enjoyed the benefit of lower interest rates because most have paid off their homes.[18]

Groceries and food

5.20 Food and groceries are key elements of older people's weekly expenses. As was mentioned earlier in this chapter, St Vincent de Paul submitted that older people were more sensitive to rises in the cost of these items.[19] Similarly, National Seniors argued that ABS data demonstrates that older Australians spend around 20 per cent of total weekly expenditure on food.[20]

5.21 A large number of submissions highlighted concerns about the affordability of, or impact of rises in, groceries and food prices. Part of the perceived rise in prices was attributed to higher transportation and freight costs, particularly as a result of petrol price increases. However, the committee received conflicting information about the movement in the price of food and groceries—much of this variation was the result of when information was surveyed. This illustrates the need to be careful about relying on data from a certain period and the need for context, such as a comparison with CPI. Nevertheless, the data available to the committee seemed to suggest that food generally has increased at a faster rate than the CPI over the past decade as outlined below.

5.22 St Vincent de Paul undertook research on the comparison between general inflation and the cost of some basic food items between 1990 and 2005. During this period, the research found that the cost of dairy and related products rose 41 per cent more than the inflation rate, and bread and cereals by 34 per cent greater than

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17 Mr Bernard and Mrs Barbara Murray, *Submission 86*, p. 1.

18 Ian Royall, 'Feeling the squeeze: Households hit by rocketing price of living', 23 June 2007, *Herald Sun*, p. 11.

19 St Vincent de Paul Society National Council of Australia, *Submission 92*, pp 4-6.

20 National Seniors, *Submission 60*, p. 7.

inflation. However, it found that meat and seafood rose at 7.2 per cent less than inflation, and fruit and vegetables rose at 21.6 per cent less than inflation.[21]

5.23 ABS data indicated that over the past 12 months food prices fell by 2.3 per cent, despite a rise in the CPI of 0.1 per cent. However, over the preceding ten years, food costs rose by 41.3 per cent, outstripping the CPI rise of 29.1 per cent.[22] The National Association of Retail Grocers (NARGA) argued that fresh foods such as vegetables, fruit and a range of meats increased at 'significantly higher rates of price increase' than the CPI and food in general. Over the same period average wages rose by 47 per cent.[23]

5.24 These accounts were generally consistent with anecdotal reports on the budgets of older people. For instance, Mr Keith Thomson highlighted that his gross supermarket bills for January to June 2007 had risen by 23.9 per cent over the expenses incurred from January to June 2006.[24] Similarly, Ms Patricia Strachan asserted that her weekly food and grocery bill has risen by 40 per cent over the past three years.[25] As was argued by Mr Donald White, older people do not have the same flexibility in accommodating rises in the cost of food as some other expenses.[26]

5.25 National Seniors and APSL QLD argued that their members were cutting down on their food costs including, in some cases, through the purchase of cheaper and inferior food items, which potentially has negative consequences for their health.[27] APSL QLD argued:

> If as a result of rising costs Pensioners and Superannuants are forced to reduce their daily food intake both qualitative and quantitative then we expect a deterioration in the well being of their health which would likely result in further pressure on our national health system.[28]

5.26 Some submissions highlighted the importance of specials, cut-price supermarkets, discontinued lines and, in some cases, out-of-date items to be able to afford such commodities.[29] However, it was argued by some that transportation

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21 St Vincent de Paul Society National Council, *Winners and Losers: the Story of Costs, Social Policy Issues Paper 2*, 19 December 2004, pp 11-12.

22 Australian Bureau of Statistics, *Submission 43*, p. 8.

23 National Association of Retail Grocers of Australia, *Submission 59*, p. i.

24 Mr Keith Thomson, *Submission 114*, p. 2.

25 Ms Patricia Strachan, *Submission 186*, p. 1.

26 Mr Donald White, *Submission 32*, p. 1.

27 National Seniors, *Submission 60*, p. 7; Australian Pensioners' & Superannuants' League QLD Inc, *Submission 1*, p. 1.

28 Australian Pensioners' & Superannuants' League QLD Inc, *Submission 1*, p. 1.

29 This included: Mr Graham Sharpe, *Submission 82*, p. 1; Name withheld, *Submission 48*, p. 2; Ms Elayne Whatman, *Submission 134*, p. 1; Mr J M & Mrs W E K Harris, *Submission 140*, p. 1; Miss P A Robb, *Submission 151*, p. 3.

problems and lack of competition between supermarkets in particular areas, inhibits many from the opportunity to take advantage of these remedies. In addition, some older people suffered limited mobility, which inhibits their capacity to exercise choice.[30]

5.27 Other submissions painted a more dire situation. Some highlighted that certain foods such as meat were being omitted from diets,[31] that donations of food were relied on from friends and charities,[32] or that some older people were forced to skip meals because of cost pressures.[33] Mr L D Arrowsmith stated that:

> Some are reduced to raiding dumpsters to retrieve bread, fruit, vegetables, canned goods and sometimes meat that have been discarded by our large grocery chains as it is bruised or out of date and considered un-saleable. However when these items are considered luxuries by the disadvantaged, raiding a garbage bin is a means of avoiding starvation.[34]

5.28 These anecdotal accounts are consistent with the submissions from community organisations. The Salvation Army Southern Territory reported that it had been required to increase assistance to older people. It noted that it was increasingly providing Emergency Relief to many older people on low incomes for the first time. The Salvation Army highlighted the consequences of cost pressures with respect to food:

> Increased food costs cause people to purchase cheaper, less healthy food lines or to go without food. A significant percentage of older Australians presenting for assistance at Salvation Army services are assisted with food and/or food vouchers. In some cases, it has become necessary to provide fresh food and prepared meals to ensure older people are eating appropriately and regularly.[35]

Transport costs

5.29 According to information submitted by St Vincent de Paul, pensioners spend proportionately less of their incomes on transport (22 per cent) than average households.[36] However, it became evident during the inquiry that the smaller budgets of many older people, such as those dependent on pensions, can mean that rises in the cost of transport, especially petrol, still have a disproportionate effect.

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30 These included: Ms Maxine Visser, *Submission 88*, p. 1; Mr Don and Mrs Elma Butler, p. 1; Ms Winifred O'Keeffe, *Submission 21*, p. 1; Name withheld, *Submission 149*, p. 2.

31 Ms Enid Randon, *Submission 170*, p. 1.

32 Mrs Margaret Ryan, *Submission 100*, p. 4.

33 Name withheld, *Submission 133*, p. 1; Mr Cy D'Oliveira, *Submission 131*, p. 2.

34 Mr L D Arrowsmith, *Submission 126*, p. 4.

35 Salvation Army Australia Southern Territory, *Submission 136*, p. 6.

36 St Vincent de Paul Society National Council of Australia, *Submission 92*, pp 4-6.

5.30 ABS data provided to the inquiry showed that over the past 12 months automotive fuel costs rose by 1.4 per cent, which was higher than the CPI increase of 0.1 per cent. National Seniors maintained that older people were less able to accommodate the rises than other segments of society. In particular, National Seniors argued that the rises over the past year have increased the proportional spending of older people on transportation by 9.7 per cent for pensioners and 8.2 per cent for self-funded retirees.[37]

5.31 Further, ABS data also shows that automotive costs have increased substantially over the past ten years, outstripping CPI, with a rise of 61.3 per cent compared to 29.1 per cent.[38] Similar accounts were provided to the inquiry by other submissions. For example, Bernard and Barbara Murray recorded their expenditure on petrol and distances travelled in 2002 compared to 2006. They argued that their fuel costs had increased by 39 per cent over the four years, which far outstripped their pension increase.[39]

5.32 The Salvation Army and the Aged Care Lobby also argued that older people face prohibitive transportation costs with respect to registration, insurance, licensing and maintenance.[40] Another submission observed that motor vehicle registration and third party insurance increased by 70 per cent between June 2003 and June 2007.[41] The Superannuated Commonwealth Officers' Association argued that some government charges, such as Motor Vehicle Registration fees in the ACT, are now adjusted according to a wage based indexation, which has far outstripped the CPI over the past 17 years.[42]

Rural and regional retirees

5.33 Notably, many of the submissions to the inquiry raised concerns about the impact of the cost of living for older people in rural and regional areas. The Salvation Army submitted that, nationally, twenty-five percent of people over the age of fifty-five seeking emergency assistance from the Salvation Army are from rural and regional areas.[43] Transport-related costs are a particularly prominent cost pressure for older people living and rural and regional Australia. A lack of locally-based essential services (notably, health services), mean people must travel to larger towns and cities

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37 National Seniors, *Submission 60*, pp 7-9.

38 Australian Bureau of Statistics, *Submission 43*, p. 8.

39 Bernard and Barbara Murray, *Submission 86*, p. 1.

40 Salvation Army Australia Southern Territory, *Submission 136*, pp. 6, 8; Aged Care Lobby Group, *Submission 40*, pp 1-3.

41 Name withheld, *Submission 27*, p. 1.

42 Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 9.

43 Salvation Army Australia Southern Territory, *Submission 136*, additional information, 5.12.07, p. 1.

to access such services. Participation in social activities may also require significant travel.[44]

5.34 Many older people tend to own older less fuel efficient vehicles and lack the finances to replace them. With petrol price rises and a greater need to travel to access services, older people in rural and remote areas are particularly impacted on. Some pointed out that the rise in petrol prices has increased the cost of living for older people in rural and regional areas because of the compounding effect on food and grocery prices as well as increases in transport costs.[45] Consequently, the National Rural Health Alliance called for a revision of the remote zone tax in order to off-set these costs to better recognise population and demography changes since the zone boundaries were drawn up—in 1945— and the rebate established—in 1984-85.[46]

Consequences of high transport costs

5.35 The evidence provided to the committee highlighted various consequences of the increasing unaffordability of transport for older people. Of particular concern was the impact of higher petrol costs on the usage of private motor vehicles to attend medical appointments.[47] Others noted the importance of affordable, accessible transport for independence, visiting family and friends, participating in community activities, providing volunteer services and providing care for grandchildren.[48] The Salvation Army argued that many older people were risking driving uninsured vehicles because of the prohibitive cost of insurance cover.[49]

5.36 The Aged Care Lobby Group argued that public transport did not offer a viable alternative to private transport because it was often either expensive or inaccessible.[50] St Vincent de Paul made the same argument, noting that public transport costs had increased by three times the rate of the CPI. Although public

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44 Salvation Army Australia Southern Territory, *Submission 136*, additional information, 5.12.07, pp 1-2.

45 Combined Pensioners and Superannuants Association of NSW Inc – Bellingen Branch, *Submission 56*, p. 1; National Rural Health Alliance Inc, *Submission 91*, pp 3, 5.

46 National Rural Health Alliance Inc, *Submission 91*, pp 3, 5.

47 These included: National Seniors, *Submission 60*, p. 8; Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 6; Combined Pensioners and Superannuants Association of NSW Inc – Bellingen Branch, *Submission 56*, p. 1; Aged Care Lobby Group, *Submission 40*, pp. 1-3; Thirroul Retired Mineworkers' Association, *Submission 4*, p. 1; Professor Frank Vajda, *Submission 5*, p. 1; Ms Irene Kirkwood, *Submission 120*, p. 1; Mr L D Arrowsmith, *Submission 126*, p. 1; Name withheld, *Submission 139*, p. 1; Mr J M & Mrs W E K Harris, *Submission 140*, p. 1.

48 Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 6; Salvation Army Australia Southern Territory, *Submission 136*, pp 6, 8.

49 Salvation Army Australia Southern Territory, *Submission 136*, pp 6, 8.

50 Aged Care Lobby Group, *Submission 40*, pp 1-3.

transport concessions had lessened the impact of these rises, the increase in the concession charges was still steep.[51]

Housing costs

5.37 Housing costs are an important factor in determining standards of living. According to St Vincent de Paul, aged pensioners spend proportionately less on housing (25 per cent) than the average household calculated in the CPI.[52] This is largely because older people have a high rate of home ownership, compared to other segments of the community.[53] Although housing is a necessity, there remains some discretion in the quality of housing secured and the consequent impact on cost pressures. Individuals or families that are purchasing their property or renting from private landlords have a higher proportion of income associated with housing, which has an impact on disposable income and standard of living. In contrast, those that own their own home or receive government housing have much lower housing costs.[54]

Private rental accommodation

5.38 Non-home owners form a minority among the older population in Australia and a lower proportion than other age groups. However, COTA argued that this still constitutes 97 000 couples and 188 000 singles who are at risk of poverty.[55] The Brotherhood of St Laurence provided similar data to the committee and argued that the proportion of the population over the age of 65 in rental accommodate constitutes 14 per cent. Half rent through state housing and half rent through the private market.[56]

5.39 The Brotherhood of St Laurence also argued that private renting older Australians spend an average of 33 per cent of income on housing, which constitutes a higher average proportion of income on housing than any other age group in any form of housing. It attributed this to the higher rate of home ownership in Australia than other countries, which has resulted in often shorter term private rental agreements with reduced security of tenure and increased probability of rent increases.[57]

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51 St Vincent de Paul Society National Council of Australia, *Submission 92*, p. 9.

52 St Vincent de Paul Society National Council of Australia, *Submission 92*, pp 4-6.

53 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, pp 6-7.

54 Harry Greenwell, Rachel Lloyd and Ann Harding, 'An Introduction to Poverty Measurement Issues', December 2001, *National Centre for Social and Economic Modelling Discussion Paper No: 55*, pp 13-14.

55 COTA Over 50s, *Submission 96*, p. 7.

56 Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, p. 15.

57 Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, p. 15.

5.40 There are a variety of circumstances that lead to older Australians being in rental accommodation. These include long-term renters, those forced through difficult financial circumstances to enter rental housing, and those that have moved into age-specific housing (such as retirement complexes and assisted living villages) and communal housing.[58]

5.41 Irrespective of the circumstances that have lead to being in private rental accommodation, older renters are usually on fixed incomes, which provide a much more limited capacity than some other segments of the population to afford rises in accommodation costs.[59] Aged and Community Services Australia argued that this section of the older population is at the greatest degree of income stress.[60] Similarly, according to Queensland Shelter, older renters are more likely to be living in poverty or at substantial risk of it.[61] Numerous submissions raised concerns about the cost of private rent and the adequacy of the level of rental assistance, particularly in relation to market increases in rental costs.[62]

5.42 St Vincent de Paul highlighted that between 1990 and 2005, while home owners' expenses rose at a rate substantially below the CPI (mainly due to falling interest rates between 1996 and 2001), rents increased at about the rate of the CPI.[63] The Bellingen Branch of the Combined Pensioners and Superannuants Association of NSW argued that increased house prices were forcing up rental costs to the point where pensioners and low income retirees struggle to afford housing.[64] Ms Tracey-Ann Douglas from Queensland Shelter speculated that interest rate rises will have a

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58 Australian Housing and Urban Research Institute, *Rental Housing Provision for Lower-Income Older Australians: AHURI Final Report No. 96*, May 2007, p. viii-ix.

59 COTA Over 50s, *Submission 96*, p. 7.

60 Aged & Community Services Australia, *Submission 64*, p. 2.

61 Queensland Shelter, *Submission 45*, p. 2.

62 These included Australian Pensioners' & Superannuants' League QLD Inc, *Submission 1*, p. 3; St Vincent de Paul Society National Council of Australia, *Submission 92*, pp. 4-6; Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, p. 15; COTA Over 50s, *Submission 96*, p. 7; Salvation Army Southern Territory, *Committee Hansard*, 23 August 2007, p. 22; Queensland Shelter, *Submission 45*, p. 2; Council of Social Service of New South Wales, *Submission 54*, p. 4; Catholic Social Services Australia, *Submission 95*, p. 8; Aged and Community Service Australia, *Committee Hansard*, 23 August 2007, p. 79; Older People Speak Out, *Submission 94*, p. 3; Australian Council of Social Service (ACOSS), *Submission 211*, p. 1; Mrs Zoe Ray, *Submission 75*, p. 2; Ms Beth Butler, *Submission 104*, p. 3; Ms Marion Vann, *Submission 202*, p. 1; Ms Shirley Prout, *Submission 97*, p. 2; Name withheld, *Submission 180*, p. 1; Mr Lindsay Kayess, *Submission 115*, p. 2; Miss P A Robb, *Submission 151*, p. 3; Ms Dorothy Ratnarajah, *Submission 156*, p. 1; Mr L D Arrowsmith, *Submission 126*, pp. 2-3; Mr Geoff Ball, *Submission 206*, p. 1; Mr Ralph Foster, *Submission 199*, p. 1; Mr Andrew Ball, *Submission 85*, p. 1; Mr Ronald Davis, *Submission 89*, p. 2.

63 St Vincent de Paul Society National Council of Australia, *Submission 92*, pp 4-6.

64 Combined Pensioners and Superannuants Association of NSW Inc – Bellingen Branch, *Submission 56*, p. 2.

significant impact on rent increases with owner-mortgagors of rental accommodation passing on the interest rate increases to their tenants.[65] Along with this the growing number of mortgagors at risk of losing their homes due to interest rate rises may be forced into the private rental market putting further strain on the supply of affordable rental accommodation.[66]

5.43 Older People Speak Out maintained that rental assistance had failed to increase to meet the costs resulting from an increased demand for rental accommodation.[67] This was illustrated by the submission of the Council of Social Service of New South Wales (NCOSS). NCOSS argued that the average Commonwealth Rent Assistance payment was $69 per fortnight, while the median rent of a one bedroom dwelling in the middle ring of Sydney in June 2006 was $260 per week.[68] Dr Paul Henman made the point that rent assistance is increased with reference to the CPI and is independent of increases in housing costs specifically. In effect, rent assistance rates do not take account of the varied growth in rents across the country.[69]

5.44 Similarly, according to COTA, the ABS data from 2003-2004 estimated that the average disposable income required for people living in private housing to maintain an average standard of living was $549 per week.[70] This is in contrast with the income received by singles and couples on the maximum pension and in receipt of rent assistance, which are $319.55 and $536.70 respectively.[71] It was noted that the discrepancy between rental costs and rental assistance was particularly pronounced for single pensioners, because accommodation requirements were often the same whether a household was comprised of a single or couple.[72] Thus the apparent greater vulnerability of single pensioners to living in poverty was again underscored.

Consequences of rental stress

5.45 The committee considered evidence that suggested older people are suffering from an increasing difficulty in finding affordable accommodation and paying their rent. Further, the committee was presented with evidence that suggests rental stress is undermining the affordability of other basic items such as food, groceries and utilities

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65 Ms Tracey-Ann Douglas, Queensland Shelter, *Committee Hansard*, 8 February 2008, p. 19.

66 Ms Tracey-Ann Douglas, Queensland Shelter, *Committee Hansard*, 8 February 2008, p. 21.

67 Older People Speak Out, *Submission 94*, p. 3.

68 Council of Social Service of New South Wales, *Submission 54*, p. 4.

69 Dr Paul Henman, *Committee Hansard*, 8 February 2008, p. 5.

70 COTA Over 50s, *Submission 96*, p. 7.

71 The amounts for the single and couple pensioners on the maximum rate and in receipt of rent assistance were calculated using the full-rate pension information provided in Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 25, and the rent assistance rates provided in COTA Over 50s, *Submission 96*, p. 7.

72 Mr Lindsay Kayess, *Submission 115*, p. 2.

bills.[73] Ms Dorothy Ratnarajah argued that many older people are reliant on emergency relief to help with food costs.[74]

5.46 Mrs Veronica Howell submitted that 'sky-rocketing rents' in her retirement village has meant that she has had to give up a number of activities such as running a small car, participating in U3a classes and visiting family. Further, she stated that she is now dipping into her savings 'trying to survive'. Mrs Howell noted that a number of other residents are in similar situations and proposed that special financial assistance be provided:

> Many of the residents at this village are in their eighties and being forced out because the pension, including the rent allowance barely covers the rent. Housing Commission cannot provide housing (waiting lists currently running at approximately five years and nothing is being built), so my suggestion is that government give special needs financial assistance to keep these people in their homes until the Housing Commission can provide suitable housing for them.[75]

5.47 The submissions of Older People Speak Out and Queensland Shelter also argued that older non-home owners were increasingly being forced into private rental accommodation, because of rising inaccessibility of public housing.[76] Mr Andrew Ball noted that he had been forced into the private rental market because of a lack of government housing. He provided an account to the inquiry about his experience of financial stress living in private rental:

> We face astronomical, outrageous and ever increasing rent hikes which, like everything else, strips and rapes our inadequate meagre income on a monthly basis. My rent alone already takes more than 2/3rds of my fortnightly pension and I am left with less than $100.00 a fortnight to pay for basic living expenses such as food, medications, petrol, electricity, phone and, God forbid, anything else that crops up. Clearly we always run out of money long before we run out of days within our fortnights.[77]

5.48 Further, Ms Tracey-Ann Douglas from Queensland Shelter told the committee that the growing lack of affordable, appropriate rental housing is resulting in a growing number of elderly homeless people.[78]

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73 This included Queensland Shelter, *Submission 45*, p. 2; Older People Speak Out, *Submission 94*, p. 3; Mr Andrew Ball, *Submission 85*, p. 1; Ms Dorothy Ratnarajah, *Submission 156*, p. 1; Australian Council of Social Service, *A Fair Go For All Australians: International Comparisons, 2007*,p. 30.

74 Ms Dorothy Ratnarajah, *Submission 156*, p. 1.

75 Mrs Veronica Howell, *Submission 228*, p. 1.

76 Older People Speak Out, *Submission 94*, p. 3; Queensland Shelter, *Submission 45*, p. 2.

77 Mr Andrew Ball, *Submission 85*, p. 1.

78 Ms Tracey-Ann Douglas, Queensland Shelter, *Committee Hansard*, 8 February 2008, p. 19.

5.49 Research by Australia Fair in its comparisons with other OECD countries showed that there are between eighty and one hundred thousand evictions from rental accommodation each year, primarily for unpaid rent. Various segments of the community are represented, but the report highlighted that this includes older men as one of the key demographics.[79]

5.50 The Australian Housing and Urban Research Institute (AHURI) highlighted in its submission two reports on the housing of older Australians, which suggest the number of older people living in private rental accommodation and the degree of financial stress they experience will increase over time. Its report on rental housing argued that the number of lower-income Australians aged 65 and over living in rental households is anticipated to increase by 115 per cent between 2001 and 2026. It maintained that this will exceed the supply capacity of the social housing system. Further, due to the aging of the population and longer life-spans, the greatest increase will be in the 85 and over age range with an increase of 194 per cent of low-income renters. The increase in sole older person householders in rental accommodation is due to increase by 120 per cent with two-thirds of these households being women.[80]

5.51 AHURI pointed to the emergence of new private sector providers of affordable rental housing since 1999. However, the financial problems of some of these providers more recently have resulted in a decline in interest by investors and companies in the market. AHURI emphasised the need to ensure affordable private rental housing remains sustainable and appropriate for the needs of older people.[81]

Social housing

5.52 The Commonwealth State Housing Agreement for public and social housing assists a large number of people, including a considerable proportion of older people. In June 2005, 27.64 per cent of public housing tenants were aged 65 and over, while this demographic constituted only 12.6 per cent of the general population. In 2005-06 this amounted to 96 082 public housing households with a primary tenant aged 65 and over.[82]

5.53 Community Housing is rental housing managed by non-government and local government organisations for people on low to moderate incomes, particularly with special housing needs. Community housing includes a mix of government and non-

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79 Australian Council of Social Service, *A Fair Go For All Australians: International Comparisons, 2007,*p. 30.

80 Australian Housing and Urban Research Institute, *Rental Housing Provision for Lower-Income Older Australians: AHURI Final Report No. 96,* May 2007, p. viii.

81 Australian Housing and Urban Research Institute, *Rental Housing Provision for Lower-Income Older Australians: AHURI Final Report No. 96,* May 2007, p. xi-xii.

82 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, pp 68-69.

government funding. The proportion of frail aged tenants ranges from 16.5 per cent in Tasmania to 1.3 per cent in the ACT.[83]

5.54 Although community and public housing supports large numbers of low-income older people, the committee received evidence that a greater number of older people were in need of this support. Older People Speak Out called for a new Commonwealth and State housing agreement to increase funding to the States to acquire or build more public housing accommodation.[84]

5.55 During the hearing in Melbourne, Aged and Community Service Australia told the committee that churches and charities were large providers of community housing—50 000 units of housing in total—but that this did not accommodate a very high proportion of those in need. It was argued that the sector has not been directly supported by any form of public funding since the 1970s. Over 30 000 units remain from the period of Commonwealth funding but since that time the industry has grown following attainment of funding and cross-subsidisation.[85]

5.56 NCOSS also highlighted new spending initiatives by the NSW Government in 2006-07, but indicated that these were also unlikely to solve the problem of limited social housing. It submitted that the NSW Government announced spending of $80 million on new homes and $15 million for modification to existing homes for older people, which would increase available housing by 289 for 2006-07. However, the waiting list for public housing is over 50 000 in NSW.[86]

5.57 AHURI underscored the importance of further initiatives to increase the accessibility and availability of private renting to meet anticipated housing shortfalls. It argued:

> The social housing system alone is unlikely to be able to adequately respond to the anticipated increasing demand for older person's rental housing. The overall capacity of the public housing system has been falling during the last decade, measured in terms of the total number of public housing dwellings provided. Furthermore, under current policy settings, older people seem likely to struggle to maintain priority in a public housing system relative to other high needs groups. The capacity of housing associations to increase supply to older people is limited, other than through attracting extensive private sector investment.[87]

83 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, pp 69-70.

84 Older People Speak Out, *Submission 94*, p. 3.

85 *Committee Hansard*, 23 August 2007, p. 77.

86 Council of Social Service of New South Wales, *Submission 54*, p. 4.

87 Australian Housing and Urban Research Institute, *Rental Housing Provision for Lower-Income Older Australians: AHURI Final Report No. 96*, May 2007, p. xi.

Home ownership costs

5.58 Private home-owners have also faced considerable rises in housing costs, most notably rates and associated charges such as water levy and supply charges, following the boom in property values that have occurred over the past decade. The Palm Beach and Whale Beach Association brought the committee's attention to instances in Pittwater Shire where rates have increased by more than 50 per cent in a year. It argued that the rates system employed did not consider capacity to pay and disadvantaged older Australians. It argued:

> In many cases, the worst affected are older Australians who purchased their homes many years ago, raised their families within the area and expected to enjoy the last years of their life in the homes that they established. With restricted incomes, their only options are to incur a significant reduction in their standard of living, reverse-mortgage their homes to supplement their income stream or sell their home and move to another location.[88]

5.59 Various submissions from different parts of Australia maintained that pensioner concessions were not adequate to cover the substantial rises that had occurred in rates. The Palm Beach and Whale Beach Association noted that the maximum concession for NSW is $250.[89] The submission of Ms Anne and Mr Bill Byrne argued that Council rate rebates in Enfield in NSW are a fixed dollar amount and have not risen since 1996, despite the rise in rates.[90] The Ethnic Communities' Council of Victoria made a similar point, noting that the maximum concession for Victoria was $168—substantially less than required to assist with meeting average property rates.[91] A submission from Queensland, by Mr Brian Smith, maintained that the rates subsidy was last increased in 1992, whereas his rates have increased from $900 to $1 450 over the past two years with a further increase of $100 expected over the next year. A submission from the ACT argued that council taxes, fees and charges increased by 9 per cent, or more than four times the increase in the retirement income.[92]

5.60 Further, the Palm Beach and Whale Beach Association highlighted concerns about potential measures to ameliorate the impact of increases in rateable land value, such as arrangements with a council to defer rates payments and reverse mortgages. As discussed in chapter two, such arrangements involve the accumulation of debt through compound interest until a property is sold, either by the owner or as part of a deceased estate. The Association argued that these circumstances could result in development of negative equity or the erosion of asset value precluding or

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88 Palm Beach and Whale Beach Association, *Submission 50*, p. 2.

89 Palm Beach and Whale Beach Association, *Submission 50*, pp 2-3.

90 Ms Anne and Mr Bill Byrne, *Submission 1*, p. 1.

91 Ethnic Communities' Council of Victoria, *Submission 53*, p. 2.

92 Mr Stephen Thompson, *Submission 215*, p. 3.

undermining the capacity of the home-owners to cover the cost of entering or accessing aged care facilities and services during the final years of their lives.[93]

5.61 The evidence presented to the inquiry also highlighted that older people had faced other increases in housing costs, including mortgages, insurance, maintenance and repairs.[94] It was argued that many retiree home-owners are increasingly finding insurance costs unaffordable and are allowing their policies to lapse, which causes further financial and emotional stress in the event of property damage, theft or loss. The Superannuated Commonwealth Officers' Association argued that insurance costs have outpaced the CPI since the early 1990s, partly as a result of the introduction of GST in June 2000 and increases in state and territory stamp duties on general insurance.[95]

Household utilities

5.62 Various submissions highlighted concerns about the rising costs of natural gas, electricity and telecommunications and their impact on older people. The Superannuated Commonwealth Officers' Association argued that between 1990 and 2005, utility rates rose 16.7 per cent above inflation and absorbed greater proportions of older people's incomes.[96] Similarly, ACOSS argued that ABS data indicated the CPI had risen by 18 per cent over the five years up to 2003-04, while increases in spending on domestic fuel and power had increased by 32 per cent. It was noted that the poorest households spend nearly double their proportion of household expenditure on utilities in comparison to wealthier households.[97] Similar rises in water prices were reported to the committee. For instance, National Seniors argued that water charges rose steeply in July 2007 in various parts of the country, with an increase of more than eight per cent in Western Australia, 23-25 per cent in metropolitan Brisbane and 13 per cent in New South Wales.[98]

Consequences for older people of rises in utility costs

5.63 A number of submissions underscored that older people were disproportionately affected by utilities bills because they spend a greater proportion of

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93 Palm Beach and Whale Beach Association, *Submission 50*, pp 2-3.

94 National Seniors, *Submission 60*, p. 6; Salvation Army Australia Southern Territory, *Submission 136*, p. 8; Mr Graham Sharpe, *Submission 82*, p. 3; Name withheld, *Submission 48*, p. 2; Ms Shirley Prout, *Submission 97*, p. 2; Ms Shirley Fong, *Submission 119*, p. 1.

95 Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 9.

96 Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 6.

97 Australian Council of Social Service (ACOSS), *Submission 211*, p. 5.

98 National Seniors, *Submission 60*, p. 9.

their incomes on these expenses.[99] Community service organisations submitted that the cost of utilities is having an adverse effect on their clients. St Vincent de Paul calculated that, as a proportional measurement, older people spend 57.14 per cent more of their incomes on utilities than the average household.[100] ACOSS argued that during 2003-04, 38 per cent of low income households could not pay electricity, gas or telephone bills on time and nine per cent were unable to heat their home.[101] According to the Council of Social Service of New South Wales (NCOSS), in April 2007, NSW Country Energy reported that 330 of the 450 people on their Hardship Program were over the age of 55, with the people on the program most likely to be older people in either drought affected areas or living in private rental accommodation.[102]

5.64 The importance of cooling and heating for older persons in poor health was brought to the committee's attention. Numerous submissions raised concerns about potentially significant health consequences of the inability to afford to use utilities as needed.[103] Older people tend to spend a greater proportion of time in their homes, which requires greater expenditure on heating and cooling. They also tend to live in older homes with poorer insulation and require more heating due to greater sensitivity to changes in temperature. In some submissions it was argued that older people are coping with cost increases in gas and electricity by simply relying on a greater use of blankets or going to bed early. In turn, this can bear negative health impacts:

> Excessive utility costs cause some older people, particularly in the winter months, to sit in the cold, or go to bed rather than use electricity or gas. This can be the cause of, or further impact pre-existing health conditions

99 Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 6; Ethnic Communities' Council of Victoria, *Submission 53*, p. 2; Women's Action Alliance (Australian) Inc, *Submission 93*, p. 2; St Vincent de Paul Society National Council of Australia, *Submission 92*, pp 4-6.

100 St Vincent de Paul Society National Council of Australia, *Submission 92*, pp 4-6.

101 Australian Council of Social Service (ACOSS), *Submission 211*, p. 5.

102 Council of Social Service of New South Wales, *Submission 54*, p. 6.

103 These included Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 6; Australian Pensioners' & Superannuants' League QLD Inc, *Submission 1*, pp. 1-2; Women's Action Alliance, *Committee Hansard*, 23 August 2007, p. 50; Brotherhood of St Laurence, *Committee Hansard*, 23 August 2007, p. 37; COTA Over 50s, *Committee Hansard*, 23 August 2007, p. 62; Salvation Army Southern Territory, *Committee Hansard*, 23 August 2007, p. 18; Ethnic Communities Council of Victoria, *Committee Hansard*, 23 August 2007, p. 44; Name withheld, *Submission 105*, p. 1; Name withheld, *Submissions 108*, p. 1; Ms Shirley Fong, *Submission 119*, p. 1; Ms Elayne Whatman, *Submission 134*, p. 1; N P Krishnan, *Submission 132*, p. 2; Name withheld, *Submission 139*, p. 1; Ms Dorothy Ratnarajah, *Submission 156*, p. 1; Mr Leonard Hainsworth, *Submission 183*, p. 2; Mrs Teddy Thompson, *Submission 99*, p. 3; Ms Joan Cordeau, *Submission 179*, p. 3.

> resulting in the deterioration of their overall physical and emotional well being.[104]

5.65 A number of submissions expressed concern that anticipated future developments would compound the financial stress and associated health deterioration of older people. Notably, the Superannuated Commonwealth Officers' Association argued that the drought would likely lead to increased pressure on utility rates.[105] Other submissions argued that utility costs are scheduled for continuing steep increases, with NSW electricity prices set for increases of over 20 per cent in real terms over the next three years,[106] and Queensland electricity costs due to increase by 7-8 per cent each year over the next three years.[107]

5.66 Also, concerns were raised about the potentially disproportionate impact on older people of the introduction of new and clean technologies or carbon trading schemes to cope with sustainability of energy resources and the environment. It was argued that many older residents lacked the financial capacity to purchase new modern energy efficient appliances to lower their energy usage.[108]

Health care and medical expenses

5.67 Some of the submissions to the inquiry argued that health costs are rising. In particular, St Vincent de Paul argued that hospital and medical costs increased at three times the CPI rate between 1990 and 2005,[109] while the Ethnic Communities' Council of Victoria argued that these costs have increased by more than twice the inflation or CPI rate since 1990.[110]

5.68 The inquiry also received evidence that a higher proportion of the cost burden has been shifted on to individual patients, with greater requirements for patient contributions. For example, Dr Paul Henman posed the question: has access to health care for retirees been compromised by rises in the pharmaceutical benefits scheme patient contribution and the 'considerable reduction in GP bulk-billing'?[111]

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104 Salvation Army Australia Southern Territory, *Submission 136*, p. 6. See also Mr Don and Mrs Elma Butler, *Submission 37*, p. 1.

105 Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 6.

106 Council of Social Service of New South Wales, *Submission 54*, p. 6.

107 Wide Bay Women's Health Centre, *Submission 55*, p. 6.

108 Wide Bay Women's Health Centre, *Submission 55*, pp. 5-6; Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 6; Thirroul Retired Mineworkers' Association, *Submission 4*, p. 3; Name withheld, *Submission 149*, p. 2; Australian Manufacturing Workers' Union, *Submission 204*, p. 6; Catholic Social Services Australia, *Submission 95*, p. 5; Brotherhood of St Laurence, *Committee Hansard*, 23 August 2007, p. 33.

109 St Vincent de Paul Society National Council of Australia, *Submission 92*, p. 8.

110 Ethnic Communities' Council of Victoria, *Submission 53*, p. 2.

111 Dr Paul Henman, *Submission 218*, p. 7.

5.69 ACOSS argued that the proportion of health care paid directly by patients has increased in recent years. It amounted to $16.5 billion in 2004-05, which accounts for 20 per cent of health care funding. In 1994-95 the figure was $6.7 billion or 13 per cent (in current prices). ACOSS argued that the greatest real growth in out-of-pocket expenses between 1997-98 and 2004-05 was in aids and appliances, medications, dental services and ambulance services. ACOSS speculated that the growth in such costs could discourage people from seeking medical attention or place people in financial hardship because of their health care needs.[112]

The importance of health costs for older people

5.70 The Government's health spending per capita is much greater on older people than the rest of the population. In 2005-06, those aged 65 and over accounted for approximately 13 per cent of Australia's population, but absorbed 29.3 per cent (72.6 million) of the Medicare services. Between 1996-97 and 2005-06, the number and value of services provided increased at a greater rate for older people than the rest of the population. Total Medicare services increased by 24.4 per cent or 2.5 per cent per year, while total services to those aged 65 and over increased by 54.7 per cent or 5 per cent per year. During this period total benefits in real terms increased by 37.8 per cent or 3.6 per cent per year, compared to 65.2 per cent or 5.7 per cent per year for those aged 65 and over.[113]

5.71 The Productivity Commission has also indicated that older people consume more health services on a per capita basis than other people. For example, it suggested that average costs for men aged 65-74 are more than 18 times those for men aged 15-24. Hospital and Medicare costs follow similar age-profiles. Consequently, health expenditure on people over the age of 65 is four times more per person than for those under 65, and rises to 6-9 times for the older groups.[114]

5.72 Irrespective of the degree of the rises in health care, various submissions argued that the higher proportion of spending on health by older people makes them more sensitive to rises in their costs. In addition, as argued by ACOSS, the higher health costs come at a time when older people have moved out of employment and possess reduced incomes.[115] St Vincent de Paul submitted that pensioners spend 26.2 per cent more than the average household on health.[116] National Seniors similarly argued that older people spend more on health and made the point that self-funded retirees are further disadvantaged by not receiving the same concessions as accessible

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112 Australian Council of Social Service (ACOSS), *Submission 211*, pp 2-3.

113 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, pp 53-54.

114 Productivity Commission, *An ageing Australia: Small Beer or Big Bucks?*, 2004, pp 16-17.

115 Australian Council of Social Services (ACOSS), *Submission 211*, p. 2.

116 St Vincent de Paul Society National Council of Australia, *Submission 92*, pp 4-6.

under a pension concession card.[117] ACON argued that health care costs are even higher for some same-sex couples, who do not receive the same access to Medicare and PBS safety nets and other health related entitlements as heterosexual couples.[118]

5.73 Anecdotal reports submitted to the inquiry were also consistent with research data suggesting pensioners were facing increasing health costs. For example, Mr David and Ms Elizabeth Jeffrey—recipients of an aged pension and disability pension respectively—recounted the range of health care costs that put pressure on their budget. Their submission explained that Ms Jeffrey suffers from spondylitis, scoliosis, arthritis and severe sinusitis and Mr Jeffrey from Parkinson's Disease and Type 2 diabetes, which severely affects his day to day living:

> The podiatrist, chiropractor and physiotherapy are 100% out of pocket expenses unless we belong to a Private Health Fund and in that case the benefit received is only approximately $20 per visit leaving a gap of anything up to $60+. The gap payment for the Medicare covered medical expenses is often more than 50% of the fees charged. Elizabeth suffers from chronic sinusitis and there are no medications on the PBS for treating this condition and she pays $40-$50 per medication.[119]

The Pharmaceutical Benefits Scheme

5.74 The Pharmaceutical Benefits Scheme (PBS) is the Commonwealth Government's subsidy of the cost of medications used by the community and substantially reduces an individual's out-of-pocket expenses. The general co-payment is limited to $30.70 while concessional patients' - including PCC and CSHC holders – co-payment is limited to $4.90 per prescription. In 2007 a safety net threshold of $1 059 applied, with general patients and their families' payments limited to $4.90 per prescription once the threshold has been reached. The threshold for concession card holders is $274.40 beyond which PBS prescriptions are provided without charge.[120]

5.75 The Government covers 88 per cent of the cost of PBS subsidised medicines for those aged 65 and over. A pharmaceutical allowance of $5.80 is also paid fortnightly to assist pensioners with the cost of PBS prescriptions. The PBS includes a range of new and expensive drugs for age related conditions including diabetes, arthritis, osteoporosis, Alzheimer's disease, macular degeneration and cancer treatments. Due to the increasing range of pharmaceutical treatments available over the past ten years, there have been increases in maximum patient charges. Despite this,

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117 National Seniors, *Submission 60,* p. 7.

118 Aids Council of New South Wales, *Submission 212*, p. 10.

119 Mr David and Ms Elizabeth Jeffrey, *Submission 113*, p. 2.

120 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, pp 55-56.

the proportion of total PBS costs met by concessional patients has fallen from 11.6 per cent in 1995-96 to 10.2 per cent in 2005-06.[121]

5.76 Notwithstanding the Government's substantial investment in the PBS, various submissions raised concerns about the affordability of the PBS for older people on low incomes. Of particular concern was that the price rises for PBS medicines are outstripping pharmaceutical allowance increases.[122] Mr Brian Smith argued that the pharmaceutical allowance was initially set at a level equivalent to one prescription but has risen minimally, while the cost of prescriptions has effectively doubled and the cut-off point for free scripts has also risen.[123]

5.77 Numerous concerns were expressed about medications not covered by the PBS. The Salvation Army highlighted the financial burden on older people that require such medications to manage ongoing health conditions.[124] Similarly, Mr Charles Groves argued that many over-the-counter medications for pain relief are required on a daily or weekly basis and consume a large proportion of pensioners' incomes.[125] Further, the Aged Care Lobby Group argued that the removal of some items from the PBS—such as caltrate—has made some older Australians unable to afford supplements recommended by their doctors.[126]

5.78 St Vincent de Paul noted that while medical and dental costs have risen by three times and twice the rate of the CPI respectively, the PBS has helped ensure the cost of pharmaceuticals remains in line with the CPI.[127] However, another submission noted that even small increases in the cost of prescriptions could have a substantial effect on the affordability of pharmaceuticals as older people often require several medications. One disability pensioner indicated he averaged 8-10 scripts per month totalling up to $50.[128]

5.79 Echoing the concerns outlined above, ACOSS argued that the user pays costs in health care have resulted from a range of factors including the de-listing of a substantial number of medications from the PBS and increases in PBS co-payments of 20 per cent. ACOSS argued that the increase in the PBS co-payment appears modest, but is considerable considering the weekly income of a full pensioner and the reality that many are on multiple medications. Further, it highlighted that the Medicare Safety

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121 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 56.

122 Mr Stan Smith, *Submission 111*, p. 1; Ms Millicent Seddon, *Submission 145*, p. 1; Mr Brian Smith, *Submission 81*, p. 1; Mr Graham Sharpe, *Submission 82*, p. 3; Mr Geoff Irwin, *Submission 30*, p. 1.

123 Mr Brian Smith, *Submission 81*, p. 1.

124 Salvation Army Australia Southern Territory, *Submission 136*, p. 8.

125 Mr Charles Groves, *Submission 11*, pp 8, 10, 12.

126 Aged Care Lobby Group, *Submission 40*, p. 3.

127 St Vincent de Paul Society National Council of Australia, *Submission 92*, p. 8.

128 Name withheld, *Submission 169*, p. 1.

Net and PBS Safety Net thresholds mean that pensioner potentially face annual out of pocket expenses of at least $794 or 6 per cent of their total income before they receive further relief.[129]

Accessing medical care

5.80 Various issues were raised during the inquiry with respect to the access of older people to medical care, including: affordability of private health insurance; waiting times for treatment; out-of-pocket expenses; the cost of travel to medical appointments and medical care access for older people in rural and regional areas. Research by AMP and NATSEM shows that the issue of access is of greater importance to older people in their second phase of retirement. While the early phase is characterised by good health and a spending focus on leisure, the second phase has a greater emphasis on health with higher incidence of health problems and age-associated disability.[130]

5.81 Also, health problems are more likely to afflict lower-income older people.[131] The Brotherhood of St Laurence and the Health Services Union argued that poor health is closely linked to poverty.[132] The Brotherhood argued that chronic disease reduces the capacity to work and increases the risk of disadvantage and poverty. However, the rates of chronic disease are also greater in low income communities.

Private health insurance

5.82 The importance of the private health insurance rebate for continuing affordability of health care for older people emerged during the inquiry.[133] The average payments for private health insurance made by households headed by a person over 65 increased by only 2.9 per cent between 1998-99 and 2003-04 in real terms. This relatively low increase resulted from the introduction of the private health insurance rebate in 1999 and the increased number of people over 65 covered by private hospital insurance. In April 2005, the rebate was increased from 30 per cent to 35 per cent for those aged 65-69 and 40 per cent for those aged 70 years and over. Consequently, the proportion of people aged 65-74 with private dental insurance rose from 31.5 per cent to 47.8 per cent between 1988 and 2005. More than 1.2 million over 65 Australians are covered by private hospital insurance. By March 2007, there

129 Australian Council of Social Service (ACOSS), *Submission 211*, p. 4.

130 AMP & the National Centre for Social and Economic Modelling, 'Tomorrow's Consumers', December 2006, *AMP.NATSEM Income and Wealth Report Issue 15*, p. 2.

131 Simon Kelly & Ann Harding, 'Funding the Retirement of Baby Boomers', 2004, *Agenda Volume 11 (2)*, pp 100, 107.

132 Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, p. 17; Health Services Union, *Submission 63*, p. 3.

133 National Seniors, *Submission 60*, p. 8; Name withheld, *Submission 27*, p. 2.

were an additional 100 000 persons receiving the higher rebates than when they were introduced.[134]

5.83 However, some of the submissions to the inquiry argued that private medical insurance was inaccessible due to the cost of premiums and the increasing shift of costs of treatment to the patient in the form of the gap.[135] In particular, the Superannuated Commonwealth Officers' Association argued that the rapidly rising cost of private health insurance above the CPI was resulting in an increased number of lapsed insurance policy holders in the older age bracket.[136] For others keeping their insurance active, the committee heard it could be a real struggle. For example, Ms Norma Gardner submitted:

> My specialist Neuro Physician does not see public patients. He only sees private patients…The spAp [single person's Aged pension] is not enough for someone like me, who needs Private Health Insurance. The Medicare rebate is also not sufficient to meet the costs of these specialists who all charge above the Medicare fee schedule. Similarly, the Government's Pharmaceutical Allowance does not meet the needs of someone in my situation who needs a lot of different medications.[137]

5.84 Ms Joan Cordeau noted that her doctor did not bulk-bill even for those with a PCC.[138]

Waiting times

5.85 Older people unable to afford private health insurance and, therefore, dependant on the public health system are experiencing longer waiting times to receive surgery. These delays can impact on quality of life and can result in deterioration of health, an increased risk of further complications, longer and more costly treatments or admission into higher needs care as well as impeding social participation,[139] For example, the Aged Care Lobby Group asserted that waiting time for knee and hip replacements can be about two years, which requires older Australians to live in pain and experience social isolation due to immobility.[140]

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134 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, pp 57-59.

135 Mr P J and Ms BM McGowan, *Submission 161*, p. 1; Ms Marion Vann, *Submission 202*, p. 2.

136 Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 10.

137 Ms Norma Gardner, *Submission 121*, pp 1-2.

138 Ms Joan Cordeau, *Submission 179*, p. 3.

139 Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 10; Salvation Army Australia Southern Territory, *Submission 136*, p. 8.

140 Aged Care Lobby Group, *Submission 40*, p. 2.

Access to services in rural and regional areas

5.86 The access to health care for older people in rural and regional areas was also raised during the inquiry. The National Rural Health Alliance (NRHA) argued that many of the problems afflicting older people are exacerbated in rural communities because older people represent a greater proportion of the rural population. Further, people in rural communities have poorer health, shorter life expectancies, higher death rates and higher incidences of disability compared to city dwellers. The Alliance argued that many in these communities have suffered from reduced local medical services and competition including aged and community services and infrastructure, doctors and pharmacists. NRHA argued that many older Australians in rural communities maintain their private health insurance despite a lack of accessible facilities in their communities because of the possibility that they may move to a capital city or require private patient status in the event of an emergency.[141]

Cost of transport

5.87 A number of witnesses were concerned about problems in accessing medical care for older people due to transport costs. In particular, the lack of available and affordable public transport in many outer suburban, regional and rural areas was highlighted.[142] The Council of Social Service of New South Wales (NCOSS) argued that the closure of local hospitals and the decline in home visits by general practitioners also contributed to this problem with accessibility.[143] Along these lines, the Cancer Council maintained that changes in health service delivery to older people increased the need for affordable, accessible transport. These changes include: early discharge policies; increased ambulatory and day-surgery procedures; a diminishing number of medical practitioners that make home visits and declining doctor numbers in regional areas.[144]

Preventative health care and nutrition measures

5.88 Health problems inevitably grow as people age, but there are various lifestyle factors that impact on health status and risk profile. This includes delay or acceleration of onset, and the course and the morbidity of health problems.[145] In particular, poor dental health can cause malnutrition, which in turn is a primary cause of other often terminal diseases and injuries.[146] In 2004, the Hon. Peter Costello, Treasurer, highlighted the importance of a shift from treatment of illness to preventative health

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141 National Rural Health Alliance Inc, *Submission 91*, pp 2, 4.

142 Australian Manufacturing Workers' Union, *Submission 204*, p. 13.

143 Council of Social Service of New South Wales, *Submission 54*, p. 6.

144 Cancer Council Australia, *Submission 90*, p. 4.

145 Department of Human Services, *Victorian Population Health Survey 2004: Select Findings*, February 2004, p. 8.

146 Australian Nursing Federation, *Submission 61*, p. 5.

care on the sustainability of health care funding faced by the challenge of demographic change caused by an ageing population. He argued:

> Living a healthy lifestyle can significantly reduce the occurrence of many common conditions that prevent people from participating fully in the workforce….preventative medicine would take some pressure off the doctors and hospitals who treat the sick, and mean the sustainability of the system as a whole would be enhanced. Most importantly, it would bring benefits in terms of improved quality of life for individuals, with consequent benefits for workforce participation and productivity. Rebalancing to preventive medicine would represent 'value for money' in a health system facing rising costs and an ageing population.[147]

5.89 According to the Victorian Department of Human Services, the most important foods for preventative health include fresh fruit and vegetables, milk, bread and cereals. Milk, bread and cereals are important sources of nutrients and a balanced diet. Vegetables and fruit have preventative benefits regarding coronary heart disease, hypertension, some forms of cancer (such as colon, lung and gastrointestinal cancers), obesity and type-2 diabetes. Further, poor consumption of fruit and vegetables has been identified as a risk factor with the development of a number of chronic diseases including some that particularly affect older people. These diseases include coronary heart disease, stroke and various types of cancer - notably cancers of the mouth, pharynx, oesophagus, stomach and lungs.[148]

5.90 However, the capacity of older Australians to engage in preventative measures can be affected by the costs of living. Concerns were raised about difficulties affording a healthy diet – notably, fresh fruit, vegetables, milk and meat - due to the increasing costs of groceries.[149]

Dental care

5.91 Since the abolition of the Commonwealth Dental Health Program in 1996 and the 1998 inquiry into dental services, there has been substantial debate about access and responsibility related to dental health care. In September 2007, the Health Insurance Amendment (Medicare Dental Services) Act 2007 was enacted to improve access to dental treatment under Medicare for people with chronic conditions and complex care needs. The former government's announced scheme was to enable eligible patients to access Medicare benefits for dental services of up to $4 250 (including any Medicare Safety Net benefits where applicable) over two consecutive calendar years. This amount was intended to be used for any combination of dental

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147 The Hon. Peter Costellor, Treasurer, 'Australia's Demographic Challenges', 25 February 2004, www.treasurer.gov.au/tsr/contents/speeches/2004/003.asp, (accessed 13 July 2007).

148 Department of Human Services, *Victorian Population Health Survey 2004: Select Findings*, February 2004, pp 8, 10.

149 Wide Bay Women's Health Centre, *Submission 55*, p. 5; Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 6; Mr Charles Groves, *Submission 11*, pp 2, 4, 6.

services covered by Medicare under this measure, depending on the clinical needs of the patient. New Medicare items were introduced for some dental services, based on the current Department of Veterans' Affairs (DVA) Schedule of Dental Services, with some modifications. The estimated cost of the measure was $384.6 million over four years and was expected to provide support to approximately 200 000 patients.

5.92 In addition, FACSIA highlighted the improvement in general dental health between 1988 and 2005. It was noted that during this time the number of people over 65 with fewer teeth than needed to sustain a healthy diet declined by one third, the proportion with no teeth halved and more of their dental problems were treated. The number of people over 65 who visited a dentist in the preceding 12 months rose from 54 per cent to 67 per cent.[150]

5.93 FACSIA noted that the increased use of services has primarily involved utilisation of private services, which coincided with a rise in the affordability of such services as a result of rises in the disposable income of older people and the introduction of the private health insurance rebate in 1999 and its increases in 2005.[151]

5.94 The Commonwealth has supported the training of dentists and other oral-health professionals. In 2007-08, the Government provided $65.1 million over four years for a new School of Dentistry and Oral Health at Charles Sturt University, with pre-clinical and clinical facilities in Orange and Wagga and dental education clinics in Albury, Bathurst and Dubbo, to deliver services to public patients. Also, 240 new training places for dental and oral health students will be provided over five years. Further, $12.5 million was provided over four years to support up to 30 annual clinical placements for dentistry students in established rural training settings.[152] The Government also provided dental care funds for veterans, Defence Force personnel, some Indigenous Australians, subsidised relevant medications under the PBS for dental treatment, provided Medicare benefits for oral surgical medical services and provided Medicare benefits for services for people with chronic conditions and complex care needs.[153]

5.95 The new Labor Government has committed to establish a Commonwealth Dental Health Program that will support up to one million needy Australians to receive dental treatment. This will help address about 650,000 Australians, many of them pensioners, currently languishing on public dental waiting lists. The government has committed to provide $290 million over three years for the new Commonwealth Dental Health Program. In exchange for this funding, States will be required to meet performance and reporting requirements. The Commonwealth and States are discussing parameters for the program, including eligibility arrangements.

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150 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 57.

151 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 57.

152 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 58.

153 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 58.

Accessibility and affordability of dental care

5.96 Despite the Government's investment in dental health, some of the submissions called for the incorporation of greater dental health care coverage under Medicare.[154] Concerns focused on the affordability and accessibility of adequate dental care. The inquiry was inundated with anecdotes of difficulties in accessing dental health care, similar to those already outlined regarding general health treatment. Of particular concern are the long waiting lists for public dental care and the large out-of-pocket expenses for those seeking to circumvent those waiting lists - particularly those on pensions. People with private health insurance, including those with extra cover, raised concerns about the high costs that were incurred following dental treatment, despite their private cover.

5.97 According to St Vincent de Paul, dental costs have risen at twice the rate of inflation.[155] Similarly, the Health Services Union argued that between 1992-93 and 2002-03 the inflation for dental health costs was 50.5 per cent compared to 20 per cent for general inflation. It was also argued that a greater proportion of dental health costs are borne by individuals compared to other health services (68 per cent compared to 20 per cent).[156] Mr Colin Burt relayed his experiences in trying to access dental care:

> Due to inadequate free dental care for the elderly, with very long waiting times and poor quality care when it arrives many are forced to use private dentists whose costs are disgraceful. I was recently in need of three simple extractions and was told that an estimate of costs was not possible but that the dentist charged "at the rate of $500 an hour". **Dentistry should be brought under the ambit of Medicare** and bulk billing for pensioners should be encouraged.[157]

154 These included Association of Independent Retirees, *Submission 2*, p. 6; Older People Speak Out, *Submission 94*, p. 5; Australian Pensioners' & Superannuants' League QLD Inc, *Submission 1*, p. 2; Superannuated Commonwealth Officers' Association, *Submission 52*, p. 5; Council of Social Service of New South Wales, *Submission 54*, p. 7; Combined Pensioners & Superannuants Association of NSW Inc – Bellingen Branch, *Submission* 56, p. 1; Health Services Union, *Submission 63*, p. 3; Aged & Community Services Australia, *Submission 64*, p. 2; National Rural health Alliance, *Submission 91*, p. 11; Older People Speak Out, *Submission 94*, p. 5; Catholic Social Services Australia, *Submission 95*, p. 7; Salvation Army Australia Southern Territory, *Submission 136*, p. 11; Australian Manufacturing Workers' Union, *Submission 204*, p. 16; Aids Council of NSW, *Submission 212*, p. 6; Mr Robert Patterson, *Submission 9*, p. 1; Ms Dorothy Davies, *Submission 71*, p. 1; Mr Graham Sharp, *Submission 82*, p. 3; Mr Robert Shortridge, *Submission 84*, p. 2; Mr Colin Burt, *Submission 106*, p. 1; Name withheld, *Submission 123*, p. 2; Ms Virginia Boskovic, *Submission 160*, p. 3; Mr Wayne Koch, *Submission 164*, p. 5; Mr Keith & Mrs Evelyn Devereux, *Submission 201*, p. 1; Ms Pat Wood, *Submission 210*, p. 1.

155 St Vincent de Paul Society National Council of Australia, *Submission 92*, p. 8.

156 Health Services Union, *Submission 63*, pp 2-3.

157 Mr Colin Burt, *Submission 106*, p. 1.

5.98 According to the Health Services Union a larger proportion of older people are eligible for public dental health care than the broader population. This extends to 43.8 per cent of those aged 55-74 and 67.7 per cent of those aged 75 and over, compared to 26.1 per cent of the broader population.[158]

5.99 However, FACSIA submitted that many older people eligible for public dental services use private services because they often face waits of up to 2-3 years in the public system.[159] The Health Services Union estimated 650 000 people are on waiting lists with waiting times up to seven years. Many, it was argued, who are turning to private treatment as a result of the waiting time are opting for cheaper treatment, such as tooth removal rather than remedial treatment.[160]

5.100 The theme of long waiting lists recurred through various submissions. Numerous submissions highlighted the adverse effect that delayed treatment had on older people's psychological or physical well-being.[161] The Australian Manufacturing Workers' Union (AMWU) noted that the Australia Fair Survey found that over half a million persons are on long waiting lists with an average waiting time of 27 months, and that 40 per cent of Australians cannot access dental care when needed.[162] Miss P A Robb submitted that the waiting lists at her local public dental clinic were four years for even basic procedures.[163] Other submissions recounted long waits for dental treatment including Ms Elayne Whatman who waited for 13 years for dental treatment, [164] Mr Cy d'Oliveira who waited for 10 years,[165] and M L D Arrowsmith who is expecting to wait a total of six years.[166]

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158 Health Services Union, *Submission 63*, pp 2-3.

159 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 58.

160 Health Services Union, *Submission 63*, pp. 2-3.

161 These included Australian Pensioners' & Superannuants' League QLD Inc, *Submission 1*, p. 2; Thirroul Retired Mineworkers' Association, *Submission 4*, p. 1; Australian Council of Social Service (ACOSS), *Submission 211*, p. 4; Women's Action Alliance (Australian) Inc, *Submission 93*, p. 2; Aged Care Lobby Group, *Submission 40*, p. 3; Salvation Army Australia Southern Territory, *Submission 136*, p. 7; Newcastle Combined Pensioners Area Council, *Submission 189*, p. 1; Australian Manufacturing Workers' Union, *Submission 204*, p. 15; National Seniors Goodna Redbank Branch, *Submission 39*, p. 2; Combined Pensioners and Superannuants Association of NSW Inc – Bellingen Branch, *Submission 56*, p. 1; Ms Virginia Boskovic, *Submission 160*, p. 3; Ms Dorothy Davies, *Submission 71*, p. 1; Ms Irene Kirkwood, *Submission 120*, p. 1; Name withheld, *Submission 149*, p. 2; Mr Robert Shortridge, *Submission 84*, p. 2.

162 Australian Manufacturing Workers' Union, *Submission 204*, p. 15.

163 Miss P A Robb, *Submission 151*, p. 3.

164 Ms Elayne Whatman, *Submission 134*, p. 1.

165 Mr Cy D'Oliveira, *Submission 131*, p. 1.

166 Mr L D Arrowsmith, *Submission 126*, p. 1.

5.101 It was argued in a number of submissions that private dental treatment is unaffordable for low income seniors without private health insurance, especially without expanded eligibility for Medicare rebates for treatment. But in several cases, it was argued, the cost of dental care has risen to the point where many retirees are abandoning private coverage and resigning themselves to the long waiting lists. It was also submitted that the long waiting lists are resulting in limited preventative care, avoidable pain, deteriorations in health, developments of secondary health problems, and more costly work being required. Mr Charles Groves recounted his problems to the committee in trying to receive dental health assistance:

> My main problem is my teeth have been loose in my upper teeth over the past few years. Although I can get an appointment at the Stafford Dental Hospital if my case is urgent, my part plate needs replacing. I have been told by the Dental Hospital I will have to wait another two years (I have been waiting 5 years) to get a new set of dentures.[167]

5.102 The Tasmanian Department of Health and Human Services cited a 2002 report from the Auditor-General to argue that the axing of the Commonwealth Dental Health Scheme has had a devastating impact on the provision of dental care. As a result, in 2006, the No Interest Loans Network of Tasmania introduced a loans scheme to assist low income clients to afford dental care.[168]

5.103 NCOSS submitted that the abolition of the Commonwealth Dental Health Scheme impacted substantially on low income and disadvantaged groups of older Australians who were subsequently denied quality health care:

> The Commonwealth Dental health Program introduced in 1993 gave disadvantaged older people limited access to dental care. Since the Commonwealth Dental Health Program was not renewed in 1996, waiting lists have grown by 29% and remain unacceptably high, despite limited funding increases by State Government. There are currently 650,000 people on waiting lists for public dental care in Australia with the average waiting time of 27 months.[169]

5.104 NCOSS called for greater access to free dental services for all those with concession cards. Further, NCOSS argued for greater Commonwealth funding, to be matched by the states and territories who would also need to fulfil responsibilities under the National Oral Health Plan, such as fluoridation, health promotion, planning and accessibility.[170]

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167 Mr Charles Groves, *Submission 11*, p. 2.

168 Tasmanian Department of Health and Human Services, *Submission 137*, p. 2.

169 Council of Social Service of New South Wales, *Submission 54*, p. 7.

170 Council of Social Service of New South Wales, *Submission 54*, p. 7.

Importance of adequate dental care

5.105 The Superannuated Commonwealth Officers' Association maintained that good dental health was crucial to avoidance of poor health. However, the growing inequalities in the access to and provision of dental care, particularly for low income older people—as outlined above, has implications for other health problems.[171] NRHA also highlighted the importance of good oral and dental health. It argued:

> Poor oral and dental health imposes significant risks to general health and exacerbates a number of physical and mental health conditions. They have a multiplier effect on other diseases and conditions, adding to the burden of disease and the cost of care, well beyond the cost of filling or extracting decayed or damaged teeth.[172]

5.106 It was argued that other diseases and conditions exacerbated by poor dental health include pain and suffering, poor nutrition, social isolation, mental health conditions such as depression, respiratory disease, cardiovascular disease, immune deficiency diseases, cancer, head and neck surgery, and diabetes. These have implications for burdens on the general health system and budget, as well as impaired speech, reduced self-esteem, restriction of social and community participation and difficulties finding employment.[173]

5.107 Access problems are having a particularly adverse effect on older people. National Seniors argued that Australia has the second worst adult oral health in the OECD and that 40 per cent of Australian adults cannot get dental treatment when needed. Older people in residential aged care facilities face further difficulties because of other medical problems and frailty.[174]

5.108 The Council of Social Service of New South Wales (NCOSS), the Wide Bay Women's Health Centre and Catholic Social Services Australia also argued that older people make less frequent visits to dentists and experience more common oral diseases.[175] Catholic Social Services reported that the Australian Dental Association has noted that eligibility for public dental care is a consistent correlate of poor health, and older people are more likely to fit into this category.

5.109 The Aids Council of New South Wales (ACON) submitted that poor dental care has severe consequences for people living with HIV/AIDs. Certain oral

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171 Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 7.

172 National Rural Health Alliance Inc, *Submission 91*, p. 11.

173 National Rural Health Alliance Inc, *Submission 91*, p. 11; Council of Social Service of New South Wales, *Submission 54*, p. 6; Wide Bay Women's Health Centre, *Submission 55*, pp. 6-7; Tasmanian Department of Health and Human Services, *Submission 137*, p. 4; Aged & Community Services Australia, *Submission 64*, p. 1.

174 National Seniors, *Submission 60*, p. 10.

175 Council of Social Service of New South Wales, *Submission 54*, p. 7; Catholic Social Services Australia, *Submission 95*, pp. 6-7; Wide Bay Women's Health Centre, *Submission 55*, pp. 6-7.

conditions, such as candidiasis and hair leukoplakia, are often – if diagnosed - the first indications of immune suppression associated with HIV and the initial symptoms that lead to testing for HIV. ACON further argued that the conditions ae treatable, but require regular dental care, which is increasingly difficult for HIV positive patients to access due to the limited funding available for public dental health care. ACOM emphasised that the impact of long delays on sufferers of chronic illnesses, such as HIV, is significant.[176]

The Goods and Services Tax

5.110 Numerous submissions to the inquiry raised concerns about the contribution of the Goods and Services Tax (GST) to the rises in cost of living pressures.[177] It was noted that the GST placed an additional tax burden on existing taxes and imposts including fuel excise, stamp duty, insurance policies, telephone costs, energy bills, clothes, maintenance expenses, entertainment, and service fees for retirement villages. Witnesses argued that there is insufficient compensation for older people to cope with the imposition of the GST.

5.111 Various estimates were provided to the inquiry about the degree of additional financial burden generated by the GST on older people. An estimate of $30 per week was suggested by the Combined Pensioners and Superannuants Association of NSW,[178] $1 000 per year for a single older person according to Older People Speak Out,[179] and hundreds of dollars over the course of a year according to Mrs Audrey Kershaw.[180]

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176 Aids Council of New South Wales, *Submission 212*, p. 6.

177 These included Older People Speak Out, *Submission 94*, p. 3; Australian Manufacturing Workers' Union, *Submission 204*, p. 10; Women's Action Alliance (Australian) Inc, *Submission 93*, p. 3; Combined Pensioners and Superannuants Association of NSW Inc – Bellingen Branch, *Submission 56*, p. 1; Mr Bernard and Mrs Barbara Murray, *Submission 86*, p. 4; Mr Brian Smith, *Submission 81*, p. 1; Mr Geoff Irwin, *Submission 30*, p. 1; Mr Donald White, *Submission 32*, p. 1; Name withheld, *Submission 48*, p. 2; Mr Andrew Ball, *Submission 85*, p. 2; Mr S W Wales, *Submission 15*, p. 1; Ms Janet Heslewood, *Submission 22*, p. 1; Mr Len and Mrs Gladys Staff, *Submission 70*, p. 1; Mr Colin Burt, *Submission 106*, p. 1; Mrs Audrey Kershaw, *Submission 110*, p. 1; Mr Stan Smith, *Submission 111*, p. 1; Mr David & Ms Elizabeth Jeffrey, *Submission 113*, p. 1; Mr Keith Thomson, *Submission 114*, p. 1; Ms Norma Gardner, *Submission 121*, attachment 3; Mr Cy D'Oliveira, *Submission 131*, p. 2; Mr L D Arrowsmith, *Submission 126*, pp. 2, 4; Miss P A Robb, *Submission 151*, p. 3; Ms Virginia Boskovic, *Submission 160*, p. 1; Mr Wayne Koch, *Submission 164*, p. 11; Ms Denise Scassola, *Submission 166*, p. 1; Mr Leonard Hainsworth, *Submission 183*, p. 2; Name withheld, *Submission 185*, p. 1; Mr Ian Foote, *Submission 193*, p. 1; Mr Keith and Mrs Evelyn Devereux, *Submission 201*, p. 1; Ms Enid Randon, *Submission 170*, p. 1; Mr Mauri Gailein, *Submission 172*, p. 1; Ms Catherine Laing, *Submission 173*, p. 1; Mr R G Draper, *Submission 191*, p. 1.

178 Combined Pensioners and Superannuants Association of NSW, *Submission 46*, p. 1.

179 Older People Speak Out, *Submission 94*, p. 3.

180 Mrs Audrey Kershaw, *Submission 110*, p. 1.

5.112 Concern about the impact of the GST also emerged in a survey of older people conducted by the CPSA. All segments of the older population registered concern about the GST identifying it as a key cause of their financial stress. However, CPSA raised questions about whether the GST was the cause or merely a symbol of genuinely rising financial stress.[181]

5.113 FACSIA clarified that a range of measures were introduced by the Commonwealth Government in July 2000 to off-set the impact of the GST and the new tax system on older people. After accounting for CPI increases, these payments and indexations have increased the real value of the age pension by 16.8 per cent over the past 10 years. These measures included a permanent real increase to the pension with an additional 2 per cent increase in the pension, which is indexed to the CPI. Also in July 2000, the Government increased the maximum rate of rent assistance by 10 per cent, increased other payments by 2 per cent, increased income and asset free thresholds by 2.5 per cent, reduced pension taper rates (from 50 cents for 40 cents for each dollar of income over the threshold), reduced family assistance taper rates (from 50 cents for 30 cents for each dollar of income over the threshold) and paid the age persons savings bonus and self-funded retiree supplementary bonus for those with income from savings or investments.[182]

Conclusion

5.114 The committee notes that the public is more sensitive to, and conscious of, price rises than price falls, especially those that are more recent in the memory of consumers and relating to staples. This was evident in the evidence before the committee, where many submissions raised concerns about recent price rises in food and petrol, although these items have fluctuated to include both rises and falls. It is also important to note that any assessments of cost pressures need to consider the complete array of expenses encountered by households, some of which decline as others rise. Further, a broad assessment of cost of living pressures over years has suggested increases have been steady, rather than dramatic.

5.115 However, on balance, the evidence submitted to the inquiry shows that Australian households have endured increased cost of living pressures over recent years. In many cases incomes have risen commensurately to compensate for these cost pressures. However, older individuals and households, especially those on below-average fixed incomes, are more vulnerable to any rises. Older people have lower levels of discretionary spending, spend a greater proportion of their incomes on essential commodities and services, and have less capacity to change their financial situations.

5.116 Various submissions raised concerns about the impact of the GST on the capacity of older people to cope with cost pressures. But the evidence provided to the

181 Combined Pensioners & Superannuants Association (CPSA), *Submission 66*, pp 8-9.

182 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 27.

inquiry suggests that the GST is largely a visible symbol rather than the cause of financial stress. In particular, the committee notes that not only was compensation provided for the introduction of the GST, but the GST replaced other taxes, notably wholesale sales tax. Wholesale sales tax, sometimes of 35 per cent, was imposed on various commodities purchased by older people under the pre-existing tax regime. It was also a cascading and hidden tax that contributed to a wide array of bills because it was on commodities used in service provision.

5.117 Another key issue that arose during the inquiry was the increasing costs and diminishing accessibility of medical and dental health care. The committee notes that the delivery of health care services is predominantly the responsibility of the states and territories. Nevertheless, considering the urgency of the situation, the Government has introduced dental care legislation to address some of the concerns that were raised during the inquiry, targeting certain vulnerable groups.

5.118 The committee is particularly concerned about the financial stress of certain sub-groups of the older population, which are particularly vulnerable to cost pressures. The evidence provided to the inquiry suggests that single older people in private rental accommodation receiving the maximum rate of the pension are the most vulnerable. People in this older demographic are over-represented in poverty calculations irrespective of the measure of poverty used.[183]

5.119 In addition to the income measures discussed in chapter 3, the committee considers that the Government should increase its efforts to influence rises in rent paid by older people and others on low and fixed incomes. This should include a rise in rental assistance and appropriate indexation to ensure it retains its relative value. However, the Government may also need to increase incentives for private investors to keep rents at affordable levels and/or increase investment in community or government housing, which are not driven by profit motives.

183 Peter Saunders, 'Towards a Credible Poverty Framework: From Income Poverty to Deprivation', January 2004, *Social Policy Research Centre Discussion Paper No: 131*, p. 12.

CHAPTER 6

QUALITY OF LIFE

6.1 Previous chapters have focused on the various income streams and concessions available to older Australians and their adequacy in meeting the costs of living that older people face. Further, the current and potential cost pressures and their impacts on the financial well-being of older Australians have been discussed. This chapter deals with the less tangible or quantifiable – yet equally as important – impacts that cost pressures place on the quality of life of older Australians. It looks at the effects of cost pressures and increased caring responsibilities on the capacity of older people to participate in social and community activities.

Quality of life and aged care

6.2 FACSIA noted that it is difficult to measure living standards and financial well-being. As was observed by the Hobsons Bay City Council, quality of life, well-being and experience of these pressures can be the result of perceptions, as much as quantitative data.[1] In particular, experiences of deprivation are often qualitative in nature with a correlation to individual and community expectations – within this context, expectations of retirement. Nonetheless, FACSIA argued that the use of self-report instruments that measure satisfaction and financial stress, provide useful indicators. In this regard, FACSIA cited data from The Household, Income and Labour Dynamics in Australia (HILDA) Survey to suggest that older people reported low levels of financial stress. FACSIA noted that only 0.2 per cent of those 65 and over reported being very poor, 1.6 per cent poor and 25.1 per cent as 'just getting along'. The majority considered themselves to be reasonably comfortable, 12.4 per cent very comfortable and 0.9 per cent as prosperous.[2]

6.3 There were similar findings in the ABS Household Expenditure Survey. No statistically significant differences were detected in comparative data of older people's experiences between 1998-99 and 2003-04 on indexes of social participation, bill paying capacity and essentials (such as heating and meals). FACSIA argued that financial stress was reported only by a minority of households and primarily in areas that could be considered 'discretionary recreational and social activities'. FACSIA submitted:

> The most frequently cited item of missing out on doing this because of a shortage of money was a holiday away from home once a year for a week or longer…these rates were well below the level of 27.1 per cent for other,

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1 Hobsons Bay City Council, *Submission 3, Ageing Community Profile: Ageing Well Strategy 2007-2017*, February 2007, p. 13.

2 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, pp 11-12.

> younger households. The second most cited item was not being able to have a night out once a week…These rates were again well below the 20.1 per cent reported by other, younger, households.[3]

6.4 FACSIA reported that five per cent of older households maintained that they were too financially strained to engage in social activity, such as having a friend over for a meal.[4] The National Institute of Accountants (NIA) provided evidence to the committee to help reconcile the anecdotal reports of financial stress with the increase in the real value of the pension that has occurred over the past decade. NIA argued that the degree of financial stress felt depended on an individual's needs and the emergence of different expectations about the quality of life in retirement.[5]

6.5 The FACSIA and ABS research is consistent with an early 2007 consumer report on consumer confidence and financial self-assurance. According to the report, consumer confidence for Australians aged 50-64 has skyrocketed and those over the age of 64 are even more confident. This is primarily the result of positive performance of investments, the stock and the property markets, and the Government's changes to superannuation.[6]

6.6 However, some of the submissions from non-government organisations and community service providers provided contrary views. The inquiry received various anecdotes of extreme subsistence living from older people. Many relied on the generosity of non-government and community organisations and friends and family to help meet essential costs, or learned to live without basic appliances that others would consider essential. Many articulated that attending cultural events and other entertainment events were never considered. The submission of Mrs Teddy Thompson highlighted the importance of financial assistance from St Vincent de Paul in helping to afford medical fees, pharmaceutical costs, telephone bills and utilities expenses. She explained the impact that this has had on her independence:

> I often feel my reliance on the welfare of St Vincent de Paul is turning me into a beggar. I have always been an independent soul but am most grateful for help give by the good folk at St Vinnies although it hurts to ask.[7]

6.7 The Wide Bay Women's Health Centre maintained that many older people manage as well as they can and suffer their plight without complaint or requests for assistance:

> Many older people who are in need are too proud to seek assistance and will go without rather than seek assistance. This puts them at risk and can

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3 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 13.

4 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 13.

5 *Committee Hansard*, 23 August 2007, pp 4-5.

6 Kelly Burke, 'As Older Generation Kicks Back, Their Children Feel the Pinch', 17 March 2007, *Sydney Morning Herald*, p. 13.

7 Mrs Teddy Thompson, *Submission 99*, p. 4.

> contribute to deteriorating physical and emotional health which can in turn lead them to require residential care than remain in their own homes.[8]

6.8 Similarly, COTA highlighted the 'make-do' response of older persons to their distinct cost pressures and argued that this response inevitably impacts on the quality of life experienced. In particular, older people survive on 'inadequate' incomes by leading frugal lives and making adjustments that have adverse effects on active and safe living. COTA submitted:

> Older people consistently experience cost of living pressures that reflect specific burdens related to the costs of basic necessities and to life course changes in expenditure patterns. In response to these pressures many older people adopt living patterns that over the medium to long term undermine their capacity to live healthy active lives.[9]

6.9 These findings were consistent with a recent survey by the CPSA of older people including pensioners living below a modest retirement standard, pensioners living above such a standard, and self-funded retirees. Both pensioner groups highlighted concerns about the ability of their income to keep pace with increases in the costs of living. Self-funded retirees were also concerned about cost of living pressures - although to a lesser extent than the pensioner groups. CPSA concluded that none of the incomes of these groups were maintaining pace with the cost of living, but the self-funded retirees had a significantly higher income than the pensioners and a better capacity to absorb real costs increases.[10]

In-home residential care

6.10 The Brotherhood of St Laurence noted that older people usually prefer to remain in their own homes for as long as possible. Community care services are crucial to facilitating this and preventing premature admission to residential care and hospital admission.[11] The submission of Older People Speak Out (OPSO) also highlighted the importance of long-term residence in a home for providing a sense of security, continuity and a base for daily activities and community participation.[12]

6.11 The Commonwealth Government provides contributions to community care providers through direct subsidies. The care recipient pays up to 17.5 per cent of the maximum pension and up to 50 per cent of income above the pension. Commonwealth expenditure averages about 80 per cent of the care recipient's estimated disposable income.[13] Consequently, residential care is primarily financed by the Australian

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8 Wide Bay Women's Health Centre, *Submission 55*, p. 4.

9 COTA Over 50s, *Submission 96*, p. 3.

10 Combined Pensioners & Superannuants Association (CPSA), *Submission 66*, pp 8-9.

11 Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, p. 20.

12 Older People Speak Out, *Submission 94*, p. 3.

13 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 65.

Government including through Community Aged Care Packages (CACP), Extended Aged Care at Home (EACH) packages and Extended Aged Care at Home Dementia (EACH D) packages. CACPs provide low level care in people's homes and EACH and EACH D provide high level care to people with more complex needs.[14]

6.12 The Home and Community Care Program (HACC) is designed to facilitate frail older people remaining in their homes. HACC is jointly funded by the Commonwealth and state and territory governments to a level of 95 per cent of the cost of the services. The state and territory governments provide the management and set fees, which are estimated to cover the remaining five per cent of the cost.[15] While the program is primarily designed to avoid premature admission to longer term care, it also provides important social support for older people.[16] Aged and Community Services Australia submitted that 90 per cent of older people receiving government funded residential and community care services were full or part pensioners.[17]

6.13 But despite the funding provided by the Government to facilitate in-home care, some submissions raised concerns about unmet needs. Aged and Community Services maintained that the services for older people seeking to remain in their homes are valuable but stretched. As a result the ability of older people to participate in the community is constrained and the probability that health and well-being will deteriorate and result in a requirement for more costly residential or other health care has increased. Further, many rely on families to supplement the incomes of those in care.[18]

6.14 In its submission COTA cited a 1998 study of disability, ageing and carers which showed that 42 per cent of those aged 65 and over required assistance to remain in their homes. Although the Government provides services such as HACC and CACPs to assist older persons remaining in their homes, 83 per cent of those that described their needs as being fully met also received assistance from family and friends. This was due to a combination of the expense of such services and perceived quality.[19]

6.15 Research by Australia Fair reported that more than 400 000 older people living at home have unmet needs for community care services. Further, Australia Fair maintained that less than half of all HACC providers scored high reviews in the most recent HACC appraisal and about one quarter received scores of basic or poor. Unpaid family and informal care constitutes 74 per cent of the support provided to older

14 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, pp 59-60.

15 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 65.

16 Council of Social Service of New South Wales, *Submission 54*, p. 8.

17 Aged & Community Services Australia, *Submission 64*, pp 1, 3.

18 Aged & Community Services Australia, *Submission 64*, pp 1, 3.

19 COTA Over 50s, *Submission 96*, p. 17.

people and those with disabilities. There are 57 primary carers for every 100 older persons requiring care. This is expected to fall by 39 per cent by 2031.[20]

6.16 Aged and Community Services Australia expressed concern about the impact of user-pays on access to services for older people with limited incomes. It maintained that the user-pays system had become a common aspect of the delivery of aged care services. Evidence provided to the inquiry underscored that user-pay arrangements leave few resources for older people to meet other costs.[21] Catholic Social Services Australian argued that the maximum contribution payable by single clients of Commonwealth-funded community care (17.5 per cent of the pension) constituted a considerable outlay when combined with other price movements.[22]

6.17 NRHA maintained that many rural communities do not have adequate aged care services to retain the older Australian population. This is due to shortages of health care workers, as well as higher costs. These conditions stem from the remoteness of the locations, the small and unviable bed numbers, less resources for capital work investment, higher construction costs, lower consistency of occupancy rates, less capacity to reduce costs following fluctuation of occupancy and limited capacity to balance low and high care residents.[23]

Residential aged care

6.18 The Commonwealth Government provides subsidies to approved providers to provide residential care. The level of subsidy depends on the resident's care needs and a reduction in funding is based on an assessment of an individual's capacity to contribute to their own care costs. An accommodation supplement is paid to aged care homes towards daily care fees for residents that receive an income support payment, except for those pensioner residents that have paid an accommodation bond ten times greater than the annual pension amount. Some additional supplements are paid for residents with few or no assets, to facilities in rural and remote areas and to residents with special needs.[24]

6.19 FACSIA noted that between 1998-99 and 2006-07, the average resident's daily contribution increased in nominal terms from $26.30 to $38.26, but remained relatively constant as a proportion of the total expenditure on care. Government expenditure averaged three times the estimated disposable income, while the average

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20 Australian Council of Social Service, *A Fair Go For All Australians: International Comparisons, 2007,*p. 41.

21 *Committee Hansard*, 23 August 2007, p. 77.

22 Catholic Social Services Australia, *Submission 95*, p. 19.

23 National Rural Health Alliance Inc, *Submission 91*, p. 5.

24 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 62.

resident's contribution remained relatively constant as a proportion of the estimated disposable income.[25]

6.20 The Brotherhood of St Laurence pointed out that the Commonwealth Government funded over 160 000 residential aged care places across Australia in 2005 and had a target of 200 000 in 2006-07. Residential aged care accounts for 70 per cent of total aged care expenditure by governments and about 5 per cent of older people live in these facilities. More than half of these older people are 85 or more.[26]

6.21 Nevertheless, some of the submissions raised concerns about the quality of life being experienced by many residents of residential aged care facilities.[27] These submissions argued that daily care fees consume 85 per cent of the pension, which leaves little remaining to fund medications—some of which are not subject to PBS subsidies—other dental and health costs, transport, clothing, toiletries, personal grooming, correspondence, phone calls, incidentals and discretionary spending including gifts for families and friends. Aged and Community Care Victoria (ACCV) pointed out that 35.8 per cent of residents are concessional residents, meaning they have assets of less than $33 000 to supplement the pension. Consequently, many of the above items are supplied or financed by families, friends, other residents or sympathetic staff members. ACCV expressed particular concern about those residents with no friends or family. It was pointed out that special bandages for leg ulcers, which are not covered by the PBS, would consume 15 per cent of the pension.[28]

6.22 According to NCOSS, more than a third of those in residential aged care lack any substantial family and friend support networks and, as a result, are greatly restricted in their ability to finance essential trips.[29]

6.23 Other evidence provided to the committee highlighted the financial burden placed on the remaining spouse when a partner is admitted to residential care. One submission stated:

> It is quite distressing to investigate my financial situation to find that I am "in the red" each month before I even consider my own food costs and clothing, dental, medical and optical expenses for both of us.[30]

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25 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 63.

26 Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, p. 20.

27 These included Aged & Community Care Victoria, *Submission 41*, pp. 2-3; COTA Over 50s, *Submission 96*, p. 14; Catholic Social Services Australia, *Submission 95*, p. 19; Aged and Community Services Australia, *Committee Hansard*, 23 August 2007, p. 79.

28 Aged & Community Care Victoria, *Submission 41*, pp 2-3.

29 Council of Social Service of New South Wales, *Submission 54*, p. 5.

30 Name withheld, *Submission 25*, p. 2.

6.24 According to the Brotherhood of St Laurence, the increasing focus for residential care over the past decade has been on high level care, with the proportion of residents receiving this care increasing from 58 per cent in 1998 to 68 per cent in 2005. Consequently, those without high level support needs have struggled to obtain accommodation in a residential hostel and have limited housing options. This has been compounded by the requirement for an accommodation bond for low level care and the decreasing availability of boarding houses.[31]

6.25 Aged and Community Services Australia also expressed concern about the inequity in charges that apply to people entering different levels of aged care:

> The big equity issue that arises there is that people who enter residential care into high care pay half as much as people who enter residential aged care at the low-care level. We certainly could not argue that we should resolve that in the highcare direction, because the whole system would grind to a halt. Our point as service providers is that the user-pays component of high care is not sufficient to sustain the replacement and growth of high care, but it is also very inequitable between different classes of consumers that an arbitrary classification into high and low means that one class of incoming residents pays twice as much as the other class.[32]

6.26 Further, Aged and Community Services Australia noted that the fees paid do not change if the level of care required changes, unless the recipient of care changes facilities.[33]

6.27 ACON pointed out that same-sex relationships are not recognised under the definition of couples in the *Aged Care Act 1997*. This has a substantial impact on the level of residential fees and associated costs incurred on entering aged care facilities. It was argued that this is because same-sex applicants are assessed as individuals, rather than the standard applying to couples recognised under the Act where 50 per cent of the sum of the value of the couple's assets is used. In some cases, this results in qualification for less assistance. Further, ACON asserted that the family home is excluded from the assets test in recognised couples, but the lack of recognition of same-sex couples means that it is counted irrespective of whether or not it remains the dwelling of the remaining partner. There are similar issues with the treatment of other shared assets.[34]

Caring responsibilities

6.28 The committee heard from various individuals about their caring responsibilities, which brings with them additional and often unplanned-for financial

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31 Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, p. 20.

32 Aged and Community Services Australia, *Committee Hansard*, 23 August 2007, p. 79.

33 Aged and Community Services Australia, *Committee Hansard*, 23 August 2007, p. 79.

34 Aids Council of New South Wales, *Submission 212*, p. 7.

commitments. In many respects the increased time availability associated with retirement has resulted in increased responsibilities for caring for young children, as well as elderly parents. During the 2004 inquiry into poverty, the committee heard similar evidence about the experiences of older people.[35]

6.29 Older people are net providers of care, with unpaid services for their spouses and parents as well as grandchildren. The total of this care, as well as voluntary work, equates to $39 billion each year according to research cited by the Brotherhood of St Laurence. The value of care provided by older people to their grandchildren is greater than the value of care provided to older people.[36] Similar data was reported in other submissions. The Australian Family Association argued that a third of child care enabling parents to engage in paid work is undertaken by (unpaid) grandparents.[37] Carers South Australia argued that more than 17 per cent of family carers providing support for a parent, partner, child or friend are aged 65 or over.[38] According to the Australian Institute of Health and Welfare, 48 per cent of older people provide unpaid assistance to someone outside their household, one-third provide volunteer services through an organisation, 29 per cent in community organisations and two-thirds in social and support groups.[39]

6.30 NCOSS, National Seniors and Catholic Services Australia maintained that in 2003 there were 22 500 families headed by grandparents in Australia, although the large number of informal arrangements suggests that the numbers were under-reported. Two-thirds of the grandparent carers were age pensioners. Such households indicated five key areas of need including: financial support; recognition and understanding; respite; information and group support. Grandparent carers emphasised that they perform a similar role to foster carers but without the choice, the benefits or the recognition. Eligibility for legal aid was identified as a particular issue for grandparent carers.[40]

Costs of care

6.31 Although many older people enjoy the involvement in the lives of their grandchildren that accompanies the provision of care, the responsibility has had ramifications for the quality of life of older people. The capacity of older people to

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35 COTA National Seniors Partnership, *Submission 184 to the 2004 Inquiry on Poverty and Financial Hardship*, p. 13.

36 Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, p. 23.

37 Thirroul Retired Mineworkers' Association, *Submission 4*, p. 2.

38 Carers South Australia, *Submission 58*, p. 1.

39 Australian Institute of Health and Welfare, *Older Australians at a Glance 4th Ed.*, November 2007, p. viii.

40 Council of Social Service of New South Wales, *Submission 54*, p. 8; National Seniors, *Submission 60*, p. 7; Catholic Social Services Australia, *Submission 95*, p. 10.

cope with rising costs of living can be exacerbated by their increasing childcare responsibilities. FACSIA, National Disability Services, National Seniors Goodna Redbank Branch and Kinkare all noted that caring responsibilities can impact detrimentally on the sustainability of grandparents' retirement incomes and make it more difficult to actively participate in community activities.[41] Grandparents are in different situations to other adults with caring responsibilities in that on average they have less financial resources—having forgone employment—less physical stamina, may face high initial costs associated with caring and often have not planned financially for the responsibility of caring.

6.32 Grandparents who provide care—particularly those who become primary carers—experience an increase in expenses for all facets of life, such as petrol, clothing and utilities, as well as the up-scaling of various facilities to accommodate the growth in the size of the family unit including the house, car, and washing machines. Often it can lead to additional expenses such as the need for a computer, school fees, baby equipment, sporting expenses and expenses uniquely associated with the family situation that resulted in them becoming primary care givers, such as psychologists or legal assistance.

6.33 Mr Don and Mrs Elma Butler highlighted the impacts on their cost of living that resulted from the provision of care:

> We do **considerable hours of childcare** for our grandchildren as a way of assisting our children in keeping their childcare costs down. They are mindful of providing additional food to assist us with the cost of giving this care. It is a task we enjoy doing, however, sadly it does have an impact on our living costs.[42]

6.34 Catholic Social Services Australia made the point that rising costs impinge on the ability of grandparents to provide care.[43] Catholic Social Services Australian argued:

> To the extent that older Australians face a worsening squeeze between prices and income, the capacity of older Australians to provide care for their grandchildren will be impeded. For example, it may become impossible to collect children after school if financial circumstances make it impossible to maintain a car. This outcome would affect not only older Australians' extent of participation and family contact, but the ability of younger "working families" to combine work and care, and the demand for places in the more formal childcare sector.[44]

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41 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 74; National Disability Services, *Submission 51*, pp 1-2; KinKare, *Submission 6*, pp 3-4; National Seniors Goodna Redbank Branch, *Submission 39*, p. 2.

42 Mr Don and Mrs Elma Butler, *Submission 37*, p. 1.

43 Catholic Social Services Australia, *Submission 95*, p. 11.

44 Catholic Social Services Australia, *Submission 95*, p. 11.

6.35 According to the Salvation Army, the social, emotional and physical well-being of older people can be substantially affected by caring for grandchildren and adult children with disabilities.[45] Similarly, KinKare argued that the caring responsibilities of older people can impact on their emotional well-being and capacity for community engagement with them experiencing financial stress, the stress associated with child-rearing, disengagement from pre-existing social networks and tiredness.[46] This was echoed by National Disability Services (NDS), who pointed out that while many carers derived benefits from providing care, there were also various health consequences:

> The impact of decades of caring, particularly upon the older population, should not be under-estimated…Research has identified that many will also experience physical, psychological and social losses. These losses, or costs, including psychological stress, poor physical health, isolation, anxiety and depression, and career sacrifices. Health risks amongst carers include physical strain from lifting, which often results in back, knee and shoulder injuries, and ongoing fatigue and stress. Social isolation is also common.[47]

Government caring benefits

6.36 Catholic Social Services Australia reported that although 17 per cent of infants and 18 per cent of children aged four to five regularly received care from grandparents, no child care financial support was paid in the majority of cases. Therefore, the main sources of income for 62 per cent of grandparent families were government pensions and benefits.[48]

6.37 The Commonwealth Government provides financial support to carers in the form of the Carer Payment and the Carer Allowance. The Carer Payment provides income support to people who are unable to participate substantially in the workforce, due to caring responsibilities. The Carer payment is subject to income and assets tests and is paid at the same rate as the aged pension and other social security payments. The Carer Allowance is an income supplement for people who provide daily care and attention in a private home to a person with a disability or severe medical condition, or who is frail aged.[49] The Commonwealth Government has provided lump sum Carer Bonuses in 2004, 2005, 2006 and 2007. Carers—including older carers—received a payment of $1 000 and recipients of Carer Allowance received $600 for each eligible care receiver.[50]

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45 Salvation Army Australia Southern Territory, *Submission 136*, p. 10.

46 KinKare, *Submission 6,* p. 5.

47 National Disability Services, *Submission 51*, pp 1-2.

48 Catholic Social Services Australia, *Submission 95*, p. 11.

49 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 72.

50 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 73.

6.38 In the 2004-05 Budget the Commonwealth Government provided $72.5 million over four years for additional respite services for older parent carers of people with disabilities, subject to matching commitments by state and territory governments. In 2005 the Commonwealth Government announced a $230 million package to help families to make financial provisions for the future accommodation and care needs of their family member with severe disability. From September 2006, immediate family members have been able to put up to $500 000 into a Special Disability Trust without being affected by the social security or veterans' affairs means test.[51] However, the Committee notes that as at 31 December 2007 there were only 22 disability trusts in operation.[52]

6.39 The Commonwealth Government provides family assistance payments to the person or organisation with ongoing care of children. Grandparents have the same access to financial assistance as other families whether or not formal legal responsibility is possessed as long as day-to-day care is provided. Similarly, grandparents are eligible for the full range of family payments including the Family Tax Benefit, Parenting Payment, and Child Care Benefit. The Family Tax Benefit is income-tested and pays approximately $8 300 on average to eligible families each year. If the child meets the definition of 'orphan' the grandparent carer may be eligible for the Double Orphan Pension. The Double Orphan pension provides a base rate of payment of $49.40 per fortnight for grandparents caring for children that have been orphaned or where their parents have been incarcerated.[53]

6.40 Grandparent carers can also obtain a non-means tested foster child Health Care Card for access to subsidised medications and bulk billing for medical consultations for the children in their care. The Baby Bonus may be paid to a grandparent caring for a grandchild where the child comes into the grandparents' care within 13 weeks of birth and where the grandparent will have ongoing care for no less than 13 weeks. It is not means tested and provides a payment of $4 133. Young people from 15-25 may be eligible for the Transition to Independent Living Allowance when they are about to or have left grandparents' care.[54]

6.41 Grandparents are eligible for the Child Care Benefit. FACSIA submitted that the Government has waived the work, training, study test for eligible grandparent carers with primary care responsibilities so they can access up to 50 hours for each child in approved child care per week. Grandparent carers receiving an Australian Government income support payment may be eligible to receive a special Grandparent

51 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, pp 72-73.

52 *Committee Hansard*, Additional budget estimates, 20.02.08, p.CA89 (FaHCSIA).

53 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, pp 75-76.

54 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, pp 75-76.

Child Care Benefit, which covers the full cost of the total fee charged by the child care service for up to 50 hours of approved child care per child per week. Again, the Government has waived the work, training, study test.[55]

6.42 FACSIA noted that the Commonwealth Government only makes payments once for the same child, which would therefore involve withdrawal of payments from parents to make a payment to an eligible grandparent. However, some grandparent carers may not receive entitlements to which they are eligible because they do not apply for them out of a fear that the parents may seek custody of the children to retain the benefits.[56] Further Mr Frank Quinlan from Catholic Social Services Australia noted that many grandparent carers were uncomfortable accessing government payments because of the stigma attached to the 'welfare' system.[57]

6.43 The Tasmanian Department of Health and Human Services highlighted that the South Australian Government has introduced an 'Informal Relative Caregivers Statutory Declaration' to verify a person is providing full-time care. This can be used as evidence of care-giving status in informal arrangements for the purposes of schooling, medical and dental interactions, as well as access to government support services. The Tasmanian Department called for the institution of a similar document at a national level to facilitate carer access to government services.[58]

Community participation

6.44 A recurrent theme in many of the submissions was that increases in the cost of living have had substantial effects on the quality of life of older people, especially through their capacity to interact with the community. Without the social outlet provided by work, many older people rely heavily on community participation and social networking environments.

6.45 A recent report from the Brotherhood of St Laurence highlighted ABS data that suggests older people with moderate and severe disabilities spend 85 per cent of their waking time alone. Older people spend the least time talking and socialising of all the age cohorts. The benefits of social interaction include reduction in physiological reactions to stress, moderation of health-related behaviours and reduction in depression.[59]

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55 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 75.

56 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 75.

57 Mr Frank Quinlan, Catholic Social Services Australia, *Committee Hansard*, 8 February 2008, p. 33.

58 Tasmanian Department of Health and Human Services, *Submission 137*, p. 5.

59 Michael Hillier: Brotherhood Community Care, *Rebuilding Connections, Creating Opportunities for Socially Isolated Older Australians,* Evaluation of the Brotherhood of St Laurence Community Care Socialisation Plan, pp vi, 1-2.

6.46 Queensland Shelter highlighted the importance of security of tenure in housing for older Australians. It was argued that this was important to provide a sense of security and continuity, as well as provide a basis for community participation and social interaction.[60] However, in order to take advantage of the opportunities for social engagement that a stable home-base allows, older people need sufficient financial resources.

6.47 Various submissions argued that older people are increasingly finding social participation difficult, due to the rises in cost pressures. In particular, the Superannuated Commonwealth Officers' Association argued that because of rises in the cost of living and the fact that many services are user pays, the purchasing power of older people has diminished and they are less able to participate in some of the community activities that have been enjoyed previously.[61]

6.48 Catholic Social Services Australian (CSSA) pointed out that social participation accrues costs, such as transport, communications, membership fees, admission fees to cultural activities and gift giving. CSSA argued that if such costs become unaffordable, it will result in increased social isolation for older people with consequent adverse effects on physical health, mental health and dignity.[62] The National Seniors Goodna Redbank Branch argued that the general rises in the costs of living are restricting the quality of life of older Australians. In particular, it was maintained that participation in social networking environments, such as seniors clubs, re limited and that older Australians are increasingly feeling marginalised.[63]

6.49 The submissions by older people themselves highlighted these effects. Bernard and Barbara Murray discussed the impact of increases in living costs on their community participation:

> Cost is a major consideration in virtually everything we do. It requires us to plan ahead and combine activities wherever possible. It also means we have to carefully select one or two of the many outings organized by the PROBUS club each year.[64]

6.50 These views were echoed in a number of submissions. For example, Ms Nea Campbell submitted:

> I am unable these days to go anywhere that costs money such as bus trips, even movies and this has had the effect of depriving me of many opportunities of being with my friends as I just plain can't afford it. This, I feel, is one of the far reaching and hidden effects of poverty that is not

60 Queensland Shelter, *Submission 45*, p. 2.

61 Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 7.

62 Catholic Social Services Australia, *Submission 95*, p. 11.

63 National Seniors Goodna Redbank Branch, *Submission 39*, p. 2.

64 Mr Bernard and Mrs Barbara Murray, *Submission 86*, p. 2.

> talked about as much but is a very valid and vital part of a pensioner's well being and mental health.[65]

Ms Campbell's submission reveals a common theme in evidence before the committee. Although there is no doubt that cost of living pressures involve hardship for older Australians it was often the exclusion from meaningful involvement with the community that caused the most disadvantage.

The role of technology

6.51 According to the Australian Institute of Health and Welfare, technology is playing an increasingly important role in the lives of older people, especially with the younger cohorts of the older population.[66] The importance of telecommunications for reducing social isolation was noted in a number of submissions. The telephone and internet were seen as important ways of maintaining contact with family and friends.[67] However, many of the submissions highlighted concerns about the lack of access to, or affordability of, the internet and the costs of maintenance, training and support.[68] Access to telecommunications has implications for social networks, connectivity with friends and relatives and increasingly some basic aspects of community participation in modern society. Mr Bernard and Mrs Barbara Murray observed that interactions with banks and other businesses increasingly require email connectivity.[69] Ms Margaret Jones and Mr Ralph Foster even noted that the committee's preference for receiving submissions electronically presumes computer ownership and internet access, which many of those interested in the inquiry cannot afford.[70]

Single retirees

6.52 A report by the Commonwealth Government in conjunction with the University of Melbourne and the Melbourne Institute of Applied Economic and Social Research highlighted that many of the issues concerning social participation and isolation were exacerbated with single retirees. It argued that although a high proportion of single retirees socialise with friends or family at least once a week, they experience more loneliness and lower life satisfaction than retirees with spouses or

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65 Ms Nea Campbell, *Submission 33*, p. 2.

66 Australian Institute of Health and Welfare, *Older Australians at a Glance 4th Ed.*, November 2007, p. ix.

67 These submissions included Ms Virginia Boskovic, *Submission 160*, p. 2; Ms Denise Scassola, *Submission 166*, p. 1; Ms Shirley Prout, *Submission 97*, p. 2; Mrs Teddy Thompson, *Submission 99*, p. 3.

68 These submissions included Ms Maxine Visser, *Submission 88*, p. 1; Mr Bernard and Mrs Barbara Murray, *Submission 86*, p. 3; Mrs Josephine Sands, *Submission 130*, p. 1; Miss P A Robb, *Submission 151*, p. 3; Mr Leonard Hainsworth, *Submission 183*, p. 2; Ms Margaret Jones, *Submission 184*, p. 1; COTA Over 50s, *Committee Hansard*, 23 August 2007, p. 66.

69 Mr Bernard and Mrs Barbara Murray, *Submission 86*, p. 3.

70 Ms Margaret Jones, *Submission 184*, p. 1; Mr Ralph Foster, *Submission 102*, p. 1.

partners.[71] The Australian Family Association cited figures in a report by the Office for Women that suggests one quarter of single older people feel lonely.[72] Given the often tighter financial circumstances of single older people (discussed in chapter three) the capacity for social engagement can be particularly constrained.

6.53 Data provided by the Australian Housing and Urban Research Institute (AHURI) shows that a large proportion of older people live alone. Two reports on the housing of older Australians were cited in AHURI's submission. The report on housing transfers and shifts in later life argued that a third of the respondents to a survey on older persons indicated that one third were living alone. Further, 46 per cent of older women lived alone, which was more than twice the proportion of older men. Older people were more likely to be living alone than other demographics, with 57 per cent of those aged 75 and older living alone.[73]

Volunteer work in non-government organisations

6.54 A substantial amount of social interaction for older people is obtained through voluntary work in non-government organisations. However, the rise in costs of living is having a detrimental effect on the capacity of many older people to continue this work. This could result in greater isolation for them and, potentially, a greater financial cost to governments and/or the community.

6.55 Several submissions noted the involvement of older people in community organisations. NCOSS argued that many of the care services provided to older people are provided by other retired older people seeking to contribute to the local community.[74] Similar data was provided by Catholic Social Services Australia (CSSA), which maintained that in 2006 people aged 55 or more contributed 293 million annual volunteering hours, constituting 40 per cent of the total. Almost one in three people aged 55-74 are volunteers and one in five of those aged 75-84. CSSA pointed to 2003 data that indicated Australians aged 65 and over contributed nearly $39 billion per year to the economy in the form of unpaid caring and volunteer work. It also highlighted earlier data suggesting 21 per cent of principal carers of people with disabilities are aged over 65 years.[75]

6.56 However, during the inquiry it became clear to the committee that the capacity of older people to continue to provide such volunteer support was being diminished by increases in living costs. A 2005 Volunteering Australia survey found

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71 Australian Government Office for Women, *Women: Aspects of Retirement for Older Women*, 2006, p. 3.

72 Australian Family Association, *Submission 7*, p. 3.

73 Australian Housing and Urban Research Institute, *Ageing in place: intergenerational and intrafamilial housing transfers and shifts in later life: AHURI Final Report No. 88*, October 2005, p. viii.

74 Council of Social Service of New South Wales, *Submission 54*, p. 11.

75 Catholic Social Services Australia, *Submission 95*, p. 9.

that 42 per cent of participants were questioning or considering ceasing volunteering activities due to increased costs.[76] National Seniors argued that volunteering is rarely financially neutral and volunteers have no tax deduction or government financial support to meet the associated expenses.[77] In fact, the Superannuated Commonwealth Officers' Association argued that the costs of volunteering are similar to those incurred by people in the workforce, and that rises in the cost of living was making it more difficult financially for volunteers.[78] NCOSS argued that the funding base for volunteer services has not kept pace with demand, which has resulted in a greater reliance on the personal finances of volunteers.[79]

6.57 The submissions of many older people who provide volunteer support to the community indicated that they are increasingly reconsidering their capacity to continue to provide such contributions. This was primarily as a result of general costs of living increases, especially transport expenses.[80] Mr Robert Shortridge submitted:

> Older Australians, who are no longer in full time employment often fill volunteer roles in the community, if their income erodes to such an extent that they cannot afford to participate in volunteer activities (i.e. petrol prices become exorbitant) then the community will lose the services of these volunteers and somehow, someone may well have to take up the slack. This may mean that more volunteer organisations will be on the fund raising trail so they can support their volunteers or that Government (State or Federal) will have to pick up the slack. Overall this will be a cost to the community.[81]

Rises in transport costs

6.58 For many older people access to services and extent of participation in community activities is dependent on both cost and proximity. Some experts have raised concerns that the increasing costs of petrol will have a debilitating effect on Australia's low-income individuals and families. Many live in outer urban and sub-urban areas, due to lower property and rental prices. However, these people are often also considered to be transport disadvantaged because of the long distances from public transport services, the low frequency of such services and the higher associated

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76 National Seniors, *Submission 60*, p. 12.

77 National Seniors, *Submission 60*, p. 12.

78 Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 7.

79 Council of Social Service of New South Wales, *Submission 54*, p. 11.

80 These included Mr Robert Shortridge, *Submission 84*, p. 2; Ms Mary Maxwell, *Submission 34*, p. 4; Mrs Margaret Ryan, *Submission 100*, p. 3; Mr Stan Smith, *Submission 111*, p. 1; Mr Keith and Mrs Evelyn Devereux, *Submission 201*, p. 1.

81 Mr Robert Shortridge, *Submission 84*, p. 2.

costs. Consequently, it is possible that people will become increasingly isolated as they cannot afford private or public transport costs.[82]

6.59 National Seniors noted that cost of living pressures were identified as a risk factor for social isolation by the Queensland Government. In particular, it was maintained that rising petrol and transport costs can restrict older people's participation in the community. While HACC services facilitate older people remaining in their own home for longer, these services meet daily living needs rather than social needs.[83]

6.60 Concerns about the adverse effects of rising transport costs on social participation were raised in various submissions. These submissions argued that rising petrol, motor vehicle running costs and public transport expenses provide a barrier to community participation, especially for people in rural communities with limited access to public transport. In many cases, many older people are coping with high petrol prices by not driving their car unless absolutely necessary and forgo social visits with family and friends. In some cases, older people are struggling to afford the cost of travelling to medical appointments. Further, it was noted that transport is a crucial means of independence and identity for many older people. Alternative forms of transport are often inadequate because of problems associated with physical access, availability, convenience or cost.[84] The imposition of the NSW Government booking fee on concession fares was singled out as making some services prohibitive for older people.[85]

6.61 Peter and Janice Groves highlighted the adverse impact of the cost of transportation on their visits to family:

> We have a large family, three sons and one daughter and all are spread over distant parts of NSW and Queensland. Regular trips were made to keep in touch with all our families, but the cost of Petrol has now restricted our visits. So we no longer see and visit our Grandchildren as often as they and we would like. Even travel by State Trail has been curtailed due to the

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82 Jordan Baker, 'Poor on fringes will be isolated as car costs rise', 28 June 2007, *Sydney Morning Herald*, p. 9.

83 National Seniors, *Submission 60*, p. 15.

84 These submissions included Australian Pensioners' & Superannuants' League QLD Inc, *Submission 1*, p. 1; Aged Care Lobby Group, *Submission 40*, pp. 1, 3-4; Thirroul Retired Mineworkers' Association, *Submission 4*, p. 3; Combined Pensioners and Superannuants Association of NSW Inc – Bellingen Branch, *Submission 56*, p. 2; Women's Action Alliance (Australian) Inc, *Submission 93*, p. 2; Wide Bay Women's Health Centre, *Submission 55*, p. 4; National Rural Health Alliance Inc, *Submission 91*, pp. 2-3; Australian Nursing Federation, *Submission 61*, p. 5; COTA Over 50s, *Submission 96*, p. 13; Name withheld, *Submission 105*, p. 1; Name withheld, *Submission 123*, p. 2; Peter and Janice Groves, *Submission 29*, p. 1; Mr L D Arrowsmith, *Submission 126*, p. 2; Mr Lindsay Kayess, *Submission 115*, p. 2; Ms Enid Randon, *Submission 170*, p. 1; Name withheld, *Submission 149*, p. 3.

85 Name withheld, *Submission 48*, p. 2; The Corrimal Pensioners and Superannuants Association, *Submission 177*, p. 1.

> NSW State Government increasing our Pensioner cost that now restricts us financially.[86]

6.62 This was a theme common to many submissions. For example, Mr Lindsay Kayess submitted:

> The cost of petrol has greatly curtailed our activities. This has caused our social isolation. We are becoming hermits in our own homes. When petrol was 65 cents per litre cheaper we enjoyed car trips throughout south-east Australia. Travel was between Adelaide, Melbourne and north to Cairns but it is now beyond our reach.[87]

Conclusion

6.63 It is clear to the committee that many and possibly even a large majority of older people experience a good quality of life in retirement. However, the inquiry highlighted that for a number of older people cost pressures are increasingly curtailing their participation in social and community activities. In turn, this is leading to a diminished quality of living. In particular, some sections of the pensioner population are on tight budgets with no capacity to absorb cost of living rises that outstrip pension entitlements. Further, the committee remains concerned about the possible under-reporting of financial stress by older people. Many in this demographic have a higher propensity to experience difficult financial circumstances without complaint.

6.64 Unmet needs and insufficient services for facilitating in-home care have further constrained the ability of many older people to participate in the community and is increasing the potential for deterioration of health and well-being that could have negative implications for public and personal health costs. In particular, residential aged-care inequities and fee structures need to be addressed to ensure fairness and accessibility of such services.

6.65 The committee firmly believes that social and community participation are integral to maintaining active, healthy lives. Income levels, even at a safety net basis, must sufficiently accommodate the need of older people to participate in social and community activities. Retired people have contributed substantially to Australia's current prosperity and many continue to make productive contributions through voluntary work and provision of caring responsibilities. Ensuring older people continue to enjoy dignity and quality of life as they age is an important and affordable aspect of a developed economy. Further, supporting the health and well-being of older Australians will have the corollary benefit of reducing the burden on governments for health care costs, aged services and community service provision.

86 Peter and Janice Groves, *Submission 29*, p. 1.

87 Mr Lindsay Kayess, *Submission 115*, p. 2.

CHAPTER 7

GOVERNMENT POLICIES AND INITIATIVES

7.1 As has already been noted during this report, the ageing of the population has the potential to slow economic growth and, as workers move into retirement, potentially reduce individuals' standards of living. This is largely because the proportion of the population aged 65 and above will double to be one in every four people by 2042, while growth in the number of people in the labour market will remain stagnant.[1] Due to an increased life expectancy, Australians who retire in their 50s and 60s will spend two or three decades in retirement. This is a problem faced by most other Western countries.[2]

7.2 Various researchers have noted that a large number of older people who take early retirement do not have the financial means to support their retirement or provide an appropriate standard of living.[3] Therefore, governments introduce various initiatives to help older Australians cope with retirement and, in many cases, to encourage them to remain in the work force for longer. In accordance with term of reference (e), this chapter will outline the initiatives of the previous Coalition Government over the past 10 years focusing primarily on those that have not already been discussed in other parts of this report. An update on the initiatives of the new Labor Government since the change of government following the October 2007 election is contained in Appendix 3.

7.3 FACSIA delineated many of the government initiatives introduced over the past decade, some of which were introduced in line with the new taxation system that ushered in the GST during 2000. FACSIA submitted that the policies and assistance introduced by the Government over the past 10 years to the superannuation, tax and pension systems has increased the real value and disposable incomes, as well as the standard of living, of older people.[4]

7.4 According to FACSIA, after accounting for CPI increases, initiatives, payments and indexations introduced in 2000 have as a whole increased the real value of the age pension by 16.8 per cent over the past 10 years. These measures include a permanent real increase to the pension with an additional 2 per cent increase in the pension, which is indexed to the CPI. The value of this pension supplement is

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1 Simon Kelly & Ann Harding, 'Funding the Retirement of Baby Boomers', 2004, *Agenda Volume 11 (2)*, p. 99.

2 Simon Kelly & Ann Harding, 'Retirement Incomes and Australia's Ageing Population', 2006, *Engaging the New World: Responses to the Knowledge Economy*, p. 360.

3 AMP & the National Centre for Social and Economic Modelling, 'May the Labour Force Be With You', November 2005, *AMP.NATSEM Income and Wealth Report Issue 12*, p. 20.

4 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 22.

currently worth $475.80 per year for singles and $795.60 for couples. Also, in July 2000, the Government increased the maximum rate of rent assistance by 10 per cent, increased other payments by 2 per cent, increased income and asset free thresholds by 2.5 per cent, reduced pension taper rates (from 50 cents to 40 cents for each dollar of income over the threshold), reduced family assistance taper rates (from 50 cents to 30 cents for each dollar of income over the threshold) and paid the age persons savings bonus and self-funded retiree supplementary bonus for those with income from savings or investments.[5]

7.5 However, some of the submissions took a much broader view of the impact of government policies on the ability of older people to afford cost of living pressures. The Superannuated Commonwealth Officers' Association argued that government policies over the past 10 years have benefited many Australians, but have not always gone far enough to extend those benefits to older Australians.[6] Reflecting on the Government's initiatives over the past decade, the APSL QLD argued:

> The impact of Government policies over the last ten years across all portfolios have in general terms lowered the living standards and placed added burdens on older Australians.[7]

7.6 These concerns will be further articulated alongside the relevant government initiatives throughout this chapter.

Pension reform

7.7 As discussed in chapter 3, government reforms of indexation and taper rates, as well as institution of bonus and supplementary payments have increased the real value of pension entitlements, the disposable income of pension recipients and, in turn, improved their standards of living.

7.8 FACSIA noted that the Government has introduced various initiatives to increase the real value of the pension. These include the indexation of the pension to the MTAWE, as well as supplementary payments. FACSIA maintained that these initiatives have resulted in increasing real disposable income by 19.1 per cent for single older people with no other income and 19.4 per cent for couples with no other income. Similarly, it was argued that recipients of part pensions have also benefited from the MTAWE indexation, supplementary payments, changes to taper rates, superannuation reforms and taxation changes. These initiatives have resulted in increases in disposable income of 32.2 per cent for singles with a mixed income equating to 33 per cent of Average Weekly Ordinary Time Earnings (AWOTE), 34 per cent for single older people with income from employment equal to AWOTE,

5 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 27.

6 Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 9.

7 Australian Pensioners' & Superannuants' League QLD Inc, *Submission 1*, p. 3.

and 38 per cent for older couples with mixed income equating to 33 per cent of AWOTE.[8]

7.9 Over the past 10 years total expenditure on the age pension has increased from $17.1 billion (in December 2006 dollars) in 1996-97 to $22.8 billion in 2006-07. Despite the anticipated growth in retiree wealth, this expenditure is expected to increase as Australia's population ages and with the indexation arrangements from 2.5 per cent of GDP in 2006-07 projected to increase to 4.4 per cent in 2046-47. The proportion of older people receiving the full pension rate is expected to decline with the major projected expenditure resulting from increases in those receiving a part pension. The pension system will retain a particularly important safety net function especially for those with broken employment histories, those outside the superannuation system and those with significant caring responsibilities.[9]

7.10 DVA pays disability pensions to compensate veterans for injuries or diseases caused or aggravated by war service or certain defence service on behalf of Australia. The rate of disability pension payable depends on the severity of the illness or injury. The categories of pension payable include: the general rate, extreme disablement adjustment, intermediate rate and special rate. Prior to 1976 the pensions were indexed at the discretion of the government and since that time have been indexed to inflation. In March 2004 the Government reviewed the indexation arrangements for the payments. The Above General Rate component—considered to be compensation for the loss of income—is indexed with reference to the higher of MTAWE and the CPI. The General Rate component—paid as compensation for pain and suffering, rather than income support—is indexed only in line with the CPI. FACSIA submitted that the 2004 arrangements have provided an additional $19 per fortnight to the value of the special rate pension compared to the previous arrangements. In the 2007-08 budget the Government provided for an increase of $50 per fortnight to the special rate pension and $25 per fortnight to the intermediate rate disability pension.[10] On 11 September 2007, the then Prime Minister Howard announced that the indexation of all veteran affairs and disability pensions would be indexed in line with both the consumer price index and MTAWE, as with the age pension. The Prime Minister indicated this would benefit 140 000 pensioners.[11]

7.11 Some of the submissions noted that the 2007 government reforms are particularly beneficial for older people. Mr Don and Mrs Elma Butler pointed to the importance of changes to the Age pension assessment guidelines in relation to

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8 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, pp 22-23.

9 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, pp 25-27.

10 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, pp 83-84.

11 ABC News, *Government to Boost Veterans' Pensions*, 12 September 2007, http://www.abc.net.au/news/stories/2007/09/11/2030328.htm?section=justin.

residential properties over five acres—noting that under the reforms they are now able to receive the full pension.[12] In addition, according to the National Institute of Accountants, the Government's halving of the pension assets test taper rate from 20 September 2007 will provide an incentive to save, boost the retirement incomes of asset-tested pensioners and increase the number of people eligible for a part pension and associated concessions.[13]

7.12 However, despite the evidence of substantial investments in enhancing pension incomes, some concerns were raised about the policy initiatives related to pensions. The Brotherhood of St Laurence said that Government initiatives had a differential impact on different segments of the population. It was noted that those in receipt of single full pensions had received comparatively less benefits than those on part pensions.[14] Similarly, National Seniors raised concerns about the distribution of benefits:

> While recent reforms have assisted many older Australians to increase their retirement saving potential, reforms have largely failed to address the needs of those who rely solely on government support as their principal source of income.[15]

7.13 APSL QLD pointed to a range of government policies, which, it was argued, have impacted negatively on older Australians: the abolition of the widows pension in March 1997; no new claims for widow allowance after July 2005; abolition of the mature age allowance; introduction of the GST and adjustment of maximum hours worked from 30 to 15 for eligibility for the disability support pension.[16]

Superannuation initiatives

7.14 Probably the most important early government reform related to alleviating the income and cost pressures of older Australians has been the introduction of compulsory superannuation in 1992.[17] The Superannuation Guarantee enables older people to maintain a higher standard of living than otherwise would be the case. The compulsory contribution rose from 3 per cent in 1992 to 9 per cent in 2002-2003. The generation of private savings for retirement has complemented the age pension and allowed that system to be better targeted and more affordable than many other

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12 Mr Don and Mrs Elma Butler, *Submission 37*, p. 1.

13 National Institute of Accountants, *Submission 67*, p. 4.

14 The Brotherhood of St Laurence, *Committee Hansard*, 23 August 2007, pp 27-28.

15 National Seniors, *Submission 60*, p. 17.

16 Australian Pensioners' & Superannuants' League QLD Inc, *Submission 1*, pp 3-4.

17 Simon Kelly & Ann Harding, 'Funding the Retirement of Baby Boomers', 2004, *Agenda Volume 11 (2)*, p. 106.

industrialised countries.[18] There have been continual reforms to the superannuation system since the introduction of compulsory superannuation.

7.15 The Australian Government introduced the superannuation co-contribution from 1 July 2003 to assist low and middle income earners in increasing their superannuation balances. Since 1 July 2004, the matching co-contribution has been $1.50 for each $1.00 of personal contributions to a maximum of $1 500. Also, the Government has increased the concessional tax applying to superannuation under the Better Super reforms of 1 July 2007. During 2005-06, the Government made 1.2 million co-contributions amounting to $959 million - 57 per cent of which were made on behalf of women. Over the first three years of the scheme, the Government provided funding of $3 billion.[19] The trend towards high proportional contributions for women was also present during earlier years and, over the long-term, the scheme could be an important mechanism for ensuring growth in the superannuation balances of women.[20] The Better Super reforms of 1 July 2007 also extended the superannuation co-contribution to the self-employed, allowing them to claim a 100 per cent deduction for contributions.[21]

7.16 Other superannuation reforms introduced over the past decade have been aimed at encouraging older people to remain attached to the workforce for longer periods. For instance, in 1999 legislation was introduced to gradually increase the preservation age from 55, so that by 2025 all individuals will only be able to access their superannuation when they reach 60. In 2004, the Government introduced a range of reforms including simplifying the work test rules for most workers and making superannuation more accessible for those reaching preservation age. Further, proposals were introduced regarding market-linked, complying income streams—growth pensions—while reducing the asset test exemption by 50 per cent.[22]

7.17 In 2006 and 2007, the Government introduced additional reforms to further simplify the superannuation system and increase incentives for older Australians to work and save to improve their retirement standard of living. This included simplification of rules concerning contributions and benefits. In particular, people accessing superannuation after the age of 60 are entitled to tax free payments from

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18 Deborah Schofield & George Rothman, 'Projections of Commonwealth Health Expenditure in Australia's First Intergenerational Report', 2007, *Modelling Our Future: Population Ageing Health and Aged Care, International Symposia in Economic Theory and Econometrics Volume 16*, p. 150.

19 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, pp 42, 46.

20 Parliamentary Library Economic, Commerce and Industrial Relations Section, *An Adequate Superannuation-based Retirement Income?*, 16 March 2006, p. 24.

21 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, pp 42, 46.

22 AMP & the National Centre for Social and Economic Modelling, 'The Lump Sum: Here Today, Gone Tomorrow', March 2004, *AMP.NATSEM Income and Wealth Report Issue 7*, p. ii.

taxed funds and the rate of tax was reduced for payouts from untaxed funds. The Government also introduced greater flexibility, which includes the option of not taking superannuation after the age of 65 and allows continual contributions to the fund up to the age of 75. From 20 September 2007, changes to pension arrangements will mean that hundreds of thousands more Australians receive either larger pension payouts or eligibility for a pension for the first time. There are also various other changes to increase tax deductions for contributions from the self-employed, to make it easier to transfer superannuation between jobs and to top up superannuation balances.[23]

7.18 These reforms are likely to encourage Australians of all ages to contribute more to superannuation.[24] The Better Super reforms will ensure a retiree on 0.75 of the AWOTE would have $64 more per week (in 2007-08 dollars) in retirement expenditure.[25] The tax concessions are estimated at amounting $20.3 billion in 2007-08.[26] FACSIA submitted that these reforms have yielded benefits for various retirees that use superannuation, including those with mixed income streams encompassing part-rate pensions in addition to superannuation. In particular, the disposable incomes of self-funded retirees have increased by 25.1 per cent for self-funded retirees with income from employment equal to 67 per cent of AWOTE, 25 per cent for couples with income from employment equal to 67 per cent and 23.1 per cent for single older people with income from employment equal to 100 per cent.[27]

7.19 The National Institute of Accountants (NIA) highlighted the value of government reforms to superannuation and summarised what it considered to be some of the important achievements, most of which have already been outlined. These include the superannuation guarantee, the co-contribution, making benefits paid from taxed superannuation tax-free for those over 60, allowing deductible superannuation contributions to be extended up to age 75, and simplification of the superannuation system. The NIA also argued that the establishment of the Future Fund was a significant achievement.[28] However, it warned against interference with the fund to meet other economic management issues. NIA argued that considering the importance of superannuation to standards of living of older Australians, the regulatory environment needs to support sound management and retirement savings growth. It was noted that self managed superannuation funds need ongoing monitoring to ensure

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23 The Hon. Gary Nairn MP, Special Minister for State, *Better Super, Australia's Worked Hard for It: A Simple Guide to the Biggest Reform to Australian Superannuation Ever*, 2007; The Hon. Peter Costello MP, *Address to Australian Businesses, Ensuring Australia's Economic Prosperity: The Intergenerational Report*, 10 April 2007, p. 3.

24 AMP & the National Centre for Social and Economic Modelling, 'Tomorrow's Consumers', December 2006, *AMP.NATSEM Income and Wealth Report Issue 15*, p. 2.

25 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 47.

26 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 45.

27 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 23.

28 National Institute of Accountants, *Submission 67*, p. 4.

that the individuals using these vehicles do not lose or suffer from diminishment of their retirement savings.[29]

7.20 Because of the nature of superannuation providing a savings mechanism to fund retirement, many of the major benefits of the initiatives related to compulsory and voluntary contributions will be for people who are currently in work. FACSIA noted that superannuation policies will ensure that the wealth and income replacement rates of older people retiring in the future will increase as the Superannuation Guarantee matures and gathers momentum. This will also be assisted by greater labour market participation – deferral of drawing down of superannuation will allow further contributions to superannuation and provide an additional source of income.[30]

Accessibility of benefits of superannuation reforms

7.21 While many submissions acknowledged the benefits of many of the superannuation reforms over the past decade, some raised concerns about the accessibility and the targeting of the assistance and the benefits for current retirees. In this respect, COTA argued:

> Only once current compulsory superannuation policies reach maturity (2025), will a majority of the population of older people have the opportunity to experience the full benefits of significant measures introduced over the last two decades. Current cohorts of older people, especially those whose primary source of income is the age pension, do not have the opportunity to benefit from these polices. As a consequence there are serious issues of poverty, inequality and social exclusion for many older Australians.[31]

7.22 A number of organisations and individuals argued that while the superannuation reforms will be an improvement for many people, they will primarily benefit a minority of wealthier retirees.[32] Both ACOSS and NIA cited data from the Association of Superannuation Funds of Australia that suggested less than 20 per cent of superannuation fund members retiring in the next few years benefit from the removal of taxes from most superannuation benefits.[33] The National Institute of Accountants argued that although fund balances were growing, average balances were

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29 National Institute of Accountants, *Submission 67,* p. 9.

30 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, pp 6, 10.

31 COTA Over 50s, *Submission 96,* p. 3.

32 Australian Council of Social Services (ACOSS), *Submission 211*, p. 2; National Institute of Accountants, *Submission 67*, p. 5; Australian Family Association, *Submission 7*, p. 3; Catholic Social Services Australia, *Submission 95*, p. 14; COTA Over 50s, *Submission 96*, p. 15; Ms Virginia Boskovic, *Submission 160*, p. 3.

33 Australian Council of Social Services (ACOSS), *Submission 211,* p. 2; National Institute of Accountants, *Submission 67*, p. 5.

still low and some groups, such as women, need additional assistance to ensure a modest standard of living in retirement.[34] The Australian Family Association argued:

> Recent tax arrangements for superannuants have become very generous, but there is concern in the community that the benefits for the relatively few with larger nest-eggs are disproportionately higher than those for the average older Australians. Better access to health care and other benefits for self-funded retirees on modest incomes would have been more equitable than recent changes.[35]

7.23 COTA argued that the tax offsets allowed individuals to earn more income before tax and the Medicare Levy were paid. However, it was also argued that the main benefits accrue to non- and part-pensioners who receive income from superannuation, investments or employment.[36] Catholic Social Services Australia (CSSA) also maintained that the abolition of taxes on benefits received by those over 60 from taxed funds would provide the wealthiest beneficiaries with a benefit greater than the full rate of the age pension.[37] Further, CSSA argued that the recent reforms were counterproductive:

> One purpose of recent superannuation changes was to lead over time to a reduction in outlays on the age pension. However, the tax concessions used for this purpose are of such a scale that their costs to revenue are likely to outweigh greatly the savings they produce.[38]

7.24 CSSA also argued that there was little or no benefit of recent superannuation changes for the majority of those on low incomes. Although CSSA highlighted the value of the co-contribution scheme for those on low-to-middle incomes, it noted that many could rarely afford to take advantage of the scheme. Further, CSSA and another submission argued that the $450 monthly earning threshold for the Superannuation Guarantee contributions left some of the lowest-income people severely disadvantaged. It argued that this was of concern because many of these employees may have little option to determine the number of hours worked.[39]

7.25 In 2002 the Senate Select Committee on Superannuation recommended examining the removal of the $450 earnings threshold for superannuation contributions.[40] The Government did not accept that recommendation as it was not

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34 National Institute of Accountants, *Submission 67*, p. 5.

35 Australian Family Association, *Submission 7*, p. 3.

36 COTA Over 50s, *Submission 96*, p. 15.

37 Catholic Social Services Australia, *Submission 95*, pp 13-14.

38 Catholic Social Services Australia, *Submission 95*, p. 9.

39 Catholic Social Services Australia, *Submission 95*, p. 14; Name withheld, *Submission 48*, p. 4.

40 Senate Select Committee on Superannuation, *Report on the adequacy of tax arrangements for superannuation and related policy*, December 2002, Recommendation 4.

convinced the benefits of removing the threshold outweighed 'the possible extra costs on business, especially small business'.[41]

7.26 The Superannuated Commonwealth Officers' Association raised concerns about the exclusion of commonwealth superannuants from the benefits of many of the recent reforms to superannuation and other age care income related policies. In particular, it was argued that the 10 per cent tax offset excluded many superannuants:

> Most Commonwealth and Defence superannuants are unimpressed with the differential tax treatment of superannuants in untaxed and taxed funds, and having a different regime of taxation for each category.[42]

7.27 Further, the Association argued that these individuals were also having their standards of living eroded, due to inadequate income indexation. The Association reiterated the concerns raised in other submissions that the CPI was not a true measure of the cost of living and that Defence and Commonwealth superannuants were not maintaining parity with the living standards of the rest of the community (see chapter three). The Association also argued that most (almost 80 per cent) of Commonwealth and Defence superannuation pensions were less than $30 000 per year and that about half were below $21 000 per year.[43]

Possible additional reforms proposed during the inquiry

7.28 Other submissions to the inquiry called for an extension of recent superannuation reforms to improve the superannuation system. National Seniors recognised the value of government changes to superannuation, but raised concerns about the retention of age limitations that impacted on the utilisation of superannuation. In particular, it pointed to age limitations on the superannuation guarantee obligations, personal contributions, tax deduction eligibility and the co-contribution scheme. It argued that the limits were contrary to the objective of simplification and increased life expectancy.[44] Similarly, the submission of Older People Speak Out (OPSO) called for further changes to encourage a greater level of voluntary savings, most notably by raising the Superannuation Guarantee Levy to a suggested 15 per cent.[45] The National Institute of Accountants advocated the removal of what it considered 'punitive upfront taxes' on superannuation and argued that the nine per cent employer contribution should be progressively increased.[46]

7.29 In his submission to the inquiry, Mr Jenkins brought the committee's attention to the situation of self-funded retirees. This includes concerns about the different

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41 *Government response to the Senate Select Committee on Superannuation Report*, p. 5.

42 Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 8.

43 Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 8.

44 National Seniors, *Submission 60*, p. 16.

45 Older People Speak Out, *Submission 94*, p. 4.

46 National Institute of Accountants, *Submission 67,* p. 6.

taxation and concession conditions applicable to superannuation for those aged between 60-74 and those over 75. Further, the submission argued that current capital gains tax provisions function to encourage self-funded retirees to delay the sale of assets as long as possible, which has adverse effects on their quality of life and additional burdens on government support services.[47]

7.30 ACON emphasised the importance of commonwealth legislation enabling same-sex partners to receive death benefits from private superannuation funds on the death of a partner. However, ACON pointed out that the same opportunity does not exist under public sector, commonwealth, military and defence superannuation funds. As a result, the partner cannot receive a pension from their superannuation fund and money can only be distributed as a lump sum, which attracts a higher rate of tax.[48]

Labour market participation

7.31 Australia Fair research has noted that Australia has poor labour force participation among disadvantaged groups, including older people, compared to other OECD countries. For those aged 55-64, Australia ranked 13th in OECD rankings.[49] Similar findings have been reported by the Productivity Commission, which argued that small increases in the participation rates would substantially offset the projected adverse effects of population ageing on economic growth.[50]

7.32 The comparatively poor participation rates of older people in Australia have been the result of trends over the past thirty years. During this time, women's participation rates in the labour market have steadily increased, while those for men both generally and of retirement age have decreased. But continual rises in women's participation rates and a return to the 1973 participation levels for men would ensure the labour force dependency ratio for retirees would fall until 2018 and would return to its current levels after another 30 years.[51]

7.33 As was outlined in chapter three, higher workforce participation is important for standards of living in retirement, as well as the capacity of the economy to support the health care and social welfare costs of the population. Households with at least one member in employment have higher incomes than those with both in retirement. It also allows continual contributions to enhance growth of savings and superannuation balances through extending both compulsory and voluntary contributions, prevents

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47 Mr T.A.D. Jenkins, *Submission 19*, pp 1-4.

48 Aids Council of New South Wales, *Submission 212*, p. 6.

49 Australian Council of Social Service, *A Fair Go For All Australians: International Comparisons, 2007*,pp 47-48.

50 Productivity Commission, *An ageing Australia: Small Beer or Big Bucks?*, 2004, p. 27.

51 Michael Keating, 'Increased Labour Force Participation', 1 March 2004, *Australia's Ageing Population: Fiscal, Labour Market and Social Implications, Volume 51*, pp 66-67.

superannuation being drawn upon early and often allows a higher income while the individual is working. According to NATSEM:

> Far too many Australians are looking at the world of retirement through rose-tinted glasses. They have not come to grips with the fact that, with longer life expectancies, they won't have enough superannuation to provide them with the life they expect in retirement. Australians must now accept that they need to work longer, save more and reduce major debt before they will be ready to settle back and enjoy the good life.[52]

Government initiatives to improve participation rates

7.34 Governments in many developed countries including Australia have prioritised increasing labour market participation of older workers to ameliorate the effects of population ageing. For those older Australians who have a choice about retirement, its timing depends on various incentives. Research in the area has listed these inducements as:

> (a) the earlier the minimum age at which people can access a pension; (b) the higher the replacement rate (the value of the pension relative to the value of wages); (c) the lower the accrued pension benefits from additional years of work; and (d) if there is access to state allowances below the normal retirement age.[53]

7.35 The previous Government's initiatives to ameliorate the effects of an ageing population by addressing the participation rates broadly addressed these factors. During a 2003 address to a symposium on mature age employment, the then Prime Minister Howard highlighted government initiatives to increase the labour market participation rate for people of retirement age. These included promoting change in community attitudes, such as highlighting the economic need for increased participation and noting the intrinsic value derived from such activity; legislative measures including the gradual alignment of the pension age for men and women; changes to the vesting age to superannuation to encourage longer workforce participation; and legislating to remove any age discrimination that exists in relation to the employment of Commonwealth Government employees.[54] Other government initiatives designed to improve participation rates included the Welfare to Work package and personal income tax cuts.[55]

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52 AMP & the National Centre for Social and Economic Modelling, 'The Lump Sum: Here Today, Gone Tomorrow', March 2004, *AMP.NATSEM Income and Wealth Report Issue 7*, p. 10.

53 Michael Keating, 'Increased Labour Force Participation', 1 March 2004, *Australia's Ageing Population: Fiscal, Labour Market and Social Implications, Volume 51*, p. 71.

54 The Hon. John Howard, Prime Minister, *Address to Symposium on Mature Age Employment*, 27 August, http://www.pm.gov.au/media/Speech/2003/speech462.cfm, (accessed 13 July 2007).

55 The Hon. Peter Costello MP, *Address to Australian Businesses, Ensuring Australia's Economic Prosperity: The Intergenerational Report*, 10 April 2007, p. 5.

7.36 The increases in the official pension age have been important, with similar measures having also been considered in other developed countries. In some countries, such as Norway, the minimum retirement age is above that of Australia.[56]

7.37 In addition, the Seniors Australians Tax Offset and the Low Income Tax Offset have provided incentives for older people to continue in the workforce longer.[57] The Senior Australians Tax Offset was introduced in 2000-01 and with the Low Income Tax Offset enables single older Australians to have income up to $25 867 in 2007-08 without paying income tax or the Medicare levy. Members of couples can earn up to $21 680 each without paying income tax. They still benefit from the Senior Australians Tax Offset up to a combined income of $68 992. From 1 July 2007 the LITO increased from $600 to $750 and phases out from $30 000 (as opposed to the previous $25 000). The limit of the LITO has been raised from $40 000 to $48 750.[58]

7.38 The Mature Age Worker Tax Offset was introduced in 2004-05 and provides a maximum annual tax rebate of $500 for seniors that remain in the workforce at 55 and older. Eligibility is based solely on income from employment and provides some benefits for net incomes up to $63 000.[59]

7.39 The Senior Australians Tax Offset and the Mature Age Workers Tax Offset have lowered the tax payable on earned income and have been incentives for older people to continue workforce participation.[60] FACSIA submitted that these measures will ensure most retirees will pay little or no tax and, thereby, have an increased disposable income. According to FACSIA the real net tax threshold—where income tax paid exceeds direct government benefits—of a single senior Australian has increased by 42.3 per cent since 1996-97.[61] AIR also supported the Government's income tax reductions through the senior Australians tax offset, the Low Income Tax Offset, as well as changes to Medicare Levy requirements.[62]

7.40 According to AMP and NATSEM, the Government has assisted with initiatives to counter ageism and promote acceptance of employment of older workers. Many older workers suffered from the rapid economic restructure of the 1990s and early 2000s, resulting in forced redundancies and retirement. Government initiatives

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56 Agnes Walker, 'Health Status, Health Inequalities and the Ability of Older Australians to Stay in the Labour Force', 2007, *Modelling Our Future: Population Ageing Health and Aged Care, International Symposia in Economic Theory and Econometrics Volume 16*, p. 106.

57 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 42.

58 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 47.

59 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 48.

60 Parliamentary Library Economic, Commerce and Industrial Relations Section, *An Adequate Superannuation-based Retirement Income?*, 16 March 2006, p. 14.

61 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, pp 42, 48.

62 Association of Independent Retirees, *Submission 2*, p. 9.

include: removing the work test for superannuation contributions before the age of 65 that allow continued access to superannuation while working; introducing the age discrimination act and providing pension bonuses for those that work past 65.[63] However, in her submission to the inquiry, Ms Mary Maxwell argued that despite government initiatives and public perceptions, her experiences suggests that prejudices still exist that need to be addressed. She argued:

> Most employers are still reluctant to take on mature-aged workers, even those only still in their 40s. They most certainly are not interested in anyone over 60.[64]

7.41 In the main, however, these government initiatives have been successful in increasing labour market participation across the Australian community - especially since 2002. In particular, there has been a substantial reversal of a long-term decline in participation rates for older people. For the age group 55-59 workforce participation rates rose from 72.1 per cent in August 2002 to 75.8 per cent in August 2005. Similarly, for those aged 60-64, participation rates rose from 46.7 per cent to 54.7 per cent. For the 65 and over age group, participation rates rose from 9.3 per cent to 11. 4 per cent.[65] Since that time, participation rates have continued to increase.[66] FACSIA submitted that according to ABS surveys for August 2005 to June 2005, the average retirement age of those retired was 58 for men and 47 for women. However, the average retirement age of those who had retired in the preceding five years only was 61.5 for men and 58.3 for women.[67] Increased participation rates have alleviated the strain on welfare services, continued to contribute to tax revenues and provided individuals with a greater earning capacity for longer, thereby facilitating an improved standard of living.[68]

7.42 The increase in the participation rate of older people in the labour market has also been, in part, attributable to broad labour market reform and employment growth.[69] There has also been a consequent decline in forced retirements and an

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63 AMP & the National Centre for Social and Economic Modelling, 'May the Labour Force Be With You', November 2005, *AMP.NATSEM Income and Wealth Report Issue 12*, p. 20; Simon Kelly & Ann Harding, 'Funding the Retirement of Baby Boomers', 2004, *Agenda Volume 11 (2)*, p. 107.

64 Ms Mary Maxwell, *Submission 34*, p. 2.

65 Parliamentary Library Economic, Commerce and Industrial Relations Section, *An Adequate Superannuation-based Retirement Income?*, 16 March 2006, p. 13.

66 AMP & the National Centre for Social and Economic Modelling, 'Baby boomers – doing it for themselves', March 2007, *AMP.NATSEM Income and Wealth Report Issue 16*, pp 2, 5, 21.

67 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 44.

68 The Hon. Peter Costello MP, *Address to Australian Businesses, Ensuring Australia's Economic Prosperity: The Intergenerational Report*, 10 April 2007, p. 5.

69 The Hon. Peter Costello MP, *Address to Australian Businesses, Ensuring Australia's Economic Prosperity: The Intergenerational Report*, 10 April 2007, p. 5; Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 45.

improvement of attitudes towards employing older Australians. This has probably also occurred in conjunction with an increased motivation for older people to work, with rises in life expectancy and retirement income and lifestyle expectations.[70]

7.43 NIA has called for further reforms to remove incentives for early retirement and to provide positive incentives for older Australians to remain in the workforce. NIA suggested introducing lower income tax rates for people aged over 60. It was argued that the savings in pensions and increased taxation revenue would mean the proposal was revenue neutral and would increase productivity. NIA also called for further policies to facilitate the re-entering of the workforce by older workers, especially those that experience barriers and may need retraining.[71]

Managed or phased retirement

7.44 Extensive campaigns and publicity to promote the need to work longer and invest more in retirement savings have had substantial success in encouraging older people to prepare and better manage their retirements.[72] They have also resulted in an evolution in how Australians perceive retirement, particularly dissolution of the demarcations between retirement and work. There is a greater conception of flexibility and continued engagement in work, so that many retirees gradually or incrementally phase out of the workforce and into retirement through part-time, contract or casual work, rather than a sudden shift that has historically been associated with retirement.[73]

7.45 Of these arrangements, older people are more likely to work part-time than full-time.[74] AMP and NATSEM have found that while the proportion of Australians in full-time work diminishes the closer to the traditional retirement age of 65, the proportion in part-time work increases, representing the phased approach to retirement. However, there is continuing tailing off of participation in all forms of work as Australians eclipse the 65 year mark.[75]

7.46 Many workers have taken advantage of increasingly flexible working arrangements and the 136 per cent growth in part-time jobs over the past 20 years.[76] In

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70 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 45.

71 National Institute of Accountants, *Submission 67,* p. 8.

72 AMP & the National Centre for Social and Economic Modelling, 'Baby boomers – doing it for themselves', March 2007, *AMP.NATSEM Income and Wealth Report Issue 16*, p. 21.

73 AMP & the National Centre for Social and Economic Modelling, 'Tomorrow's Consumers', December 2006, *AMP.NATSEM Income and Wealth Report Issue 15,* p. 1.

74 Ann Harding, *Analysing Australia's Aging Population: A Demographic Picture*, 27 September 2005, Paper presented to 'Australia's Ageing Population Summit 2005', Financial Review Conferences, p. 2.

75 AMP & the National Centre for Social and Economic Modelling, 'The Lump Sum: Here Today, Gone Tomorrow', March 2004, *AMP.NATSEM Income and Wealth Report Issue 7*, p. 2.

76 AMP & the National Centre for Social and Economic Modelling, 'May the Labour Force Be With You', November 2005, *AMP.NATSEM Income and Wealth Report Issue 12*, pp 1-2.

2005, 16 per cent of men and 50 per cent of women aged 55-64 and in employment were working part-time.[77] This greater attachment has been driven by a combination of economic necessity for some, and greater flexibility and opportunity for others, according to research by AMP and NATSEM.[78]

7.47 FACSIA maintained that government initiatives—some of which were outlined in the previous section—have enhanced the capacity of older workers to reduce working hours in the retirement transition. These include allowing individuals who have reached preservation age to access superannuation while continuing to work. Other measures include the Pension bonus Scheme, the Mature Age Worker Tax Offset, the Better Super reforms and changes to the Pension Bonus Scheme (in the 2007-08 Budget). The Better Super reforms reduce the amount of tax paid on work or other income and make superannuation benefits tax free for 90 per cent of people aged 60 and over (those that have paid tax on their contributions and earnings). This encourages people to work to age 60 to receive tax-free payments and other benefits.[79]

7.48 In July 2005, new rules applied that made it easier for older workers to continue with part-time employment when reaching preservation age with the introduction of 'transition to retirement' pensions. These measures allowed older people to continue to access superannuation without having to retire or leave their employment.[80]

7.49 Some of the submissions to the inquiry called for additional measures to facilitate greater part-time attachment of older people to the workforce. The submission of Older People Speak Out (OPSO) highlighted that 50 per cent of retirees want part-time work. However, it argued that there was a need to: re-educate employers on the value of older workers, place greater emphasis on up-skilling of workers to facilitate the tapering of hours and foster greater acceptance of job-sharing.[81]

7.50 As noted earlier, some commentators have called for an increase in the level of compulsory superannuation contributions. such as to 15 per cent. However, NATSEM cautioned that the benefits of such an increase are predicated on continuation in full-time employment. The trend towards part-time or casual

77 Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, p. 10.

78 AMP & the National Centre for Social and Economic Modelling, 'Baby boomers – doing it for themselves', March 2007, *AMP.NATSEM Income and Wealth Report Issue 16*, p. 2.

79 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 45.

80 Lucinda Schmidt, 'Action Plan', 13 July 2005, *Sydney Morning Herald*, p, 8; Parliamentary Library Economic, Commerce and Industrial Relations Section, *An Adequate Superannuation-based Retirement Income?*, 16 March 2006, p. 14.

81 Older People Speak Out, *Submission 94*, p. 4.

employment of Australians approaching or in semi-retirement suggests such measures would provide only small increases in superannuation balances for older people.[82]

Early retirement and vulnerable groups

7.51 Despite the broad improvements in the labour market participation rates and attachment of older people, some sections of the older population continue to retire early with the corollary of experiencing comparatively poorer standards of living. Historically, women have been over-represented in this group. Data collected by NATSEM suggests that older people retiring before the age of 60 include 20 per cent of married and forty per cent of unmarried Australian men, and forty per cent of women. By age 60-64, the majority of married and unmarried women, and unmarried men have retired.[83]

7.52 As has already been discussed, the length of time in the workforce and the timing of retirement can have a significant impact on a person's superannuation balance and retirement income. Delayed retirement can result in a substantial increase in an individual's retirement income.[84] Conversely, early departure from the workforce has the capacity to substantially reduce potential income in retirement. ASF made the point that some older people take greater financial stress into retirement than others because their financial planning did not foresee or plan for involuntary early retirement.[85]

7.53 Retirees aged 50-54 have the lowest income levels of all retirees. These income levels equate to 20 per cent of the income of full-time workers of the same age. More than 60 per cent of early retirees aged 50-54 have less than $10 000 in superannuation, with the average balance being $25 000. Eighteen per cent have a sufficient level of superannuation to provide a reasonable retirement income. In contrast, people aged 50-69 who are still working have average superannuation balances of over $100 000. The difficult financial situation is compounded by the large number of retired households with dependents. According to the Brotherhood of St Laurence, 52 per cent of households aged 50-54 still have children living at home. Thirty-two per cent of households aged 55-59 and 20 per cent of those aged 60-64 still have children living at home.[86]

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82 Simon Kelly & Ann Harding, 'Funding the Retirement of Baby Boomers', 2004, *Agenda Volume 11 (2)*, pp 107-108.

83 AMP & the National Centre for Social and Economic Modelling, 'Baby boomers – doing it for themselves', March 2007, *AMP.NATSEM Income and Wealth Report Issue 16*, pp. 2, 5, 21.

84 Megan O'Connell, 'The Role of Training in Preventing the Labour Market Exclusion of Older Workers', February 2005, refereed paper presented to the *Transitions and Risk: New Directions in Social Policy Conference*, Centre for Public Policy, University of Melbourne, p. 12.

85 *Committee Hansard*, 23 August 2007, p. 5.

86 Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, pp 10, 12.

The groups vulnerable to early and involuntary retirement

7.54 According to NATSEM, almost half of current retirees report having retired prematurely after having been pushed out of the workforce.[87] Further, it is likely that many of those who voluntarily retire have done so in response to employer pressure during restructuring.[88] Retirement predominantly involves Australians in the lowest socio-economic and higher socio-economic groups of retirement age. This has reinforced the probability that many of those in retirement have been forced into retirement by redundancy, disability or difficulties in finding alternative employment.[89]

7.55 A report by the Commonwealth Government in conjunction with the University of Melbourne and the Melbourne Institute of Applied Economic and Social Research surveyed the reasons for retirement of people aged 55-64. It found that 28 per cent left due to ill health, disability, stress reasons or to provide care; 23 per cent due to redundancy or dismissal; 21 per cent due to restructuring or the sale of a business; 16 per cent chose to live off investments or income support; and 13 per cent for personal reasons such as taking a break or moving to a new location. Importantly, 40 per cent of those 55-64 who sought a new job found it very difficult to re-enter the workforce.[90] FACSIA reported similar findings noting that approximately 44 per cent of men aged 45 and over retiring from the labour force do so as a result of redundancy.[91]

7.56 The Commonwealth Government, University of Melbourne and Melbourne Institute of Applied Economic and Social Research report highlighted that women aged 45 and over most commonly retired for family and lifestyle reasons. However, the second most common reason was ill health. Men most commonly retired due to ill health, followed by financial or job related reasons. The proportion of women who felt they were pushed or forced to retire declined with age and was 44.8 per cent of those aged 45-54, and 23.4 per cent of those 65 and over.[92]

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87 AMP & the National Centre for Social and Economic Modelling, 'May the Labour Force Be With You', November 2005, *AMP.NATSEM Income and Wealth Report Issue 12*, pp 2, 20.

88 Michael Keating, 'Increased Labour Force Participation', 1 March 2004, *Australia's Ageing Population: Fiscal, Labour Market and Social Implications, Volume 51*, p. 69.

89 AMP & the National Centre for Social and Economic Modelling, 'The Lump Sum: Here Today, Gone Tomorrow', March 2004, *AMP.NATSEM Income and Wealth Report Issue 7*, p. 3.

90 Australian Government Office for Women, *Women: Aspects of Retirement for Older Women*, 2006, p. 7.

91 Megan O'Connell, 'The Role of Training in Preventing the Labour Market Exclusion of Older Workers', February 2005, Refereed paper presented to the *Transitions and Risk: New Directions in Social Policy Conference*, Centre for Public Policy, University of Melbourne, p. 3.

92 Australian Government Office for Women, *Women: Aspects of Retirement for Older Women*, 2006, p. 3.

7.57 The Brotherhood of St Laurence and evidence from the HILDA (Household, Income and Labour Dynamics in Australia) survey highlighted the high incidence of involuntary retirement, which is responsible for early retirement.[93] The Brotherhood of St Laurence argued that involuntary retirement often stems from increasing disability caused by injury in manual labour, low levels of demand for unskilled labour, lower level of education of older workers compared to their younger colleagues and negative perceptions of the productivity of older workers by employers.[94]

7.58 Comparative international research has demonstrated that employees in manual and trade employment are more likely to have suffered from forced retirement. Between the 1960s and the first oil shock of 1973, there were similar rises in unemployment in Australia, New Zealand, the Netherlands and Sweden. However, government policies implemented at a national level affected the structural nature of the unemployment. In particular, there were significant differences in the degree of workforce participation among these countries, with greater declines in workforce participation by older men in Australia and especially the Netherlands. Over the past thirty years, the growth in employment has primarily occurred in skilled, professional industries associated with technological change, with negligible growth and often falls in manual and trade employment. Early retirees are predominantly drawn from former full-time employees of these groups, where job opportunities have declined and they lack the flexible skills required for mobility in the labour market. Job opportunities are likely to increase and, therefore, early retirement for these individuals will decrease, with increasing scarcity of labour as the age-dependency ratio increases. Future generations in this demographic are also likely to be better trained and equipped to cope with redundancy that could follow from labour market restructuring, especially with the increased emphasis on lifetime learning.[95]

7.59 Consequently, the managed or phased retirement process outlined earlier in this chapter may be largely a function of economic opportunity. Not all the submitters concurred with research suggesting phased retirement through part-time or flexible working-conditions contracts was the preference for older Australians. The submission of the Hobsons Bay City Council noted that most residents aged 55 and above work full-time (61 per cent) with most of the unemployed of this demographic looking for full-time, rather than part-time work. Similarly, unemployed residents aged 65 and above are more likely to be looking for full-time work (65 per cent). These age cohorts in the shire are characterised by a below average level of professionals and managers, higher than average proportion of unskilled workers,

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93 Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, p. 13.

94 Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, p. 13.

95 Michael Keating, 'Increased Labour Force Participation', 1 March 2004, *Australia's Ageing Population: Fiscal, Labour Market and Social Implications, Volume 51*, pp 67-70.

lower than average incomes and higher than average unemployment—when compared to the Melbourne Statistical Division (MSD) average.[96]

7.60 Nearly 60 per cent of the older clients receiving emergency relief provided by the Salvation Army are aged between 56 and 65. According to the Salvation Army, the majority of these are people not working and they struggle to afford increased food costs, petrol costs, and housing.[97]

7.61 The Brotherhood of St Laurence also argued that poor labour market participation rates of older people reflects the greater difficulty faced by mature workers to find new employment. It was maintained that this was a reflection of the effect of major recessions over the past 25 years. Australians employed in labour intensive parts of the manufacturing sector were hard hit by recessions and the workers laid off often had limited tertiary qualifications, which meant that many struggled to find alternate employment.[98] Other evidence on Australian employment demographics are possibly consistent with this view. A 2005 paper on mature age workers suggested that in Australia, 67 per cent of low educated 55-64 year olds are not in employment, compared to the OECD average of 56 per cent.[99]

7.62 The incidence of poor health causing early retirement highlights the limited capacity of increasing participation rates for improving the quality of life of older people and reducing the burden on the government of an ageing population. The proportion and capacity of older people to participate in the workforce is not a constant and declines with age. Many will be unable to remain in the workforce, due to health problems. For instance, up to the age of 50, the majority of Australians do not suffer from a long-term illness. However, over the age of 50 the proportion with such illnesses and disabilities increases rapidly. Econometric modelling has shown that approximately 7 per cent of the 65-70 year old population drop out of the workforce due to poor health. More than 80 per cent of Australians aged 65 and above have at least one long-term chronic ailment. By age 80, 30 per cent of Australians suffer from a severe disability and by 85 that figure more than doubles to 65 per cent.[100]

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96 Hobsons Bay City Council, *Submission 3, Ageing Community Profile: Ageing Well Strategy 2007-2017*, February 2007, pp 6, 37-43.

97 *Committee Hansard*, 23 August 2007, p. 20.

98 Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, pp 13-14.

99 Megan O'Connell, 'The Role of Training in Preventing the Labour Market Exclusion of Older Workers', February 2005, Refereed paper presented to the *Transitions and Risk: New Directions in Social Policy Conference,* Centre for Public Policy, University of Melbourne, p. 4.

100 Agnes Walker, 'Health Status, Health Inequalities and the Ability of Older Australians to Stay in the Labour Force', 2007, *Modelling Our Future: Population Ageing Health and Aged Care, International Symposia in Economic Theory and Econometrics Volume 16,* pp 106, 116-117, 121.

The need for investment in retraining and re-skilling older workers

7.63 Government policies related to workforce participation that focus on incentives to delay retirement and disincentives to retire early, such as restricting access to superannuation, do not address problems faced by low skilled older workers. As noted above, many of these workers retire involuntarily, possess redundant skills, and have low levels of literacy and numeracy. Consequently, the retraining of older workers will be crucial to ameliorating the impact of future skills shortages. The high pace of technological change has resulted in the disappearance of older and more traditional occupations, at the same time as employment grows in areas of new occupations that require new skill sets. Retraining and re-skilling promotes adaptability sufficient to accommodate an innovation economy.[101]

7.64 Older workers who receive training are more than 20 per cent more likely to be participating in the workforce. In comparison to other OECD countries, Australia has a high level of workers aged 40-64 who participate in formal training. However, Australia has a low base and is ranked 17th in OECD standards that measure completion of at least upper secondary education. Also, most training is provided to highly skilled workers with 25 per cent receiving training, compared to 7 per cent of low skilled workers.[102]

7.65 The Government has introduced some measures aimed at re-skilling older people. In 2003 the Government focused on efforts to encourage older people to return to and remain in work. The Mature Age Allowance for unemployed people aged 50 and over was discontinued with formerly eligible people receiving Newstart Allowance and subject to mutual obligations, though with less participation requirements. They also gained access to assistance such as training credit and support through Job Network members.[103]

7.66 In the 2004-05 Budget, the Government announced the Mature Age Employment and Workplace Strategy, worth $12.1 million over four years. The strategy provided workshops for workers seeking to retire to provide information on labour market issues, labour market seminars for employment service providers, projects to facilitate job growth for mature age workers and benchmarking and

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101 Megan O'Connell, 'The Role of Training in Preventing the Labour Market Exclusion of Older Workers', February 2005, Refereed paper presented to the *Transitions and Risk: New Directions in Social Policy Conference,* Centre for Public Policy, University of Melbourne, pp 5-8.

102 Megan O'Connell, 'The Role of Training in Preventing the Labour Market Exclusion of Older Workers', February 2005, Refereed paper presented to the *Transitions and Risk: New Directions in Social Policy Conference,* Centre for Public Policy, University of Melbourne, p. 9.

103 Megan O'Connell, 'The Role of Training in Preventing the Labour Market Exclusion of Older Workers', February 2005, Refereed paper presented to the *Transitions and Risk: New Directions in Social Policy Conference,* Centre for Public Policy, University of Melbourne, pp 6-7.

showcasing best practice for employment of mature age workers.[104] The Government also initiated the Basic IT Enabling Skills (BITES) for Older Workers to provide low income older workers with basic information technology skills. Also, the Vocation Education and Training Priority Places Programme provides free certificate II level training to low-income older workers and others.[105]

Health and medical assistance

7.67 The Commonwealth Government is the key public funding agency for health and aged care services at a national level, providing almost half of all health spending. While much of this has involved generic support provided across all sectors of society, older people have been key beneficiaries both directly and indirectly. The growth rate in health expenditure has been higher for Australians aged 55 and over than for the total population. The Government's support has involved funding of Medicare including the Medical Benefits Scheme (MBS) to provide patient subsidies for medical services, the PBS that subsidises listed pharmaceuticals, the private health insurance rebate, and contributions to State-run public hospital and community care services as well as to the Third Sector's provision of residential aged care.[106]

7.68 According to FACSIA, government initiatives such as medical benefits, pharmaceutical benefits, aged care subsidies, contributions to free hospital treatment as a public patient and rebates on private health insurance premiums substantially lower or eliminate costs of individuals' use of health and aged care. FACSIA argued that the cost to the Commonwealth has grown in real terms per capita and at a faster rate than the total cost to end users. The outlays have grown from $27.3 billion in 1996-97 to $48.5 billion in 2006-07.

7.69 The Commonwealth contributes large amounts toward the provision of public hospital services and home and community care services for those aged 65 and over as well as increased levels of health insurance rebates.[107] In 2005-06, the Commonwealth Government paid almost $11.5 billion for residential care services and community

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104 Megan O'Connell, 'The Role of Training in Preventing the Labour Market Exclusion of Older Workers', February 2005, Refereed paper presented to the *Transitions and Risk: New Directions in Social Policy Conference*, Centre for Public Policy, University of Melbourne, p. 7.

105 Megan O'Connell, 'The Role of Training in Preventing the Labour Market Exclusion of Older Workers', February 2005, Refereed paper presented to the *Transitions and Risk: New Directions in Social Policy Conference*, Centre for Public Policy, University of Melbourne, p. 7.

106 Deborah Schofield & George Rothman, 'Projections of Commonwealth Health Expenditure in Australia's First Intergenerational Report', 2007, *Modelling Our Future: Population Ageing Health and Aged Care, International Symposia in Economic Theory and Econometrics Volume 16*, pp 151-155, 162.

107 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 49.

aged care packages required by those aged 65 and over, as well as Medicare and PBS. Older people contributed a further $2-3 billion over the period.[108]

The Pharmaceutical Benefits Scheme

7.70 Chapter five outlined the current payment structure for the PBS, the government's financial support and especially evidence that arose during the inquiry on its effects on the cost of living of older people. This section will more fully explore the Government's initiatives to ensure the sustainability of the scheme.

7.71 Over the past decade, Commonwealth spending on health has increased at a faster rate than total national health spending including state government and private sector expenditure. Although the aging population has placed increased pressure on government expenditure, the rise in the Commonwealth's spending has been driven primarily by factors such as listing new and often more expensive medicines on the PBS, their greater prescription, and greater use of diagnostic procedures. While real spending on public hospitals and the MBS grew by 1.6 per cent per year—driven primarily by expenditure on older Australians, real spending on the PBS grew by 6.1 per cent per year. This constituted a 10 per cent increase in expenditure per year, with 2001-2002 seeing a 20 per cent increase.[109]

7.72 The older age groups, particularly people aged over 65, are the primary consumers of prescribed medicines, due to a comparatively poorer health status and greater propensity to have potential problems investigated by their doctors. Projections by NATSEM suggest that almost 17 per cent of government outlays go to those aged 75 or more, who represent only 5.8 per cent of the population. Older recipients include both pensioners and self-funded retirees that receive concessions through the Commonwealth Seniors Health Card.[110] The conclusion made by NATSEM following its research into the issues suggests:

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108 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 49.

109 Deborah Schofield & George Rothman, 'Projections of Commonwealth Health Expenditure in Australia's First Intergenerational Report', 2007, *Modelling Our Future: Population Ageing Health and Aged Care, International Symposia in Economic Theory and Econometrics Volume 16*, pp 151-157; Laurie Brown, Annie Abello, Ben Phillips and Ann Harding, 'The Australian Pharmaceuticals Benefit Scheme and Older Australians: Changes in Government Outlays and Consumer Costs from the 2002-03 Federal Budget Measures', 2007, *Modelling Our Future: Population Ageing Health and Aged Care, International Symposia in Economic Theory and Econometrics Volume 16*, pp 170-172, 182.

110 Laurie Brown, Annie Abello, Ben Phillips and Ann Harding, 'The Australian Pharmaceuticals Benefit Scheme and Older Australians: Changes in Government Outlays and Consumer Costs from the 2002-03 Federal Budget Measures', 2007, *Modelling Our Future: Population Ageing Health and Aged Care, International Symposia in Economic Theory and Econometrics Volume 16*, pp 170-172, 182-184.

> The PBS is extremely important in reducing the financial pressures that Australian families, and particularly older Australians, would otherwise face in paying for prescribed pharmaceuticals.[111]

7.73 Although the aging population is expected to provide greater demand for direct health spending, its greatest financial impact will be felt on the increased burden of new health care technology and medications, according to research by NATSEM. The cost of medicines has inexorably risen over recent years and new generation biotechnology drugs and other technologies are expected to provide substantial health benefits but at a much greater cost than traditional medicines. Further, medical practitioners are prescribing larger quantities of more expensive medication. As the major users of prescribed medications and recipients of PBS subsidies are older people, a growth in their numbers is likely to result in increases in the number of prescriptions and costs, unless changes are made to eligibility.[112]

7.74 From 1998, the Government implemented a range of reforms aimed at reducing the cost to the government and consumers of many generic medicines. In order to contain expenditure through the PBS, the Government introduced the Therapeutic Group Premium policy. This involves the Government providing a subsidy equivalent to the lowest priced product in the therapeutic group, with consumers covering the difference if the price of the medication exceeds the subsidy.[113] On 1 January 1999 and again on 1 July 2001, the Commonwealth Government increased the income thresholds for self-funded retirees' eligibility to the Commonwealth Seniors Health Card. This increased the number of self-funded retirees accessing benefits at the concessional rate sixfold.[114] In 2002, additional measures were implemented including: increases in the patient co-payments required and safety net thresholds for the PBS; a review of controls on the prescriptions of

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111 Laurie Brown, Annie Abello, Ben Phillips and Ann Harding, 'The Australian Pharmaceuticals Benefit Scheme and Older Australians: Changes in Government Outlays and Consumer Costs from the 2002-03 Federal Budget Measures', 2007, *Modelling Our Future: Population Ageing Health and Aged Care, International Symposia in Economic Theory and Econometrics Volume 16*, p. 190.

112 Laurie Brown, Annie Abello, Ben Phillips and Ann Harding, 'The Australian Pharmaceuticals Benefit Scheme and Older Australians: Changes in Government Outlays and Consumer Costs from the 2002-03 Federal Budget Measures', 2007, *Modelling Our Future: Population Ageing Health and Aged Care, International Symposia in Economic Theory and Econometrics Volume 16*, pp 171, 191.

113 Deborah Schofield & George Rothman, 'Projections of Commonwealth Health Expenditure in Australia's First Intergenerational Report', 2007, *Modelling Our Future: Population Ageing Health and Aged Care, International Symposia in Economic Theory and Econometrics Volume 16*, pp 153-155.

114 Laurie Brown, Annie Abello, Ben Phillips and Ann Harding, 'The Australian Pharmaceuticals Benefit Scheme and Older Australians: Changes in Government Outlays and Consumer Costs from the 2002-03 Federal Budget Measures', 2007, *Modelling Our Future: Population Ageing Health and Aged Care, International Symposia in Economic Theory and Econometrics Volume 16*, p. 191.

certain medications; more information for practitioners on the restrictions in the PBS scheme and facilitation of the use of less expensive generic medicines.[115]

7.75 In the 2002-2003 budget, the Commonwealth Government sought to introduce various measures aimed at pro-longing the financial sustainability of the PBS. Although these measures were blocked initially in the Senate, they were successfully passed on 1 January 2005 following the Coalition's securing of a majority in both houses. The measures responded to the inexorable increase in the cost of the PBS that threatened its financial sustainability by spreading the costs and allowing continued listing of new medicines. Despite the gradual increase in the costs of the scheme to the Commonwealth, patient co-payments have not risen above indexation since 1996-1997. The Government raised the co-payment requirement by approximately 28 per cent, and the price of all drugs in a reference pricing group or medicines producing similar health effects, were required to fall by 12.5 per cent when a generic version became available. Further, in 2006 the safety net thresholds were legislated to increase by two scripts per year.[116]

7.76 The Government's 2005 reforms to the PBS ensured that the total quantity of prescriptions fell by 0.9 per cent during the calendar year. This was the first time since 1990-1991—following an earlier co-payment increase—that there was any such decline. It was mainly among general patients at 6.8 per cent with a 0.3 per cent decline involving concessional patients. The reforms were likely to have had the greatest out-of-pocket financial impact on very elderly concessional patients, who were also the greatest users of the scheme.[117]

Conclusion

7.77 There is little doubt that the Commonwealth Government has invested substantially in older persons. The previous Government introduced a swathe of initiatives aimed at enhancing the opportunity to plan financially for retirement and, particularly, to increase attachment to the workforce. Evidence provided to the

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115 The Hon. Peter Costello MP, *Address to Australian Businesses, Ensuring Australia's Economic Prosperity: The Intergenerational Report*, 10 April 2007, p. 5; Deborah Schofield & George Rothman, 'Projections of Commonwealth Health Expenditure in Australia's First Intergenerational Report', 2007, *Modelling Our Future: Population Ageing Health and Aged Care, International Symposia in Economic Theory and Econometrics Volume 16*, pp 153-155.

116 Laurie Brown, Annie Abello, Ben Phillips and Ann Harding, 'The Australian Pharmaceuticals Benefit Scheme and Older Australians: Changes in Government Outlays and Consumer Costs from the 2002-03 Federal Budget Measures', 2007, *Modelling Our Future: Population Ageing Health and Aged Care, International Symposia in Economic Theory and Econometrics Volume 16*, pp 174, 185, 192.

117 Laurie Brown, Annie Abello, Ben Phillips and Ann Harding, 'The Australian Pharmaceuticals Benefit Scheme and Older Australians: Changes in Government Outlays and Consumer Costs from the 2002-03 Federal Budget Measures', 2007, *Modelling Our Future: Population Ageing Health and Aged Care, International Symposia in Economic Theory and Econometrics Volume 16*, pp 174, 185, 192.

committee during the inquiry, most notably by FACSIA, illustrated that Government initiatives over the past decade have increased the real and disposable income levels and standards of living of older people. This includes changes to the superannuation, tax and pension systems.

7.78 The indexation of the pension to MTAWE has particularly ensured the incomes of some of the most disadvantaged older people have outstripped the CPI. Adjustments to taper rates also have ensured a greater number of older people have been able to continue to access the pension along with superannuation benefits. The Government has introduced various additional payments to further supplement pensioners' incomes and assist in affording cost of living pressures.

7.79 The committee heard concerns about continued stress faced by some older people and arguments that more could be done. Whilst the committee acknowledges these concerns it notes that the Commonwealth faces the difficult task of prioritising and targeting spending within its budget. Further, it can be difficult to tailor policies to cater for a unique series of circumstances suffered by some individuals that leads them to financial stress. Nevertheless, Government initiatives have sought a balance between providing a safety net for disadvantaged older people and ensuring innovation and initiative are rewarded. Over the past decade expenditure on the aged pension has increased by one third.[118] A combination of initiatives has resulted in increasing real disposable income by almost twenty per cent for pensioners on the lowest income levels. The superannuation co-contribution has also been effective and targeted specifically at the most disadvantaged workers in enhancing their retirement incomes.

7.80 But many of the most positive benefits of Government policies for older people will be realised in the future as current workers move into retirement. For example, the proportion of older people receiving the full pension rate is expected to decline over time, with a likely increase in those receiving a part pension as superannuation balances grow. These initiatives will ensure hundreds of thousands more people receive higher superannuation balances, can enjoy a higher standard of living in retirement and reduce the potential strain on the Government.

7.81 Australia has traditionally poor labour force participation among older people. But higher workforce participation is important for improved standards of living in retirement, as well as the capacity of the economy to support the health care and social welfare costs of the population. Workforce participation allows continual contributions to enhance the growth of savings and superannuation balances. It prevents superannuation being drawn upon early and often allows a higher income while the individual is working. Consequently, increasing labour market participation has been a particularly successful policy initiative. This has been achieved through an extension of the preservation age for accessing superannuation, beneficial taxation

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118 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, pp 25-27.

arrangements for accessing superannuation at a later age, the gradual alignment of the pension age for men and women, and the removal of age discrimination that exists in relation to the employment of Federal Government employees. The Government has also initiated extensive campaigns to promote acceptance of older people in the workplace and emphasise the need to continue to work longer. This has resulted in many retirees gradually or incrementally phasing out of the workforce and into retirement through part-time, contract or casual work, rather than the sudden shift that has historically been associated with retirement.

7.82 Health is also a key area where the Government has invested substantial resources to assist older people. The committee notes, however, that the ageing population is putting greater strain on the public health system. The cost to the Commonwealth has grown in real terms per capita and at a faster rate than the total cost to end users, a large proportion of whom are older people.

CHAPTER 8

CONCLUSION

8.1 To ascertain older people's capacity to afford the cost of living, various factors must be taken into consideration. As has been discussed in this report, these most notably include the adequacy of pension and superannuation levels, as well as rises in expenses relevant to older people. Further, the indexation methodology underlying government benefits, payments, and concessions are also particularly important. The failure to adequately index these benefits, payments and concessions can have a substantial impact on the affordability of the cost of living for older people, especially in an increasingly user-pays environment.

8.2 Most of the research about adequate income levels calls for either a level necessary to achieve a certain standard of living based on meeting certain essential costs, and those based on an arbitrary percentage of pre-retirement income – each with its shortfalls. However, the evidence considered by the committee showed that many current retirees struggle to meet either measure. Older people on the lowest incomes are disproportionately affected by rises in costs of essentials - food, groceries, housing, household utilities, transport - as these form the majority of their expenses with often little discretionary income. This highlights the need for indexation to reflect the specific spending patterns of older people to identify changes in their needs that impact on their spending.

8.3 The attitudes of Australians towards retirement are changing but will need to continue to do so. Potentially, many will be required to take on new and different employment toward the end of their working lives. Older workers need to maintain skills relevance and development especially with respect to technology related skills. Governments will need to ensure appropriate policies are in place to facilitate the acquisition of new skills. Further, there needs to be recognition that as life expectancy increases and the population ages, many older people will have to work beyond the retirement ages experienced by preceding generations. Employers will need to ensure that they are open to employing older people. There must be the opportunity for such workers to take on attractive jobs with sufficiently adaptable and flexible working arrangements, and receive the investment of necessary training. In brief, Australians will need to work longer and save harder if they want a decent standard of living in retirement.

8.4 These points were outlined by the then Prime Minister John Howard in 2003. Delivering a speech to a symposium on the employment of mature-age Australians, he argued:

> I think it also necessary when we look at this issue to accept that not only must business change its attitude and government change its attitude, but we must also recognise that one of the areas of contribution must come from the mature aged workers themselves because it is a partnership and there does need to be an accommodation at the workplace between the

> needs of an individual business, the aspirations of the younger employees and also the desire of older employees to remain on the payroll. And that will increasingly, for example, mean that if people wish to remain beyond what are now regarded as customary retirement ages, there must be a greater willingness to be involved in part-time and contract work and the corresponding flexibility in relation to remuneration arrangements.[1]

8.5 The Government will need to review the notion of retirement and age thresholds related to retirement entitlements, such as access to the pension or superannuation benefits, on an ongoing basis. In the past, retirement was often of short-lived duration, as life-expectancy was only a few years more. But in an economy supporting a larger proportion of retired people with increasingly longer life expectancies and with a static or constricting labour force, the Government will need to continue to review the appropriateness of the retirement age both with respect to the standards of living of older people and the impact on broader economic growth.[2] Sustained economic growth will require higher labour force participation, which will need to include mature age workers.

8.6 Various researchers have reported that the introduction of compulsory superannuation is having a progressively positive effect on the economic situations and self-reliance of older Australians. In 2002-03, one third of pensioners received a reduced pension due to high income or assets, compared to an expected two thirds by 2050.[3]

8.7 However, until the full benefits of the superannuation guarantee are realised, the Government will face a growing burden on the budget as a result of the aging of the Australian population. In many cases, Government policies have ensured that this burden will be met more easily in Australia than in many other Western countries. Still, even after the realisation of superannuation guarantee benefits, the Government will need to continue to provide part-pension support and full-pension support to those disadvantaged by terms of unemployment, caring responsibilities, chronic health problems and sustained tenure in poorly paid employment.

8.8 Despite the positive outcomes that compulsory superannuation is starting to yield, evidence to the inquiry clearly shows that many older people have inadequate retirement savings and superannuation. More needs to be done to increase these levels. The committee believes that additional measures to remove incentives for early retirement and provide additional incentives for delaying retirement are required.

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1 The Hon. John Howard, Prime Minister, *Address to Symposium on Mature Age Employment*, 27 August, http://www.pm.gov.au/media/Speech/2003/speech462.cfm, (accessed 13 July 2007).

2 Simon Kelly & Ann Harding, 'Funding the Retirement of Baby Boomers', 2004, *Agenda Volume 11 (2)*, p. 111.

3 Hazel Lim-Applegate, Peter McLean, Phil Lindenmayer and Ben Wallace, 'New Age Pensioners—Trends in Wealth', 2007, *Australian Social Policy 2006*, p. 2.

Without such measures, the standard of living of retirees will suffer, greater drains will be placed on the ageing budget and economic growth will suffer.

8.9 Many current and soon-to-be retirees have not had a career of superannuation contributions. The evidence before the inquiry showed that women are particularly disadvantaged when it came to superannuation balances. This is the result of lower earnings and more irregular involvement in the workforce due to caring responsibilities for children and parents. The irregularity of labour force participation impacts on continuity of contributions and career development, which in turn has implications for earning capacity.

8.10 It is important to note that, as argued by NATSEM,[4] the age pension was designed to be a social protection mechanism, not an income replacement measure. The Australian social security system remains aimed at alleviating poverty and hardship and uses various measures to determine eligibility. Therefore, the Government needs to focus attention on influencing community attitudes to ensure that this is how the pension is perceived, rather than as an entitlement following forty or fifty years of paying taxes. Future governments will not have the capacity to fund a universal system. In this respect, current retirees are more active than previous generations and appear to have substantially different expectations about retirement.

8.11 At the same time, the government must avoid the view that people without sufficient superannuation are a burden and have neglected to provide for their retirement. Private superannuation schemes are a recent historical phenomenon in Australia and the government must recognise that the current retired generation and those approaching retirement have had limited opportunities to accumulate superannuation savings. Further, as was raised during the inquiry, retirees are often not in a position to improve their incomes and standards of living. However, their contributions to Australia have been instrumental in helping to build and shape the country's current prosperity and relatively high standard of living. Many retirees continue to shoulder a substantial proportion of the burden of volunteer and unpaid caring responsibilities for the community, which alleviates pressures on government services and finances.

8.12 There will always be a need for a social safety net for older people, as opportunities to save for retirement are not always taken and in many cases trumped by caring responsibilities, unemployment and other financial situations often outside the control of individuals. Others may spend all or most of their working lives in full-time employment but earning low wages or several simultaneous low-paid part-time jobs.

8.13 The committee heard evidence about concerns about the erosion of benefits and thresholds as a result of a failure to apply indexation. This is often a tool of

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4 Simon Kelly & Ann Harding, 'Retirement Incomes and Australia's Ageing Population', 2006, *Engaging the New World: Responses to the Knowledge Economy*, p. 362.

government seeking to maintain greater flexibility about budget allocations, especially in times of difficult fiscal management. However, the consequence of a failure to index payments or thresholds is that access or financial support is effectively limited or withdrawn. Indexation simply seeks to maintain the real value of a benefit and provide greater certainty to its recipients.

8.14 While evidence considered by the committee has highlighted some dramatic increases in the wealth of older people, it also has become apparent that there is a growing disparity and unevenness in the distribution of that wealth. Generally, older people are more likely to have lower average incomes and to be reliant on government allowances and pensions as their main source of income.

8.15 However, like any demographic of the Australian population, the financial circumstances of older persons and their capacity to accommodate cost of living pressures are diverse. Substantial differences in terms of income and expense patterns preclude, in some respects, consideration of them as a homogenous group.

8.16 This diversity of circumstances is highlighted by the situation of many older Indigenous Australians. Issues in relation to older Indigenous Australians were not a specific part of the inquiry and this was reflected in the limited number of submissions which addressed these issues. Nonetheless, the committee recognises the significant challenges which Indigenous Australians face as they age, including being less likely to have superannuation savings for retirement. If governments are successful in closing the gap in life expectancy then there will be an increasing number of ageing Indigenous Australians reliant on the age pension, many of whom may have ongoing chronic health issues.

8.17 One of the dilemmas for the committee during the inquiry has been trying to reconcile anecdotal reports of severe financial stress with the unarguable increase in the real value of the pension over the past decade. Conflicting information was provided to the inquiry about the adequacy of incomes for older people. As discussed in chapter three, FACSIA made a compelling case that pension incomes have outstripped cost of living rises since 1997. Further, FACSIA argued that those in financial stress are a minority, noting that those most likely to experience 'severe stress' are non-homeowners and people who have suffered multiple 'life shocks' placing them in unforseen financial circumstances.[5]

8.18 Notwithstanding the evidence provided by FACSIA about the general financial position of older people, it was made apparent during the inquiry that some older people are experiencing genuine financial stress. The committee is also concerned at the possible under-reporting of financial stress, due to the greater propensity of older people to endure their circumstances without complaint.

5 Department of Families, Community Services and Indigenous Affairs, *Committee Hansard*, 20 September 2007, pp 15-16.

8.19 The committee heard that the wellbeing of older Australians was significantly improved by a strong and stable connection with the local neighbourhood and frequent social and community participation. While financial poverty is a determinate of the wellbeing of older Australians a strong connection with the local community is also important in improving wellbeing, health and reducing disadvantage. Government should therefore pursue policies that empower older Australians to fully participate in community life; it should act to ensure that all older Australians are socially included.

8.20 Whilst we may have seen an increase in the real value of the pension, the committee remains unconvinced that this level is sufficient to maintain a basic, decent standard of living. The committee is struck by the absence of a robust analysis determining the pension level required to purchase essential goods and services to achieve a basic standard of living. The committee firmly believes that such analysis and review is urgently needed.

8.21 Further, other factors, such as the decline in the value of concessions and the trend to user-pays systems, appear to have eroded the purchasing power of the pension and shifted costs on to individuals, including those who may not necessarily have a capacity to pay. A more comprehensive review of the adequacy of concessions and the shifts in cost accompanying an increasingly user-pays culture would assist in informing the committee of their effect on the cost of living of older people.

8.22 The committee notes that one-off payments have provided important support to older people in need, in times of economic growth and healthy budget surpluses. However, the committee is also conscious that one-off payments signal a problem without providing a long-term solution to address that problem.

8.23 While many older persons have experienced increasing cost pressures over the past decade, unsurprisingly these pressures have been particularly keen for those on the lowest incomes. Notably, this includes those on fixed incomes with limited or no capacity to increase earnings or adjust investment strategies to increase other income streams.

8.24 Those most at risk are single pensioners – especially women – receiving the maximum aged pension, and those in private rental accommodation. As discussed in chapter five, whilst the percentage of homeowners in the older population is currently relatively high, housing researchers predict that the numbers of older people who are low income, non-homeowners will increase significantly over time.

8.25 Other groups at risk of financial stress in the face of cost of living pressures include those with severe disabilities or chronic illnesses and those in residential aged care. Similarly, older people who have been receiving pensions for some period, especially those over 85 struggle because certain costs that have been deferred become necessities, such as house maintenance, appliance replacement costs and increasing medical bills.

8.26 The committee heard evidence about grandparents who had assumed the role of primary carer for their grandchildren. Grandparents often assumed these responsibilities unexpectedly and in difficult circumstances. The committee heard that these grandparent families faced financial pressure as the grandparents attempted to raise a greater income to sustain the extra dependents. This was particularly challenging given they were rarely in a situation where it was easy to increase income. The committee also heard that these grandparent families faced social isolation as increased demands on their time and resources, as well as some stigma, restricted their social and community participation. It is in the interests of both the carers and those for whom they are caring that they be socially included and do not suffer disadvantage. It is therefore incumbent upon government to ensure that these families have the supports they need to fully participate in the social and economic life of the community.

8.27 Tightening of pension eligibility and entitlements has been necessary due to demographic changes including the growth in the proportion of older people in the population, longer life expectancies and projected proportional contraction of the population of working age. However, it must be acknowledged that these changes have had a real impact on the standard of living of some older people.

8.28 The failure to index adequately – and in some cases index at all - benefits and payments has an often detrimental impact on the real value of these benefits and the disposable incomes of social security beneficiaries and older persons. However, in some cases, the problems with indexation have been off-set by one-off raising of thresholds or more beneficial indexation arrangements. The committee considers that indexation should be applied to all recurring payments and benefits, which should be modelled, investigated and set at an appropriate level to deliver a particular objective. For instance, the level of the age pension should be investigated as to its adequacy in providing a reasonable basic standard of living and should be indexed accordingly.

8.29 Increasingly the policy approach towards older people has shifted from concessional eligibility to debt management. That is, rather than providing concessions for pensioners or retirees to cope with cost pressures, there has been a greater emphasis on temporary waiving of debts. This has been most evident on council rates, but also managing broader cost pressures that are causing reverse mortgages.

8.30 The committee was disappointed to review evidence of pensioners being charged exorbitant fees for overdrawn bank accounts. These individuals have limited capacity to afford such fees, which is why their accounts become overdrawn. The imposition of high fees more than covers the expense to the financial institution and is designed as a profit maximisation measure. This is unacceptable in terms of community standards because of the substantial effect it has on the quality of life and health of pensioners.

8.31 The committee considers that there is scope for a wide range of policy initiatives to improve the quality of life of a significant proportion of retirees. This would involve efforts made by the private sector, state and territory governments, as well as the Commonwealth. Along with government support, greater corporate citizenship is instrumental to ensuring older people can continue to access services much of the rest of the community takes for granted.

8.32 There is little doubt that the Commonwealth Government has invested substantially in older persons. It is clear from the evidence, however, that more is needed. The committee considers that the Commonwealth Government should focus its efforts on those segments of the older population that are in most need - those most likely to be in, or vulnerable to, living in poverty. This should be the basis of delivery of a sustainable retirement system based on private contributions and designed to provide reasonable standards of living for all older people.

8.33 There are always difficulties in recommending and formulating social policy when dealing with economic realities. It is easier to identify funding shortfalls than to determine how existing gaps should be funded or identify areas receiving funding that are of lower priority. Some of the recommendations of this report are not necessarily cost neutral, and may necessitate the re-allocation of existing funds. The committee's recommendations identify areas that should receive greater weight in the funding priority, especially to target those in most need. Some of the recommended measures need to be implemented urgently to address severe disadvantage.

Base pension levels

Recommendation 1

8.34 The committee recommends that the Government review the suitability of the base pension levels through economic analyses of amounts required to achieve at least a modest standard of living for retired Australians, with particular consideration given to the adequacy of the percentage rate for single older people receiving the age pension compared to couples. (*Chapter 3*)

Standardisation of indexation

Recommendation 2

8.35 The committee recommends that:

(i) the Government review and standardise the indexation methodology of pensions, social security and other government retirement benefits to ensure they maintain their relative levels. In particular, the Government should note limitations highlighted during the inquiry about the use of the Consumer Price Index, as well as other possible indexation mechanisms such as the Australian Bureau of Statistics' Household Expenditure indices.

(ii) the review should also address the particular financial disadvantage of single women, many of whom have had a life of broken working patterns and an inability to access superannuation arrangements.

(iii) **while the review is undertaken and to ensure immediate relativity, the Government should index Commonwealth funded superannuation benefits and the military pension to Male Total Average Weekly Earnings or the Consumer Price Index, whichever is the higher, as is currently the practice with the age pension. (*Chapter 3*)**

Superannuation

Recommendation 3

8.36 The committee recommends that the Government continues its review of incentives and initiatives related to superannuation savings, especially aimed at facilitating and encouraging greater savings for older people in vulnerable groups. In particular this review should consider measures that will ensure a reasonable standard of living for older people, especially women, those on below average incomes, those who have lived with long-term chronic illnesses and those whose earning capacity has been greatly limited by their caring responsibilities. (*Chapter 3*)

Reverse mortgages

Recommendation 4

8.37 The committee recommends that the Government monitor the usage and impact of older people accessing reverse mortgages and other similar products, including their effect on the eligibility of older people for government benefits and pensions. (*Chapter 2*)

Indirect benefits including concessions and rebates

Recommendation 5

8.38 In order to increase the capacity of indirect benefits to meet the needs and ameliorate financial stress experienced by older people, the committee recommends that:

(i) **the Government review the efficacy of indirect benefits.**

(ii) **governments at all levels should provide services, subsidises, rebates and concessions for older people which recognise the limited incomes available to this age group and should ensure these indirect benefits are set at a fair and appropriate level and are sufficiently indexed to maintain their real value.**

(iii) **the financial thresholds for eligibility for indirect benefits, including the Commonwealth Seniors' Health Card, should also be set at a fair and appropriate level, and be indexed to maintain their relative accessibility.**

(iv) **in order to achieve greater national uniformity, Commonwealth, State, Territory and local governments work**

together to develop a nationally recognised senior's card to provide concessions and benefits to eligible older people and to negotiate reciprocal arrangements across jurisdictions with respect to public transport concessions. (*Chapter 4*)

Residential aged care

Recommendation 6

8.39 The committee recommends that the Government review the access and funding arrangements for concession residents in residential aged care facilities under the hardship provisions of *The Aged Care Act 1997*. In particular, it should determine the amount required to finance basic needs such as pharmaceuticals – including medication not covered under the Pharmaceutical Benefits Scheme – clothing, toiletries, and some discretionary spending to allow necessary social participation and at least a decent quality of life. (*Chapter 6*)

Recommendation 7

8.40 The committee recommends the Government review the disparity in the fees paid by those people entering residential aged care requiring high level care and those requiring low care to ensure that all people in residential aged care are treated equitably. (*Chapter 6*)

Housing

Recommendation 8

8.41 The committee recommends that the Government review current arrangements, incentives and initiatives related to the housing of older people and develop a strategy to ensure a diversity of affordable housing options for older people. This strategy should include the availability of public housing, an enhancement of the capacity of housing associations, local government, religious groups, community organisations and the private sector to assist older people.

8.42 In particular, the review should consider initiatives that would improve the situation of those in the most vulnerable economic situations – such as the adequacy of rental assistance for pension recipients in private rental accommodation – and ensure that subsidies and rental assistance are adequate to cope with rental cost increases and allow access to affordable and appropriate housing. (*Chapter 5*)

Dental care

Recommendation 9

8.43 The committee recommends that the Government consider the appropriateness of current dental care arrangements for older people. The consideration should involve engagement with the State and Territory governments and aim to introduce measures to increase access to adequate dental care and include a cost-benefits analysis of the impact of inadequate access to dental care on other aspects of the health care system. (*Chapter 5*)

Volunteers

Recommendation 10

8.44 The committee recommends that the Government consider financial initiatives to assist older people in continuing to contribute to the community as volunteers. Such measures should recognise the benefits derived by the community from such participation and address the increasing cost burdens met by volunteers. (*Chapter 6*)

Labour market participation

Recommendation 11

8.45 The committee recommends that the Government continue developing initiatives and incentives to encourage greater involvement in the labour market among older people to improve the quality of life of their retirement, contribute to the economy's productivity and reduce the strain on the Government's social security budget. (*Chapter 7*)

Same-sex couples

Recommendation 12

8.46 The committee recommends that the Government amend *The Aged Care Act*, Commonwealth supported superannuation schemes, taxation measures and other relevant Commonwealth legislation and mechanisms to remove any actual or potential discrimination against same-sex couples. This should ensure such couples experience identical opportunities to heterosexual couples in achieving quality of life in retirement, meeting cost of living pressures and enjoying retirement benefits. (*Chapter 6*)

Financial advice and other information

Recommendation 13

8.47 The committee recommends that the Government review the range of financial advisory options for older people, including those planning for retirement, and enhance information programs that aim to inform and educate older people about their entitlements and ways to manage and maximise personal finances.

Financial institutions, businesses and other professional services

Recommendation 14

8.48 The committee recommends that the Government encourage financial institutions, businesses and other professional services structure their customer services, fees and penalties to take into account the position of pensioners and other older people with limited capacity to pay and, wherever possible, assist them to take advantage of low-fee plans and options.

Kinship care

Recommendation 15

8.49 The committee recommends that:

(i) the Government investigate the circumstances of grandparent carers, with particular concern for the type and level of support available to those taking on the role of primary carer though both formal adoption and informal kinship care.

(ii) governments at all levels increase the level of support and respite available to older Australians undertaking kinship care, particularly for those taking on the role of primary carer to younger children. (*Chapter 6*)

Senator Claire Moore

Chair

March 2008

APPENDIX 1

LIST OF PUBLIC SUBMISSIONS AND TABLED DOCUMENTS AUTHORISED FOR PUBLICATION BY THE COMMITTEE

1 Australian Pensioners' & Superannuants' League QLD Inc (QLD)
2 Association of Independent Retirees Limited (AIR) (ACT)
3 Hobsons Bay City Council (VIC)
4 Thirroul Retired Mineworkers Association (NSW)
5 Vajda, Professor Frank (VIC)
6 KinKare (QLD)
7 Australian Family Association (VIC)
8 Name withheld
9 Patterson, Mr Robert (QLD)
10 Thomas, Mr John
11 Grove, Mr Charles (QLD)

Supplementary information

- Additional information dated 11.7.07, 16.7.07, 20.7.07, 24.7.07, 26.7.07 4.8.07, 8.8.07, 15.8.07, 30.8.07 and 31.8.07

12 Baghel, Mr Edmund (VIC)
13 Flannery, Mr N (NSW)
14 Miles, Mr Winston (VIC)
15 Wales, Mr S W (NSW)
16 Applegarth, Ms Valerie (QLD)
17 Boddy, Ms Janet (VIC)
18 Watts, Ms Margaret (NSW)
19 Jenkins, Mr T A D (QLD)

Supplementary information

- Additional information dated 2.8.07

20 Name withheld
21 O'Keeffe, Ms Winifred (NSW)
22 Heslewood, Ms Janet (WA)
23 Ram, Mr Tula & Mrs Chandra Wati (NSW)
24 Dalziel, Mr M (VIC)
25 Name withheld
26 Sims, Mr Richard (WA)

27 Name withheld

28 Watts, Mr Roy (NSW)

29 Groves, Mr Peter & Mrs Janice (NSW)

30 Irwin, Mr Geoff (NSW)

31 Prasad, Mrs Sukhraji (NSW)

32 White, Mr Donald (VIC)

33 Campbell, Ms Nea (NSW)

34 Maxwell, Ms Mary (VIC)

35 Fuller, Mr John (NSW)

36 Name withheld

37 Butler, Mr Don & Mrs Elma (VIC)

38 Defence Force Welfare Association (ACT)

39 National Seniors Goodna Redbank Branch (QLD)

40 Aged Care Lobby Group (SA)

41 Aged & Community Care Victoria Ltd (ACCV) (VIC)

42 Australian Seniors Finance Limited (ASF) (VIC)

43 Australian Bureau of Statistics (ACT)

44 Glenorchy City Council (TAS)

45 Queensland Shelter (QLD)

46 Combined Pensioners and Superannuants Association of NSW Bathurst Branch (NSW)

47 Australian Housing and Urban Research Institute (AHURI) (VIC)

48 Name withheld

49 Continence Foundation of Australia (VIC)

50 Palm Beach & Whale Beach Association Inc (NSW)

51 National Disability Services (NDS) (ACT)

52 Superannuated Commonwealth Officers' Association Inc (ACT)

Supplementary information

Tabled at hearing 8.2.08

NATSEM Reports:

- – Retirement incomes under the proposed new superannuation taxation arrangements, July 2006;
- – Impact of indexation change on the Commonwealth's superannuation schemes, August 2002

- Article 'Super Shock awaits those looking forward to happy retirement', John Coleman, Public Sector Informant, November 2007
- Response to questions following hearing 8.2.08, received 19.2.08

53 Ethnic Communities' Council of Victoria (VIC)

54 Council of Social Service of New South Wales (NCOSS) (NSW)

55 Wide Bay Women's Health Centre (QLD)

56 Combined Pensioners & Superannuants Association of NSW Inc – Bellingen Branch (NSW)

57 Brotherhood of St Laurence (VIC)

Supplementary information

- *Rebuilding connections – Creating opportunities for socially isolated older Australians*, Michael Hillier, Brotherhood of St Laurence, July 2007 received 11.9.07

58 Carers SA (SA)

59 National Association of Retail Grocers of Australia Pty Ltd (NARGA) (NSW)

60 National Seniors (ACT)

61 Australian Nursing Federation (ACT)

62 Women's Action Alliance (Australia) Inc (VIC)

63 Health Services Union (VIC)

64 Aged & Community Services Australia (ACSA) (VIC)

65 Citizens Against Fluoridation Mid North Coast Inc (NSW)

66 Combined Pensioners & Superannuants Association (CPSA) (NSW)

67 National Institute of Accountants (NIA) (VIC)

68 Black, Mrs L (NSW)

69 Newman, Mr John Murray (VIC)

70 Staff, Mr Len & Mrs Gladys (VIC)

71 Davies, Ms Dorothy (VIC)

72 Daniels, Mr John

73 Banko, Mr Terry & Mrs Ellen (QLD)

74 Bernhard, Mr Klaus & Mrs Christina (TAS)

75 Ray, Mrs Zoe (QLD)

76 Ford, Mr Alan

77 Bradbury, Mr John (WA)

78 Howard, Ms Margaret (VIC)

79 Ogden, Mr Frank & Mrs Louise (VIC)

80 King, Mr Neil (NSW)

81 Smith, Mr Brian (QLD)

82 Sharpe, Mr Graham (NSW)

83 Hutchins, Mr Alan & Mrs Elizabeth (WA)

84 Shortridge, Mr Robert (QLD)

85 Ball, Mr Andrew (QLD)

Supplementary information

- Additional information received 20.9.07

86 Murray, Mr Bernard & Mrs Barbara

87 Parmenter, Ms Elizabeth Ann (WA)

88 Visser, Ms Maxine (WA)
89 Davis, Mr Ronald (QLD)
90 The Cancer Council Australia (NSW)
91 National Rural Health Alliance Inc (ACT)
92 St Vincent de Paul Society National Council of Australia (ACT)
Supplementary information
- Outline of presentation to Committee provided at hearing 8.2.08

93 No submission
94 Older People Speak Out (OPSO) (QLD)
Supplementary information
- Additional information received following hearing 8.2.08, dated 11.2.08 and 4.3.08

95 Catholic Social Services Australia (ACT)
96 COTA Over 50s (ACT)
97 Prout, Ms Shirley (QLD)
98 Ingleby, Mrs Victoria (WA)
99 Thompson, Mrs Teddy (NSW)
Supplementary information
- Additional information dated 1.8.07

100 Ryan, Mrs Margaret (WA)
101 Williams, Mr Neil (WA)
102 Foster, Mr Ralph (VIC)
103 Walters, Mr Ray (VIC)
104 Butler, Ms Beth (VIC)
105 Name withheld
106 Burt, Mr Colin (QLD)
107 Reardon, Mr Desmond
108 Name withheld
109 Champion, B J (SA)
110 Kershaw, Mrs Audrey (WA)
111 Smith, Mr Stan (VIC)
112 Name withheld
113 Jeffrey, Mr David & Ms Elizabeth (QLD)
114 Thomson, Mr Keith (VIC)
115 Kayess, Mr Lindsay (QLD)
116 Craig, Mr Peter (WA)
117 Doyle, Mr Peter (SA)
118 Wright, Mr Peter & Mrs Mary (TAS)
119 Fong, Ms Shirley (NSW)
120 Kirkwood, Ms Irene (QLD)

121 Gardner, Ms Norma (VIC)
122 Mudge, Mr Ian (NSW)
123 Name withheld
124 Warpel, Mr Ron (NSW)
125 Name withheld
126 Arrowsmith, Mr L D (QLD)
127 McSpadden, Mr Peter (QLD)
128 McShane, Mr Robert (NSW)
129 Byrne, Ms Anne & Mr Bill (NSW)
130 Sands, Mrs Josephine (NSW)
131 d'Oliveira, Mr Cy (QLD)
132 Krishnan, N P (NSW)
133 Name withheld
134 Whatman, Ms Elayne (VIC)
135 O'Brien, Ms Colleen (NSW)
136 Salvation Army Australia Southern Territory (VIC)

Supplementary information

- Additional information following hearing, received 5.12.07

137 Department of Health and Human Services (TAS)
138 Department of Families, Community Services and Indigenous Affairs (ACT)

Supplementary information

- Supplementary submission following hearing 20.9.07 received 12.3.08

139 Name withheld
140 Harris, Mr J M & Mrs W E K (WA)
141 Brennan, Mr John
142 Boulton, Mr R E (QLD)
143 Scott, Mr Eric (QLD)
144 Neve, Mr John
145 Seddon, Ms Millicent
146 Hogan, Mr Paul & Ms Yvonne (WA)
147 Sandon, Mr Terry (NSW)
148 Sharp, Mr Thomas & Ms Barbara (NSW)
149 Name withheld
150 Cornish, Mr Dean & Ms (NSW)
151 Robb, Miss P A (QLD)
152 Haywood, Mr Bede (NSW)
153 Grattidge, Mr Rex (QLD)
154 Lyons, Mr Brian (VIC)
155 White, Ms Esme (VIC)

156 Ratnarajah, Ms Dorothy
157 Hayes, Mr Tom (ACT)
158 Woodcock, Mr Warren (NSW)
159 Sharp, Mr Thomas & Ms Barbara (NSW)
160 Boskovic, Ms Virginia (QLD)
161 McGowan, Mr P J & Ms B M (WA)
162 Name withheld
163 Name withheld
164 Koch, Mr Wayne (QLD)
165 Lindsay, Mrs D (QLD)
166 Scassola, Ms Denise (QLD)
167 Name withheld
168 Kimberley, Ms Pauline & Mr Kevin (WA)
169 Name withheld (NSW)
170 Randon, Ms Enid (NSW)
171 Weller, Ms Constance (VIC)
172 Gailein, Mr Mauri (WA)
173 Laing, Ms Catherine (NSW)
174 Name withheld
175 Thomas, Mr Jim & Mrs Monica (WA)
176 Naylor, Mr James (WA)
177 Corrimal Pensioners and Superannuants Association (NSW)
178 Melville, Mrs V (NSW)
179 Cordeau, Ms Joan (ACT)
180 Name withheld
181 Walters, Mr Glenn (WA)
182 Howell, Mr Roscoe (VIC)
183 Hainsworth, Mr Leonard (VIC)
184 Jones, Ms Margaret (NSW)
185 Name withheld
186 Strachan, Ms Patricia (NSW)
187 Monck, Ms Aileen (SA)
188 Name withheld
189 Newcastle Combined Pensioners Area Council (NSW)
190 Name withheld
191 Draper, Mr R G (SA)
192 Name withheld
193 Foote, Mr Ian (VIC)

194 Scott, Mr Eric (QLD)
195 Tesch, Mrs Pamela (NSW)
196 Lyons, Mr Brian (VIC)
197 Taylor, Ms Rosemary (QLD)
198 Davies, Ms E (VIC)
199 Foster, Mr Ralph (VIC)
200 Teale, Mr J L (WA)
201 Devereux, Mr Keith & Mrs Evelyn (WA)
202 Vann, Ms Marion (WA)
203 Cusick, Mr Derek (WA)
204 Australian Manufacturing Workers' Union (AMWU) (NSW)
205 Moron, Mr Jim
206 Ball, Mr Geoff (WA)
207 Fairfield Seniors Network (NSW)
208 Raymond, Dr O J (ACT)
209 Moore, Ms Betty (NSW)
210 Wood, Ms Pat
211 Australian Council of Social Service (ACOSS) (NSW)
212 ACON (NSW)
213 Hoebee, Mr H P M (ACT)
214 O'Neill, Mr J S (ACT)
215 Thompson, Mr Stephen (ACT)
216 Stabler, Ms Roberta (WA)
217 Morrice, Mr Bruce (QLD)
218 Henman, Dr Paul (QLD)

Supplementary information

- Article 'Household Equivalence Scales: New Australian Estimates from the 1984 Household Expenditure Survey', Tran Nam Binh and Peter Whiteford, the Economic Record, September 1990 tabled at hearing 8.2.08
- Additional information following hearing 8.2.08, dated 19.2.08

219 Marshall, Ms Carol (VIC)
220 Mudie, Mr William (SA)
221 Rolfe, Mrs Fahy
222 Barbetti, Ms Annette
223 National Union of Retired Workers – Rockhampton Branch (QLD)
224 Hicks, Ms Fay (QLD)
225 Bettridge, Mrs Norma ()
226 Gibson, Mr Ray (QLD)
227 Hunt, Mr Noel (QLD)

228 Howell, Ms Veronica (QLD)
229 Stuart Lindsay, Ms Jeanette (SA)
230 Dwyer, Mr Paul (VIC)
231 McCosker, Mr Colin (QLD)
232 Draper, Mr Ron (SA)
233 No Submission
234 Whip, Mr Bryan (QLD)
235 Williams, Ms M (QLD)
236 Hartley, Mr John (QLD)
237 Lee, Mr Robert (QLD)
238 Marler, Ms Helen (QLD)
239 McMullen, Mr Ron (NSW)

Additional information

Department of Health and Ageing

Research Paper – *Measures of Price Changes Appropriate for Assessing Changes in Real Wages*, Technical Paper No.10, Bureau of Labour Market Research

APPENDIX 2

WITNESSES WHO APPEARED BEFORE THE COMMITTEE AT PUBLIC HEARINGS

Thursday, 23 August 2007
St James Centre Conference Room, Melbourne

Committee Members in attendance

Senator Gary Humphries (Chair)
Senator Claire Moore (Deputy Chair)
Senator Judith Adams
Senator Steve Hutchins
Senator the Hon Kay Patterson
Senator Helen Polley
Senator Rachel Siewert
Senator Ursula Stephens

Witnesses

Australian Seniors Finance

Mr John Thomas, Managing Director

Mr David Deans, Consultant to ASF

National Institute of Accountants

Ms Vicki Stylianou, Senior Policy Advisor

Salvation Army Australia Southern Territory

Captain Robyn Fernihough, Consultant Territorial Social Policy & Resource Unit

Ms Livia Carusi, Territorial Social Policy & Resource Unit

Brotherhood of St Laurence

Professor Gerard Naughtin, Senior Manager, Social Policy and Ageing

Ms Sandra Hills, General Manager, Aged and Community Care

Ethnic Communities Council of Victoria

Mr Peter van Vliet, Executive Officer

Ms Voula Messimeri-Kianidis, Deputy Chair

Women's Action Alliance (Australia)

Mrs Isobelle Schofield

Association of Independent Retirees

Mrs Eileen Muir, Vice President

Dr Clyde Scaife, Branch President, Hamilton and Member, National Policy Committee

COTA over 50s

Ms Patricia Reeve, Policy Consultant

Mr John Wise, Director

Aged and Community Services Australia

Mr Greg Mundy, Chief Executive Officer

Thursday, 20 September 2007

Parliament House, Canberra

Committee Members in attendance

Senator Gary Humphries (Chair)
Senator Claire Moore (Deputy Chair)
Senator Judith Adams
Senator Sue Boyce
Senator the Hon Kay Patterson
Senator Helen Polley
Senator Rachel Siewert

Witnesses

Department of Families, Community Services and Indigenous Affairs

Dr Geoff Leeper, Deputy Secretary

Ms Robyn Mckay, Acting Deputy Secretary

Dr Nicholas Hartland, Branch Manager

Department of Health and Ageing

Mr David Kalisch, Deputy Secretary

Mr Peter Broadhead, Assistant Secretary

Department of the Treasury

Mr John Lonsdale, General Manager

Department of Veterans' Affairs

Ms Jeanette Ricketts, National Manager

Australian Bureau of Statistics

Ms Meredith Branson, Director

Friday, 8 February 2008
Royal on the Park Hotel, Brisbane

Committee Members in attendance

Senator Gary Humphries (Chair)
Senator Claire Moore (Deputy Chair)
Senator Judith Adams
Senator Sue Boyce
Senator Carol Brown
Senator Rachel Siewert
Senator Ursula Stephens
Senator Ruth Webber

Witnesses

Dr Paul Henman

Superannuated Commonwealth Officers' Association

Mr John Coleman, Indexation Manager

KinKare
Ms Maree Lubach, Chair

Older People Speak Out
Ms Maida Lilley, Vice President

Queensland Shelter
Ms Tracey Douglas, Policy Officer

Catholic Social Services Australia
Mr Frank Quinlan, Executive Director

National Seniors Association
Mr Michael O'Neill, Chief Executive Officer
Mr Peter Brady, National Policy Manager

St Vincent de Paul Society National Council
Dr John Falzon, Chief Executive Officer
Mr Gavin Dufty, Social Justice Committee
Mr Jonathan Campton, Research Officer

Australian Manufacturing Workers' Union (AMWU) (retired members' division)
Mr Andrew Dettmer, AMWU Qld State Secretary
Mr William Flemming, Secretary Qld retired members division

National Union of Retired Workers
Mr Jim Lawler, Secretary

Mr Robert Shortridge

Ms Virginia Boskovic

APPENDIX 3

RECENT GOVERNMENT INITIATIVES

FaHCSIA's supplementary submission dated March 2008 provided details of recent initiatives by the new Labor Government following the change of government after the 2007 election. The information provided is reproduced in this appendix.

A number of measures being introduced by the Australian Government are aimed at improving the well-being of older Australians and assisting them in meeting the cost of living.

Age Pension Indexation

In recognition that the cost of living increases for pensioners be different to the general increases in the cost of goods and services, the Government has committed to index pensions by the ALCI for Aged Pensioner Households produced by the ABS, the Consumer Price Index or 25 per cent of MTAWE, whichever is the greater. This will provide extra assurance for pensioners that when pensioners' living costs increase faster than those of the broader community as measured by the CPI, their costs will be taken into account in the indexation process.

Utilities, Telephone, Seniors Concession Allowances

On 14 February 2008 the Minister for Families, Housing, Community Services and Indigenous Affairs introduced the Social Security and Veterans' Affairs Legislation Amendment (Enhanced Allowances) Bill 2008 to implement the Government's $4 billion election commitment to help older Australians, carers and people with disability make ends meet. The Bill will assist over three million people with four key initiatives to commence from 20 March 2008. These are set out below.

Increase in the rate of Utilities Allowance

The Bill provides for an increase in the annual rate of Utilities Allowance from $107.20 to $500 for singles and couples combined. This will be paid in quarterly instalments of $125 for singles and eligible couples combined, starting from 20 March 2008.

Extension of eligibility for Utilities Allowance

The Bill proposes extending Utilities Allowance to people under pension or qualifying age, and receiving Carer Payment, Disability Support Pension, Invalidity Service Pension, Partner Service Pension, Income Support Supplement, Bereavement Allowance, Widow B Pension or Wife Pension. For these groups this represents a new payment of $500 for singles and couples combined to be paid quarterly as outlined above.

Increase in the rate of Seniors Concession Allowance

The Bill increases the rate of Seniors Concession Allowance, which is paid to Commonwealth Seniors Health Card or Veterans' Gold Card holders, from $218 to a total annual payment of $500 for each card holder. This will be paid in quarterly instalments of $125 starting from 20 March 2008.

Higher Telephone Allowance for home internet connections

Recognising the increasing importance of the internet as a means of communication and of accessing services, the Bill provides for a higher rate of Telephone Allowance for older Australians, carers and people with a disability if they receive income support and have an internet connection at home. The new rate of $132 a year for singles and couples combined, an increase from the standard rate of Telephone Allowance of $88 a year, will be available to those who have a home internet connection.

This higher rate of Telephone Allowance will also be available for eligible veterans and their dependants who have an internet connection at home.

National Reciprocal Transport Concessions for State Seniors Card holders

The Government has committed funding of $50 million over four years from 2008-09 to establish National Reciprocal Transport Concessions in cooperation with the State and Territory Governments. The aim is to allow State Seniors Card holders to travel at concessional rates anywhere in Australia. These arrangements are expected to be in place by 1 January 2009.

The goal of the policy is to enable an estimated 1.3 million State Seniors Card holders, to access general public transport concessions that apply in the State or Territory they are visiting. The proposal is to include long distance rail travel on Great Southern Railway routes such as the Indian Pacific, the Ghan and the Overland.

Petrol Commissioner

As part of the Government's election commitment to promote competition and transparency in Australia's petrol market the Government has given the Australian Competition and Consumer Commission (ACCC) formal monitoring powers over petrol prices, and has announced the appointment of a Petrol Commissioner.

Under the new arrangements the ACCC now has formal monitoring powers to use at its discretion, including the power to subpoena relevant documents and compel witnesses to give statements.

The Petrol Commissioner will predominantly be responsible for overseeing the ACCC's monitoring of fuel prices in Australia as well providing an annual report on the ACCC's findings.

In addition the Government is reviewing options raised by the ACCC in its recent report on petrol prices, including measures to increase retail price transparency.

Inquiry into grocery prices

The Government announced on 22 January 2008 that it had directed the ACCC to commence a formal inquiry into grocery prices.

The inquiry will consider the current structure of the grocery industry at the supply, wholesale and retail levels including mergers and acquisitions by the national retailers; the nature of competition at the supply, wholesale, and retail levels of the grocery industry; and the competitive position of small and independent retailers. It is required to report by 31 July 2008.

The ACCC was also asked to advise by the end of February on how it may deliver a periodic survey of grocery prices at supermarkets for a typical shopping basket; and how best to establish a dedicated website on grocery prices as well as any other methods that could be used to provide information to the public.

Other initiatives

In addition to these specific policies the Government is working with the States and Territories through the Council of Australian Governments (COAG) on a range of measures which have a direct impact on the living costs and well-being of older Australians. Three specific areas of work are important in this context:

- a Working Group on Health and Ageing has been established “To improve health outcomes for all Australians and the sustainability of the Australian health system”;
- a National Health and Hospitals Reform Commission has been established to provide advice on performance benchmarks and practical reforms to the Australian health system; and
- a Housing Working Group has been established “To improve housing affordability for home buyers and ease rental stress, particularly for low to moderate income households.”

Source: Submission 138, Supplementary submission March 2008, pp.16-18 (Department of Families, Housing, Community Services and Indigenous Affairs).