

COMMITTEES

Community Affairs Committee Report

Senator MOORE (Queensland) (10.23 a.m.)—I present the report of the Senate Standing Committee on Community Affairs entitled *A decent quality of life: inquiry into the cost of living pressures on older Australians*, together with the *Hansard* record of proceedings and documents presented to the committee.

I am very pleased to be able to stand here with other members of the committee and talk to our report. Its title gives some indication of the feeling of the committee in the response of over 250 submissions and also the number of personal submissions and evidence received by the committee.

This particular reference about the cost of living on older Australians was originally referred to the Senate community affairs committee in June 2007. That does seem a very long time ago but you would understand that the time frame for the committee had been affected by the election period. In fact the committee only held three public hearings. It is a bit of regret for members of the committee that we were not able to have more interaction with the people who gave evidence, sent us their life stories and gave us submissions about their concerns about the cost of living for older Australians in our country.

The committee has presented a report today which has set out to look at the core issues that committee members considered should be taken into consideration for more research and inquiry around the particular issues that came before us. The committee makes no statement that it has come up with a definitive response to the issues that were in the terms of reference. We have received the submissions, we have listened to the stories and, as a committee, we believe that there must be more work done because there is no short-term, simplistic response to the kinds of issues that came before us.

I think at this point it is very important to acknowledge and to appreciate the efforts, courage and honesty of the people who chose to contribute to the committee's activities. Not only were there written submissions—and we received them from large organisations and from people who work with older Australians across our country—but in many ways the strength of our communities is that a number of Australian citizens who had concerns, who were interested and who wanted to be part of the process made the significant decision to come forward and tell us about what they thought was important. In many cases these stories were harrowing because people were saying—in some cases with a degree of confusion and anger and then sometimes with a touch of shame—that they were not living well, that the choices and life choices that they had made, sometimes personally but sometimes forced upon them, had meant that they felt that, at a time when they had had hopes that they would be in comfortable, secure placement, they were instead needing to seek help. For many people that came to our committee that was something about which they were not proud and it was something about which they had to come to the committee and say, 'This is not what we had planned.'

As a committee we listened to that and we came up with a number of recommendations. There are a lot of recommendations and probably the core issue is that you cannot talk about older Australians as one group. As with every group in our country, there are a range of experiences, a range of choices and also a range of circumstances. There is not one answer to the pressures for older people living in our country, but what we have seen is that the expectations of

people in our country have had varying responses. We now have a system that is based on three elements for the cost of living as people grow older. Firstly, there is an ongoing expectation that there is some role for government and that there will be a form of government support and a pension scheme of some type. Secondly, over the last 10 to 15 years there has been a growing acceptance of the role of superannuation, which has once again come up as a major issue in this report. We follow in the footsteps of that august previous committee of this place which was longstanding in itself, the Senate Select Committee on Superannuation, and we were very pleased to learn from some of the things that that committee talked about through their extensive consideration of superannuation in this country.

One of the core recommendations of our committee is looking at the way superannuation is handled in our country. One of the issues is that we are actually in the middle of the process at the moment. There has been an economic decision in Australia that there is an expectation that citizens will take some ownership of their long-term life position by effectively having a superannuation program to which they contribute, which will take some of the stress away from their living as they get older. But we are in the middle because people are now only beginning in their working lives to plan around a working life that is backed up by superannuation. We found consistently that, while people throw around the terms 'superannuation earning' and 'superannuation understanding', we are in a position where many people have not been able to build up effective superannuation entitlements which will offset the always increased pressures of living without an ongoing wage.

In chapter 3 of our report we look specifically at the issue of income because we know that the income for people who are growing older is very much determined by the way they have built income choices through their working lives. We highlight the fact that superannuation 'is the key vehicle of the retirement income system and allows older people to maintain a higher standard of living than offered by reliance on the pension alone'.

They are only a few words but they actually sum up a core part of the change in the expectation of people in our country. But we also know that it is estimated that the full impact of people having an expectation of superannuation entitlements during their working lives will not cut in for several years. In that time there will be a constant balancing between those of us who have been fortunate enough to have superannuation planning and been able to build that through, and other people who have had disrupted forms of employment or employment that did not offer superannuation entitlements.

Also, an ongoing issue throughout our whole campaign, and one with which so many people are familiar, was that of women in the workforce as they grow older not having a cushion—that bank of superannuation entitlements—because of the way the Australian workforce operated for so long. Consistently we had evidence from women, and men who understood and supported their evidence, that when we look at people being able to build up the insurance of an effective savings plan through superannuation, women in our country have been disadvantaged. Now women who are beginning to work in the workplace are able to equitably join a superannuation scheme—we will not have the debate about equal pay now; we have not got the time—but in terms of being able to plan we need to see that all citizens are given full information and the ability to take an active role in planning their own retirement and see a future during which they will not need to be reliant on government support.

The third stream was of people who will have effective savings plans that are not linked to superannuation. People relied so much in the past on the way the government moved in relation to pension arrangements, but we know that the pension will not be the road for the future. We also understand that there will always be people in our community for whom the government must take some responsibility. Throughout our report we called them the people who are most vulnerable. As a caring society we must accept our responsibilities to support those who have been damaged and those who are vulnerable. They are the people who must rely on some support from the government for 'a decent quality of life'—the title of our report.

Our core recommendation is that there should be—there must be—a review of how the system operates in Australia. There is no particular science about how the original pensions were determined. Over the years there have been various government decisions to look at the very important aspect of how pensions are indexed. That took up a great deal of debate in our committee. We had significant evidence, with graphs and very effective notations, from the department—FAHCSIA—that on one level the quality of life for Australians is comparatively stronger now than it has ever been. But I am not prepared to go to the people who came to our committee with their own pain and their own hardship and show them those graphs and say, 'You must be satisfied.'

As a community we must have a good, independent look, using the researching elements that are available in our country, to analyse exactly what is the best way to determine an effective, decent quality of living for all people—but in this case we are talking about older Australians—and to ensure that this is maintained, because consistently we heard that setting a level and then not effectively indexing it causes greater pain. Our core recommendation is that there must be a review and reconsideration. I know that other people will follow on with more points. (*Time expired*)

Senator HUMPHRIES (Australian Capital Territory) (10.33 a.m.)—It is a pleasure to join Senator Moore and other members of the committee in tabling this report today and indicating that we feel it is the basis for a very important assessment of the appropriate level at which Australia should be paying a pension to those people who have reached retirement age and who depend on the generosity of the Australian community for their standard of living. We discovered in the course of this inquiry that there are wide variations in living conditions and income levels of retired older Australians, just as there are very wide variations in the living conditions and income levels of working Australians.

Some people are comfortable and secure in their retirement, with mortgage-free homes and comfortable superannuation resources. For others the margin between them and poverty is much narrower. Particularly for women with broken patterns of work throughout their lives, superannuation income is modest—even meagre. But the group for whom the standard of living in retirement is most problematic, as Senator Moore has indicated, are those people whose income is wholly or partly the age pension. These people make up three-quarters of all people over 65 in Australia today. These and those more comfortably off emphasise that the dichotomy between the haves and the have-nots in Australian society does not end with retirement.

An essential preoccupation with this inquiry was therefore with the question of whether the age pension at present levels is sufficient to confer on Australians in typical circumstances a decent quality of life. The committee found that that question is very difficult to answer without very careful empirical study that was,

frankly, beyond the scope of a Senate inquiry of this kind. Certainly there was a large amount of anecdotal, personal evidence before the committee suggesting great personal hardship was experienced by individual pensioners. The question is whether it is possible to adjust the age pension or set the age pension at a level which avoids that consequence for pensioners in typical circumstances. Obviously no system is ever going to eliminate hardship by individuals dependent on a fixed source of government income, but clearly the number of people who came to the inquiry with concerns about the level at which their pensions were set was very compelling. That caused the committee to ponder whether the pension is set at a fair level at the present time.

Next year marks the centenary of the Australian pension. It was an initiative of the Fisher government in 1909 and decisions have been made throughout the ensuing century to change the basis of eligibility and the level of payment of the pension, in a variety of ways. For example, in 1933 a decision was made to adjust the pension annually based on the retail price index. In 1937 a decision was made to cease the variation of the pension based on the retail price index. That system came back again in 1942, but other changes were made at that time.

These decisions have bounced about, and the point that was obvious to the committee was that no-one had, at least for quite some time, gone back and asked: what does a pensioner or a couple in retirement require to live a decent life and have a decent standard of living, taking into account issues like homeownership and whether people live in high-cost cities or low-cost regional areas? What kinds of other unexpected expenses do pensioners have to face for which some provision ought to be made? Those are the critical questions which the committee recommends should be answered by a review—a review essentially to establish what is a fair level to pay a person in retirement who is dependent on an age pension.

We were particularly struck by the question of whether the pension at the present time was set at an appropriate level for a single pensioner vis-a-vis a couple. The old adage that two can live as cheaply as one is obviously an exaggeration but there is a measure of truth in it and we found quite strong evidence that many single people were experiencing financial hardship. In particular, we found situations where couples had been on a pension for some time, one party in the couple had died and the single remaining pensioner found it very difficult to survive on what remained. At the present time the pension for a single person is set at about 60 per cent of that for a couple. We suggest strongly that the question of whether that is in fact an appropriate level of relativity should be reviewed as part of this process.

Once a fair and adequate base level of pension is established by the review that we recommend, the next factor to determine is what indexation device should apply to the base pension. There was a lot of debate about this issue during the inquiry. Indeed, the inquiry itself was generated by an assertion that pensioners in Australia were going backwards, that they were losing their purchasing power, because of rising costs. It is important to state that the committee considered very carefully the device that has been used for the last decade to guard against that—that is, the device introduced by the coalition government to adjust pensions by either CPI or MTAWWE, male total average weekly earnings. The higher of those two indicators produces the adjustment in the pensions.

The suggestion was made anecdotally that many people found that an inadequate device. On a more empirical level, the evidence does suggest that in fact that device was keeping pensioners ahead of the game, at least in recent years. The question is whether the baseline on which that is set is fair—whether the baseline is able to be reconsidered and determined to be an adequate amount on which to base the cost of living for a person in retirement today. So the committee therefore recommended that review of which both Senator Moore and I have spoken.

There was one aspect of the inquiry which was less ambiguous, and that was the question of the living standards and income security of older Australians who are dependent on Commonwealth superannuation pensions, particularly retired public servants and members of the Defence Force. The relative position of these retirees has been deteriorating as against age pensioners. Frankly, it is hard to understand because both groups are dependent on Commonwealth policy for their security or the quality of their lives. Age pensions are indexed against both MTAWA and CPI, with the result that of the last 16 age pension adjustments 11 have been for amounts greater than the CPI. But the pensions of Commonwealth superannuants are pegged only to the CPI. The estimated difference in outcome over the last decade or so that that has caused for pensioners is something like \$7,000. It is hard to explain to Commonwealth superannuants why their pensions, to which they have contributed during their working lives, should fall behind the pension increases of those who have generally not made provision for their retirement. The committee recommends, and I heartily endorse, as an interim measure pending a review of the adequacy of all Commonwealth sourced pensions that the Commonwealth align the indexation methodology of the age and other Commonwealth pensions so that each is adjusted by CPI or MTAWA, whichever is the highest. This will provide some measure of relief and reassurance for those who have faithfully served their country in so many ways.

I want to make reference briefly to particular groups that we examined. The case of grandparents is an interesting situation. Many people find themselves, as grandparents, caring for their grandchildren. Sometimes they are able to access allowances as if they were the nominated carer or the official carer; sometimes the arrangements are much less formal, which results in them having to bear a large personal cost in those circumstances. Obviously, Australia needs to encourage family members to take on the responsibility for caring for members of the family wherever possible, and we feel that some review of that arrangement should be undertaken. We also note that the situation of the income security of those living in residential accommodation needs to be examined. Recommendation six of the committee particularly looks at the question of the need to review the access and funding arrangements for concessional residents under the hardship provisions of the Aged Care Act 1997.

We owe a great debt to these people. These people have built the Australia that we live in today—an Australia with an extremely high standard of living. We may not be doing the best we can in terms of catering for their security and giving them the means to live with a decent quality of life. We need to review the basis for the pension to see whether that is the case.

Senator SIEWERT (Western Australia) (10.43 a.m.)—I also took part in this inquiry. I think it is an extremely important inquiry. The recommendations reflect the extent and the strength of the evidence that we received during the inquiry, and we did receive a lot of evidence around the disadvantage and the suffering that is being experienced by, for want of a better word—and I do not like using the word necessarily—the cohort of Australians that are currently trying to

survive on just the age pension. There is no doubt from the evidence that we received that there is a group of retired Australians that are doing very well. They have managed to invest in their superannuation or invest separately and they are able to do well, particularly if they own their own home. The inquiry found, as has been articulated by my colleagues on the committee, that there is a group of Australians that are not doing very well: those who are surviving on the age pension and particularly those who are living in rented accommodation. We all know about the housing affordability crisis that is going on in Australia at this time and that is hitting those that are on the age pension very hard—in particular those that are single and trying to cope on the single age pension. They are really being pushed to the limit.

The thing that we were also told repeatedly during the inquiry was that many of these people are just dealing with it: they are voluntarily making cuts. They are going to relief agencies and charity organisations as a last resort. They start cutting back on the food that they buy. We heard stories, for example, about them being very careful about the electricity they use for heating. I have subsequently heard stories from people from relief organisations and community social service groups saying that people come to them at the very end of their tether because they have voluntarily got the electricity and phone turned off and they are not eating properly. Of course, that is having a very detrimental impact on their health. So the single pension definitely needs to be addressed, and we do raise that in our report.

As has been articulated, the report also raised the issue that we should be looking at the base rate of the pension and its subsequent indexation. We recognise that there are problems there and we do not know what the appropriate base rate should be—the committee does not make a recommendation. The Greens think that people should get a rise in the pension now to acknowledge the fact that we know there is suffering going on and to acknowledge that we know that group of people cannot make ends meet. We need to deal with that now, rather than down the track. However, we do need to have that review of the base rate of the pension and then look at what an adequate indexation process would be. We heard evidence during the inquiry that the combination of MTAWA and CPI does not do it. People had concerns about the way CPI was measured, and they also put to us very strongly that people on the pension are not a homogenous group. They do not all buy the same basket of goods, and as you get older your basket of goods changes. The argument put to us was that you need to have a refined method to be able to calculate how you index the pension.

What was also raised—and I touched on it before—was that it has become obvious that the base rate for single people does not meet their needs, particularly for women. Women on the single pension are finding it very hard to cope because they do not have superannuation. There is another cohort of women, around my age as it happens, who have low average superannuation. Those who are lucky enough to be in a higher-paying position, such as the one I have moved into, may be able to catch up. But if they are not able to get into a higher-paid position women are not going to be able to put away enough money to be able to have a decent quality of life in retirement. There needs to be very strong consideration given to helping them and looking at how we ensure that these women are able to move through to a decent quality of life in retirement, and we need to acknowledge that this is going to be an issue in the future. In the short term, we definitely need to be helping those single people that are on the pension and particularly those that are in rented accommodation, because they are really starting to suffer. A NATSEM report came out yesterday that showed

that more people are entering into retirement with mortgages, and that is going to be a significant issue as well.

Senator Humphries touched on the issue of kinship care. Those who have heard me talk about this issue before know that I am passionate about the issue of kinship care. Grandparents are a vulnerable group—particularly grandparents that take on the role of primary carers. Often it is after they have entered into retirement: they have already downsized their home, they have already made adjustments to living either as a single person or as a couple in retirement, and all of a sudden they have got responsibility for their grandchildren. It is even harder for them if they adopt their grandchildren, because if you adopt a child then it becomes your child and you have even less access to counselling and support services.

We need to remember that often these are very difficult personal circumstances and the children, in particular, quite often will need some sort of additional support services, such as counselling. We very definitely need to ensure that there is enough assistance available—for a start, to help grandparents address the issues of counselling so they have those support services, but also with simple things. Do you know how much sneakers cost these days—the sneakers that our kids want? Anywhere between 60 and 100 bucks. Sure enough, you do not buy the ones at the \$100 end, but you still have your grandkids nagging you and saying: 'We want to be able to spend that money on those shoes. We want to be the same as the other kids in school.' Another issue that was brought up by some grandparents was that they become socially isolated when going into that kinship care role and looking after their grandchildren. We address that issue in our report as well.

I would also like to support the recommendations and the comments that Senator Humphries made around addressing this issue of unfairness—I believe it is unfairness—for superannuants who are just being indexed on CPI. The case was put very strongly to increase that so superannuants are on the same indexation rate as everybody else, and I think there is a very justifiable need to do so. One of the other issues that came up is that there is a complicated set of benefits and concessions available to people with seniors cards. It is not consistent across Australia and needs to be more consistent, particularly so that if you are visiting relatives interstate you can use public transport. A number of people raised that issue with us.

The issue of reverse mortgages came up. More and more people seem to be entering into reverse mortgages. Off the top of my head, the figure was expected to get up to around \$3 billion. That is a significant amount of money. The committee did not go as far as recommending that there should be more controls in place, but we certainly made recommendations about keeping an eye on that. The issues around going into negative equity were raised with the committee. Some companies put submissions in and said to us that they have rules about not letting customers go into negative equity. But we all know that some companies are not necessarily as rigorous as others at ensuring that there are those protections. That is an issue that we need to keep an eye on.

It is clear that there are a number of issues that need to be dealt with in this report. The report makes a number of recommendations for further work and review. The Greens very strongly believe that the government needs to acknowledge the fact that there are older Australians out there doing it tough. We need to deal with that issue immediately to make sure that there is a decent

quality of life for them immediately. We then need to look at how we can make it better down the track.

Senator POLLEY (Tasmania) (10.53 a.m.)—I want to make a few short comments in relation to this very important report. Many of the issues that were raised were things that I hear on a daily or weekly basis as a senator. You also know from your own life experience and from people within your community that there are enormous challenges. As somebody who through circumstances had to rely on the government for a number of years for benefits, my view has always been that you do not live on those payments; you try and survive. The inflationary pressures that are on the whole community at the moment have a significant impact on the elderly, those people who have helped build this nation. I commend the comments by my colleagues and say that it is always a pleasure to work with my colleagues on this committee, because it is without doubt one of the few committees where we all have the same views. I would also like to place on record my thanks to the secretariat.

There were recommendations relating to issues like reverse mortgages, dental health and housing. These are all very important issues. Another concern that was raised was in relation to what can be done so far as the banking industry is concerned. Various accounts have been set up for young people to accommodate their needs. The banking industry needs to look at how they can assist our ageing community.

Regarding superannuation, I, like Senator Siewert, am one of those maturing women who have not had superannuation. I would also like to place on record that I am a recent and very proud grandmother as well. As such, I understand those issues. In trying to plan for the future, women who have been in and out of the workforce and have not had compulsory superannuation for very long face challenges ahead. We as a government and we as senators have a responsibility to find some long-term solutions.

The general evidence that was given was very compelling. We must remember that it is very hard for these people. They come from a very proud generation, and they should be proud of what they have contributed to our society. But it is very hard for them to have to go off to charitable organisations and ask for help. It is even worse when they have to go to your family and say: 'I can't meet my expenses. I need help. I can no longer afford rent.' We all know the pressures that are facing our society when it comes to rental increases. It is not just young families or individuals; it is older Australians as well. I commend this report. I urge not only my Senate colleagues here but also the wider community to read this report, because it is enlightening. It once again reinforces what we already know is happening in our community. It is our responsibility to make sure that we apply policies that will help these people in the long term, because we are all maturing.

Senator BOYCE (Queensland) (10.57 a.m.)—It is an absolute delight, as Senator Polley said, to be able to stand and agree with all of the comments made by the other members of the committee in regard to the inquiry—although not the comment about being a grandmother, Senator Polley. This was an inquiry brought about because of the anecdotal evidence that was being brought to many of us, day after day. The one thing that I would like to push for immediately is support for all of the comments made in relation to Commonwealth superannuants. They appear to be having an injustice done to them at this very minute.

It was interesting to bring together all the evidence, because intuition is not the only way to look at things. It was good to have a lot of this material brought together in one place. It demonstrated the fact that a large number of older Australians are okay. They are not going out and buying a bottle of Moët every day, but they are getting by; they are reasonably comfortable. It is that group that has been mentioned—the people who are not homeowners, and particularly single pensioners and older women—who are the ones who are in trouble and needing more help than they are getting. I had personally hoped that we would get to the situation where we could say that we recommend that the pension go up by X amount or that the pension should be indexed to this as well as what it is currently indexed to and that we recommend that the single pension go up as a percentage of a couple pension. That was where I hoped we would get to. It became obvious during the inquiry that there were many views there. What is really needed now and what we are recommending as the way to come to a decision on this is a short, sharp government review focusing completely on economic modelling. We received fairly disparate views about where the single pension should be set in terms of the couple pension, for instance—views from 60 per cent to 70 per cent.

As Senator Humphries pointed out, generally aged pensioners are in a better position because of the combination of CPI and MTAWA than they would have been simply relying on CPI. Over the last few years this has meant an increase, so they are about \$20 better off as couples than they would otherwise have been. But it is pretty clear that we need to reassess this. There was certainly no science involved in the early development of it, and we need to look at it again.

Yesterday I was involved in a briefing around the handling by the Department of Human Services of child support. They pulled together three different methodologies for determining the cost of raising a child and did that in a relatively short space of time. You still end up with blunt instruments, of course, because the cost of raising a child in Augathella is probably quite different from the cost of raising a child in Sydney's CBD. But it is a far more explicable and far more defensible way of going about developing a pensioned rate than we currently have, so I very much recommend that the government immediately conduct some economic modelling so we can reach a situation where we can help the people in trouble as quickly as possible.

The evidence that concerned me most was around non-homeowning, older, single women who, right now in Australia, are becoming homeless, are on the streets and are being helped by groups that assist people experiencing homelessness. It is not good enough. We need to act to do something about it very quickly, and I hope very much that the government will react to the recommendations that we have given. I seek leave to continue my remarks later.