



# THE AUSTRALIAN FAMILY ASSOCIATION

ABN 53441526057

582 Queensberry Street, North Melbourne, Victoria 3051  
Tel: (03) 9326 5757 Fax: (03) 9328 2877

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**Mr Elton Humphery**  
**Committee Secretary, Community Affairs Committee**  
**Australian Senate, Parliament House**  
**Canberra, ACT 2600**  
**community.affairs.sen@aph.gov.au**

## SENATE COMMUNITY AFFAIRS COMMITTEE

### SUBMISSION TO INQUIRY INTO THE COST OF LIVING PRESSURES ON OLDER AUSTRALIANS

This brief response will address the terms of reference in order and is based on both the experiences and observations of some of our members, together with some anecdotal evidence. Research-based evidence is confined to that published by the Australian Government Office for Women's *Aspects of Retirement for Older Women* (2006), which provides a recent snapshot of material and social aspects of life for older Australians, both men and women.

#### **(a) The cost of living pressures on older Australians, both pensioners and self-funded retirees.**

Like all Australians, pensioners and retirees are affected by price increases for petrol and food, but probably less so than families, where mortgages, children and the necessity for often two motor vehicles have exacerbated the impact of these.

The *Aspects of Retirement for Older Women* report actually shows that a majority of retirees experience no great financial insecurity, either no decrease in their standard of living or a satisfactory adjustment to a lower income, and a general sense of wellbeing. The noticeable exceptions to this trend are single (ie separated, divorced or never married) men and women, where it could be inferred that they are less insulated by economies of scale, home ownership and family support.

This observation is borne out by anecdotal evidence from St Vincent de Paul Society visitors, who in many areas rarely encounter the stereotyped old age pensioner couple, but instead are inundated with appeals from the unemployed, single mothers and, increasingly, single men and often women suffering from substance abuse and related mental illness.

As for all on low and moderate incomes, retirees and pensioners struggle with bills for household utilities, which often coincide, but are better equipped to budget and manage than younger people and are usually more frugal. State Government concessions of all kinds for pensioners and (eligible) self-funded retirees are helpful, but cutbacks such as occurred in Victoria regarding motor registration affect the ability to budget. The Federal Government's \$500 utilities bonus in 2007 for all pensioners

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**FOUNDER: MR B.A. SANTAMARIA, M.A., LL.B.**

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and eligible self-funded retirees is a well targeted initiative for the winter, but also highlights a source of grievance for a large number of older Australians.

Self-funded retirees whose incomes deny them access to age pensions and related benefits for Seniors (health, travel, utilities ...) feel excluded and argue that their net position is worse than that of a pensioner. When assets are considered this is not so, but in terms of an often fixed income and declining health, it is a source of anxiety felt by many in this situation.

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

As stated above, the impacts of these costs vary and, as stated above, older Australians – especially couples – seem better equipped to cope and adjust than others in the community on lower incomes. In the report to which we allude, while more than 50% have had to adjust to a lower income, nearly 90% claim to be ‘well adjusted’! With regard to participation in the community, a large majority, especially women, report that there is always someone there when they need help, and that they enjoy retirement and leisure activities.

Anecdotal evidence suggests that at a community level older Australians are the backbone of voluntary services such as Meals on Wheels and organisations like St Vincent de Paul and the Brotherhood of St Laurence. They also enjoy local government-provided facilities such as libraries, adult education and fitness centres, and activities ranging from mild exercise to swimming and cycling and bushwalking. It is also obvious that older Australians are active in all of the mainstream Christian churches.

The Australian Family Association has a considerable number of older members who support us in our work, with local group activities, fundraising and carrying out clerical tasks at our office. Although many have limited financial resources, they contribute generously to our activities, according to their means and capacities.

Although there are many exceptions, there is evidence that older Australians are able to enjoy and contribute to community activities more than any other sector of our society. And, according to the above report, 90% experience no diminished respect in the eyes of the community for their present status as pensioners and retirees.

## **(c) The impact of these cost pressures on older Australians and their families, including caring for their grandchildren and social isolation.**

Our observations on this issue are purely anecdotal, and not based on the report above, which suggests general satisfaction among older Australians with increased opportunities to be involved with their families.

The various grandparents’ associations, here and overseas, suggest a far less idyllic picture. It seems that perhaps a third of the child care which allows both parents of pre-school children to undertake paid work is carried out by grandparents, who are unpaid. This equals the third of Australian families with young children for whom the Federal Government provides billions of dollars to subsidise professional child care. Recent increases in child care payments in the 2007 Federal Budget do nothing to redress this anomaly, whereby the childcare industry benefits entirely, while older Australians sacrifice their time, money and energy, out of love and the same sense of duty which directs themselves and their peers into other community services. Other sacrifices reportedly involve older Australians staking their children to a first home deposit, which often consumes the bulk of any superannuation lump sum payments.

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These grandparents' associations and our own observations reveal that increasing numbers of older Australians are also becoming primary carers of their grandchildren, as a result of their own children's incapacity to carry out their responsibilities. This may result from death, illness, incarceration, drug addiction or other factors. In such cases government assistance may be available, but it is rarely adequate and sometimes difficult to access, without the cooperation of the parents of these children.

Social isolation is an important consequence for older Australians, but seems to be related to factors such as whether single or in a couple. The figures in the Office for Women report suggest that about one-quarter of single older Australians 'often feel very lonely' and that over one-fifth of older Australian men feel that there is no-one to 'cheer me up when I'm down'. Those living in outer regional areas reported higher levels of satisfaction in retirement, but it is obvious that transport costs and availability (private and public) would become evident in a longitudinal study. At present, older Australians who are not obliged to drive for the purposes of employment or transport of school children seem to be coping with petrol prices by restricting their driving, but this must contribute to increasing social isolation.

## **(d) The adequacy of current tax, superannuation, pension and concession arrangements for older Australians to meet these costs. (see above)**

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, which have allowed otherwise taxable investments to be "laundered" in superannuation funds.

Pensions provide very meagre incomes for retirement, but the increasing number of people collecting modest superannuation pensions, together with part-pensions with related benefits from the Commonwealth Government, are able to enjoy relatively comfortable retirements. This is enhanced by savings and home ownership, and downsizing has provided many with liquid capital.

## **(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.**

While this is too vast an area on which to comment in a brief submission, and several allusions to various government initiatives have been made above, current commitments to expensive responses to "Climate Change" and investing in renewable energy and water infrastructure raise **concerns** for our members. It is naïve to believe that it will not be the consumer who will bear the cost of all of these initiatives – some of them to address unproved needs or priorities established by populism and electoral considerations.

Working families and older Australians will be hit hardest by higher energy costs, whether caused by oil scarcity, carbon credit schemes or the infrastructure needed for the popular but dubious benefits of wind and solar power and carbon sequestration. Both sides of politics need to be frank about the implications of these commitments. Older Australians know that we cannot eat our cake and have it, but populist politicians – excluding Prime Minister Howard and some others on his side – would like us to pretend that we can. It has already been demonstrated in Britain that the assurances about the affordability of initiatives to address climate change in the Stern Report are ill-founded, if not fraudulent.

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## **Recommendations**

1. Investigate the impacts of cost pressures on older Australians, on the basis of their respective situations, the disparity between those of single people and couples being quite pronounced.
2. Address the anomaly where all government payments for child care are devoted to the industry itself, which caters for one-third of families where both parents work outside the home, while grandparents carry out the same role for an equal number of children without any government remuneration. *The Balancing Work and Families* report ignored the proposal of Alan Cadman (MHR) that payments be made to parents on an equal basis, so that they might choose and pay for whatever form of child care they prefer.
3. Address the problem of restricted eligibility of self-funded retirees to access the various benefits to which pensioners and part-pensioners are entitled. In the case of health care especially, this is essential for peace of mind about the future, as well as a matter of social justice for those who have worked and saved to fund a modest retirement.

**Gabrielle Walsh,  
National Secretary,  
Australian Family Association.**