



**Submission to the  
Federal Budget 2011-12**

November 2010

## **About National Seniors Australia (NSA)**

With a quarter of a million members Australia-wide, National Seniors is the consumer lobby for the over-50s. It is the fourth largest organisation of its type in the world.

***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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## **Executive Summary**

This document sets out a number of measures that should be adopted in the Federal Budget 2011-12 in areas of greatest concern to members of National Seniors Australia.

### ***Health and Aged Care***

1. Introduce a new universal scheme for basic dental services ('Denticare Australia'), as recommended by the NHHRC.
2. As an interim measure, pending the introduction of a universal dental health care scheme, provide free, means-tested annual dental health checks for holders of the Pensioner Concession Card.
3. Provide affordable access to equipment, aids and other devices to enable people with disabilities, whether congenital, acquired or age-related, to improve their health functioning and live as independently as possible in the community.
4. Abandon the 2009-10 Budget measure to income test the rebate on private health insurance premiums.
5. Improve minimum wage levels for aged care workers under the relevant awards in the federal industrial relations system.
6. Exercise strong leadership at the Council of Australian Governments on closing the remuneration gap between aged care workers and workers in other parts of the health and community care sector.
7. Pending the findings of the Productivity Commission inquiry, increase the subsidies for residential, community and flexible aged care services to better reflect the increasing costs of aged care service provision.

### ***Personal Financial Security***

8. Adopt and implement the Cooper Review recommendations as soon as possible.
9. Develop a strategy to strengthen consumer representation in existing and proposed advisory structures relating to superannuation.
10. Phase in the increase in the Superannuation Guarantee from 9% to 12% over 3 years commencing in 2011-12, rather than over 7 years from 2013-14. This would make an appreciable difference to all Australians, but particularly seniors, whose retirement savings are still recovering from the impact of the GFC.
11. Abolish the age limit for the Superannuation Guarantee altogether, rather than just increase it to age 75 as is currently planned, to eliminate this form of unacceptable age discrimination.
12. Abolish the current arbitrary concessional contributions caps (age limits and lump sum limits) and replace them with a single lifetime cap, linked to the lump sum that would be required at pensionable age to fund the agreed 'retirement standard'. This cap should be adjusted at least annually in line with increases in the 'retirement standard'.
13. Reinstate the original policy introduced in the 2010-11 Budget in relation to the 50 per cent discount for interest income up to \$1,000.
14. Index the income limits for the Commonwealth Seniors Health Card in line with Age Pension indexation arrangements.

15. Implement the pre-election commitment with regard to the Work Bonus Scheme to effectively achieve annualisation of employment income earned by pensioners.
16. Exercise strong leadership at the Council of Australian Governments on reducing cost of living pressures for older Australians.
17. Establish an Office of Retirement Planning which, among other things, would be responsible for:
  - developing a clearer vision for superannuation policy, by defining a suitable 'retirement standard' to which all Australians could aspire;
  - providing advice on the level of superannuation savings that individuals would require to achieve the 'retirement standard'; and
  - working with the superannuation industry to educate the community about the 'retirement standard', how much they need to save to reach this standard, and how they could best achieve this level of saving over their working lives;
  - educating individuals about retirement planning through improved financial literacy;
  - providing comprehensive pre and post retirement information and advice to people; and
  - developing a retirement income policy framework.

### ***Mature Age Employment***

18. Develop a comprehensive and integrated mature age workforce strategy, through a co-ordinated, cross-portfolio approach, which addresses the barriers older people face in getting and holding a job, and their needs in relation to employment as they age. This strategy must encompass four key areas of policy focus:
  - overcoming age discrimination;
  - providing incentives to encourage the skill development of mature age workers;
  - promoting healthy workplaces and the health of mature age workers; and
  - promoting the management of age-based diversity in the workplace, including through job redesign and flexible working practices.
19. Work with the State and Territory Governments to align the qualifying age for workers' compensation with increases in the qualifying age for Age Pension.
20. Work with the insurance industry to align the qualifying age for income protection insurance with increases in the qualifying age for Age Pension.
21. Broaden the coverage of the *Experience Plus* program to enable the general up-skilling of mature age workers, based on their individual needs assessments.

### ***Age Discrimination***

22. Provide adequate program funding to enable the Age Discrimination Commissioner to work effectively with the community and industry to combat the attitudes and stereotypes that contribute to age discrimination.
23. Include as a priority in the Commissioner's work program an audit of relevant laws and regulations and the removal of all discriminatory age limits.

### ***Affordable Housing***

24. Outline and fund a plan to close the gap between underlying demand and supply for social housing by 2015.
25. In line with recommendations 102 and 103 of the Review of Australia's Future Tax System, align the maximum amount of CRA in proportion to market rents and means-test eligibility.

## **Introduction**

The challenges associated with an ageing population have been clearly set out in the 2010 intergenerational report, *Australia to 2050: future challenge*<sup>1</sup>. In addition, the Government has before it the outcomes and recommendations of four major reviews commissioned during its previous term in the areas of income support; health, hospitals and aged care; taxation; and superannuation:

- *Pension Review Report* (the Harmer review) completed in February 2009;
- *A Healthier Future for All Australians: Final Report June 2009* ( National Health and Hospitals Reform Commission (NHHRC) review);
- *Australia's Future Tax System: Final Report*(the Henry review) completed in December 2009 and released in May 2010; and
- *Super System Review Final Report* (the Cooper review) presented in June 2010.

National Seniors recognises that these reviews provide strategic direction for reform and are likely to be a major influence on decision-making in the 2011-12 Budget process.

In this submission, National Seniors sets out its priorities for Federal Government investment in the well-being of older Australians, including items for immediate action and those that may require a longer lead time for implementation, but on which work must start now. These priorities focus on the areas of greatest concern to our members: health, aged care, financial security, mature age employment, affordable housing, and age discrimination.

National Seniors notes that financial security is a prerequisite for the prosperity and quality of life all Australians desire, as many older Australians who have witnessed multiple economic downturns and financial crises can testify. As a result of the GFC, the retirement savings of most Australians received a severe blow from which they have not yet recovered. Indeed, some retirees may never fully recover their savings.

For this reason, National Seniors urges the Government to do two things. First, the Government needs to continue along the path of sound economic management, debt reduction and the prevention of waste. Second, it needs to address the systemic issues that face older Australians within the context of a responsible Budget and responsible economic management.

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<sup>1</sup> Australian Treasury 2010, *Australia to 2050: future challenges: the 2010 intergenerational report*, Canberra.

## Health

### Reform of the Health System

For older Australians, access to appropriate, affordable and timely health care is of foremost importance. We note that the Government formally responded to the National Health and Hospitals Reform Commission (NHHRC) report<sup>2</sup> in April 2010 with the publication of *A National Health and Hospitals Network for Australia's Future: Delivering Better Health and Better Hospitals* and has begun to implement the decisions reached at the Council of Australian Governments meeting in April 2010.

While recognising the importance of the whole package of measures introduced in the 2010-11 Budget, National Seniors notes that seniors especially will benefit from the initiatives designed to improve the provision of sub-acute care services to enable people to recover from illness or injury and return to independent living and improve access to respite care arrangements to assist carers sustain their role over time.

However, National Seniors is disappointed that the Government has not acted on the Commission's recommendation (Recommendation 83) to improve access to dental health care, through the introduction of a 'Denticare' scheme which would give everyone access to basic dental services such as prevention, restoration and the provision of dentures. Older people, in particular, face an increased likelihood of poor dental health, and access to a universal scheme would provide an incentive to improve dental health and defray some of the costs, which act as a barrier to accessing appropriate care.

National Seniors is also disappointed that the Government has not yet acted on the Commission's recommendation (Recommendation 41) to ensure affordable access to equipment, aids and other devices. Such aids are of crucial importance to seniors in helping to improve their health functioning and to live as independently as possible in the community.

#### Actions Required

- Introduce a new universal scheme for basic dental services ('Denticare Australia'), as recommended by the NHHRC.
- As an interim measure, pending the introduction of a universal dental health care scheme, provide free, means-tested annual dental health checks for holders of the Pensioner Concession Card.
- Provide affordable access to equipment, aids and other devices to enable people with disabilities, whether congenital, acquired or age-related, to improve their health functioning and live as independently as possible in the community.

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<sup>2</sup> *A Healthier Future for All Australians*, Final Report of the National Health and Hospitals Reform Commission, June 2009, Canberra.

## Private Health Insurance Rebate

Private health insurance is a key means by which many older Australians ensure they have access to appropriate and timely health care, at a time of increasing need for it. In fact, it is so important to their peace of mind and healthy ageing that 81 per cent of National Seniors members are privately insured.

A 2008 survey of attitudes towards the Australian health system found that, with regard to private health insurance, most concerns related to the high cost of private health insurance coverage and those who did not have private health insurance cited 'cost' as the overwhelming barrier to membership<sup>3</sup>. A second follow-up survey this year found that one in five people aged 65 and over still did not feel confident they could afford health care<sup>4</sup>.

As the price of health insurance increases, the cost pressures on fund members also increases. However, declines in membership are also likely to increase cost pressures and put people in an increasingly difficult position. National Seniors maintains that the Government's private health insurance rebate scheme is a very important way of ensuring that older Australians can continue to access affordable private health insurance, particularly as people are usually less able to adjust their financial situation as they age.

Our members are very concerned about the measure introduced in the 2009-10 Budget to income test the rebate on private health insurance premiums as it may result in health insurance being less affordable for them and many other older Australians. They are also concerned that, while they may have been fund contributors for an extended period of time, such measures may increasingly price them out of private health insurance at a time when they are most likely to need it.

This measure has so far been rejected by the Senate, but if subsequently approved would not only create greater insecurity for older people, but increase the burden on our overstretched public hospital system as more people choose to drop their private cover.

### Action Required

- Abandon the 2009-10 Budget measure to income test the rebate on private health insurance premiums.

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<sup>3</sup> *Survey on Attitudes towards the Australian health system 2008*, Menzies Centre for Health Policy, Canberra.

<sup>4</sup> *The Menzies-Nous Australian Health Survey 2010*, Menzies Centre for Health Policy, Canberra, November 2010.



## **Aged Care**

### **Reform of the Aged Care System**

For older Australians, the ability to access consumer-centred, high quality and sustainable aged care services, from home assistance through to residential care, is of vital importance,

There is consensus that the aged care system in its present form is close to breaking point and that without swift and systematic reform in the areas of funding, regulation, sustainability, access, and choice it will not be able to cope with the rapidly growing demand for aged care services resulting from an ageing population.

National Seniors therefore welcomed the Government's announcement in May 2010 that it had commissioned the Productivity Commission to conduct a review of the Australian aged care system which is expected to make recommendations for substantial reform in key areas and to replace the 'band-aid' solutions exercised over the past few years.

We commend the decision to take over full policy and funding responsibility for aged care from 1 July 2011, as we believe that it will potentially allow people to transition more seamlessly through the system as their needs change, and provide easier access to services. We also welcome the range of initiatives that were funded in the 2010-11 Budget.

Once the Productivity Commission's final report is released, National Seniors expects the Government to adopt a holistic reform approach to the aged care system, accompanied by strong budget measures in coming budgets.

In the interim, National Seniors believes that there is a need for the Government to act immediately and in advance of the findings of the Productivity Commission's inquiry to strengthen the aged care workforce and to provide adequate indexation of aged care subsidies.

### **Aged Care Workforce**

National Seniors recognises that the level of education and training of aged care workers is critical to the delivery of high quality services. In this regard, we welcome the investment made in the 2010-11 Budget, which provided \$211.2 million over four years to support a professional aged care workforce, including creating career paths in aged care, and \$390.3 million over four years in support of practice nurses. We hope that the aged care sector, in particular, will benefit from the introduction of a new practice nurse grants initiative.

However, we believe it is vital that the important contribution aged care workers are making to Australian society is recognised and appropriately remunerated. Poor remuneration has proven to be a significant factor affecting the attraction and retention of quality staff in the residential aged care sector, with significant wage disparity between the aged care and other parts of the health and community care sector being well-documented. Aged care facilities need to be able to pay their staff salaries at similar levels to staff in other sections of the health care system. As long as the aged care workforce, especially nursing staff, is paid comparatively low wages, the sector will struggle to meet increasing demand, and subsequently the care for the elderly will remain inadequate.

We recognise that this is primarily a state and territory government responsibility. However, National Seniors believes that the Federal Government should exercise strong leadership at the Council of Australian Governments to encourage the states and territories take appropriate action to close the remuneration gap between aged care workers and workers in other parts of the health and community care sector.

#### **Action required**

- Improve minimum wage levels for aged care workers under the relevant award/s in the federal industrial relations system.
- Exercise strong leadership at the Council of Australian Governments on closing the remuneration gap between aged care workers and workers in other parts of the health and community care sector.

#### **Indexation of Aged Care Subsidies**

From 1 July 2010, the basic care subsidies increased by only 1.7 per cent. Such a marginal increase fails to adequately respond to the increased costs of aged care service provision, partly triggered by a Consumer Price Index (CPI) increase of 2.8 per cent over the past 12 months to the September quarter 2010, an increase in the minimum wage of 4.6 per cent, and a record 18.6 per cent price rise for water and electricity. As these cost increases have direct financial implications for the provision of aged care services, it is imperative that they are adequately reflected in aged care subsidies.

National Seniors supports the growing calls for a review of current indexation arrangements for residential, community and flexible aged care services. Presently, the basic subsidies are indexed using the Commonwealth Own Purpose Outlays (COPO) index, which is weighted 75 per cent for wage costs and 25 per cent for non-wage costs. In addition, residential aged care providers may receive the Conditional Adjustment Payment (CAP), which was frozen by the Rudd government in 2008 at 8.75 per cent of the recurrent basic aged care subsidy for each resident.

These indexation measures have failed to respond to increased funding pressures for aged care service providers, and are inadequate in assisting providers to respond to an increased demand in aged care services as the population ages. National Seniors believes that it is of vital importance that all subsidies for aged care accurately reflect the cost pressures faced by service providers and that they offer an incentive for providers to improve their efficiency and productivity, which in turn will enable them to provide better quality care to consumers.

#### **Action required**

- Pending the findings of the Productivity Commission inquiry, increase the subsidies for residential, community and flexible aged care services to better reflect the increasing costs of aged care service provision.

## Personal Financial Security

Financial security is a prerequisite for the prosperity and quality of life all Australians desire, as many older Australians who have witnessed multiple economic downturns and financial crises can testify. As a result of the GFC, the retirement savings of most Australians received a severe blow from which they have not yet recovered. Indeed, some retirees may never fully recover their savings.

Current government retirement income policy, developed incrementally over the last two decades, is focused on encouraging workers to self-fund their retirement, through the Superannuation Guarantee and generous tax concessions for personal contributions, with the Age Pension serving as a safety net for those whose superannuation savings are insufficient. More recently, the Government has also been providing incentives (for example, the Work Bonus for Age Pensioners) to remain in the workforce past pensionable age.

### Superannuation – Key Concerns and Issues

Recent research undertaken for the Australian Tax Office documents the attitudes and concerns of consumers, employers and industry towards superannuation. It tells a story of consumer disengagement, anxiety and concern<sup>5</sup>. A critical issue is that consumers typically have no real understanding of how much superannuation they will require to fund their retirement.

Against this background, National Seniors believes that the key actions in the following areas are required to address these issues and concerns.

### Superannuation Funds – Governance and Administration

The global financial crisis brought into sharp focus: the superannuation industry's short term approach to performance; its high levels of high-risk exposure; the limited accountability of trustees; discordance in fees and charges; and lengthy and complex disclosure documents. National Seniors is broadly supportive of the recommendations provided in the final report of the review into the governance, efficiency, structure and operation of Australia's superannuation system (Cooper Review) which go some way to addressing these issues.

However, while we recognise that the recommendations provide for the funds and the regulators to be active in managing future arrangements, we are concerned that they do not provide sufficient recognition of the interests of the consumer (or member). To restore consumer confidence, the superannuation industry must now show that it is operating for the benefit of superannuants, not service providers.

#### Actions Required

- Adopt and implement the Cooper Review recommendations as soon as possible.
- Develop a strategy to strengthen consumer representation in existing and proposed advisory structures relating to superannuation.

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<sup>5</sup> Colmer Brunton Social Research 2010, *Understanding Superannuation Preliminary Report: Qualitative Investigation with Employers, Consumers & Industry*, Canberra.

## **Superannuation Guarantee**

A universal concern is that the current level of the Superannuation Guarantee (9%) is not likely to be adequate to meet individuals' retirement needs, particularly because of increasing longevity and higher medical costs as people age. While the planned increase in the Superannuation Guarantee to 12% by 2019-20 is a very welcome initiative, it remains unlikely that this level of savings of itself will generate sufficient savings to fund a comfortable retirement. As concluded by recent ASFA research, the adequacy of superannuation savings to fund the retirement of current and subsequent generations of self-funded retirees is an on-going concern.<sup>6</sup>

The Government should phase in the planned increase in the Superannuation Guarantee from 9% to 12% over 3 years commencing in 2011-12, rather than over 7 years from 2013-14. This would make an appreciable difference to seniors, whose retirement savings are still recovering from the impact of the GFC.

Also, the Government should abolish the age limit for the Superannuation Guarantee altogether, rather than just increase it to age 75 as is currently planned, to eliminate this form of unacceptable age discrimination.

### **Actions Required**

- Phase in the increase in the Superannuation Guarantee from 9% to 12% over 3 years commencing in 2011-12, rather than over 7 years from 2013-14. This would make an appreciable difference to all Australians, but particularly seniors, whose retirement savings are still recovering from the impact of the GFC.
- Abolish the age limit for the Superannuation Guarantee altogether, rather than just increase it to age 75 as is currently planned, to eliminate this form of unacceptable age discrimination.

## **Superannuation – Concessional Contributions**

The Government should remove the current arbitrary concessional contributions caps (age limits and lump sum limits) and replace them with a single lifetime cap, linked to the lump sum that would be required at pensionable age to fund the agreed 'retirement standard'. Actuarial advice would be needed to determine this lump sum cap, which would need to be adjusted at least annually in line with increases in the 'retirement standard'. When the lump sum cap is reached, no further concessional contributions could be made beyond statutory Superannuation Guarantee amounts.

A key benefit of this approach is that it would enable individuals to tailor their pattern of concessional contributions to their personal circumstances. For example, it would particularly help those with broken work patterns, such as women or men who take time out

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<sup>6</sup> ASFA Research Centre 2010, *Retirement Budget Standards: Updating and extending indicative budget standards for older Australians in 2009*, Sydney

of the workforce to raise children, to achieve a reasonable level of retirement savings by enabling them to maximise their contributions when their household budgets are most able to accommodate this saving. For many people, this will be in the latter stages of their working lives, as mortgages are repaid and the costs associated with raising their children have diminished.

#### **Actions Required**

- Abolish the current arbitrary concessional contributions caps (age limits and lump sum limits) and replace them with a single lifetime cap, linked to the lump sum that would be required at pensionable age to fund the agreed 'retirement standard'. This cap should be adjusted at least annually in line with increases in the 'retirement standard'.

#### **Savings outside Superannuation**

In the 2010-11 Budget, the Government decided that from July 2011 there would be a 50 per cent tax discount on up to \$1,000 of interest earned by individuals, including interest earned on deposits held in authorised deposit taking institutions, bonds, debentures and annuity products. This initiative recognised the relatively higher level of taxation applying to interest income over other savings vehicles and was designed to improve the taxation regime for savings.

The Government has recently decided, however, to defer commencement by 12 months and to lower the cap on interest income that is eligible for the discount in the first 12 months of operation to \$500. This change provides a disincentive to saving, and particularly affects those on low, fixed incomes, including many pensioners and self-funded retirees who rely on their savings to meet increasing cost of living pressures.

#### **Action Required**

- Reinstate the original policy introduced in the 2010-11 Budget in relation to the 50 per cent discount for interest income up to \$1,000.

#### **Indexation of the Commonwealth Seniors Health Card**

The Commonwealth Seniors Health Card (CSHC) income limits were indexed until 1999, at which time they were raised significantly and indexation ceased. The increase to the limits at this time was substantial – 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 the current limits of \$50,000 for singles and \$80,000 for couples.

As part of the Secure and Sustainable Pension reforms, the Age Pension and arrangements to assist CSHC holders have become inextricably meshed to the extent that the Pension Supplement (Age Pension entitlement) and the Seniors Supplement (CSHC entitlement) are

now equal in value. To maintain this equality, the Seniors Supplement is indexed on the same basis as the Pension Supplement. It would therefore be consistent and fair for CSHC income limits to keep pace with the maximum amounts of private income pensioners can earn without becoming ineligible for the Age Pension, because a non-uniform approach to the indexation of retirement incomes is both inequitable and divisive, and serves to undermine public trust in retirement standard benchmarks.

#### **Action Required**

- Index the income limits for the Commonwealth Seniors Health Card in line with Age Pension indexation arrangements.

#### **Work Bonus Scheme – Employment Income Averaging**

It is a Government pre-election commitment to introduce improvements to the Work Bonus scheme for age pensioners from 1 July 2011. The commitment is for:

- age pensioners to be able to earn up to \$250 a fortnight without it being assessed as income under the pension income test;
- the Work Bonus to be annualised, so that up to \$6,500 a year of employment income on top of the \$4,000 a year of the pension income free area will be excluded from the pension income test.

The Work Bonus Scheme was introduced as part of the Secure and Sustainable Pension reforms. The Work Bonus Scheme changed the way Centrelink assessed employment income as part of the pension income test, which allows for a degree of averaging.

NSA notes that the implementation of this commitment by the Government would resolve the unintended consequence of all income being assessed on a fortnightly basis. NSA also notes that the increase of the rate at which excess income affects the pension from 40 cents to 50 cents in the dollar for income up to \$500 to dollar-for-dollar up to \$250 will be of additional benefit to those whose annualised fortnightly income does not exceed \$500. NSA understands that the vast majority of beneficiaries of the Work Bonus Scheme fall within this category.

#### **Action Required**

- Implement the pre-election commitment with regard to the Work Bonus Scheme to effectively achieve annualisation of employment income earned by pensioners.

#### **Cost of Living Pressures**

Rising costs in essential areas, such as food, housing and utility prices, have a significant impact on the living standards of older Australians, particularly those who have few, if any, discretionary expenditures that can be reduced. Many older people cannot afford the steady and growing cost increases in essential areas.

Older Australians typically have lower average incomes and are much more likely to be reliant on Government pensions and allowances as their principal source of income than the rest of the population. It is essential that age pensioners and low income self-funded retirees are provided with appropriate financial assistance and that assistance is reviewed to ensure a 'modest but adequate' lifestyle.

#### **Action Required**

- Exercise strong leadership at the Council of Australian Governments on reducing cost of living pressures for older Australians.

#### **Retirement Income Strategy**

The ability to know how much will be required in superannuation to fund an adequate lifestyle seems very difficult to calculate for the majority of consumers, with factors such as increasing life expectancy, market performance uncertainty and the cost of living all contributing to the complexity of deciding how much needs to be saved 'today'.

The Government needs to articulate what it considers to be an appropriate 'retirement standard' (in terms of annual income required) for all Australians to aspire to, which would then enable them to estimate more accurately the quantum of superannuation savings they would need to accumulate over their working lives. As Minister Shorten recently noted, "Baby Boomers will simply expect more in retirement than preceding generations"<sup>7</sup>.

National Seniors notes that Westpac and the Association of Superannuation Funds of Australia (ASFA) have already developed benchmarks of the annual budget needed to fund either a modest or a comfortable standard of living in retirement which are adjusted quarterly. Both these standards assume retirees own their home. National Seniors suggests that the Government should consider adopting the Westpac-ASFA comfortable retirement standard as its aspirational retirement standard.

The Government must work closely with the superannuation industry to educate the community about its vision for superannuation (helping people to achieve a comfortable standard of living in their retirement), the level of savings that will be required to achieve this retirement standard, and the options available to maximise superannuation savings. National Seniors believes that there would be value in establishing an Office of Retirement Planning to lead and co-ordinate this activity.

However, despite compulsory superannuation, Australians will continue to fall short of the income targets required for modest retirement for several decades. The major challenge is to ensure adequate funding for retirement for an ageing population into the future and reduce the gap between retirement expectations and preparedness.

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<sup>7</sup> The Hon Bill Shorten MP, Assistant Treasurer and Minister for Financial Services and Superannuation 2010, *Address to ASFA 2010 National Conference*, Adelaide.

To meet this challenge, we argue that there is a need for the Australian Government to better articulate its retirement income strategy through the establishment of an Office Retirement Planning. There has been much activity with regard to issues affecting retirement, such as the recent reviews of tax, pensions, superannuation and financial services and products, as well as changes to licensing and fiduciary arrangements for financial advisers. However, this activity needs to be better co-ordinated to lead to policy settings that encourage people to plan for their retirement with certainty and confidence.

#### **, Actions Required**

- Establish an Office of Retirement Planning which, among other things, would be responsible for:
  - developing a clearer vision for superannuation policy, by defining a suitable 'retirement standard' to which all Australians could aspire;
  - providing advice on the level of superannuation savings that individuals would require to achieve the 'retirement standard';
  - working with the superannuation industry to educate the community about the 'retirement standard', how much they need to save to reach this standard, and how they could best achieve this level of saving over their working lives;
  - educating individuals about retirement planning through improved financial literacy;
  - providing comprehensive pre and post retirement information and advice to people; and
  - developing a retirement income policy framework.



## Mature Age Employment

### Mature Age Employment Strategy

As the 2010 intergenerational report, *Australia to 2050: future challenges*, notes, participation in the workforce is associated with positive life outcomes such as financial independence, a sense of identity and social opportunities.

Economic and fiscal imperatives are not the only reason, however, that more needs to be done to improve the participation rate and employment of older Australians. Attachment to the workforce can also contribute to healthy ageing, by keeping the mind and body active.

National Seniors acknowledges the Government's announcement on 1 February 2010 of a \$43.3 million Productive Ageing Package which includes, among other things:

- 2000 training packages for employers to allow eligible mature age workers to retrain as supervisors or trainers of young apprentices or as workplace assessors;
- face-to face job support and training for eligible mature age-workers with a health condition or injury which impacts on their ability to do their job;
- support for up to 8000 mature age workers in physically demanding roles and about 1600 recently retrenched jobseekers to transition to a new role, occupation or industry; and
- a Consultative Forum on Mature Age Participation to advise on further measures to help mature age workers who want to remain in the workforce.

However, National Seniors believes that increasing the workforce participation of older Australians is a major public policy issue that requires a strategic response, led by the Federal government in consultation with employers and individuals.

It is vital for Australia to develop, as a matter of priority, a comprehensive and integrated mature age employment strategy that addresses both the needs of the economy for increased participation of older people, and the needs of older people themselves as they make the transition to retirement. The Consultative Forum on Mature Age Participation could assist in the formulation of this strategy.

#### Action Required

- Develop a comprehensive and integrated mature age workforce strategy, through a co-ordinated, cross-portfolio approach, which addresses the barriers older people face in getting and holding a job, and their needs in relation to employment as they age. This strategy must encompass four key areas of policy focus:
  - overcoming age discrimination;
  - providing incentives to encourage the skill development of mature age workers;
  - promoting healthy workplaces and the health of mature age workers; and
  - promoting age management (that is, the management of age-based diversity) in the workplace, including through job redesign and flexible working practices.

While this broad employment strategy is being developed, there are some immediate actions National Seniors believes the Government should take to redress significant inequities or anomalies in relation to age discrimination for access to workers' compensation and income protection insurance, and incentives for skill development.

### **Workers' Compensation and Income Protection Insurance**

The likelihood of workplace injury and illness increases with age, but there are legislative provisions within most jurisdictions to prevent injured employees from claiming workers' compensation after the age of 65. NSA believes that older workers deserve the same workers compensation protection as the rest of the workforce. Likewise, income protection insurance is not available to those aged 65 and over. Mature age workers who are injured or sick should not be disadvantaged compared to other sections of the population.

#### **Actions Required**

- Work with the State and Territory Governments to align the qualifying age for workers' compensation with increases in the qualifying age for Age Pension.
- Work with the insurance industry to align the qualifying age for income protection insurance with increases in the qualifying age for Age Pension.

### **Skills Training**

The older workers get, the less likely they are to receive training. To maintain or enhance their employability, older workers need to maintain the currency of their existing skills and learn new skills as required.

As part of its 2010 election commitments, the Government promised to dedicate a further \$30 million to the *Experience Plus* program, to deliver more work-based training for up to 7,500 mature age workers. While this is a good start to enabling older workers to increase and update their skills, National Seniors is concerned that these training packages are only available to those who are working with apprentices or trainees.

#### **Actions Required**

- Broaden the coverage of the *Experience Plus* program to enable the general up-skilling of mature age workers, based on their individual needs assessments.

## Age Discrimination

National Seniors welcomes the Australian Government's recent initiative to strengthen anti-discrimination legislation and believes that this needs to be coupled with broader community education and increased awareness about the value of older workers.

The establishment of a dedicated Age Discrimination Commissioner, through the introduction of the *Sex and Age Discrimination Legislation Amendment Bill 2010* into the Australian Parliament, is an important step. However, to achieve the Commissioner's identified objectives it will be important to adequately resource the role. We note that the estimated expense of \$2.1 million over three years from 2011-12 is attributable to personnel costs only.

Institutional age barriers, such as those applying in superannuation workers compensation legislation and income protection insurance mentioned previously, reveal a willingness to treat people differently because of their age alone. This sends the wrong message to business and broader community. For this reason, National Seniors believes one of the first priorities for the Commissioner should be to remove explicit and unreasonable age-based restrictions in current legislation and regulations.

### Actions Required

- Provide adequate program funding to enable the Age Discrimination Commissioner to work effectively with the community and industry to combat the attitudes and stereotypes that contribute to age discrimination.
- Include as a priority in the Commissioner's work program an audit of relevant laws and regulations and the removal of all discriminatory age limits.

## Affordable Housing

The risk of living in poverty in old age is generally considered to increase if a person does not own his or her own home. Fourteen per cent of older households are dependent on renting, evenly spread across private and public rental, and face considerable housing costs. Because of this, the affordability of non-owner-occupied housing is of major concern to National Seniors.

While we recognise that housing matters are primarily the responsibility of state and territory governments, the Federal Government provides considerable funding for social and community housing, and for measures to address homelessness, through the National Affordable Housing Agreement (NAHA). It also provides Commonwealth Rent Assistance (CRA) to income-support recipients renting privately.

National Seniors believes that the Federal Government should increase the funding available under these programs to improve the supply of social housing and better support those who need to rent in the private market.

## Social Housing

Ageing of the population will have significant impacts on the demand for social housing. National Seniors acknowledges the provision of additional funding for social housing under the National Building Economic Stimulus Plan announced in February 2009 but notes that it is time-limited. The National Housing Supply Council's projections indicate that underlying demand for public rental from older households is likely to rise from 86,500 in 2008 to 189,900 in 2028, an average annual increase of just over 5,000<sup>8</sup>. When coupled with the fact that current underlying demand is not being met, this points to a growing shortfall in social housing provision.

Housing affordability depends to a large extent on housing supply. The most direct way the Federal Government can ensure adequate supply is by funding the state and territory governments to build and operate housing, either as social housing or community housing. An adequate supply of social and community housing can help meet the needs of those people who are unable to afford suitable accommodation at market rents. While subsidising social housing may appear to only benefit social housing tenants, an adequate supply in this sector can relieve overall housing supply shortages, helping to restrain market rents.

### Action Required

- Outline and fund a plan to close the gap between underlying demand and supply for social housing by 2015.

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<sup>8</sup> Commonwealth of Australia 2010, *National Housing Supply Council: Key Findings of the 2<sup>nd</sup> State of Supply Report*, Canberra.

## Commonwealth Rent Assistance

Private rental demand among older households is projected to rise from 146,200 in 2008 to 321,400 by 2028. As at September 2009, over 188,000 pensioners were receiving Commonwealth Rent Assistance (CRA). Even after taking CRA into account, around 35 per cent of these recipients were paying more than 30 per cent of their income in rent<sup>9</sup>.

National Seniors notes that CRA is tied to CPI, rather than to changes in market rents and is not directly means-tested, but relies on eligibility for other Centrelink benefits. This means that the rate of rent assistance does not necessarily keep up with developments in the rental market and places CRA recipients under additional 'housing stress'.

### Action Required

- In line with recommendations 102 and 103 of the Review of Australia's Future Tax System, align the maximum amount of CRA in proportion to market rents and means-test eligibility.

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<sup>9</sup> Commonwealth of Australia 2010, *National Housing Supply Council: Key Findings of the 2<sup>nd</sup> State of Supply Report*, Canberra.