# Federal Budget Submission

# 2013-2014

National Seniors Australia

## About National Seniors Australia

With 200,000 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 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 discounts from over 7,000 businesses across Australia, we offer discount travel and tours designed for the over 50s, and we provide them with affordable, quality insurance to suit their needs.

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## Who we are

With 200,000 individual fee-paying members aged 50 and over across the country, National Seniors is the consumer lobby for older Australians. In terms of individual membership National Seniors is at least five times larger than any other over-50s group in Australia. Our members trust us to fearlessly and independently reflect their views and concerns to government, business, media and society. And this we do.

The policy recommendations in this document are drawn from the membership grassroots through letters, emails, phone calls, surveys, volunteer state advisory groups and a diverse and experienced Board. The development of these recommendations is supported by highly qualified policy staff and our respected Melbourne-based research arm, the National Seniors Productive Ageing Centre.

As the consumer voice, in this budget submission we do not make grand motherhood statements nor do we call for three-year reviews or all-encompassing strategies. Instead, we suggest very real, specific and targeted initiatives that, if implemented, would immediately be felt in the lives of ordinary, everyday older Australians. Where data is available, rough cost estimates are included across the areas of employment, disability support, social inclusion, health and retirement income.

### What National Seniors stands for

- Ageing with dignity, security and purpose
- Economic and social inclusion
- Access to world class services including health and aged care
- Decent safety nets for those who are unable to provide for themselves
- Recognition for those who have worked and sacrificed to provide for themselves in retirement
- Fairness and equity across generations
- Certainty in the retirement income policy

## FEDERAL BUDGET RECOMMENDATIONS 2013

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## DISABILITY SERVICES

**Recommendation 1:** Include the over-65s with no significant age-related conditions in the NDIS launch sites commencing July 2013 with the view to removing the age limit altogether.

***Cost estimate:** $49.5 million for the first two years of the trial*

Australians aged 65 and over are currently excluded from the proposed National Disability Insurance Scheme.

This means a 65-year-old who suddenly acquires a severe and profound disability (such as blindness) will be shunted into an ill-equipped user-pays aged care system already overwhelmed by demand.

The 64-year-old next door with exactly the same condition, however, will receive all the free government care and support he or she needs over a lifetime.

This arbitrary age limit, incongruent with the government's efforts to raise age limits in other areas, will see many desperate Australian families turned away from services that others get as an automatic right.

National Seniors believes that in excluding the over-65s from the scheme, Australia is contravening its obligations under the *United Nations' Convention of the Rights of Persons with Disabilities.*

As a first step towards dropping the age limit altogether National Seniors is calling on Government to include the over-65s in the NDIS launch sites.

We suggest including: 1000 people (500 in first year and an additional 500 in second year) aged 65 and older with newly acquired severe and profound disability and no significant age-related care needs.

Based on an average cost of $33,000 per participant this could cost $49.5 million for the first two years of the trial.

## RETIREMENT INCOME

**Recommendation 2:** Develop an overarching retirement income strategy that crosses multiple portfolios.

**Recommendation 3:** Bring forward to 2013-2014 the increased $50,000 concessional superannuation cap for individuals aged 50 and above with superannuation balances below $500,000.

***Cost estimate:*** *$500 million*

The lack of a coherent, overarching retirement incomes policy and constant superannuation changes are introducing uncertainty into retirement planning. National Seniors research shows over half of Australians aged 45-plus with knowledge of superannuation believe the rules change too often. Almost 40 per cent of those still working say changes to the system are affecting their retirement plans. And of those already retired, 25 per cent say the uncertainty created by those changes is affecting their retirement. [1]

The ever-changing concessional contribution limit is an example of this. In 2009-10 the concessional superannuation cap for people aged 50 or over was decreased from $100,000 to $50,000; then decreased further to $25,000 in 2011-12 and, unexpectedly, in 2012-2013. From July 2014 the concessional contributions limit is expected to revert to $50,000 a year for those aged 50-plus and with superannuation balances of less than $500,000.

Besides adding to overall uncertainty and throwing long-held plans into disarray, the reduced contribution cap also hampers the savings efforts of Australians with interrupted work histories who are building superannuation reserves at a late stage. These include people who have been excluded from the workforce due to child rearing, caring responsibilities or ill health.

**Recommendation 4:** Remove the age limits on superannuation starting with voluntary contributions and the government co-contribution

In 2013 the superannuation guarantee age limit will no longer apply. Despite this, age limits continue to exist across superannuation. These restrictions are discriminatory, counter to Government efforts to promote mature age employment and a disincentive to self-sufficiency in retirement.

Two examples of these include the low-income government co-contribution scheme which cuts out at age 71, and voluntary contributions more broadly which end at age 75.

[1] National Seniors Productive Ageing Centre, *Barriers to Mature Age Labour Force Engagement in Australia (*October 2012)

The co-contribution, in which government used to match up to $1000 of personal super contributions and which was cut back to $500 in 2012, is designed to boost the retirement savings of low to middle income earners.

## **Recommendation 5:** Extend the current minimum drawdown concession on allocated pension funds until 2014 – 2015

In 2008 those Australians nearing or in retirement felt the shock of the global financial crisis as market-linked nest eggs were obliterated overnight. In a survey of 3500 people, National Seniors discovered that older Australians were holding their nerve, battening down the hatches and steadying themselves for the worst. Three quarters reported cutting back on spending, 70 per cent worried that their savings wouldn't last their lifetime and half delayed retirement to recoup their losses.[2]

National Seniors welcomed the government response to this turn of events. It lowered the minimum drawdown requirement on account-linked pensions so that retirees would not be forced to realise losses while their nest eggs recovered.

In 2008-2009, 2009-2010 and 2010-2011 the minimum drawdown requirement was halved, and then raised to 75 per cent in 2011-2012 and 2012-2013.

National Seniors member feedback suggests superannuation balances have not yet fully recovered from the Global Financial Crisis, and retirees fear a return to the normal drawdown requirements in 2013-2014 will prematurely force them to realise losses.

A further extension of the minimum drawdown concession will ensure retirees, who have little or no capacity to recoup financial loss, will have the chance to see their superannuation back in the black.

[2] *Financial Wellbeing: Concerns and choices amongst older Australians,* National Seniors Productive Ageing Centre (June 2012)

## EMPLOYMENT

**Recommendation 6:** Establish a prestigious national award that recognises businesses which demonstrate best practice in employing, nurturing and retaining mature age workers**.**

**Recommendation 7:** Increase, and publicise, the availability of training and job search support for mature age workers, including those who may be ineligible for income support.

**Recommendation 8:** Provide targeted incentives such as tax breaks or training bonuses for employers that hire workers aged over 50.

**Recommendation 9:** Provide early intervention reskilling opportunities for mature age employees in declining industries.

For over a decade, both sides of politics have committed to raising the participation rates of mature age workers. Despite training programs, employer cash incentives and information campaigns the reality is, once unemployed, older Australians struggle to get back into the workforce. The negative implications of this are both human specific (poverty, ill health, depression, social exclusion) and economic (an annual loss of $11 billion to the Australian economy[3]).

The barriers to employment are many and varied. Age limits on superannuation, workers compensation, professional insurance and licensing are a direct disincentive for older people to work. For older carers, employer inflexibility makes paid work a distant dream.

More pervasive and notoriously difficult to prove is age discrimination which, National Seniors research confirms, occurs not only in the workforce but during the recruitment process[4]. Human resource personnel often have their own ideas about what constitutes fresh and innovative, and, as older applicants report, a special vocabulary for those who fall short. Key phrases include: “We didn’t think you’d fit in”, “We want someone with a high energy level” or “You’re over-qualified”.

On the positive side, figures show that a decade of political will is slowly reversing the cult of early retirement and giving those older Australians who want to work the opportunity to do so well beyond pension age.

National Seniors believes that, ultimately, the required change is attitudinal, and it must be driven in concert by business, government and society.

In this submission we call on government to do three things. First, build and strengthen the training programs, targeted services and employer incentives already in place under Experience+. Secondly, publicly recognise and reward those

[3] National Seniors Australia, *Experience Works: The mature age employment challenge* (2009).
[4] *The Elephant in the Room - Age Discrimination in Employment*, National Seniors Australia (April 2011)

businesses leading the way in employing older workers. Thirdly, as an early intervention measure, pay for the reskilling of mature age workers in declining industries.

## **Recommendation 10:** Extend the right to request flexible working arrangements to employees who have caring responsibilities for an elderly parent, spouse or disabled adult child.

With the rise of divorce, second marriages and delayed families, we're seeing the emergence of the Sandwich Generation – 50- and 60-somethings raising young children while caring for an elderly parent.

What isn't new is the likelihood of becoming a carer increases with age and that Australia's carers are mostly aged 45 and over.[5] A large number of older Australians are carers of individuals aged above 18, and around three quarters of people aged 65 and over care for their partner or spouse.[6]

National Seniors research shows that one third of people aged 45 to 74 report caring responsibilities are a barrier to employment. More flexible work patterns would help 61% of non-employed carers and 50% of employed carers to start work or work more hours.[7]

Currently, under the National Employment Standards (NES), an employee who has responsibility for a child under school age, or who is under 18 and has a disability, can request flexible working arrangements. Such a request may only be refused on 'reasonable business grounds'. Employees caring for individuals aged over 18 cannot request flexible working arrangements.

This restriction makes it virtually impossible for older carers to remain in, or return to, the workforce and pays no heed to the fact that the majority of Australians who need constant care are aged over 18.

National Seniors believes that, at no cost to government, flexible working arrangements will encourage carers to remain in the workforce, reduce reliance on social security and promote social inclusion and well-being.

[5] Australian Bureau of Statistics, *Disability, Ageing and Carers: Summary of Findings*, Cat No 4430.0 (2003), 49.
[6] Australian Bureau of Statistics*, Older Carers, ABS 2009 Survey of Disability*, *Ageing and Carers.*
[7] National Seniors Productive Ageing Centre, *Barriers to Mature Age Employment,* November 2012

## SOCIAL SECURITY

### **Recommendation 11:** Raise the income limits on the Commonwealth Seniors Health Card by $10,000 to better reflect 11 years of inflation

The Commonwealth Seniors Health Card (CSHC) is an income-tested concession card for low-income self-funded retirees of Age Pension age (65).

The card grants holders - who just miss out on an Age Pension and all its associated benefits - to subsidised medicines and healthcare; state, territory and local government concessions; and a Seniors Supplement for household expenses such as rates and utilities. In the term of the Rudd and Gillard Labor governments, CSHC cardholders have also received stimulus and carbon tax payments.

Clearly, the card and its benefits are highly valued by approximately 280,000 self-funded retirees who, after years of saving sacrifice, ask no more of the state.

The Howard Government increased the CSHC limits to $50,000 (from $40,000) and $80,000 (from $67,000) in 2001. In 2012, as debate raged over whether a family income of $150,000 represented middle Australia, the CSHC limits sat exactly where they were eleven years ago.

Based on the Reserve Bank of Australia's inflation calculator, the 2012 value of the thresholds set in 2001 is now $67,689 for singles, $108,301 for couples or $135,000 for separated couples. These estimates represent an increase of 35.4% over 11 years at an average inflation rate of 2.8 percent.[8] The existing levels clearly do not reflect cost of living increases, let alone increases in medical and pharmaceutical services which are rising at higher levels than inflation.

Mindful of budgetary constraints, National Seniors is not calling for the full inflationary increase but $10,000 on both the single and couples limits.

### **Recommendation 12:** Immediately adjust the deeming rates to reflect falling bank deposit returns

***Cost estimate:*** *$1 million per annum*

The deeming rates upon which individual Age Pension payments levels are assessed have not fallen since March 2010. Yet in that period we have seen six official interest cuts. Historically, deeming rates have decreased almost simultaneously with falls in the cash rate.

Many retirees in search of simple, low risk investments for their life earnings use savings accounts or term deposits. The returns on these accounts are directly linked to the cash rate. According to research conducted in November 2012, returns from term deposits and online savings accounts have slumped 15 to 30 per cent[9].

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[8] Reserve Bank of Australia. Inflation Calculator http://www.rba.gov.au/calculator/annualDecimal.html
[9] *Your Money* (November 2012)

Accounts that paid more than six per cent interest are now close to 4.5 per cent or, in other words, every $1000 of income has fallen to just $750.

Despite this, for pension purposes the Government still deems pensioners to be earning from term deposits what they earned in 2009. This means pensions have not kept pace with the falling incomes of older Australians.

## **Recommendation 13:** Increase Newstart Allowance to a rate that is 80% of the Age Pension

***Cost estimate:*** *$1 billion per annum*

Research shows that older job seekers will languish in unemployment for an average 71 weeks compared to the 41 weeks of those aged 25 to 44.[10] The barriers facing older workers, from out-dated skills to discriminatory recruitment practices are well-known. It comes as no surprise then that the over-55s represent 20 per cent of those Australians who have been unemployed for two years and are living off Newstart Allowance.

Based on the principle of mutual obligation, Newstart was designed as a *short term* payment to support individuals during their search for work. At around $244 a week, Newstart is: less than half the minimum wage, $109 less than the Age and Disability pensions, and $130 under the poverty line. Called to investigate the adequacy of income support payments, in late 2012 a Senate References Committee concluded that Newstart did not allow people to live at an acceptable standard in the *long term.* However the Committee held off recommending a payment increase.

It is for these long term unemployed that National Seniors supports calls to raise Newstart. Later life unemployment is particularly devastating for older Australians. It eats into nest eggs, throws life plans into disarray and shatters the self-esteem of people for whom work has long been the measure of their worth.

National Seniors believes that Newstart, particularly as it stretches into the long term, is too low to support an adequate standard of living and fund the extra costs associated with actively searching for employment (clothing, education and transportation expenses). We also believe this gap creates a perverse incentive for people to transfer to the Disability Pension rather than continue seeking employment.

Linking the value of the Newstart payment to 80% of the Age Pension will increase the funds available for people seeking work and reduce the incentive to transfer to a disability pension. This lower rate continues to acknowledge the extra costs incurred when an individual reaches pension age or manages a disability. On current rates 80% represents a weekly increase of around $30.

[10] National Seniors Australia, Barriers to Mature Age Employment: Final Report Of The Consultative Forum On Mature Age Participation, Productive Ageing Centre, P13

## SOCIAL INCLUSION

**Recommendation 14:** Provide a targeted $100 one-off household rebate, through the Pension or Seniors Supplement, for Age Pensioners and Commonwealth Seniors Health Card holders who sign up to the internet, including the NBN, for the first time.

While news stories often celebrate the internet take up of older Australians the reality is not only are they coming off a low base but they still have a long way to go. National Seniors research confirms this. In 2011, 70 per cent of people aged 55 to 64 had used the Internet but for the over-65s, that figure was only 37 per cent.[11]

Older Australians without an internet connection are finding themselves increasingly left behind. Across business and government, the seismic shift to providing information and conducting transactions online is clear, and the seniors who need it most are missing out on associated cost, time and service efficiencies.

Lack of skills (76%), confusion over the technology (74%) and security concerns (64%) are the top three barriers to going online. Another significant barrier reported not only in the research but also filtering up from the National Seniors membership is affordability (42.3%).

Broadband connections alone range from $30 to $50 a month. In a telephone/internet bundle they range from $60 to $90 a month. For pensioners and low income retirees who are already paying 70 per cent of their household income on energy alone, this is a luxury.

The rollout of fast speed broadband provides a perfect opportunity to kill two birds with one stone: Promote National Broadband Network take up (currently reported to be only 24%) and get older Australians online.

National Seniors proposes a one-off $100 incentive payment for pension-age households that sign up to the internet for the very first time. The payment could be delivered either through the Seniors or Pension Supplement or as an independent rebate through NBN Co (if it were to be NBN specific).

Media reports[12] suggest that such a payment is already being made to internet service providers. National Seniors suggests it go directly to consumers to not only address affordability issues but raise consumer awareness of the NBN.

[11] National Seniors Productive Ageing Centre, *Older Australians and the Internet: Bridging the Digital Divide*, September 2011

[12] Mitchell Bingemann, "Bounty to lift NBN network take-up", *The Australian,* January 26, 2013

**Recommendation 15:** Lower the Seniors Passport eligibility age to 70 years from 75

***Cost estimate:*** *$6 million*

Healthy, free spirited Australians planning to explore the world into their 70s, 80s and 90s face an uphill battle. National Seniors research reveals older Australians are being priced out of the travel market by insurance companies that consider them much too risky not only in terms of their health but also their wayward luggage.

A third of the approximately 1800 people we surveyed in 2012 reported being slugged with higher insurance premiums because of their age. “When my mother made her last overseas trip at the age of 87, the cost of her travel insurance was half the cost of her airfare,” said one respondent.

Of the half who didn't think they were paying higher premiums, researchers speculated that they were probably unaware that age is considered a factor by risk assessors. Sadly, as insurance costs mount many older Australians are forced to stop travelling altogether[13].

National Seniors believes the federal government can, in a small way, offset some of the private sector costs inflicted on older travellers by reducing the Seniors Passport eligibility age from 75 to 70 years.

To start, the Seniors Passport is poorly targeted as figures show older Australians undertake international travel during earlier years of retirement[14]. The Department of Foreign Affairs and Trade’s definition of ‘seniors’ as 75-year-olds is inconsistent with both the Age Pension age (65 and rising to 67 in 2023), and the state-based Seniors Card age (60 in every state excepting Queensland which is 65).

Secondly, the $119 a 75-year-old pays for a Seniors Passport is not a discounted rate. Instead, the cost reflects that it is valid for five years, half the period of a standard ten-year adult passport which is $238. A lowering of the age limit to 70 would represent revenue lost to government – around $5 million - rather than monies spent.

Over the longer term, National Seniors supports an insurance industry review with the aim of building greater transparency into risk assessments and pricing decisions.

[13] National Seniors Australia. 2012. Ageism in Travel Insurance. Productive Ageing Centre: Canberra.
[14] Anthony Galloway, ‘*Passed Over for a Senior*’, Townsville Bulletin (Townsville), 18 May 2012.

## HEALTH

**Recommendation 16:** Lower the PBS safety net threshold to at least 66% of the current level for single pensioners, concession card holders and general patients on low incomes (set at the lower ATO threshold, currently $37,000)

National Seniors recognises the vital role of the Pharmaceutical Benefits Scheme in ensuring affordable and accessible medicines for all Australians. In fact, such is the importance of affordable medicines, 55 per cent of the over-50s say that higher drug costs (as a result of a loss of government subsidies) will influence their vote.

The reality is many older Australians face financial strain from the cost of prescription medicines and some even skip doses to counter mounting costs.[15] Twelve percent of those aged 65 plus and a fifth of Australians aged 50 to 64 reported such behaviour.

In terms of the PBS, National Seniors is particularly concerned at the inequity of single low income people, pensioners and concession card holders having to accrue the same level of out of pocket costs as a couple or family to become eligible for this safety net.

The same general or concessional Safety Net threshold is applied to a family unit regardless of whether the unit consists of an individual, a couple or a family with dependent children.

Potentially, this arrangement means that a single low income person, pensioner or concession card holder needs to fill more individual prescriptions than those filled by an individual member of a family or a couple.

The single age pension of $712 per fortnight is 66% of a couple's pension of $1073.40 per fortnight and is significantly less than that of an age pension family with dependents yet the single person would take longer to accumulate the required number of prescriptions to reach the PBS safety net threshold.

Meanwhile the single person, including a self-funded retiree or concession card holder must cover all the costs of living on the one income.

[15] National Seniors Productive Ageing Centre. 2012. Senior Australians and Prescription Medicines: Usage, Sources of Information and Affordability. National Seniors Australia.

**Recommendation 17:** Introduce a PBS Item to cover the cost of wound management dressings for patients who are holders of the Pensioner Concession and Commonwealth Seniors Health cards.

***Cost estimate:** $52.5 million per annum*

Older Australians who require ongoing management of chronic venous leg ulcers and other wounds face considerable treatment costs. Ulcers occur predominantly in people over the age of 60, most of whom are on disability or age pensions.

The Australian Wound Management Association (AWMA) estimates that approximately 270,000 people with venous leg ulcers require treatment either in hospital or community settings.[16] In 2002, the cost of treatment to the Australian health care system was estimated at $553–654 million.[17] Costs are escalating, currently estimated at $10,000 per patient, per annum, and approximately $3 billion or three per cent (3%) of the national health care budget.

Although the MBS Item numbers cover the cost of wound treatment by health professionals in the community (including practice nurses under Item Number 10996), the cost to the patient of disposable dressings, compression bandages and/or compression stockings are a significant disincentive to continue treatment. Accordingly, the AWMA lobbied the Senate in November 2012 to support the introduction of a PBS subsidy.

In an Australian study conducted prior to 2010, participants spent $114 a month managing their leg ulcer, with primary dressings comprising at least 61% of the cost. Therefore around 14% of the total weekly pension income was being spent on the treatment of their leg ulcer.

Wound treatment constitutes three of the top five procedures performed by general practitioners. The average period of best practice treatment to heal wounds is 12 weeks. Treatment includes multi-component compression bandaging of the lower leg. Failure to complete treatment can result in hospital admission, thereby shifting costs from the primary health care to hospital sectors and placing an additional burden on an already stretched public health system.

If most individuals (250,000) with venous leg ulcers were to receive a PBS subsidy for the full cost of their primary bandages, the approximate cost would be $17.5 million per month. Based on a three months treatment, the cost could be $52.5 million per annum.[18]

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[16] Australian Wound Management Association. 2012. Background material http://www.awma.com.au/pages/wac.php

[17] Smith E & McGuiness W. *Managing venous leg ulcers in the community: personal financial cost to sufferers.* Wound Practice and Research. Volume 18 (3), August 2010.

[18] Smith E & McGuiness W. *Managing venous leg ulcers in the community: personal financial cost to sufferers.* Wound Practice and Research. Volume 18 (3), August 2010.