



**Submission to the
Federal Budget 2010-11**

March 2010

About National Seniors Australia (NSA)

National Seniors Australia (NSA) is the largest organisation representing Australians aged 50 and over to government and business. Some 280,000 Australians aged 50 and over have already chosen to join us for the personal benefits we offer and the positive difference we make to the lives of Australians 50 and over.

We give our members a voice – we listen and represent our members' views to governments, business and the community on the issues of concern to the over 50s.

We keep our members informed – by providing news and information to our members through our Australia-wide branch network, comprehensive website, forums and meetings, bi-monthly lifestyle magazine and weekly e-newsletter.

We provide a world of opportunity – we offer members the chance to use their expertise, skills and life experience to make a difference by volunteering and making a difference to the lives of others.

We support those in need – as a not-for-profit organisation, we raise funds and redirect monies received to older Australians who are most in need.

We help our members save – we offer member rewards with discounts from over 7,000 business across Australia, we offer discount travel and tours designed for the over 50s, and we provide older Australians with affordable, quality insurance to suit their needs.

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Introduction

The recent release of the 2010 Intergenerational Report *Australia to 2050: Future Challenges* has once again put population ageing firmly on the national political and media agenda.

The 2010-11 Budget provides an important opportunity for the Government to demonstrate that it is prepared to continue providing strong leadership in dealing with the challenge outlined in the Intergenerational Report.

NSA appreciates that fiscal constraints brought about by the Global Financial Crisis will clearly have an impact on the budget and will limit new spending commitments. Therefore, this submission focuses on practical measures that our members have identified as deserving immediate action. These fall into four categories:

1. Meeting the health care costs of older Australians
2. Creating a level playing field for older workers
3. Ensuring a decent standard of living in retirement
4. Improving attitudes towards ageing

1. Meeting the health care costs of older Australians

The ageing of the nation will impose significant challenges on the delivery of all aspects of health and aged care. This much has been made clear in the final report of the National Health and Hospitals Reform Commission as well as the 2010 Intergenerational Report.

For older Australians, convenient, reliable and affordable access to health and aged care services is of foremost importance. However, NSA members continue to report that meeting essential health care costs is contributing to a decline in the standard of living of older people. Pharmaceutical benefits, patient travel, eye health and dental care in particular stand out as key impacts on the affordability of health care.

Recently widowed seniors have reported that losing a partner impacts significantly on the cost of pharmaceuticals due to the safety net being reached sooner while in a couple. Similarly, through no fault of their own, thousands of older Australians who underwent cataract surgery between November 2009 and January 2010 have been unfairly penalised due to a lower temporary rebate applying at the time of surgery. Concerns have also been raised that the level of remuneration provided for travel and accommodation is insufficient in covering the true cost of accessing health care.

Members also report that affordability is one of the principal barriers to accessing dental care. Waiting times for public dental services are long and there is a focus on long overdue fixes rather than prevention. Given the established link between oral health and chronic disease, it is important that older people should as a priority receive preventative dental health checks. Government currently provides voluntary annual health assessments to people aged 75 years and over, however, there are no health checks available to assist seniors to improve their dental health status.

It is also vital that Government continues to acknowledge the importance of preventative healthcare for older Australians. The need for a greater preventative healthcare focus is compounded further by the ageing of the population.

Our position

NSA believes the Government should provide enhanced financial support for older people who suddenly face increased health expenditure through no fault of their own.

NSA believes that the introduction of a free annual dental health check to all Australians aged 75 years and over would recognise the increased likelihood of poor dental health amongst older people, and would ensure that a more holistic perspective on health is taken.

NSA believes that greater emphasis on screening services, preventative health checks and community education will assist Australians to maintain their health and wellbeing throughout their life.

Actions Required

NSA calls on the Government to:

- Set the Pharmaceutical Benefits Scheme (PBS) safety net threshold for a single person at 50 per cent of that of a couple to address the current inequity for singles having to reach the same safety net amount as couples.
- Provide an additional \$85 million dollars in funding for Patient Travel Assistance as recommended by the National Health Hospitals Reform Commission (NHHRC), to ensure that consumers are appropriately remunerated for out-of-pocket expenses associated with health related travel and accommodation.
- Reimburse patients who underwent cataract surgery between 1 November 2009 and 1 February 2010, the difference between the temporary rebate (which applied at the time of operation) and the rebate applicable from 1 February 2010.
- Provide free annual dental health checks for people aged 75 years and over.
- Provide confirmation that women aged 75 years and over will continue to have access to the *BreastScreen Australia* Program and extend the *BreastScreen Australia* target population to include women aged 70 years and over.

2. Creating a level playing field for older workers

The broad policy imperative facing Australia is to develop a comprehensive mature age workforce strategy which identifies and addresses the cultural and institutional barriers facing older workers.

NSA's *Experience Works* report (2009) found that Australia is fast falling behind its major trading partners and other developed countries in relation to providing opportunities for older workers. What is missing is a coordinated, cross-policy framework.

NSA acknowledges the recent announcement of a \$43 million Productive Ageing Package as a positive step forward in this regard, but Australia can do much more to utilise the skills, experience and energy of healthier, more active and dynamic older generations. There are several disincentives to employment that can be immediately removed to achieve this goal.

Since changes altering the treatment of income earned by pensioners took effect on 20 September 2009, pensioners who work for a short (defined) period each year are no longer able to have their income averaged over the year.

NSA has received a high volume of representations from members who are reconsidering working in short term jobs because they now receive less pension overall than they would have done before the changes. Short term jobs such as supervising exams and preparing tax returns are most commonly undertaken by older retired people who wish to supplement low fixed incomes, and are an important contribution to the economy. The view consistently expressed to NSA is that the new arrangements are a significant disincentive to workforce participation, notwithstanding the introduction of the Work Bonus.

Legislated age limits also function as disincentives to older workers contributing to the economy. Employers are not currently obliged to pay Superannuation Guarantee contributions once a worker turns age 70, and are prohibited from doing so once they turn 75.

Similarly, workers compensation under the Comcare scheme ceases when an employee reaches pension eligibility age (65 years), or alternatively can be paid for a maximum period of 104 weeks where the employee is 63 years or older. This arrangement also acts as a considerable disincentive for older Australians to remain in or return to the workforce.

Our position

Faced with a rapidly ageing population and a looming skills shortage, NSA believes one of the smartest things we can do as a nation is create a level playing field for older workers by giving older workers who want to work the same opportunities as other age groups.

NSA believes the inability to annualise waged-based income appears to be at odds with measures to encourage pensioners to remain engaged in paid work.

NSA believes that current Superannuation Guarantee age limits are a disincentive to those choosing to work past the age of 70 by effectively sanctioning a 9 per cent wages cut on the basis of age.

NSA believes that workers over 65 years need the same workers compensation protection as the rest of the workforce, something to which they are not currently entitled.

Actions Required

NSA calls on the Government to:

- Re-instate the averaging of income over a year for age pensioners that work for short defined periods, by annualising their income at the end of each financial year and paying the balance of entitlements as a lump sum.
- Remove upper age limits in the Superannuation Guarantee scheme.
- Amend the *Commonwealth Safety, Rehabilitation and Compensation Act 1988* in order to remove explicit and unreasonable age based restrictions on weekly compensation payments.

3. Ensuring a decent standard of living in retirement

Adjustments to the tax-transfer system are needed to improve people's capacity for self-sufficiency and guarantee a decent standard of living in retirement. Despite the considerable progress in the areas of tax and superannuation reforms Australia still has some way to go if it is to increase average retirement savings and achieve the goal of universal self-sufficiency.

It is not surprising that retirement incomes will fall well short of adequate levels for current and imminent retirees, given that compulsory superannuation has only been in operation since 1992. But alarmingly, future projections suggest that while average superannuation balances will grow, end balances will be inadequate to fund a decent standard of living in retirement without at least partial reliance on the government pension.

The Government Co-Contribution scheme has been a relatively successful measure at boosting retirement savings. Participation has increased markedly for women and for people aged 50 and over, suggesting that the scheme has become an important concession for those without the benefit of the Superannuation Guarantee throughout their whole working life. Given the importance of the scheme, the co-contribution must be set at a meaningful level if it is to have a continued impact on retirement savings.

NSA members report that concessions are important in assisting them to maintain a decent standard of living, even where they are self-funded. The Commonwealth Seniors Health Card (CSHC) is such an example. Notwithstanding that income limits were increased significantly in real terms over the years, they continue to erode in value with time.

Representations to NSA indicate that a key concern amongst superannuants is the risk of continually shifting goal-posts, which serves to undermine confidence in superannuation as the preferred savings vehicle. Longevity insurance is already available commercially, but there is currently a very limited range of superannuation products which meet longevity risk needs, with the main product available (lifetime annuities) delivering a low return and being unpopular amongst retirees.

NSA considers that there is considerable scope for public provision of longevity risk products, so that retirees with modest superannuation balances could buy a lifetime 'top-up' to the Age Pension. These payments could be indexed to the Age Pension. This would provide those with modest retirement savings with a guaranteed payment for life, which would not be subject to future share market volatility.

Our position

NSA believes that Australia's tax-transfer system can and should play a significant role in addressing the social, economic and demographic challenges of the 21st century, including the ageing of the population.

NSA believes the \$1,500 maximum co-contribution entitlement should apply from 2010-11, as opposed to 2014-15 (as proposed by the 2009-10 Budget). This entitlement should also be indexed to ensure it maintains its real value over time. Awareness of the scheme must also be improved if it is to become a more effective incentive for making voluntary contributions. To further enhance the incentive to make voluntary contributions the \$50,000 concessional contributions cap (CCC) for

those aged under 50, and \$100,000 cap for those aged 50 and over should also apply from 2010-11, as opposed to 2012-13.

NSA believes that periodic indexation of CSHC income limits would be a fairer and more equitable means of ensuring self-funded retirees maintain access to the benefits available under the CSHC. Given that the Age Pension is indexed according to the greater of CPI, the Pensioner and Beneficiary Living Cost Index (PBLCI) or average earnings (MTAWE), CSHC income limits should be indexed every six-months on the same basis.

NSA believes a voluntary (as opposed to mandatory) approach to longevity risk is appropriate, and is consistent with the broader goal of ensuring flexibility and choice in the use of superannuation, but there is scope for government to make longevity insurance products (such as lifetime annuities) a more attractive option for retirees.

Actions Required

- Bring forward the re-instatement of the \$1,500 maximum co-contribution entitlement, and immediately index this entitlement (against a wage based index).
- Bring forward the re-instatement of the \$50,000 concessional contributions cap for those aged under 50, and the \$100,000 cap for those aged 50 and over, and index these limits (against a wage based index).
- Index the Commonwealth Seniors Health Card income limits (bi-annually) against the higher of the Consumer Price Index (CPI), the Pensioner and Beneficiary Living Cost Index (PBLCI) or Male Total Average Weekly Earnings (MTAWE).
- Make available a (Government) lifetime annuity product, which would allow those with low retirement savings balances the choice to buy a lifetime 'top-up' to the Age Pension

4. Improving attitudes towards ageing

A recent survey (Benetas, 2010) has found some Australians still see older people as a burden on society. Rather than being a burden on society many older Australians continue to contribute to the country's economy. NSA research shows that older Australians working full-time make an economic contribution of \$59.6 billion a year to Australia's Gross Domestic Product and older Australians contribute \$4.8 billion alone in unpaid childcare and help to people with a disability.

Unfortunately, negative attitudes like those reported in the survey still exist and can lead to discrimination against older Australians. It is one reason why many seniors who want to work cannot find jobs and the country loses \$10.8 billion a year by not using their skills and experience.

While there is much anecdotal evidence of discrimination against people purely on the grounds of their chronological age (ageism),- not only in the workforce but also in the provision of goods and services - there is a low level of enforceability of age discrimination both within the State legislative framework and in Federal legislation.

Our position

NSA believes those now aged 50+ have a huge amount of offer to society. Just as Government has put in place strategies and policies to address sexism and racism, it must consider the same in order to prevent ageism from gaining a foothold and creating community division.

The decisive aspect in combating ageism is the leadership that government can provide. As a nation we need to do as much as we can to improve attitudes towards ageing and the negative perceptions held about people because of their age. This is especially important as the ageing of the population is increasing momentum.

Actions Required

NSA calls on the Government to commit to:

- Develop a program of targeted funding (similar in scope to the Gender Equality for Women Program) to implement strategies to achieve significant improvements in attitudes towards ageing.
- Strengthen and extend existing anti-discrimination legislation by amending the Age Discrimination Act 2004 to include, amongst other things, the creation of a dedicated Age Discrimination Commissioner.
- Undertake a cross-departmental audit of laws, regulations and policies to identify and address unreasonable age based restrictions.