

**Federal
Pre-Budget
Submission
2016-17**

National Seniors

Australia

Who we are

Representing 200,000 members and supporters aged 50 and over across the country, National Seniors is the consumer lobby for older Australians and the fourth largest organisation of its type in the world.

Our members trust us to fearlessly and independently reflect their views to government, business, media and society. And this we do.

The recommendations in this document are drawn from the membership grassroots through surveys, letters, emails, telephone calls, volunteer state policy 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.

National Seniors policy principles

Independent - Not influenced by government or commercial interests.

Inclusive - Considers intergenerational impacts.

Fair - Rejects any form of injustice.

Pragmatic - Considers political, financial, organisational and societal constraints.

Apolitical - Favours no political party over another.

Transparent - Reflects and engages with the membership grassroots through established channels such as forums, surveys, a representative policy congress and volunteer Policy Advisory Groups.

Evidence-based - Supported by research from the National Seniors Productive Ageing Centre and other highly regarded academic sources.

National Seniors Australia

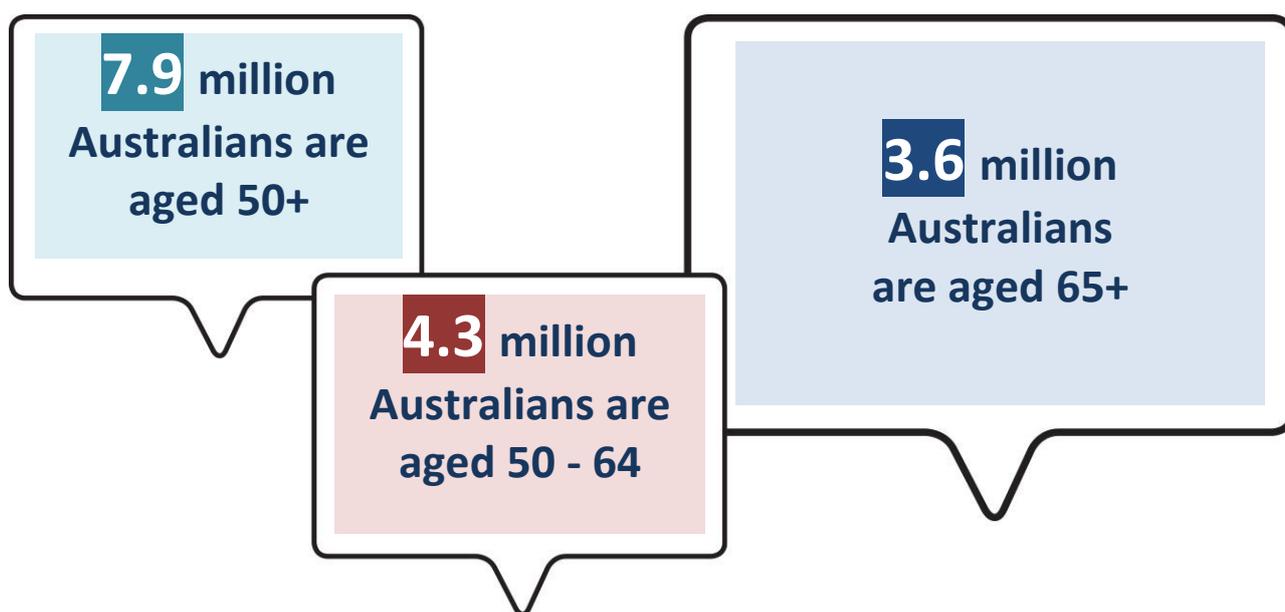
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Investing in older Australians to grow the economy

Australians are staying healthier and working and living longer. As the population ages, older people make an ever important contribution to economic growth and diversity. Through paid employment, volunteering and care-giving roles, the over-55s contribute an estimated \$90 billion a year to the economy and community alone¹. This contribution will only increase as the proportion of people over 50 doubles from its current number of seven million by 2050².



There is no doubt that Australia faces economic challenges. The recent downgrade of nominal GDP expectations and taxation revenue, and the increase to the fiscal deficit reflect an uncertain economic future and present significant challenges for government³. While mining investment, falling commodity prices and weak wage growth are creating difficulties in the short-term, there are also opportunities.

Older Australians have a critical role in taking hold of these opportunities to overcome the challenges facing the economy. The path to a more prosperous nation is only achievable by

¹ National Seniors Productive Ageing Centre (NSPAC). 2009 *Still Putting In: Measuring the Economic and Social Contributions of Older Australians*. National Seniors Australia: Melbourne (Data updated in 2014).

² Australian Bureau of Statistics. 2014. *Does Size Matter?- Population Projections 20 And 50 Years From 2013*.

Projections by the Australian Bureau of Statistics state that the proportion of people aged 65 years and over would increase to 19% in 2033 (from 14% in 2013). The working age population would decrease to 63% of the population, and there would be 59 'dependents' for every 100 'workers' in 2033. The proportion of people aged 85 and over would increase to 3%.

³ Australian Government 2015. 'PART 2: ECONOMIC OUTLOOK' in *Mid-Year Economic and Fiscal Outlook* http://budget.gov.au/2015-16/content/myefo/html/02_part_2.htm

enabling them to fully contribute. Maximising that contribution requires targeted investment in areas that boost productivity and ensure wellbeing as Australians age.

Productivity is the key driver of economic growth and sustainability. Given that Australia is an open market exposed to competition across the full range of products and services we must find ways to do more with less to remain competitive.

We must ensure that mature age workforce participation is increased to foster economic growth. But it is also critical that people can accumulate wealth and assets to fund their retirement. This will not only make Australians more self-sufficient in retirement, but also provide the economy with access to funds that can be invested to support future growth.

Productivity and growth require a degree of certainty. While a level of risk is inherent in markets, government plays an important role in constraining excess risk by setting policies and rules that enable individuals to engage in economic activity. While government may, from time-to-time, seek to change policy settings and rules as a means of addressing changing behavior, economic conditions and public expectations, Australians require greater certainty. Those close to or in retirement need to know that the decisions they make will not be negatively impacted by constant rule changes. This is especially important given that people have limited capacity to alter their economic situation once they have left the labour market.

Older Australians acknowledge these testing economic times and support ongoing efforts to foster economic growth, but they also expect a budget that is fair. In this regard, National Seniors does not support the following measures:

- Changes to the taxation and transfer system treatment of the family home involving but not limited to the Age Pension means test.
- Increasing the Age Pension age from 67 in 2023 to 70 in 2035 without first improving the employment prospects of older workers.
- Removing the private health insurance rebate for existing premiums.

The recommendations in this submission seek to:

- improve the sustainability and fairness of the tax base,
- provide opportunities to save and invest,
- promote more efficient and effective government,
- encourage older people to embrace technology,
- increase mature age employment,
- provide more suitable housing options for older people,

- promote improved and equitable health outcomes in later life,
- increase the quality of residential aged care, and
- prevent the growing occurrence of elder abuse.

If adopted, these measures would create a fairer and more sustainable economic system, while maximising health and wellbeing outcomes for people as they age. Implementing these measures will also ensure that older Australians are treated with dignity and respect.

Recommendations

Retirement Income System

1. Undertake a comprehensive review of the retirement income system examining the interrelationships between the social security, superannuation and taxation systems and from this develop and implement a comprehensive retirement income strategy.
2. Defer or amend the Age Pension asset test thresholds and taper rate changes which were announced in the 2015 budget and will take effect from 1 January 2017.
3. Maintain existing concession card eligibility rules.
4. Maintain the current taxation and transfer system treatment of the family home.

Tax Reform

5. Develop a comprehensive and carefully modelled tax reform package.

Reform of the Federation

6. Reduce duplication of Government services and departments and ensure innovation is central to cost savings.

Digital Literacy and Cyber Safety

7. Deliver initiatives that enable older Australians to make use of information technology innovations by building digital literacy and cyber safety skills.

Employment

8. Provide an early intervention reskilling program for mature-age employees that promotes career planning, identifies skill deficits and provides access to training opportunities for at risk mature-age workers *before* they become unemployed.
9. Assist women to re-enter or remain in the workforce by acknowledging and supporting the important role played by grandparent childcare.
10. Create a subsidiary program of the New Enterprise Incentive Scheme (NEIS) for mature age entrepreneurs.
11. Promote age friendly workplaces by establishing a Prime Minister's Employer Champion Award to recognise Australian businesses that demonstrate best practice in employing older people

Housing

12. Implement a 'Rightsizing' pilot program that exempts up to \$250,000 in proceeds from the sale of the home from being assessed under the Age Pension means test.

Health

13. Remove the inequity within the PBS by reducing the safety net threshold for a low income single person or a single concession card holder to 66 per cent of the threshold of a couple or family.

- 14.** Continue to substitute cheaper generic medicines and negotiate more favourable purchasing agreements with drug companies to increase access to medicines.

Aged Care

- 15.** Improve the quality of residential aged care by developing a comprehensive workforce strategy.

Elder Abuse

- 16.** Develop a national elder abuse prevention strategy, public awareness campaign, national Powers of Attorney legislation and mandatory reporting requirements for the financial services sector.

Budget Measures

National Seniors recommends the Commonwealth Government consider the following budget measures, which as a package, are revenue neutral.

Retirement Income System

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- 2. Defer or amend the Age Pension asset test thresholds and taper rate changes which were announced in the 2015 budget and take effect from 1 January 2017.**
- 3. Maintain existing concession card eligibility rules.**
- 4. Maintain the current taxation and transfer system treatment of the family home.**

The retirement income system is being regularly changed with what appears to be little foresight, planning or gain.

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 plans⁴.

The legislated changes to asset test thresholds and taper rates, which will come into effect in 1 January 2017, will negatively impact around 300,000 age pensioners (11 per cent) who will lose all or some of their Age Pension and associated concessions.

This change has been poorly considered and will impact on thousands of Australians who have prudently planned and saved for their retirement over several decades. The impact of the pension changes will more than double over time, from 1 in 3 retirees today to around 7 in 10 by 2055⁵.

What is most concerning is that these changes will create perverse incentives for middle income households to spend rather than save for their own retirement placing greater pressure on Federal Budgets into the future⁶. For example, changes will create a disincentive to downsizing. Older people will be better off moving to a home that is more rather less expensive or paying higher up-front fees in retirement villages to remain eligible for the Age Pension and related concessions.

It is also unfair to constantly change the rules governing pensions in response to perceived budget crises while leaving others untouched. Australia requires a clearly articulated long-term retirement

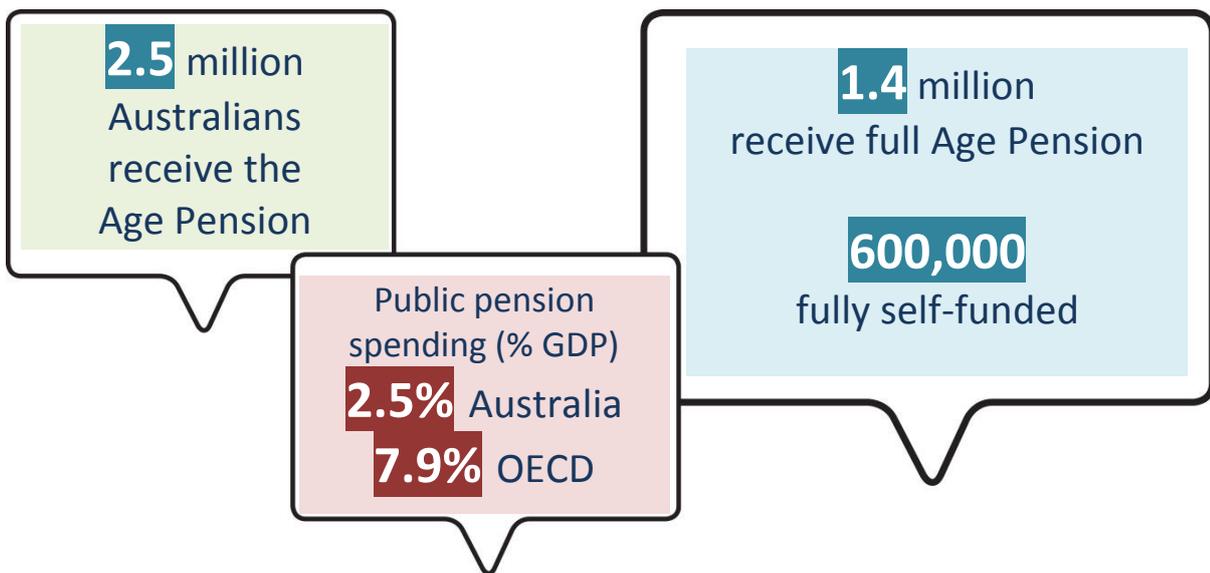
⁴ National Seniors Productive Ageing Centre (NSPAC) 2012. *Barriers to Mature Age Labour Force Engagement in Australia*. National Seniors Australia: Melbourne.

⁵ Industry Super Australia 2016 'New Analysis Indicates Pension Changes To Hit Middle Australia Hardest' Media Release 12 February 2016.

⁶ Ingles, D. and Stewart, M. 2015. 'Why pensioners are cruising their way around budget changes' in *The Conversation* <https://theconversation.com/why-pensioners-are-cruising-their-way-around-budget-changes-42544>

income policy that acknowledges that many people will plan, work hard and save for their retirement based on existing rules.

The changes to the asset test and taper rate should be deferred or amended and assurances should be given that no further changes will be made to Age Pension and concession card eligibility rules for those near or in retirement. Any rule changes must be phased in over time and be considered with regard to the sustainability of the retirement income system as a whole into the future.



National Seniors believes that a full review of the retirement income system is required to ensure that the income, taxation, superannuation and social security systems are working together to maximise the retirement incomes of all Australians and minimise government spending. The review would model various policy options to fully understand the impact of any changes on individuals, households and the economy – both now and in the future.

As part of this process Government should develop a whole-of-government retirement income strategy. The strategy would set clear goals for the superannuation system. Future changes would be assessed against the superannuation system’s publicly accountable goals.

The family home

Owner occupied housing represents the principal form of lifetime savings for most Australians and is a critical source of security in retirement. As with superannuation, favourable tax treatment of owner occupied housing compensates for bias in the income tax system against longer term savings.

Some argue that exemption from capital gains tax leads to over-investment in the family home and inequitably favours the beneficiaries of wealthier families. However, New Zealand found that taxing capital gains could be regressive if the family home was included and that taxing capital gains on the family home would materially influence decisions to sell, creating a significant barrier to moving to more appropriate accommodation. Exempting the family home was considered the most straightforward solution to these issues (The Treasury (NZ) 2009).

Concessional treatment under the Age Pension asset test is also appropriate, not only because it provides incentives for people to save for their retirement but also because all the evidence shows that retirees who do not own their home – particularly full pensioners – face a very high risk of poverty.

Any move to adjust the concessional tax and social security settings around the family home would need to be part of a comprehensive review that considered tax and social security arrangements together.

Tax Reform

5. Develop a comprehensive and carefully modelled tax reform package.

After making submissions to the 2015 Tax Review, National Seniors is disappointed that there will be no White Paper. Older Australians are wary of tax changes cherry-picked in an election year. As a carefully modelled package, fundamental reform is required to address the significant economic trends already testing the resilience of our major tax bases.

Australia's high reliance on taxes on income and profits, together with a relatively narrow and shrinking GST base, could see taxation revenues decline as a proportion of the economy just as demand for government services, particularly health, increases.

Reducing our reliance on taxes on income and profits in favour of a more balanced mix of taxes on income, consumption and property has the potential to boost productivity, workforce participation and economic growth, while better ensuring that revenue keeps pace with future expenditure needs.

Broadening Australia's main income, consumption and property tax bases – potentially with offsetting reductions in tax rates – could also deliver a significant economic and fiscal payoff. The New Zealand experience has shown broadly based but low rated taxes are superior in achieving: revenue adequacy and buoyancy, economic efficiency, simplicity, and lower administration costs.

Broadening income and company tax bases could fund a reduction in tax rates to improve Australia's competitiveness and reduce disincentives to work; while broadening the GST base, with or without an increase in the rate, and broadening land tax bases, could enable the phasing out of the most inefficient state taxes, such as stamp duties, while providing the states with more sustainable sources of revenue to meet growing demand for services. In the case of both the GST and land taxes, base-broadening reforms would have to be accompanied by compensation for those on lower incomes.

Australia must rationalise the taxation of savings. There is a compelling case for taxing savings at lower rates than labour income - not only to eliminate the taxation of inflationary gains, but also because incentives are essential to encourage saving and foster self-reliance.

If self-reliance is the aim for future retirees, concessional treatment of life-long savings in superannuation and in the family home must continue. This does not mean that superannuation tax concessions should be sheltered from reforms that may be required to protect the integrity and improve the fairness of the system. However, any reform of superannuation tax concessions must be considered in the context of a comprehensive retirement incomes policy review.

Reform of the Federation

6. Reduce duplication of Government services and departments and ensure innovation is central to cost savings.

The reform of the Federation White Paper process provides a once in a life-time opportunity to streamline and simplify the delivery of government services across Australia. Duplication of government services is an inefficient use of resources.

The Commonwealth should only deliver and monitor those programs which require a national approach and divest the delivery of any programs to an appropriate level of government to ensure that services are both efficiently administered and responsive to local needs.

The Commonwealth's role should be restricted to funding, training and quality standards and reporting on national agreements through COAG. To achieve savings the Government should:

- Remove Commonwealth/State and Territory service delivery overlap, including reviewing the appropriateness of large Commonwealth departments with limited front line service delivery functionality, such as the Commonwealth Department of Education and Training and the Department of Agriculture.
- Reduce and consolidate the national funding agreements and the reporting and training programs into one general agreement administered by a central Commonwealth Department such as Commonwealth Treasury.
- Reform the health system by aligning funding and responsibility for health services to reduce cost shifting and create a more streamlined and connected-up preventative approach to patient care.

Any restructuring of responsibilities should not result in any overall cuts to services. Restructuring of Commonwealth, State and Territory responsibilities should not be used as a means of reducing funding for frontline services but as a means of reducing expensive and wasteful overlap in the delivery of these vital services and improving the responsiveness of these services to local needs. Any savings achieved from reducing duplication should be reinvested into frontline services which are not currently able to meet demand.

Digital Literacy and Cyber Safety

7. Deliver initiatives that enable older Australian's to make use of information technology innovations by building digital literacy and cyber safety skills.

“Extraordinary technological change is transforming how we live, work, communicate and pursue good ideas”⁷. While the pace of this extraordinary technological change is having largely positive impacts on the economy, many older people are not able to make use of these changes and are disadvantaged as a result.

In the 12 month period to 2012-13, 49 per cent of males and 60 per cent of females over the age of 65 did not access the internet⁸. This at a time when online services are increasingly essential to modern life.

For pensioners or lower income earners, household internet access can be a financial burden. Pensioners don't necessarily have the economic means to purchase the requisite equipment to access the internet safely at home. Rapid technological change requires constant upgrading of hardware and software, which can be costly for those requiring limited use.

Yet the larger issue facing seniors is having the confidence and skills to use technology. According to National Seniors' research, the three biggest barriers to using the internet are: not knowing how to use the internet; being confused by the technology; and being concerned about security and viruses, all of which affected more than 60 per cent of survey respondents⁹.

Poor access for seniors is concerning given that major private and public services are shifting online. Access to online health, education, social networks, government services, shopping and banking requires a basic level of digital literacy as well access to software and hardware.

Unfortunately, many older people struggle to adapt because they have not had the benefit of using technology throughout their lives or because they have a physical or cognitive impairment that makes it difficult to utilise these technologies.

A significant barrier and concern for seniors is cyber-safety. National Seniors research indicates that some older Australians still have big concerns about cyber-safety, to the extent that they are either limiting the ways in which they use the internet, or not using it at all. Older people are at much higher risk of online scams and fraud simply because they lack the confidence and skills to use new technologies.

More resources are required to help them make use of information technology and to better understand how they can protect themselves against online scams.

⁷ Australian Government 2016. 'National Innovation and Science Agenda' Accessed 10 January 2016
<http://www.innovation.gov.au/>

⁸ Australian Bureau of Statistics 2014. *Household Use of Information Technology, Australia, 2012-13* Cat. no. 8146.0
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/8146.02012-13?OpenDocument>

⁹ National Seniors Productive Ageing Centre 2011 *Older Australians and the Internet: Bridging the Digital Divide* National Seniors: Melbourne

One option to improve the digital literacy and cyber safety of seniors is to leverage off existing initiatives. Funding to the existing Broadband for Seniors program, for example, could be increased to broaden the delivery of education and training programs that improve the digital literacy and cyber-safety of older Australians. Doing so will enable older Australians to take better advantage of the rapid technological change occurring in society

Employment

Increasing workforce participation amongst the over-50s is critical to Australia's ongoing prosperity.

Older Australians have the potential to make a significant contribution to the economy. Research estimates we lose \$16.2 billion a year not utilising the skills and experience of older people who want to work¹⁰. Furthermore it is said that a five per cent increase in the paid employment of Australians aged 55 plus would add \$48 billion to the economy¹¹.

The economic imperative to utilize mature-age workers is great. As the relative balance between the working and non-working population changes, it will become more difficult to attain an adequate tax base to support government spending. It is essential that government support greater workforce participation among older Australians to increase economic growth and government revenue.

Not only does increased workforce participation increase government revenue but it also enhances self-sufficiency, reducing the risk of poverty and economic dependency in old age. Many older Australians are underemployed or discouraged from working or looking for work because they find it difficult to obtain appropriate opportunities. Those lucky enough to find work are often employed part-time but want to work more hours. Those that can't find work are likely to face long-term unemployment.

- Older Australians are often discouraged from looking for work with many holding the view that employers think they are too old. In September 2013, it was estimated that 66,800 people over 55 were discouraged from looking for work¹².
- When older workers lose their job they are more likely to be long-term unemployed. In December 2015, 36 per cent of people aged 55 and over were long-term unemployed compared to only 20 per cent of people aged 15-54¹³.

¹⁰ Updated figure from National Seniors Australia 2009. *Experience Works: The mature age employment challenge*.

¹¹ Australian Human Rights Commission (AHRC). 2013. *Fact or fiction? Stereotypes of Older Australians*.

¹² Australian Bureau of Statistics 2013. 'Persons not in the labour force who were discouraged job seekers, selected characteristics—by sex' in *Persons Not in the Labour Force, Australia, September 2013* cat. no. 6220.0 <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6220.0September%202013?OpenDocument>

¹³ Australian Bureau of Statistics 2015. 'UM3 - Unemployed persons by Age and Duration of job search, January 1991 onwards' in *Labour Force, Australia Detailed - Electronic Delivery, Dec 2015*. Cat. No. 6291.0.55.001 <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6291.0.55.001Dec%202015?OpenDocument>

- A large number of older Australians are underemployed for long periods of time. In September 2013, it was estimated that 52,000 part-time workers aged 55 and over had been underemployed for more than 12 months or more¹⁴.

There are also important benefits to business of having age-friendly workplaces. Hotel chain Accor, for example, created a program to provide opportunities for experienced workers as part of their commitment to creating a diverse workforce, which capitalizes on the unique skills and experience of mature workers¹⁵.

Government can support mature age employment by funding and promoting research which demonstrates the benefits of age-diversity in the workforce. It can also provide direct assistance for mature-age employees to help them to remain engaged in the workforce.

Career planning and reskilling

- 8. Provide an early intervention reskilling program for “high risk” mature-age employees before they become unemployed that promotes career planning, identifies skill deficits, provides formal recognition of skills and experience and facilitates access to training opportunities.**

Older workers have always been vulnerable in redundancy exercises and are traditionally the first to go and last to be rehired. The problem is particularly acute in trade exposed sectors such as manufacturing where the threat of redundancy is high.

To address this problem the Federal Government should develop a comprehensive mature-age career development program that identifies workers less likely to find new jobs because of skills deficits and provides these “high risk” individuals with opportunities for career planning, training and reskilling, and options to have existing skills and experience recognised before they become unemployed.

High risk workers should be provided with opportunities to engage in career planning activities, which identify skill deficits and future work options and match this with relevant training to improve their chances of either retaining their current employment or gaining new employment.

High risk workers should be provided access to reskilling activities while still in employment. This could be facilitated by providing subsidies to engage in relevant skill development.

Employees without formal qualifications but with experience should be given priority access to a skills assessment service that determines whether they can receive formal recognition for the skills and experience they possess. Such a service was provided as part of the Investing in Experience (Skills Recognition & Training)(IIE-SRT) program, which offered skills assessment and gap training so that mature age workers could attain a nationally recognised qualification at the Certificate III to Advanced Diploma level.

¹⁴ Australian Bureau of Statistics 2013. ‘UNDEREMPLOYED PART-TIME WORKERS, Duration of current period of insufficient work–By selected characteristics–By sex’ in *Underemployed Workers, Australia, September 2013* cat. no. 6265.0 <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6265.0September%202013?OpenDocument>

¹⁵ Accor 2016. ‘Experienced Workers’ Accessed 13 January 2016 <http://jobsataccor.com.au/diversity/experienced-workers/>

The recently announced Skills Checkpoint Pilot¹⁶ provides the beginnings of a program to deliver career planning, training and skills recognition to workers at high risk of unemployment. National Seniors believes that this program could be strengthened and expanded to provide a comprehensive career planning and skill development program for older workers. This should include removing the current upper age limit of 55 in recognition that people are working far beyond traditional retirement age.

To be truly effective, this program would need to be promoted widely to employees and employers, involve a tool to identify high risk workers, provide an up-to-date assessment of skills requirements and offer high risk candidates with priority access to training and reskilling opportunities backed by incentives, subsidies and tax concessions.

Female workforce participation

9. Assist women to re-enter or remain in the workforce by acknowledging and supporting the important role played by grandparent childcare.

More needs to be done to assist women's workforce participation and support their ability to accumulate adequate superannuation incomes in retirement by providing flexible childcare options.

Affordable childcare is the single most important factor supporting female workforce participation¹⁷ and with it women's capacity to earn an adequate retirement income. Without access to affordable childcare, mothers will be forced out of the workforce to undertake caring duties.

A lack of affordable childcare forces women to disengage from the workforce or work part-time when their preference might be otherwise. Parents not only face high costs when placing children in formal care to return to work but also struggle to find suitable options for children when they are very young, which discourages the use of formal childcare. In its place, many parents rely on grandparents to fill the gaps in the formal childcare system. These grandparents play a central role in transitioning between parental care and more formal care options, such as daycare, preschool and school¹⁸.

Female grandparents, in particular, are increasingly reducing their workforce participation to provide care for grandchildren to enable daughters and daughters-in-law to re-enter the workforce¹⁹. This strategy is critical for future self-sufficiency in retirement, because it enables women to re-enter the workplace and continue their career progression at a time when this is most likely, which assists in building adequate superannuation balances for later retirement.

National Seniors believes that recognition of the role of grandparents in filling the gaps in the formal childcare system must be acknowledged. Grandparents should not be forced to

¹⁶ Department of Education and Training 2016. 'Skills Checkpoint Pilot' Accessed 5 January 2016
<http://www.education.gov.au/skillscheckpointpilot>

¹⁷ Kvist, J. 2015. *ESPN Thematic Report on Social Investment: Denmark*. Brussels: European Commission.

¹⁸ Hamilton, M, & Jenkins, B. 2015. *Grandparent childcare and Labour market participation in Australia* (SPRC Report 14/2015). Melbourne: National Seniors Australia 2015

¹⁹ Hamilton & Jenkins 2015. *Ibid.*

compromise their own financial security because the current childcare system fails to provide parents with adequate care options.

Policies which enable grandparents to engage in critical care activities that fill the gaps in the formal system should be explored. This could include extending leave and right to request leave provisions or by extending childcare subsidies to working grandparents who engage in childcare duties for very young children when parents need to return to the workforce.

Entrepreneurship

10. Create a subsidiary program of the New Enterprise Incentive Scheme (NEIS) for mature entrepreneurs.

The proportion of people over 55 who are self-employed has risen dramatically over the past 25 years. The number of people age over 55 who are self-employed is now on par with the number aged from 35 to 44 and 45 to 54 when it was roughly one-third less some 25 years ago. While self-employment may be a response to difficulties in finding employment²⁰ it can also occur because an individual sees an opportunity to capitalise on their knowledge and experience.

Some older Australians are keen to use this knowledge and experience to start their own business. As entrepreneurs, they have the advantage of developed networks; industry experience; technical and managerial skills; and a strong financial base. These individuals may have interesting and viable business ideas but would benefit from enhanced planning skills. They might also not be aware of the technological innovations that could enhance the profitability and sustainability of their business proposal.

National Seniors recommends that mature-age entrepreneurs have access to a modified version of the existing NEIS program to enable them to develop a self-employment opportunity.

There are a number of positive social and economic benefits for seniors participating in creating and maintaining their own business, such as being able to continue to participate in the workforce. Older people can be deterred from reaping these benefits because of the complex administrative procedures required to start a business and the lack of capital. Education and training is required to help start and maintain self-employment.

While the NEIS scheme is available to anyone over 18, targeted assistance for seniors is only available to NEIS recipients over 50 who are classified as Non-Allowee Mature Age (NAMA). NEIS recipients classified as NAMA are not eligible for the NEIS Allowance but must have the financial capacity to support themselves during the 15 month NEIS assistance period, which includes an intensive seven week training period in which a recipient studies a Certificate IV in Small Business and help to develop their business plan²¹.

²⁰ Spoehr, J., Barnett K. and Parnis. E. 2009. *Experience Works: The Mature Age Employment Challenge*, Adelaide: The Australian Institute for Social Research/National Seniors Australia.

²¹ Greater Melbourne Employment and Training Services 2012. *New Enterprise Incentive Scheme: An Australian Government Initiative*. http://www.gramets.com.au/neis_nama.pdf

“Senior entrepreneurs” who do not have the financial capacity to support themselves during the initial stages of starting a business should have access to targeted support and training through the NEIS scheme, which recognises and builds upon the unique skills and knowledge they possess.

As part of the mature-age NEIS scheme, dedicated support could be made available for start-ups focused on innovation. Information and assistance could be provided to assist mature-age entrepreneurs to take advantage of the opportunities available in the current economy.

Age-friendly workplaces

11. Promote age friendly workplaces by establishing a Prime Minister’s Employer Champion Award to recognise Australian businesses that demonstrate best practice in employing older people

A Prime Minister’s Employer Champion Award would encourage astute businesses to lead in adapting to an ageing workforce. Award criteria would cover recruitment practices; training, education and career development opportunities; built environments; and alternative work options such as flexible hours, job-sharing and phased retirement. Importantly, this is about Corporate Australia driving change and being recognised for it.

Housing

12. Implement a Rightsizing pilot program that exempts up to \$250,000 from the sale of the home from the Age Pension means test.

National Seniors is opposed to including the family home in the Age Pension means test. Not only does the family home represent a stock of wealth that can be drawn on in later life to pay for the costs of aged care but it also represents a significant social, emotional and psychological resource that connects older people with family, friends and community and contributes to the maintenance of health and wellbeing.

While their homes may have increased in value, many older Australians live in housing inappropriate for their needs. Often retirees on low-fixed incomes struggle with the costs of adapting their existing home to suit their needs as they age. This increases the risk of injury and hospitalisation and can precipitate early entry into residential aged care, when it would be more cost-effective and appropriate to stay live at home (for both the individual and government).

Older Australians require age-appropriate housing. This is best achieved by encouraging and enabling rightsizing. Unfortunately, the financial barriers to rightsizing mean that only a small percentage of older Australians choose to move to more suitable housing. Most seniors are rightly uncomfortable with the idea of using a reverse mortgage product and are justified in fearing the impact of downsizing on their Age Pension. The absence of product innovation in this space limits the choice and opportunity for older Australians to consider their arrangements.

Without action, older Australians will continue to have little choice but to lock up large sums of wealth in their family home. This wealth could be better used to pay for health and aged care and this housing could provide appropriate dwellings for larger families.

The *Housing Help for Seniors* pilot scheme, announced in the 2013-14 budget, was a step in the right direction. However, the restrictions on the use of the excess sale funds and requirement to have lived in the home for 25 years placed limitations on the initiative.

National Seniors' proposed *Rightsizing Program* overcomes the disadvantages of the *Housing Help for Seniors* scheme by having less restrictive eligibility requirements and by enabling the quarantine of up to \$250,000 of excess sale funds from the Age Pension means test. Funds would be deposited in a secure savings account which could be used to pay for age-friendly home modifications, health and aged care costs or invested in government infrastructure bonds or other secure investment products. The scheme would enable older Australians to downsize to more appropriate housing; allow retirees to become more self-sufficient; release funds tied up in bricks and mortar; stimulate the housing and renovation market and increase supply for larger households.

Health

Affordable and accessible health care is essential for the wellbeing of all Australians. As life expectancy increases, good health is especially important for older Australians as this facilitates mobility, social inclusion, mental and physical wellbeing, and lessens the need for costly acute care interventions.

Cost of living pressures remain an ongoing issue for senior Australians. The over-50s generally report financial stress in meeting the cost of their health care. There is a strong relationship between financial stress and failure to purchase medical services and medicines, with 28 per cent of those under financial stress skipping medical tests or treatment compared to 16 per cent of those with no financial stress²².

Out-of-pocket expenditure increases steadily as the number of chronic conditions increase. Those with five or more chronic conditions spend \$882 per quarter which is almost six times as much as those with no chronic conditions. For those with many chronic conditions this burden is magnified as they tend to have lower incomes, and those with five or more chronic conditions are estimated to spend 16.3 per cent of their incomes on health care costs, while those with no chronic conditions spend only 1.9 per cent of their incomes²³.

In Australia, out-of-pocket expenses (excluding the cost of private health insurance premiums) comprise approximately 18 per cent of health spending. This is higher than the OECD median of

²² National Seniors Productive Ageing Centre 2012. *The Health of Senior Australians and the Out-of-Pocket Healthcare Costs they Face*. National Seniors Australia: Melbourne.

²³ National Seniors Productive Ageing Centre. 2012 *Ibid*.

15.8 per cent²⁴. Across 14 OECD countries, only residents of Switzerland and the USA pay more out-of-pocket for their health care²⁵.

These figures indicate that the health system is inefficient, providing inadequate support at high cost. There is clear need for ongoing reform the health system to make it more efficient and cost-effective. The current review of the Medicare Benefits Schedule is a good start. Work is also required to rein in the cost of specialist fees and the impact of these fees on the cost of private health cover and the cost of the private health insurance rebate into the future. The shared responsibility for health under federalism needs reform because it makes patient care disjointed and harder to coordinate, which is especially problematic for those with chronic conditions.

National Seniors supports the need for health system reform and offers the following recommendations as a means of striking a balance between improving equity and access to care and reducing the burden of health care costs.

Pharmaceutical Benefits Scheme

13. Remove the inequity within the PBS by reducing the safety net threshold for a low income single person or a single concession card holder to 66 per cent of the threshold of a couple or family.

Access to affordable medications and health care is essential for the wellbeing of older Australians and directly impacts the ability of older individuals to contribute to the economy and community. Singles, pensioners and concession card holders have to accrue the same level of out-of-pocket costs as a couple or family to become eligible for the Pharmaceutical Benefits Scheme 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 multiple dependent children.

The single Age Pension of \$867.00 per fortnight is 66 per cent of a couple's pension of \$1307.00 per fortnight. Yet the single person would take longer to accumulate the required number of prescriptions to reach the PBS safety net threshold.

National Seniors believes that the safety net threshold should be reduced in line with the difference between the single and couple Age Pension rates to reflect the lower income available to single pensioners.

14. Continue to substitute cheaper generic medicines and negotiate more favourable purchasing agreements with drug companies to increase access to medicines.

The total cost of benefit-paid pharmaceuticals in 2012-13 was \$10.1 billion, of which government contributed \$8.5 billion and individuals \$1.6 billion in out-of-pocket expenses. Spending on the

²⁴ Australian Institute of Health and Welfare (AIHW) 2012. *Australia's Health 2012. Australia's health series no.13*. Cat. no. AUS 156. AIHW: Canberra.

²⁵ Thomson, S., Osborn, R., Squires D, & Jun, M. 2013. *International profiles of health care systems, 2013*. The Commonwealth Fund: New York.

benefit-paid pharmaceuticals grew on average by 4.9 per cent a year over the ten years to 2012-13²⁶.

While the total cost of PBS medicines has slowed over the past three years, National Seniors believes that more could be done to reduce the cost of essential medications.

The Grattan Institute has estimated that Australia could save \$1.3 billion a year – 14 per cent of the entire PBS budget – if an independent board managed drug purchasing decisions within a capped budget, negotiated cheaper agreements with drug companies and increased the uptake of generic medicines. This could be achieved by adopting the model used in New Zealand, which has significantly contained growth in drug prices. The New Zealand Pharmaceutical Management Agency (PHARMAC) has an independent expert board which is charged with the task of achieving the best health outcomes achievable from pharmaceutical treatment within a defined amount of funding available²⁷.

National Seniors believes that adopting purchasing models that are proven to be efficient and effective will assist Government to provide the best possible price for drug purchasing.

Aged Care

The aged care sector is undergoing significant change as a result of ongoing reforms to the funding, administration and delivery of services. While these changes have the potential to improve outcomes for older people and their families, much more needs to be done.

- There are significant concerns among older Australians about the affordability of care as the cost of both residential and community care increases.
- The introduction of Consumer Directed Care (CDC) requires Government to develop an appropriate model that can be consistently implemented throughout the sector. It also requires support and information to ensure consumers are empowered enough to make the right choices. Ultimately, the test for reform is quality of care.
- The My Aged Care Gateway requires further resources and improvements if it is to overcome current problems – such as 90-minute wait times - and become a more simple and user friendly information and assessment tool.
- Further changes are required to implement a streamlined coherent quality framework across the residential and community sectors, with consistent standards, quality indicators and greater emphasis on consumer feedback.

²⁶ Australian Institute of Health and Welfare (AIHW) 2015. *Health expenditure Australia 2013–14: analysis by sector*. Health and welfare expenditure series no. 55. Cat. no. HWE 65. AIHW: Canberra.

²⁷ Duckett, S.J. with Breadon, P., Ginnivan, L. and Venkataraman, P., 2013. *Australia's bad drug deal: high pharmaceutical prices*. Grattan Institute: Melbourne.

While each of these issues require ongoing attention, National Seniors believes that there is an immediate need to address issues relating to the quality of care in residential aged care facilities.

Workforce strategy

15. Improve the quality of residential aged care by developing a comprehensive workforce strategy.

National Seniors believes that the quality and quantity of staffing in the aged care sector must be improved as part of ongoing sector reform to ensure the best care possible.

Research undertaken by Access Economics for National Seniors has shown that positive outcomes for residents are directly related to both the *quality* and *quantity* of care. “High quality care is a function of skills and training associated with those providing care, and the amount of care provided”²⁸. Staff need to know what they are doing and have enough time to do it properly.

The absence of a comprehensive aged care workforce strategy combined with recent cuts to government funding for education and training will have a profound impact on the capacity of the sector to attract and retain the workforce required to provide care. This is particularly important as the proportion of aged care residents requiring higher levels of care rapidly increases²⁹.

A workforce strategy that outlines how the current and future workforce needs of the sector will be met is essential. Funding for workforce training to ensure an adequate pool of highly skilled workers available for the sector is also vital. The strategy must address the quality of training provided to ensure that the workforce has the skills required to meet the needs of working in the aged care environment. The strategy must also outline how to best to develop a workforce cognisant of people from diverse cultural and language backgrounds.

The Australian Nursing and Midwifery Association in conjunction with Flinders University and the University of South Australia are currently undertaking research to ascertain the adequacy of current staffing levels and mix. The results of this research will provide evidence for determining safe staffing levels and skills mix in the aged care sector.

Elder Abuse

16. Develop a national elder abuse prevention strategy, public awareness campaign, national Powers of Attorney legislation and mandatory reporting requirements for the financial services sector.

²⁸ National Seniors Australia 2010. *The Future of Aged Care in Australia: A public policy discussion paper prepared for National Seniors Australia*. National Seniors Australia: Brisbane.

²⁹ Australian Institute of Health and Welfare (AIHW) 2016. Care needs in residential aged care’ Accessed 14 January 2016. <http://www.aihw.gov.au/aged-care/residential-and-home-care-2013-14/care-needs/>

National Seniors strongly supports development of a national response to elder abuse. A national strategy would focus attention on this largely hidden problem and enable coordinated and consistent responses across jurisdictions.

As part of this national strategy, National Seniors recommends that each jurisdiction commit funds to develop a national research effort to clearly evaluate the prevalence of elder abuse and gain a better understanding of the circumstances in which it is most likely to occur. This could be used to develop more targeted and effective prevention strategies.

National Seniors supports the development of a national public awareness campaign on elder abuse as part of the strategy. This campaign should outline the risks of abuse and highlight the mechanisms that can be used to minimise this risk.

While elder abuse incorporates physical, psychological, social and sexual abuse and neglect, National Seniors is concerned about the increasing prevalence of financial abuse among older people. Evidence from the Elder Abuse Prevention Unit in Queensland has shown, for example, that 65 per cent of reported cases also involve financial abuse as a secondary form of abuse³⁰.

National Seniors supports calls to develop national Powers of Attorney (PoA) legislation as a means of improving protection for older Australians³¹. Enduring Powers of Attorney (EPA) should be fully executable throughout Australia, but currently are not³² because they come under separate state and territory legislation. National legislation to regulate the use of PoA and EPA would ensure consistency across jurisdictions making them more cost-effective³³.

Mandatory registration of an EPA should be included in national legislation, which would ensure verification, accountability and help to deter abuse. However, the introduction of mandatory registration would need to consider how this impacts on the privacy of the principal and how this impacts on the costs to consumers³⁴.

National powers of attorney legislation could be made through the powers available to the Commonwealth Government through the constitution³⁵, but could also be facilitated by each state and territory government cooperating to refer responsibility for powers of attorney to the Commonwealth.

The financial abuse of older Australians could also be reduced by introducing mandatory reporting requirement for the financial services sector. While some work has been done to educate bank staff about how to identify and respond to suspected cases of financial abuse, obligations to report would provide a more robust mechanism to prevent it. This would require adequate training and

³⁰ Elder Abuse Prevention Unit 2015. *The EAPU Helpline: Results of an investigation of five years of call data*. Report for the International Association of Gerontology and Geriatrics Asia & Oceania Regional Congress 2015.

³¹ Queensland Law Society 2011. *Joint issues paper: elder abuse* June 2011 Accessed 4 November 2015
http://www.qls.com.au/files/d04c1d3a-0fc1-4e2b-87e1-a08200f16913/elder-abuse_issues-paper_v6.pdf

³² Commonwealth of Australia 2007. *Older people and the law*. House of Representatives Standing Committee on Legal and Constitutional Affairs, Canberra, September 2007.

³³ Wuth, N. 2013. 'Enduring Powers of Attorney: With limited remedies – it's time to face the facts!' in *Elder Law Review*. 7, 1.

³⁴ Wuth 2013. *Ibid.*

³⁵ Wuth 2013. *Ibid.*

support for staff to enable them to recognise abuse and the development of appropriate procedures for reporting and investigating suspected abuse cases.



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