



Women's Action Alliance (Australia) Inc

Submission to: Senate Community Affairs Committee

Re: Inquiry into the Cost of Living Pressures on Older Australians

Date: July 2007

Women's Action Alliance (WAA) is a national women's group, established in 1975, which has active representation in each State and Territory of Australia.

Our aims are twofold:

- 1. To raise the status of women in the Australian community*
- 2. To strengthen Australian families as the basis of our society*

To further these aims we encourage women to be well informed, to analyse issues, and to participate in areas where opinions are formed, and where decisions are made.

Women's Action Alliance is pleased to have an opportunity to participate in the Senate Inquiry into the Cost of Living Pressures of Older Australians.

The financial status of this large and growing demographic is largely ignored by both major parties, the general public and the media. If older people receive any attention, they are usually portrayed as wealthy retirees, constantly travelling and spending lavishly, or as frail inmates of nursing homes.

Older Australians fall into three groups:

1. Full Pensioners (couples or singles) - relying solely on the government Age Pension
2. Self-funded Retirees
3. Pensioner/ Retirees (the largest sector) - receiving a part or full pension, supplemented by personal savings and/or superannuation.

Although there are some common factors affecting all groups, they cannot be viewed as one homogenous mass.

Terms of Reference

- a.
 - (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.**

Those seniors on the lowest incomes are the most affected by rises in the price of essentials as these form the bulk of their expenditure with little or nothing left over for non-essential items. Similarly, the proportion of income spent on utilities, such as gas and electricity, is higher for the lowest income groups, ie. pensioners with little or no other income.

The St Vincent de Paul Society Social Policy Issues Paper 2 "Winners and Losers", using Australian Bureau of Statistics figures, noted that, in the period 1990 - 2005, the cost of utilities rose 16.7% above the inflation rate. In the same period, the cost of dairy products rose 14% higher than the inflation rate, and the rise for bread and cereals was 34% above. These items form a large part of the diet in low income households.

The doubling of petrol prices in recent times has severely impacted on the cost of living for all groups.

(iii) The cost of receiving adequate dental care.

For low income seniors without health insurance private dental treatment is completely unaffordable and the totally inadequate public system, with its long waiting periods, must be used, resulting in protracted pain and discomfort which can dramatically detract from one's quality of life.

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.

Where public transport is inconvenient or unavailable, or a person has limited mobility, the high cost of petrol severely limits the ability to participate in outside activities, and to visit friends and relatives, resulting in social isolation.

Poor dental health caused by the unaffordability of timely dental treatment can result in the lowering of a person's general health, with potentially serious consequences.

d. The adequacy of current tax, superannuation, pension and concession arrangements for older Australians to meet these costs.

Tax

Formerly, low income seniors paid no tax. With the introduction of the Goods and Services Tax (GST), they have now become taxpayers but do not receive the benefit of the tax cuts available to others. As the price of goods and services steadily rises, the GST increasingly erodes the incomes of older people. Occasional lump sum compensation payments by the Government provide minimal (token) help with the day to day costs of living.

Superannuation

For many older Australians, especially women, superannuation was not generally available during their years in the paid workforce. Many others, retiring now or in the near future, have not been in the relatively new universal superannuation scheme long enough to accumulate adequate amounts and will still be mainly dependent on government pensions. Women accumulate even less superannuation because of career interruptions due to family responsibilities, lower wage rates and participation in part-time employment after having children.¹

Pensions

In June 2004 the Victorian Council of Social Services spokeswoman, Carolyn Atkins, stated that while the Age Pension has prevented the elderly from sinking into abject poverty, it had not kept up with the cost of living. As is the case today, many seniors were asset rich and income poor. In that year, the National Centre for Social and Economic Modelling (NATSEM) found that more than 70% of the over 65s were living on less than \$300 per week. Today that still applies to single pensioners.

In March 2007, Westpac published the result of research it had commissioned from the Association of Superannuation Funds of Australia (ASFA) establishing the Westpac ASFA Retirement Standard. Detailed budgets were established for singles and couples to obtain a modest or a comfortable lifestyle in retirement. For a modest lifestyle, a single retiree homeowner needs \$352.40 per week or \$18,375 annually, and a couple requires \$491.41 per week, or \$25,780 per year. For a comfortable lifestyle a single person needs \$684.05 per week, and \$35,686 annually, and a couple \$916.07 per week or \$47,766 per year.

The current maximum Age Pension is \$265.45 per week for a single, and \$441 for a couple.

Single pensioners

¹ From The Household Income and Labour Dynamics in Australia survey 2003.

Women's Action Alliance has been concerned for some time with the financial disadvantages suffered by single age pensioners, mostly women, and the disparity between the single rate of the pension cf. that of couples.

There is an old saying "Two can live as cheaply as one" or conversely that it costs as much for one to live as it does for two. Despite this, on the death of a spouse the rate of pension is slashed severely at current homeowner rates from \$441.40 per week for a couple to \$265.45 for a single person.

The bills involved in running a home which pertain when the spouse, (usually the husband), is alive are still the same bills to be paid after his death. The fact that this system has operated for many years does not justify it or make it right.

A report from the Social Policy Research Centre, University of NSW ² looked at the economics of scale for a couple compared to a single. "The food budget for the couple is close to twice that of the single woman, indicating that there are relatively few economies of scale in regards to food consumption. In contrast, **in relation to the household goods and services share of the total budget, there is a significant decline when moving from the single to the coupled household**, because many of the items needed by the single woman are shared by the couple, implying that there are economies of scale in purchasing these items."

The Westpac ASFA also highlights the fact that the main saving for a single person is in the purchase of food. **The costs of expensive items such as car registration, gas, electricity and water, Council rates, home appliances and furniture, are the same for a single pensioner as for a couple.**

For a widow, her costs of living rise steeply when she is forced to employ tradesmen to undertake the household and car repairs and small jobs formerly done by her husband.

The Henderson Poverty Line, based on the cost of some regular household expenses, is produced quarterly by the Melbourne Institute of Applied Economic and Social Research of the University of Melbourne. The figures for March Quarter 2007 are now available. For pensioner couples, the poverty line is \$404.48 per week. With a pension of \$441.40 per week, couples are \$36.92 cents above the poverty line. The line for a single pensioner is \$285.55. With a pension of \$265.45, a single pensioner is \$20.10 **BELOW** the poverty line.

Research by RMIT University,³ based on an analysis of 3000 couples from the HILDA surveys between 2001 and 2003, has shown that people who are single as a result of divorce, separation or death of a spouse/partner are more likely to lose their homes with the housing cost burden doubling for this group See Appendix A. The research also showed that this was worse for women as they were less likely to repartner than men and more likely to live longer. About ¼

² "Updating and Extending Indicative Budget Standards for Older Australians", January 2004
Social Policy Research Centre, University of NSW

³ Professor Gavin Wood, Director, Australian Housing and Urban Research Institute (RMIT-Natsem).
"The Implications of Loss of a Partner for Older Private Renters"

of couples who were once home owners lost their homes when they divorced, separated or were bereaved of a spouse. Being reduced to one income to service mortgage costs was more difficult, leaving many unable to sustain the housing cost burden.

In a paper prepared for the Australian Government Office for Women, titled "Aspects of Retirement for Older Women"⁴, Diana Warren of the Melbourne Institute of Applied Economic and Social Research has made the degree of economic disadvantage suffered by this group very clear indeed. See Appendix B

Assets

While most attention is focussed on the incomes of older people, single pensioners owning formerly shared assets also suffer discrimination by the pension system compared to couples.

The level of the assets which have been acquired over many years by the hard work and sacrifice of both partners and allowable to couples in receipt of the age pension is also suddenly deemed unacceptable for the surviving member following the death of a spouse or partner.

A couple may own \$229,000 in assets and still receive a full pension which diminishes to a complete cut-out of the pension at \$523,500. The single pensioner will suddenly find however that owning these assets will now result in a drastic cut to, or total loss of the age pension, as the new allowable level for a full pension is \$161,500, a drop of \$67,500, and that person will lose the pension completely at an asset level of \$338,500, or \$185,000 less than a couple. If the asset is a long-held modest holiday home, acquired originally for very low cost, the person who has lost the spouse must also face either the loss of a cherished possession or the loss of much or all of their income. The rapid and unexpected escalation in prices paid for modest properties has caused many pensioners a great deal of worry and confusion.

Asset limits are to be substantially increased in September to more realistic and generous levels. However, the gap between what is allowable to a couple, compared to a single, will remain.

The Elder Citizens Strategy Report 2003, conducted by the Mornington Peninsula Shire in Victoria, found an alarming rate of suicide amongst females over 65. Nearly 16% attempted suicide or self-harm, compared to 5.1% of older men. In this Shire, which has a high proportion of older residents, 73.4% of those over 65 years receive an age pension and many are widows. The suicide rate for the rest of Victoria is 4.9% for older women and 3.7% for men. One can speculate that the poverty of single aged women could contribute to their higher suicide rate.

Conclusion

Available studies and figures show clearly that while there are a range of problems encountered by older Australians, single age pensioners, mostly women, are clearly the most economically disadvantaged group.

⁴ http://ofw.facs.gov.au/downloads/pdfs/Aspect_of_Retirement%20_report_final.pdf

Recommendations

Women's Action Alliance recommends that -

1. The single age pension should be increased to 75% of the rate for couples.
2. The Goods and Services Tax should be removed from the cost of utilities for pensioners.
3. There should be adequate compensation for the impacts of the GST on older low income earners.
4. Consideration be given to easing the assets test for single age pensioners.

*Women's Action Alliance (Australia) Inc
Suite 6, 493 Riversdale Road
Camberwell Vic 3124*

*Tel 03 9822 8809 Fax 03 9842 6199
Email WAA@womensactionalliance.com.au
Website : www.womensactionalliance.com.au*