Bridging our growing divide: inequality in Australia

The Senate Community Affairs References Committee, 2014

Older workers and those at risk of poverty in retirement

4.66 The terms of reference for this inquiry direct the committee to consider the impact of income inequality on older workers and workers at risk of poverty in retirement. Within this demographic, there are varying degrees of actual and potential hardship and disadvantage. There are: • older unemployed people; • pensioners living in poverty; • those older workers on a low income with no assets or retirement savings; • parent carers; and • those on relatively good incomes who have suffered investment losses and the prospect of insufficient savings to self-fund their retirement.

Older unemployed people

4.67 Older unemployed people can face particular difficulties regaining employment. A substantial number of older Australians of working age are not employed. Department of Social Services data show that in September 2014, there were nearly 400,000 job seekers receiving the Newstart Allowance. Of these, 79,163 were aged over 50, nearly 20 per cent of all Newstart recipients.

4.68 The Department of Social Services has noted that between 2010 and 2013, there was a 41.2 per cent increase in people in their 50s and 60s receiving the Newstart unemployment benefit, much higher than the overall growth across all 86 Submission 24, p. 3. 87 Department of Social Services, Labour market and related payments: a monthly profile, September 2014, p. 9, https://www.dss.gov.au/sites/default/files/documents/11_2014/labour_market_and_related_payments_september_2014_updated_13nov14.pdf (accessed 17 November 2014). 127 demographics.88 Older people are more likely to be unemployed long-term than any other group.89

4.69 At the Logan hearing, Ms Bartolo told the committee that some of YFS Limited’s clients are older men in their late 50s who have lost their jobs and cannot meet their commitments.90 Ms Mary D’Elia of Baptcare emphasised that unemployed older Australians living on the Newstart Allowance have an income level ‘generally acknowledged as inadequate’. She argued that the pension age should not be raised to 70 years without a simultaneous increase in the level of the Newstart Allowance.91

4.70 The committee recognises and supports government initiatives to assist older unemployed Australians to gain work and encourage older workers to remain in the workforce. The number of Australians aged over 55 (both male and female) participating in the workforce has increased since the early 1990s. The ABS has found: In 2009–10, there were around 5.5 million Australians aged 55 years and over, making up one quarter of the population. Around one third of them (or 1.9 million) were participating in the labour force. People aged 55 years and over made up 16% of the total labour force, up from around 10% three decades earlier. The participation rate of Australians aged 55 and over has increased from 25% to 34% over the past 30 years, with most of the increase occurring in the past decade.92 Pensioners living in poverty

4.71 In its submission to this inquiry, the COTA Australia (COTA) stated that older people are consistently over-represented in poverty statistics. It noted that incidences of poverty are high for

4.72 COTA did recognise that changes to pension arrangements in 2009 alleviated the levels of poverty. As part of these changes, the aged pension increased 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, the Consumer Price Index (CPI) or MTAWE.94

4.73 Welfare agencies told the committee that increasingly, older homeless people are presenting to them in need of assistance. Ms Cheryl Fairclough of Baptcare in Tasmania told the committee: More and more agencies are seeing older people homeless for the first time in their lives at retirement, particularly older single women. Studies by the University of Melbourne looked at the fact that, even in the buoyant years of 2001 to 2007, one in 12 older people suffered severe disadvantage and poverty. Certainly, for single pensioners, one-third, generally, are suffering financial and housing stress.95

4.74 Ms Fairclough’s colleague, Ms D’Elia, told the committee of the particular relevance of seniors living in poverty in Tasmania. She noted: By June 2013 more than 17 per cent of Tasmanians were aged 65 and over—the highest percentage of any Australian state or territory. As an aged-care agency, Baptcare is particularly concerned with the growing poverty and housing insecurity amongst seniors. Indeed, around 40 per cent of the aged-care residents at our Baptcare Karingal community facility in Devonport are financially and socially disadvantaged. We also have a target of 30 per cent of our home care packages being provided to disadvantaged aged clients.

4.75 Baptcare and COTA both expressed strong concern at the plans to shift the indexation for aged pensions from a percentage of the average male weekly earnings to the lower baseline of average weekly earnings and then indexing pensions to CPI instead of wages growth. In terms of the impact of this measure, Baptcare identified a particularly vulnerable group as grandparents on the aged pension or on Newstart with responsibility for caring for their grandchildren.96 Older workers on a low income with no assets

4.76 Of great concern for the committee is the cohort of older Australians who have lived for many years on a low income and who face a retirement without assets. The committee is aware that the Household Income and Labour Dynamics in Australia (HILDA) Survey contains data on Australians' asset holdings by age group. 94 Submission 38, p. 4. 95 Social Policy Officer, Committee Hansard, Hobart, 19 September 2014, p. 9. 96 Committee Hansard, Hobart, 19 September 2014, p. 4. 129 The eighth statistical report contained the following table (Table 4.1). The report noted: ...in all age groups, there has been a decline in home ownership between 2001 and 2010, but the largest
declines have been for people aged 35 to 54 years. One way of viewing these changes by age group is to take a ‘birth cohort’ perspective. Thus, the homeownership rate when aged 35 to 44 years was 4.5 percentage points lower for the cohort born between 1966 and 1975 than for the cohort born between 1956 and 1965; and the home-ownership rate when aged 45 to 54 years was 5.5 percentage points lower for the cohort born between 1956 and 1965 than for the cohort born between 1946 and 1955.97