



COMBINED PENSIONERS AND SUPERANNUANTS ASSOCIATION OF NEW SOUTH WALES INC.

Founded 1931.

Representing pensioners, superannuants and low-income retirees.

Consumer Protection Awards – 2002, 2003

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Submission

Australia's Demographic Challenges - a response from CPSA

Introduction

Combined Pensioners and Superannuants Association of NSW Inc (CPSA) is a non-profit, non-party political membership based association representing the interests of pensioners of all ages, superannuants and low-income retirees. It has around 150 branches and affiliates with a combined membership of over 12,500 throughout NSW.

Because CPSA has a membership and constituency of mostly older people (as well as other pensioners), the association takes a great interest in discussion papers such as *Australia's Demographic Challenges* which suggest the possibility of considerable transformation of governmental policies and practices around social security, work and retirement. In the introduction *Australia's Demographic Challenges* states:

“Over time, the ageing of our population will result in a greater demand for Age Pensions and health and aged care spending. And the need to keep up with changing technology and community expectations of accessing the most advanced diagnostic tests and medical treatments is putting ever increasing demands on health spending.”

CPSA's members and constituents make it clear to the association that the Age Pension, health and aged care are some of the issues that concern them the most. The association, therefore, is pleased to have the

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opportunity to respond to *Australia's Demographic Challenges* so as to voice the interests of those we represent.

General overview

Australia's Demographic Challenges like the *Intergenerational Report* and the *National Strategy for an Ageing Australia: Employment for Mature Age Workers Issues Paper* before it reflect the view that Australia's ageing population represents a looming problem (or "challenge"). It then gives a summary of why this is the case based on how expenditure on health, aged care, pensions and education will affect budget outlays in the future.

Immediately we run into problems. The assumptions raised in the *Intergenerational Report* thankfully may not translate into reality. Pamela Kinnear from the Australia Institute counters some of these arguments:

"The 'ageing crisis' is founded on three main assumptions: that older people are a social and economic burden; that population ageing will result in a serious dependency ratio imbalance; and, that there is a close correspondence between the size of the aged population and increased public expenditure. These assumptions are largely invalid (Kinnear, December 2001)."

Ross Gittins in the 3 March 2004 *The Age* is also critical – particularly of the *Intergenerational Report's* assumptions about rising social security costs:

"In his *Intergenerational Report* of 2002 and again in last week's discussion paper, [Treasurer Costello] estimated that, by 2041-42, the annual cost of the age pension bill will have grown by 1.7 per cent of gross domestic product, which is equivalent to less than \$14 billion in today's dollars. That increase – which will take 40 years to build up – is about half the average increase for OECD countries and just a bit over a quarter of the increase New Zealand and Canada are facing. And don't forget that government spending on the dole and family payments and education will be falling as a percentage of GDP as spending on age pensions and aged care is rising (Gittins, March 2004)."

Making correct economic calculations of how much Australia's ageing population will cost is of considerable concern to older people's advocacy

organisations like CPSA. Older people, quite rightly, do not like to be told they are a burden on society. *Australia's Demographic Challenges* seems to imply that older people are indeed a burden and as such is not likely to be a sentiment appreciated by those CPSA represents. After all, the expenditure on politicians including wages, allowances and accommodation is not generally regarded as a burden but a necessary investment if Australia is to have a working democratic, parliamentary system. Expenditure on things such as aged care and health is similarly not a burden but a necessary expense in a civilised society.

The problematic assumptions of *Australia's Demographic Challenges* flow on to other areas which need to be addressed individually under the relevant headings.

Education and Skills – the key to ensuring effective participation

Australia's Demographic Challenges enthusiastically highlights the progress made in the various levels of education in Australia in the last 40 years. It is certainly true that Australia has a world class education system. The NSW Higher School Certificate is of the highest standard of any equivalent examination. The tertiary education system in Australia is a major earner for the Australian economy and attracts many students from abroad.

The problem is the Australian Government is endorsing the need for people to undertake further education while education has become too expensive and underfunded. For example, the University of Technology, Sydney (UTS) recently increased HECS fees for its courses by 25 per cent. Most postgraduate courses require thousands of dollars in up front fees. Public education at all levels is becoming critically underfunded which means prospective students are being required to pay more and more for education that they are being told is essential for them to obtain the skills and qualifications necessary to find work. CPSA considers this unfair – especially when older people have been made redundant from their jobs and need to retrain if they want a chance to re-enter the workforce.

Aside from reducing the costs of education the Australian Government needs to rethink its policy on the Pensioner Education Supplement (PES). Currently, recipients of the Age Pension are ineligible for the PES. Although it is a fairly small supplement it would contradict Australian

Government policy if Age Pensioners continue to be ineligible for the PES while, at the same time, they are being told they should consider participating in the workforce.

Health

Health and healthcare are regarded as vital issues for CPSA. The association's policies include support for Medicare and bulk billing, the inclusion of dental health in Medicare and the defence of the Pharmaceutical Benefits Scheme (PBS). *Australia's Demographic Challenges* states concerns about the costs of health and says "the role of preventative health measures deserves further examination."

Medicare itself is a preventative health measure. To be able to see a doctor via the bulk billing system and, therefore, not have to pay upfront charges is an essential part of a world class health system. It encourages people to see a doctor before their health problems worsen. This is why CPSA has campaigned vigorously to reverse the levels of bulk billing doctors and has been extremely critical of the MedicarePlus – which the association sees as not only inadequate in terms of not addressing the problem of the decline in bulk billing but also an obvious attempt by the current Australian Government to erode Medicare.

Australia's Demographic Challenges says that health care resources are not infinite. CPSA would agree. They can, however, be expanded by lifting the Medicare levy by half or one percentage point in order to put more funding into a healthcare system. That way more Australians would be willing to see a medical practitioner before their health problems worsened (and therefore avoiding the hospital system – a more expensive option for both the individuals concerned and the taxpayers). This would mean less hours of productivity would be lost.

The Income Support System

According to *Australia's Demographic Challenges*:

"Part-time and casual work is more common [than previous decades]. Most women now work before and after having children. Others who worked full-time most of their lives (such as older men) can have problems getting back into work if they lose their jobs when they are around 45 or 50.

And there is a strong trend for skilled males to retire early, well before pension age.”

Research from the ACTU (drawn from material by Watson et al, *Fragmented Futures: New Challenges in Working Life*, 2003) indicates the level of the problem Australia faces in regard to the casualisation of the workforce in *The Future of Work: Source Material on Trends and Challenges in Australian Workplaces*:

“Between 1985 and 2001 2.5 million new jobs were created in Australia. However, most of the job losses in the period came in industries and occupations with high levels of full-time and permanent employment. Most of the job gains came in industries characterised by low paid, part-time and casual work.

As a result, most of the net jobs growth in the 1990s was in part-time and casual work, often in low paid and low skilled industries and occupations:

- casual employment increased from 16% of employees in 1984 to 27% in 2002
- part time employment increased from 18% of employees in 1984 to 29% in 2002
- permanent full time employment fell from 74% of employees in 1988 to 61% in 2002
- women accounted for three quarters of all the new jobs in low paying occupations in the period from 1985 to 2001 (from Watson et al, 2003).”

On the last point, Anne Summers has included some interesting research in her recent publication *The End of Equality* (November, 2003). It seems to indicate women are being forced into low paying, part-time occupations or having to leave the workforce altogether partly thanks to either government indifference or misguided policies around childcare and maternity leave.

The casualisation of Australia’s workforce is a serious social problem. It contributes to economic uncertainty and even poverty for those unable to obtain full time work. But even worse, the phenomenon is occurring in tandem with longer hours for those who have full time employment. Jenny Macklin writes in *The Age*:

“...since 2000, the average working week has got slightly shorter. But this bare statistic papers over the continuing trend to longer working hours for those with full-time jobs. In the past 20 years there has been a marked increase in the number of people working more than 40 hours a week, including a sharp surge in the number working more than 50 hours a week. At August last year 1.7 million Australians were putting in these sorts of hours – a trend to longer work hours that is uncommon among developed countries...Since 1996, two-thirds of all jobs created have been part-time and Australia now has the second highest rate of part-time employment in the developed world (Macklin, June 2003).”

Macklin, who is Deputy Leader of the Federal Opposition, did not indicate that part of the blame must be levelled at her party when it was in government from 1983 to 1996. But her overall point still stands. Because of the free market philosophy of both ALP and Coalition governments around macroeconomic policies, permanent full time jobs with reasonable working hours (where employees can maintain quality family life and out of work hours responsibilities) are becoming increasingly unobtainable. If the Australian Government wishes to develop a work culture that is friendly towards older people and is likely to entice them out of retirement, it will have to jettison its present policies on workplace relations. It will have to intervene to make sure employers (and itself as a major employer) create jobs that are more attractive than either low paid, casual or part time positions or full time jobs with ridiculously long hours.

It is interesting that *Australia's Demographic Challenges* is written in such a way as if to say these massive changes in work culture just happened. They obviously didn't "just happen" but are a direct result of ALP and Coalition economic rationalist philosophy that gives employers considerable power at the expense of employees. The current Australian Government's intention to change the *Workplace Relations Act 1996* in order to make it easier for small business to dismiss employees without undertaking unfair dismissals procedures as currently required is a further indication of this. In future, the Australian Government should not simply bemoan the nature of workplace change as if it had nothing to do with it but instead should recognise that it needs to turn the situation around through intervention if it wants to attract older workers.

It is also interesting that *Australia's Demographic Challenges* states that:

“Around 2.7 million working-age Australians are on income support – over 20 per cent, or one in five of all adults of working age...This has grown by over 17 per cent from 2.3 million in 1996.”

In fact, it is not only interesting, it is a most extraordinary indictment of current Australian Government policies coming from a Commonwealth document. After all, the Liberal-National Coalition has been in power since 1996. If there has been such a considerable growth of the number of Australian adults on income support it does beg the question: whose fault is that? It is a further indication that present draconian policies in this area are heading the wrong way and need a drastic overhaul.

Retirement and Incentives for Early Withdrawal from Labour Market

As stated in *Australia's Demographic Challenges*:

“Forty years ago, the labour force was dominated by men who started work when they turned 15 or 16 and worked till they retired at 65 on the age pension. Many spent 50 years in the workforce.”

This is partly why many older people are wary of government initiatives aimed at getting them to rethink retirement and consider working beyond 65 years. After years of arduous labour they regard retirement and access to the Age Pension at 65 years as an entitlement. After all, they did contribute taxation revenue via their incomes in order to fund social security payments. A miner with a work history of over 40 years is not likely to find work after 65 years particularly appealing.

Many jobs today are in the information or service sectors. Traditional blue collar jobs such as mining are becoming rarer. However, as we have seen permanent full time work today is becoming more intense and the hours of work are lengthening. This situation is a huge disincentive to working beyond normal retirement age. And as long as federal governments maintain a rigid economic rationalist philosophy that considers intervention by government in the market as an anathema it will continue.

In this section of the document it is stated that “over the next 40 years, Age Pension costs are projected to rise by a manageable 1.7 per cent of GDP.” Does this mean the Australian Government is saying that alarmism of the *Intergenerational Report* should no longer be taken seriously? Does that

figure take into account the projected decline in unemployment benefit outlays as pointed out by Gittins? If not, then there is even less reason to manufacture a crisis about not having enough workers in the future and a blow out in the social security budget.

Part-time Work

Australia's Demographic Challenges states that the number of part time jobs has substantially increased relative to permanent full time jobs and created social difficulties:

“Surveys suggest some part-time workers want to work more hours, and some full-time workers performing both paid and unpaid overtime may want to work fewer hours. This suggests the labour market is still not flexible enough to allow part-time and full-time workers and employers to arrive at mutually advantageous arrangements.”

It is going to take a bit more than just fine tuning to rectify this problem. As stated previously in this submission, this problem is a result of free market policies pursued by both sides of parliament. This is further illustrated by the last paragraph in this section:

“What is clear is that government should not distort the system by inadvertently or deliberately hindering people’s opportunity to participate in the workforce. People need more options about how long they work, where they work and what hours they work.”

In other words, market forces must be left alone. The problem is that people don’t really have any options about how long they work or the hours they work precisely because there is little to hinder employers making undue demands on their workers. It is a case of work unpaid overtime or you lose your job. The Australian Government assumes employees will have a myriad of options when conditions of employment present a very different, harsh reality.

Extending People’s Working Life

CPSA recognises that people should be able to work longer than what is regarded as normal retirement age. On this basis, the association supports anti-discrimination legislation on the basis of age. But an important point

that has been overlooked in the debate around older people working is the amount of unpaid work older people perform already:

“...men and women aged over 65 contribute almost \$39 billion per year in unpaid caring and voluntary work...At individual level the unpaid work of older people is valued at between approximately \$20,000 to \$27,000 for older women and from just under \$17,000 to just over \$18,000 for older men (Gray et al, May 2003).”

The Australian Government needs to think long and hard about the implications of getting older people back into the workforce taking into account the duties they perform voluntarily. The impact could be problematic in the extreme. A better option, as mentioned before, would be to examine the problem of much younger workers (as young as 40 years) who are discriminated against on the basis of age and look at policies to enable them to obtain work in their chosen fields instead of being relegated to the unemployment queues.

Tailored Wages and Conditions

This section of *Australia's Demographic Challenges* applauds changes in industrial relations legislation and awards simplification as if they are something to boast about. It appears the Australian Government is unable to perceive the consequences of its actions regarding this issue. Industrial relations “reforms” and greater powers given to employees have created the lopsided situation of not enough work for some and too much work for others – which in turn leaves some people with not enough superannuation savings and leaves others with the desire to get out of the workforce as soon as they can possibly do so.

It seems quite clear that what is being proposed is a transparent attack on Australian working conditions. According to *Australia's Demographic Challenges*:

“Critics have stated that Australia's arrangements do not serve the needs of the low paid in that relatively high award minimum wages make it too expensive for employers to take on low skilled workers.”

Amongst those critics include the likes of the conservative Institute of Public Affairs (www.ipa.org.au). Their website clearly states their policies

which support deregulation and labour market “reforms”. CPSA is virulently opposed to initiatives enabling older people to find work to be used as a backdoor method of worsening working conditions for others.

CPSA, therefore, finds *Australia’s Demographic Challenges*, wanting as suitable strategy to address problems regarding ageing and work. In the light of these, there are some recommendations which should be taken up and factored into the Australian Government’s policies and strategies around work and ageing.

Yours faithfully,

Bill Wwhiley,
State Secretary

Recommendations

1. Commonwealth Treasury revise the calculations of projected expenditure on health and social security outlined in the *Intergenerational Report*
2. A national strategy should be implemented aimed at drastically reducing the personal financial burden of education at all levels
3. The PES should be extended to recipients of the Age Pension
4. MedicarePlus should be scrapped and the Medicare levy raised so the revenue may be used for an expanded healthcare system with a restoration of universal bulk billing
5. A business-government joint strategy should be implemented aimed at solving the socioeconomic problem of the casualisation of the workforce in tandem with the huge amounts of unpaid hours undertaken by permanent employees
6. The Australian Government should cease attempting to change the unfair dismissal provisions in the *Workplace Relations Act 1996*
7. Social security payments should not be changed to penalise those who are unlikely to obtain employment because of their age
8. The Age Pension age should remain at 65 years as reiterated in *Australia's Demographic Challenges*
9. The focus on helping people find work should be on the 40 years and above age bracket