



**SUBMISSION TO THE SENATE INQUIRY INTO THE EXTENT OF INCOME
INEQUALITY IN AUSTRALIA**

**Prepared by
COTA National Office**

22 August 2014

COTA Australia

GPO Box 1583
Adelaide SA 5001
08 8232 0422
www.cota.org.au

Prepared by:
Carolyn Hodge
Senior Policy Officer
Carolynh68@bigpond.com
02 6282 3436

Co-prepared by
Jo Root
National Policy Manager
jroot@cota.org.au
0262823436

Authorised by:
Ian Yates AM
Chief Executive
iyates@cota.org.au
0418 835 439

COTA

COTA Australia is the peak national policy body of older Australians. Its members are the eight State and Territory COTAs (Councils on the Ageing) in NSW, Queensland, Tasmania, South Australia, Victoria, Western Australia, ACT and the Northern Territory. COTA Australia focuses on national policy issues from the perspective of older people as citizens and consumers and seeks to promote, improve and protect the circumstances and wellbeing of all older Australians, promote and protect their interests, and promote effective responses to their needs.

INTRODUCTION

COTA welcomes the opportunity to provide comment to the Senate Inquiry into the extent of income inequality in Australia. Maintaining an income that facilitates a dignified life is a key concern for COTA's membership. Both income and expenses are important in sustaining this dignity—as is access to opportunity.

There is a great deal of diversity among older people including variations in their capacity to respond to changes in their expenses as well as their income. Without this knowledge, policy changes and budget adjustments can have a disproportionately negative impact on the most vulnerable.

This submission will also investigate links between income inequality and the resultant disadvantage among older people. COTA observes that financial vulnerability compounds in older years but its root causes can often be traced back to multiple points across the life course and systemic inequalities that have been left unchecked. It is for this reason that COTA has real concerns about budget measures that will see young people cut off from income support for six months.

Every day COTA hears from its members about hardship in people's later years that may have been avoided if the right kind of support was available to them when they needed it. It is COTA's view that social payments must be provided in ways that help people exit disadvantage, increase access to opportunity and maintain a dignified quality of life. Together with ACOSS, COTA and other organisations recently endorsed a set of principles to guide the provision of social payments. These principles are in Attachment 1 to this submission.

ISSUES

This Submission addresses the terms of reference for the Inquiry.

a. The extent of income inequality in Australia and the rate at which income inequality is increasing in our community

Income inequality exists across the generations yet it is also present within them. Older people are consistently over-represented in poverty statistics. Incidences of poverty are high for single older women, single older men and older couples.¹ Some improvement to levels of poverty can be traced back to changes to the age pension in 2009,² when the age pension rose and indexation arrangements were introduced that fixed the age pension to a proportion of Male Total Weekly Average Earnings (MTAWE) and set the biannual indexation at the best of the Pensioner And Beneficiary Living Cost Index (PBLCI), Consumer Price Index (CPI) and MTAWE.

COTA fought hard for increases to the age pension in 2009; we were relieved to see the single age pension increase and indexation of the pension linked to older people's spending and workforce wages. Over the last ten years wages have risen considerably faster than prices and so indexing just to CPI would have meant a fall in the value of the pension. Since these steps were taken, we have seen a decrease in levels of poverty among older people—particularly single older women and men.³

This is an important gain and one that should be built upon.

The Age Pension

The 2014/2015 federal budget has a number of proposals to change aspects of the age pension regime including indexation, eligibility age and income and asset testing thresholds. We refer the Committee to our submission to the Senate Inquiry into these budget proposals where we discuss these issues in detail.⁴

We do not support changes to indexation arrangements for the age pension. It was a Coalition Government in 1996 that legislated for the age pension to be linked to wages because it acknowledged that benchmarking the age pension against MTAWE is an appropriate measure to ensure payments have a relationship with community standards of living. Moving away from this will increase the income inequality between people living on the age pension and people earning from employment. Currently the pension sits at around the same level as the median income in Australia where it has been roughly since 1996.

¹ Australian Council of Social Services (ACOSS), 2013, *Poverty in Australia 2013*, 46.

² Ibid, 31.

³ University of Melbourne, 2014, *Families, incomes and jobs*, volume 9: A statistical report on waves 1-11 of the Household Income and Labour Dynamics in Australia Survey, 30.

⁴ COTA Australia Submission to Senate Inquiry into Social Services and Other Legislation Amendment (2014 Budget Measures No. 1) Bill 2014 and the Social Services and Other Legislation Amendment 2014 Budget measures No, 20 Bill 2014 .

Work done by the Australian Council of Social Service (ACOSS) has shown that the indexation of Newstart against CPI, with no relationship to wage increases, sees this group of recipients increase in poverty statistics.⁵ Newstart is significantly under the median income and has fallen every year for the last few years showing Newstart recipients are falling further behind the rest of the community. It also highlights the income inequality that exists between recipients of government pensions and allowances because of the variation of policy settings that exist in this arena.

COTA is concerned that there is growing inequality between people on pensions and people on allowances. The relationship between Newstart and poverty is well-established. A report on poverty by the ACOSS showed the poverty gap between income and the poverty line⁶ was \$182 for Newstart recipients and \$86 for Age Pensioners per week.⁷ We joined with many other organisations to see that gap closed by getting a one off \$50 per week increase in Newstart and changes to indexation to ensure its value is maintained.

This difference in income levels for pensions and allowances becomes more important if the move to increase the eligibility age for the age pension to 70 is successful.

COTA acknowledges that the age pension should be linked in some way to life expectancy, particularly life expectancy at the age of 60 or 65. However, it also needs to take into account that the average age of retirement is 61 and that while just over half of those who retire do so voluntarily, many retire for reasons beyond their control. In 2011, 12.2% of male and 8.6% of female workers retired involuntarily due to dismissal, pressure from employers or others at work to retire, inability to find another job or reaching compulsory retirement age.⁸ An additional 35.3% of men and 35.8% of women retired involuntarily due to their own ill health or to care for a partner or family member.⁹

This means that many people end up spending a number of years on Newstart or the Disability Support Pension before becoming eligible for the age pension—and this situation will only worsen if the eligibility age increases. Indeed, over 80 per cent of people who go onto the full age pension at age 65 move across from another income support payment.

Furthermore, if people cannot access any income support from the Government, ASFA estimates a person will need almost \$60,000 more in superannuation or retirement savings to fund their retirement between 67 and 70.¹⁰

⁵ Australian Council of Social Services (ACOSS), 2013, *Poverty in Australia*

⁶ Using a poverty line of 50% of median income.

⁷ ACOSS, as above n 6, 42.

⁸ University of Melbourne, as above n 1, 115-116.

⁹ Ibid.

¹⁰ ASFA, as above n 11.

Superannuation and retirement savings

Along with the age pension, voluntary savings and compulsory superannuation are integral pillars of retirement income policy. COTA is concerned that the government is not doing more to assist those on low-incomes across the generations to build savings that will help them to avoid disadvantage in retirement.

Tax concessions for superannuation are broadly equivalent to expenditure on the age pension. The need to rebalance this equation could be established through a systematic review of retirement income policy which is what COTA is recommending. COTA is particularly uneasy about the way in which government support through superannuation tax concessions has been apportioned. COTA joins ACOSS in their concern that:

Current superannuation tax expenditure settings are poorly targeted, with some 30% of the value of superannuation tax breaks going to the top 10% of income earners and only 20% of tax concessions received by people in the bottom 50% of income distribution.¹¹

COTA is hopeful a review of retirement income policy will identify policy levers that will generate a more equitable allocation of government support targeted to those in need. In the interim, COTA supports the retention of the Low Income Superannuation Contribution Scheme and was pleased to see that the Senate voted to retain it. The status of this measure is not clear as its abolition was included in the bill to abolish the mining tax.

COTA also wants to stress that older people are not a homogenous group. Changes made to retirement income policy should take into account the current evidence that shows how past policies and systemic inequalities compound to create relative disadvantage for some groups in retirement. Mechanisms to avoid a continuation of this dynamic should be built in to any new policy regime.

Such tailored policy solutions could assist older women and indigenous Australians who enter retirement with lower rates of home ownership and superannuation. For example, older women have had less opportunity for capital accumulation and savings¹² due to lower participation rates in the workforce and studies show that un-partnered women are less likely to own their own home.¹³

Indigenous Australians have lower superannuation coverage than non-indigenous Australians. Indigenous men have 70 per cent cover compared to the general male population rate of 85 per cent and indigenous women have 60 per cent cover compared to the general female rate

¹¹ ACOSS, *Social Security Trends: Snapshot*, April 2014, 7.

¹² ABS, 2013, *Household Wealth and Wealth distribution Australia 2011-2012*, 6554, 9.

¹³ Australian Institute of Superannuation Trustees, 2011, *Super-poor but surviving: Experiences of Australian Women in Retirement*, 15.

of 80 per cent.¹⁴ Furthermore, living alone impacts on people's ability to save throughout their life, which increases older people's risk of financial hardship.¹⁵ Both men and women who live alone have significantly lower superannuation balances than their counterparts in couples.¹⁶

b. The impact of income inequality on access to health, housing, education and work in Australia, and in the quality of outcomes achieved.

Health

There has been a considerable amount of work done on the social determinants of health and the relationship between income inequality and inequitable health outcomes. COTA is a member of the Social Determinants of Health Alliance. Work done by Philip Clarke and Andrew Leigh in 2011 shows that people on higher incomes had an increased life expectancy at 60 of around 5 years.

Access to quality health care is a key concern for COTA members. Since the media discussion on Medicare and the Pharmaceutical Benefits Scheme (PBS) co-payments started, COTA has been contacted by a steady stream of people with details of their out of pocket expenses and what these payments have meant to them in terms of access to healthcare and to their general quality of life. It is clear that many people are fearful of any increase in out of pocket expenses through co-payments, or reductions in the level of subsidy for MBS and PBS.

The Consumers' Health Forum of Australia recently reported that individual co-payments in Australia comprise 17 per cent of all total health care expenditure, higher than most other OECD countries. This report confirms that these existing co-payments are causing financial hardship for many consumers, and are greater for older people, people on low incomes and people with chronic illnesses.¹⁷

Yet the current health budget debate continues to focus on raising these out of pocket costs, promoting the misperception that individuals, particularly older Australians and those with chronic and complex conditions, are largely responsible for the rising costs in the health system and must pay more.

In contrast, the Australian Institute of Health and Welfare has challenged this view stating that:

'Much of the growth in health expenditure can be attributed to non-demographic factors such as the development of new technologies, pharmaceuticals and diagnostic treatment

¹⁴ Ross Clare, ASFA, 2012, *Equity and superannuation-the real issues*, 3.

¹⁵ ABS, 2012, *4102 Australian Social Trends, March Quarter 2012: Life on struggle street-Australians in low income resource households*.

¹⁶ ABS, 2009, *Australian Social Trends 4102: Living Alone*, 5.

¹⁷ Jennifer Dogget, Consumers Health Forum Australia, 2014, *Empty Pockets: Why Co-payments are not the solution*.

*techniques that enable a wider range of health conditions to be managed more effectively.*¹⁸

This trend toward shifting health care costs from government to consumers through co-payments does not change the overall cost of health care. It can, instead, add more complexity and administrative burden. The sick will pay more, while the well will pay less. Any anticipated short-term reduction in the demand for health care services will reduce access and as such increase health care costs over the longer-term.

Currently, income inequality is having a profound effect on the oral health of people in low socio-economic groups due to high costs and low public health support. This is not a model that should be used as a template elsewhere. Oral health care costs contribute significantly to out of pocket expenses for health care and are simply not being addressed.

COTA is opposed to the budget measures aiming to introduce co-payments for GP visits, diagnostic imaging and pathology. In COTA's view, this move threatens the universality of Medicare—an important leveller in Australian society and an imperative safety net. The budget's proposed increase to PBS out-of-pocket expenses for consumers only compounds this cost shifting measure.

COTA believes these steps are not an example of good health policy. Rather, this is a regressive tax that will affect people on low incomes, regardless of age. There is strong evidence to show that people in the lowest income quintile spend a higher percentage of their income on health costs than other income groups.¹⁹ Unlike other groups, people in the lowest income quintile have less capacity to pay increases to essential costs because their income does not allow them to accumulate savings.

Lifting out-of-pocket expenses for care as commonplace as GP visits, and the tests and medications doctors prescribe, will have a long-term effect on the health of people with low-incomes. A cap on co-payments will reduce this barrier but it will still be significant for those who are already struggling. The Australian Medical Association (AMA) has already noted that the mere threat of lifting co-payments saw medical visits drop off dramatically.²⁰ A consumer survey of out-of-pocket expenses also shows that people delayed seeking medical assistance in order to meet other payments and this restricted access had impacts in people's stress levels and their ability to provide in other basic areas.²¹

¹⁸ Australian Institute of Health and Welfare, 2014, *Australia's Health 2014*, 56.

¹⁹ ABS, 2012, *Household Expenditure Survey: Summary of results 2009-10*, 6530, 32.

²⁰ Australian Medical Association, 2014, AMA Transcript-AMA President Dr Steve Hambleton, *Door stop interview*. <https://ama.com.au/media/ama-transcript-ama-president-dr-steve-hambleton-doorstop-interview-22-may-2014>

²¹ Consumer Health Forum of Australia, 2014, *Health Consumer Out of Pocket Costs survey: Results and Analysis*, 2.

COTA believes the health budget will be positively impacted if all Australians enter older age in good health with no barriers to maintaining this status. Indeed, there is evidence to show that facilitating well-being throughout the life-course is integral to ensuring the health of future generations.²² Furthermore, COTA questions the value of a policy that places a financial barrier on access to primary health care when this level of care is acknowledged as vitally important to healthy ageing through the provision of preventative advice and disease management strategies that assist people to avoid disease or reduce its complications before they reach older age.²³

Instead, COTA recommends that the government undertake a holistic review of the Medicare system that can identify the potential for increased efficiency and effectiveness for both health outcomes and health budgets.

Housing

Housing is an important social determinant of health and access to affordable and secure housing is a key issue for people across generations.

Access to safe, affordable housing can make a big difference to the quality of a person's life and their ability to avoid disadvantage. Home ownership among older people is often given as a reason why older people can survive on lower incomes. However, an increasing number of older people do not own their own home and are struggling to meet rapidly increasing rents in the private rental market.

Those with high superannuation and savings can meet the costs of home ownership readily; increasing costs such as council rates and maintenance can be difficult or impossible to meet on a pension alone—even with a modest amount of savings. The family home is not an asset that can be easily liquefied to meet everyday expenses. The psychological security offered by the family home and people's connection with their community and support networks also adds complexity to any decision to sell that home to avoid ongoing financial vulnerability.

Access to secure, affordable housing would reduce income inequality. Housing has an important role to play as a key determinant of health and its provision can offset social challenges such as increasing homelessness among older people and a growing inability to afford essentials such as food and energy for those without adequate retirement savings.

Older people and the private rental market

There is much evidence to show that not owning a home increases vulnerability for older people and this vulnerability increases for single older people.

²² AIHW, as above n 27, 265.

²³ Ibid, 266.

Income inequality over the life course compounds heavily in older age. For instance, older people who do not own their own home have less to spend on health as housing costs consume a significant proportion of their income.²⁴ Similarly, older women's emergence as homeless people may be explained in part by women's lower participation in the workforce and the impact this has had on their ability to accumulate assets.²⁵

Older people in the private rental market are extremely vulnerable. Their connection to transport, health services, social networks and support is insecure as it is linked to short-term leases without any guarantee of ongoing tenure. In times of short supply, rents can sky-rocket beyond people's capacity to pay. The poor quality of lower-priced rental properties also means these dwellings often have low energy efficiency, increasing essential energy costs that are already high. Often they are not able to take advantage of energy efficiency programs because they are not the home owner and so they are caught in the vicious circle of high energy costs and poor energy efficiency.

With all its failings, the private rental market is often the only option for older Australians as there is a critical shortage of public and social housing in Australia. Currently around 12 per cent of people over 65 are renters, with a third of them in public housing and two thirds in private rental accommodation.²⁶ Single older people are more likely to rent both privately and publicly than couples. For example, approximately 20 per cent of older renters are single compared with almost 8 per cent of couples in this age bracket.²⁷

Indeed, the rise in homelessness among older women is currently viewed as 'a poignant symbol of housing insecurity in Australia.'²⁸ As this quote from one of our members shows, private rental prices are increasingly beyond the capacity of people living on income support or low incomes:

"My wage has not matched the housing market for rental and we are being forced into a downward spiral regards accommodation."

Housing stress is a cause of homelessness with the latest data on the use of specialist homelessness services showing that 36 per cent of clients cite housing affordability as the reason for needing to use the service.²⁹

Commonwealth Rent Assistance

²⁴ AIHW, as above n 27, 262.

²⁵ ABS, 2013, *Household wealth and wealth distribution 6554, 2011-2012*, 9.

²⁶ AIHW, 2012, *Older Australians at a glance 4th edition*.

²⁷ ABS, as above n 35, 39.

²⁸ University of Queensland, 2014, *Older women's pathways out of homelessness in Australia: A report for the Mercy Foundation*, 12.

²⁹ AIHW, 2013, *Specialist homelessness services 2012-13. Cat. no. HOU 273*.

Commonwealth Rent Assistance (CRA) often means the difference between having and not having a home. However, it has not kept up with the increases in private rents, particularly in metropolitan areas, and does not reflect the geographical difference in rents that people face. Whilst we see long term solutions for increasing the supply of affordable housing as critical, an increase in the CRA for the lowest income groups is an important measure as it would start to reduce the gap between the level of subsidy received by people in public housing and people in private rental who may have similar incomes and needs.

This is a view shared by the Reference Group on Welfare Reform³⁰ which has confirmed the need for a redesign of CRA to help private renters in response to their high level of need. In COTA's view this redesign should include indexing payments to the private rental market to ensure the value of this assistance does not erode over time.

Homelessness

COTA is concerned about the increase in homelessness amongst older people, particularly older women, and the increase in older people suffering housing stress. There was an increase of 14 per cent between 2011-12 and 2012-13 in the number of people over 55 seeking support from specialist services.³¹ This underestimates the number of people who are homeless or at risk of homelessness as it does not include older people who are reluctant to use specialist services, particularly when they are homeless for the first time.

COTA believes there is a role for the Commonwealth in this area and urges the government to maintain its funding commitment at the current level in real terms. This could be done without a national agreement, although getting the States and Territories to commit to a matching effort would increase its effectiveness.

In whatever way the funding is organized, there need to be measures specifically targeted to older people as the current services are often not appropriate for them and they are not identified as a priority group.

Supply of affordable housing

The longer term solution to housing affordability requires national action on the supply of housing. There are two aspects to the supply of affordable housing that we want to highlight.

The first aspect is ways in which the private sector can be encouraged to develop affordable housing options. In COTA's view, the National Rental Affordability Scheme (NRAS) has made a very useful contribution to increasing the supply of affordable housing, particularly in locations that are close to services. As recently as March 2014, we called upon the government to

³⁰ Commonwealth of Australia, Reference Group on Welfare Reform, 2014, *A new system for better employment and social outcomes: Interim Report*, 69.

³¹ AIHW, as above n 39.

expand the scheme to deliver an additional 50,000 places. We believe there needs to be a commitment to growing it into the future.

COTA is deeply disappointed that the federal budget has withdrawn funds for Round 5 of the Scheme and there are no plans for further investment. The government has offered spending on CRA as evidence of its commitment to fund affordable housing. For reasons noted earlier, this is clearly not a secure long-term plan for tackling rising homelessness.

The second aspect looks at the supply of social housing. It provides an essential part of the housing stock by providing low income households and people who are homeless, or at risk of homelessness, with a pathway to secure long term accommodation. Long term tenure as well as low rent makes social housing particularly valuable to older people so they do not have to move around, can maintain links to a community and feel confident about accessing services if they need them.

There needs to be renewed investment in social housing to increase the stock of housing for low-income households. COTA supports the call from ACOSS and others for a dedicated Affordable Housing Growth Fund which could be financed by the use of a Housing Supply Bond to leverage private investment into affordable housing.

c. The specific impacts of inequality on disadvantaged groups within the community, including Aboriginal and Torres Strait Islander peoples, older job seekers, people living with disability or mental illness, refugees, single parents, those on low incomes, people at risk of poverty in retirement, as well as the relationship between gender and inequality.

Gender and Inequality

One of the most concerning developments in recent times is the rise in the number of older women among the homeless. This can be attributed to a number of factors including low rates of savings/superannuation, discrimination in the housing market, death of a spouse and poor health (including the results of abuse) and being divorced or separated.³²

In many cases women at risk of homelessness, and those who are homeless, have faced domestic violence at some time in their life. Research suggests that vulnerable women living alone are very resourceful, yet situations in their fifties and sixties such as health crisis or age discrimination in the workplace, can hasten their entry to homelessness.³³

It is important that we do not neglect the cohort of those that are still working and paying mortgages well into their 60s because they purchased post age 45 and have had to support

³² Homelessness Australia, 2013, *Homelessness and older people*, Fact Sheet.

³³ University of Queensland, as above n 38, 13.

themselves and pay off their home on a solo income. Then at retirement these women still have a mortgage and use the money they can access in their super to pay out the mortgage so they own the home outright. This eats up most of the small amount of super they have been able to accumulate due to legislation and circumstances that existed beyond their control in their life cycle. This results in them having to live on the pension and therefore moving from a “comfortable” income to a barely surviving one.

In many cases, it is a lack of financial resources that causes older single women to be particularly vulnerable. This is unsurprising considering that women’s retirement savings through superannuation are significantly lower than men’s. There have been some gains in this area. For example, in 2000 women’s average superannuation balances were less than half of men’s. In 2007, this figure rose to just over 59 per cent.³⁴

This disparity will continue while superannuation is linked to wages unless Australia sees more equality in wages for men and women. Australia is slow to make gains in this area. Its 14 per cent gender wage gap has remained unchanged in 2014 and we sit tenth behind comparable economies such as New Zealand and Ireland in making gains to close the gap.³⁵

The prevalence of women in part-time work also contributes to lower superannuation balances. The \$450 per month, per employer threshold for compulsory payments can especially hinder people from accruing superannuation if their income is derived from more than one part-time job.

Women’s longer life expectancy is a positive but it does mean longer periods in retirement. This coupled with lower levels of retirement savings, means poorer financial outcomes for older women.

Overcoming gender income disparity in retirement starts at working age. COTA considers that more needs to be done to reduce the gender wage gap; paid parental leave schemes will assist in this but equality of income has a big part to play.

Older job seekers

Age Discrimination

There is much evidence that older people face age discrimination in the workplace. Age discrimination is an invisible barrier, hard to identify and hard to work around. The Consultative Forum on Mature Age Employment and the Advisory Panel on the Economic Potential of Senior Australians both identified that age discrimination exists and that it is a major barrier to increasing workforce participation of older people. In 2013, the Australian Law Reform Commission completed an inquiry into the legislative barriers to employment of

³⁴ ABS, 2013, *Gender Indicators 4125, Australia: Superannuation*.

³⁵ PriceWaterhouse Coopers, 2014, *Women in Work Index*, 5.

older people which identified many of the barriers and made suggestions about how they could be addressed.

The Age Discrimination Commissioner, Susan Ryan, has been active on this front, working to identify the issues and at looking at ways to change community attitudes. We are starting to see a change; employer groups are promoting the benefits of employing older people and providing assistance to their members in doing this. However, we still have a long way to go. Currently, COTA is concerned that an increasing discourse on mutual obligation is lacking any discussion on the obligation not to discriminate.³⁶

Notwithstanding some positive shifts in recent times, the number one reason discouraged job seekers (i.e. those who ceased to look for work in the face of significant barriers) withdraw from looking for work is because they believe they will be considered too young or old by employers.³⁷ We think more consideration should be given to how the issue of age discrimination, for the young and for older workers, can be addressed before putting the whole onus on the individual to find a job.

Employment Services

COTA believes the current employment service system does not give adequate attention to the issue of age discrimination and the role it plays in inhibiting people's opportunities for employment. Age in itself is not seen as a criterion for attracting a higher level of employment support even though there is ample evidence that sometimes that is the main reason for a person being unemployed or underemployed.

We have argued in other places that more intensive support is needed when an older person first becomes unemployed. This is particularly true for people who have worked in one industry or with one employer for a number of years and so have only limited experience in current job search techniques and requirements. Putting more investment at the front end could significantly reduce the time someone spends on Newstart or related payment.

We note that the Government has just implemented the Restart program of wage subsidies for older employed people. COTA welcomed this move and will be interested to see the take up and employment outcomes for older people who access it. However, our understanding of the research evidence is that wage subsidies need to be part of a comprehensive approach to employment services that work with people to address all the barriers to employment.

Older unemployed people must be given the same level of employment service assistance as other cohorts. There should be no assumption that because they are older they are less likely to be reemployed so receive less support.

³⁶ Commonwealth of Australia, Reference Group on Welfare Reform as above n 79-83 & 145.
³⁷ ABS, 2014, 6220.0 Persons not in the Labour Force-Australia September 2013.

Participation requirement

Currently the older unemployed (i.e. those over 55) are subject to a different activity test to younger people. They can meet the activity requirement by doing 15 hours of volunteer work rather than meeting the job applications requirement. The government's recent proposals around work for the dole also treat older people differently, with them again able to use volunteering to meet their participation requirement.

These different requirements are ageist and help to perpetuate age discrimination. They could be viewed as an explicit acknowledgement and acceptance of the idea that older unemployed people will never get a job and should not expect to, and so they don't need to waste their time applying for jobs they simply won't get. It also means they do not get access to the full range of employment services—basically they are just being written off. It also makes it harder for them to get training and update their skills.

In an ideal world the participation requirement would be the same for all age groups. However, COTA would be concerned if this differential treatment were to be changed before we have seen some real evidence that age discrimination is on the decline. Some consideration also needs to be given to the value of the volunteer contribution that is generated and how that might be replaced.

COTA also shares the concerns expressed by others that some aspects of recently foreshadowed participation requirements are likely to be counterproductive – spending time on certain kinds of work for the dole can detract from job search, and getting people to apply for jobs to fill a quota when they have no chance of getting them is destructive of incentive.

COTA's experience has shown that the effects of harsh policies and social circumstances impact on people throughout their life-course and the resultant disadvantage compounds in later life. For this reason, COTA urges the government to abandon plans to prevent people under thirty from accessing Newstart for six months. This is a blunt and ineffective tool in efforts to encourage increased workforce participation and one that is sure to have dire consequences for our nation's young people in the present and as they age.

People at risk of poverty in retirement

The statistics cited in this submission paint a picture of life for vulnerable older people today. It has been shown that older single women and men who live alone are highly represented in Australia's poverty statistics. The loss of a spouse can also increase the risk of poverty for people as the sharp drop in income from the couple rate to the single age pension can be difficult to absorb for people with already low incomes.

Without the economies of scale that being in a couple offers, single age pensioners often struggle to meet their essential costs. People's risk of poverty increases exponentially if they are also renting privately. As rents continue to increase, people are left with no choice other

than to pay for all other essentials from the balance left after paying rent and COTA hears of many cases where this amount is extremely low.

d) The likely impact of Government policies on current and future rates of inequality particularly the changes proposed in the 2014-2015 Budget

Throughout this submission, COTA has made several links between poverty and groups of older people. These comments also relate to policy shifts and withdrawals of funding resulting from the federal budget. The statistics cited in this submission are recent and illustrate the outcome of past and current policies. For instance, a reduction in poverty among older people following an increase to age pension rates in 2009.

COTA's lack of support for individual changes resulting from the federal budget is interspersed above. However, we are extremely concerned that much of the action taken by the federal government to reduce expenditure has been disproportionately focused on low-income and vulnerable people and the effects will be exponential.

There is an unfortunate nexus that exists between reducing the purchasing power of the age pension (through CPI-only indexation) and increasing essential costs (co-payments for GP visits and diagnostics, and a rise in consumer contributions for PBS medicines). While some cost increases may seem relatively small or be subject to a cap, it is difficult to see how they will be absorbed by a shrinking income without resulting in further disadvantage.

This disadvantage will not only negatively affect those who are vulnerable under the current system; it will be the last straw for people who now making ends meet by the slimmest of margins.

There is an urgent need to look at retirement income policy holistically and in consultation with the community. COTA believes such consultation would have apprised the government of the need to tackle age discrimination and increase access to employment opportunities for people over 55 before making any changes to the age pension eligibility age. It would have provided COTA and others with the opportunity to demonstrate that Newstart is not a payment designed to provide the long-term income support that will be necessary if older unemployed people cannot access the age pension until they reach 70. Furthermore, it would provide a space to discuss where savings could be made without resulting in an effect that compounds disadvantage in older years for people who are already vulnerable.

f. The practical measures that could be implemented by Government to address inequality, particularly appropriate and adequate support payments.

COTA makes a number of recommendations in this submission to build on recent gains and prevent policy shifts that will erode them.

Age Pension Indexation

COTA recommends the government abandon plans to index the age pension by CPI only from 2017 and that the current arrangements using the best of MTAWWE, CPI or PBLCI and pegging to a fixed proportion of MTAWWE should be retained.

COTA recommends that the Government suspend its proposed cuts to the Age Pension system and establish a retirement incomes review, involving all key stakeholders, to report back by the end of 2015.

Age Pension Age

COTA believes more needs to be done before increasing the pension age to ensure older people are able to stay in employment longer and so is opposed to this proposal until there is an agreed package of such measures in place and working.

Superannuation and retirement savings

COTA encourages the review of retirement income to consider diversity in populations of people approaching retirement and develop targeted concessions/incentives to assist low income cohorts to save for their retirement.

COTA recommends that mechanisms be developed to protect people with low levels of superannuation or retirement savings from any loss of income due to changes in age pension indexation.

COTA recommends that the Low Income Superannuation Contribution be maintained.

Health

In the short term COTA recommends that the government:

- *abandon plans to introduce co-payments for GP visits, pathology and diagnostic tests for everyone, not just increase the number of groups that are exempt from the payments;*
- *does not go ahead with the proposed increase in co-payments for PBS items;*
- *look at combining the safety nets for MBS and PBS and make them simpler to understand and operate.*

In the medium to long term we recommend that the government commission an independent review of Medicare to look at how it can be remodelled to improve access to good quality health care and be sustainable.

Housing

To address housing issues COTA recommends that the government:

- *increase the maximum rate of Commonwealth Rent Assistance by 30 per cent and indexes it annually against moves in private rents;*
- *recommit to the 50,000 places under the National Affordability Scheme;*
- *establish an Affordable Housing Growth Fund of \$750 million in the first year rising to \$6 billion over 5 years;*
- *provide funding for homelessness services at the current level and provides adequate indexation to maintain its value;*
- *provide funding grants for homelessness services to ensure their services are accessible and appropriate for older men and women.*

Gender and Inequality

COTA recommends that the government look to address aspects of the superannuation system which disproportionately disadvantage women, including the minimum limits for compulsory superannuation contributions and retention of the low incomes superannuation contribution.

Older job seekers

COTA recommends the government work with employer groups and peak bodies representing younger and older people to develop a comprehensive strategy to tackle age discrimination. This strategy should measure reductions in the incidence of discouraged job seekers as a key performance indicator.

COTA recommends that employment service assistance should be available and offered at the same level to all people seeking assistance, regardless of age.

COTA urges the government to replace its higher job application quota and invest in targeted programs that assist people overcome barriers to work—including programs that increase job search skills for people who have worked in one industry or with one employer for a number of years.

CONCLUSION

Significant work has been done to understand how income and inequality contribute to negative outcomes for a broad range of people—older people included. It is essential that we continue to draw on this understanding to devise practical ways to address inequality and target government spending in a responsible and equitable way.

The aim is clearly not to produce equality of incomes but rather to remove systemic barriers, such as age discrimination and gender wage gaps, in order to reduce the disadvantage that occurs as a result. COTA's experience demonstrates that this disadvantage only compounds in later life.

It is also clear that a healthy older age comes from a healthy life with meaningful employment opportunities and access to secure, affordable housing. COTA therefore advocates for the fair

treatment of our young job seekers and a supportive, rather than punitive, employment system.

COTA urges the government to put aside plans to make changes to retirement incomes and rather proceed with policy development and budget design in consultation with the community. This will help ensure that the most vulnerable are not faced with further concentration of the disadvantage they face today. Lifting people from this position will require a quest for budget sustainability that is prepared to target support to those in need and level cuts toward those who can most afford them.

PRINCIPLES FOR SOCIAL SECURITY REFORM

Adequacy:

- The base rates of social security payments for singles and couples should be adequate to meet socially accepted essential living costs; that is, to prevent poverty;
 - The safety net should be there when it is needed, including for young people who are unemployed.
- Income support should be benchmarked to broader community living standards;
 - and indexed to movements in wages as well as prices affecting social security recipients.
- Supplements should meet additional major non-discretionary costs;
 - including housing rents, costs of disability, costs of sole parenthood, costs of caring, and retention of a separate system of family payments for the costs of children.

Fairness:

- People with the same financial needs should receive the same level of income support.
 - Maximum payment levels should be based on current financial need rather than 'deservedness'
- No group should be financially worse off as a result of reform, and those facing the greatest hardship should be better off.
 - People should not be moved from higher to lower payments when their financial needs are the same, and the system should be redesigned to prevent this happening.

Housing affordability:

- Comprehensive action should be taken to make housing affordable for people on low incomes, including in places where jobs are available.
 - Rent Assistance should be adequate and indexed to movements in rents.
 - Improvements in Rent Assistance should complement, not replace, adequate public investment in social housing and reform of incentives for private investment in affordable housing.

Employment incentives:

- To improve employment incentives for people with barriers to employment, maximum payment levels should be based on an individual's current financial need rather than their future employment prospects.
- Payments should not reduce the closer a person with a disability or caring responsibility comes to securing paid employment.
- Base rates of social security payments should be targeted to people in financial need through income and assets tests which ignore modest levels of private income and assets, ensure a fair return to paid work, and can be readily understood and complied with.

Supplements should be less strictly income tested, in accordance with their purpose (for example to assist with the extra costs associated with a disability, which do not reduce once a person gains employment).

Simplicity:

- The payment system to be as simple and understandable as possible. The main goal of simplification reforms should not be to reduce the number of payments, but to:
 - streamline the system so that people in similar circumstances receive the same level of payments with the same or similar eligibility requirements;
 - remove the hurdles the present system throws up for people undergoing common life transitions such as employment, unemployment, different stages in the care of children or other family members.

Administration:

- Social security should be paid as a legislative entitlement without restriction on its use, unless the recipient or local community elects to receive payments in a different form (for example, to pool payments to provide employment in a remote community).
- Entitlements and compliance with any participation requirements should be assessed by a single statutory agency that is accessible to all.
- 'Income Management' should not be compulsory and should not apply automatically to categories of people based on benefit type, location, or race.