



**SUBMISSION TO THE SENATE STANDING
COMMITTEE ON ECONOMICS**

**INQUIRY INTO ECONOMIC SECURITY
FOR WOMEN IN RETIREMENT**

**Prepared by
COTA Australia**

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Authorised by:
Ian Yates AM
Chief Executive

Prepared by:
Susan McGrath
National Policy Manager

COTA Australia
National Secretariat
Suite 9, 16 National Circuit
Barton ACT 2600
02 61549740
www.cota.org.au

1. COTA Australia

COTA Australia is the national policy organisation of the State and Territory COTAs (Councils on the Ageing) in each of the eight States and Territories of Australia that make up the COTA Federation.

The COTA Federation is the national consumer peak body for older Australians and its more than 1,000 seniors' organisation members represent over 500,000 older Australians, in addition to over 30,000 individual members.

COTA Australia's focus is on national policy issues from the perspective of older people as citizens and consumers and we seek to promote, improve and protect the circumstances and wellbeing of older people in Australia. Information about and the views of our constituents and members are gathered through a wide variety of consultative and engagement mechanisms and processes.

2. Introduction

COTA sees great value in the Senate Inquiry into Economic Security for Women in Retirement and welcomes the opportunity to make a submission.

We are deeply concerned about the economic security of all older Australians, given that people over the age of 65 experience poor outcomes across a number of key economic and social indicators; for example they make up 30% of the lowest income group in Australia¹.

In gender terms, a number of older men experience poverty or very strained financial circumstances. We also note that there is currently little known about the economic security of older transgender and intersex people in Australia, but what is understood about the challenges and exclusion faced by this group of people through the life-course does not bode well for their likely economic status in older age. However, it is now well-recognised that women as a group experience deep structural inequality in economic security going into older age. We therefore congratulate the Senate for initiating this Inquiry.

COTA acknowledges at the outset of this submission that gender is just one aspect of diversity, and that gender itself is not experienced in a homogenous way. From our work we are very aware that, for example, the experience of women differs according to their age and the life stage they are in. Similarly we understand that the experiences, needs and priorities of women from a range of diverse backgrounds will differ according to factors such as culture, language, location, income and education.

Within the confines of a limited government submission process we are not able to fully tease out the diversity of circumstances that can affect women's economic security in retirement, or the experience of diverse groups of women in regard to economic security in retirement. While

¹ ACOSS, 2015, *Inequality in Australia*, Sydney, P.14.

we view this as a shortcoming in the submission, we believe that the more general points we make about broad policy issues are still useful and relevant.

We also offer an additional caveat in our discussion of retirement incomes in this submission. While the Inquiry is very welcome, we stress that COTA also believes a broader and independent review of retirement incomes is crucial to understanding the complexity of interactions within and between components of the retirement incomes system and their impact on specific groups such as women and others who do not benefit equitably from the current system.

COTA has led the way for over 18 months in calling for an independent, comprehensive, Retirement Incomes Review and has been joined in that call by a large number and range of community, business and political stakeholder groups, evidenced in part by support from the National Reform Summit held in August 2015. We firmly maintain that such a review is needed to understand the complexity of the retirement incomes system and to find ways to strengthen its fairness, adequacy and sustainability into the future. This is particularly crucial in regard to groups, such as women, who are disadvantaged within the system.

An important driver of our desire for an integrated Review is to ensure that a long-term, life-course and whole-of-system view is built more firmly into retirement incomes policies. Each of these features are especially relevant to understanding and combatting the 'accumulation of poverty' that many women experience over a lifetime and the complex interplay of factors that give rise to even more inadequate incomes for women than men as a group in retirement.

Recommendation 1:

COTA still believes that the Government should commission a holistic Retirement Incomes Review, with an independent chair and expert members, incorporating a public engagement process involving key stakeholders, taking into account other recent government policy reviews and working in tandem with those currently underway.

- ***The Review should cover pensions and allowances, all aspects of superannuation policy (including the taxation treatment of superannuation assets and income), issues affecting mature age workforce participation, housing and the costs associated with aged care and health in older age.***
- ***The Review should also look to the optimization of retirement incomes and factors which mitigate for and against this including the risks our system and policies place on the individual.***
- ***In its goals and methodology the Review should embed an explicit recognition of and response to the diversity of experience and outcomes in retirement incomes for different groups in society, particularly but not restricted to women.***

COTA recognizes that it is now too late in the electoral cycle for such a Review to be completed and assessed before the next federal election. However such a Review should still be

commissioned and bi/tripartite support negotiated for its conduct, so that it reports early in the next term of government and recommendations can be acted upon in the first Budget.

3. Why women are more economically insecure in retirement

The wheels of retirement income security are set in motion many decades before most people even begin to think about how well they are placed to manage financially in later life. The adequacy of and timely access to retirement incomes is a major issue for everyone. But for most women it is especially fraught.

The key factors that contribute to women's collective position being more precarious than men's in regard to retirement income include:

- the gender pay gap;
- broken work (and therefore earning) patterns associated with child bearing, child care and other family caring responsibilities;
- an earnings-linked superannuation contribution system;
- women's greater longevity than men's; and
- the greater incidence of single person households amongst older women.

These factors lead to the greater incidence of women as recipients of and reliant upon the modest full Age Pension, reflecting lower incomes and assets than men going into retirement. It is often the complex interplay between these factors that seals the fate of increasing numbers of older women living in poverty in retirement, on incomes inadequate to meet even basic needs. The increasing incidence of homelessness amongst older women is one consequence of this. (These issues are discussed further below.) However this list of factors is more a description of how women end up less economically secure than men in older age than an explanation of cause.

4. A Gender Paradigm Shift is Required

At the heart of many of the issues leading to poorer long-term economic outcomes for women is the continuing asymmetry between men and women in the workforce, the community and the home, across the various life phases.

Other contributors to this Inquiry will be better placed than COTA to demonstrate the way in which women's and men's positions in paid work establish the foundation for structural gender inequity in retirement incomes. Nonetheless, we make the high level argument that the structure of gender relationships in contemporary Australia and the enduring, normative organisation of employment around the idea of a male worker is essential to the downstream implications for women's economic security.

While women were viewed for most of the Twentieth Century as a contingent labour market, to be drawn into active workforce participation when labour supply (of prime age men) was not

sufficient to meet demand, women's workforce participation has grown substantially in recent decades². Women have made significant inroads to securing a permanent place in the workforce, and workforce participation has transformed their lives, compared with earlier generations. However women remain more vulnerable to economic disadvantage across the life course due to factors such as withdrawal from or more marginal attachment to the workforce due to their caring roles. Later on, women's longer life expectancy also means that they may be vulnerable lower socio-economic status³.

Women's greater participation in the workforce has also made an enormous, positive impact on national productivity and living standards for everyone. The recent Intergenerational Report 2015 argued that policies that boost female participation will help Australia achieve a higher level of future prosperity. The Report also identified that the increase in the participation rate, particularly of women, lifted economic growth by 0.2 percentage points per annum over the past 40 years in Australia⁴.

However, work and its financial rewards are still structured in a way that takes for granted and relies upon the non-market (unpaid) activities of women, carried on alongside their workforce participation. These activities include child-bearing and greater responsibility than men for child-rearing and (importantly to COTA) caring for other family members including grandchildren and frail aged parents.

These are essential services for society and while there is now more public and fee-for-service provision of the latter two functions than ever before, women still play the main role in their delivery on an unpaid basis. Women spend almost twice as much time on unpaid work as men⁵. Carers Australia, in its submission to this Inquiry points out that in 2012, 56.1 per cent of all carers were female, but when we look at primary carers (those who provide the most substantial amount of care to another individual) the gender disparity is even starker, with 70 per cent of all primary carers being female⁶.

It is in fulfilling these roles, much more so than men, that women most often experience broken career patterns. The implications of these breaks are substantial for: maintaining personal human capital in the workplace; life-time earnings; and cumulative, compounding retirement savings (in an earnings-related superannuation scheme). The effect of broken work patterns appears to be particularly dire if a woman interrupts her career to have children, and if she returns to work on a casual or part-time basis the consequent impact on the pay gap worsens⁷.

² Abhayaratna, J. and Lattimore, R. 2006, *Workforce Participation Rates — How Does Australia Compare?*, Productivity Commission Staff Working Paper, Canberra, P.9.

³ Baxter, J. and Taylor, M. 2014, *Socio-Economic Status of Women Across the Life Course*, NSW Family and Community Services and Australian Institute of Family Studies, P.ix.

⁴ Treasury. 2015, *2015 Intergenerational Report*, Commonwealth of Australia, P.29.

⁵ ANZ, 2015, *ANZ Women's Report*, P.9.

⁶ Carers Australia, October 2015, *Submission to the Senate Standing Committees on Economics Inquiry into the economic security for women in retirement*, P.3.

⁷ ANZ, Op Cit, P.42.

COTA is also concerned about the impact on living standards and retirement incomes of women who exit the workforce in their 40s and 50s to care for grandchildren and/or ageing parents and then, when the need has passed, find themselves unable to return to work due to a combination of age and sex discrimination and the way the labour market tends to operate. In our submission below we demonstrate the over-representation of older women as long term recipients of the Newstart Allowance.

So while we should celebrate the gains that have been made by women in achieving 'belonging' status in the workforce, there is less to celebrate in regard to the continued undervaluing of the non-market activities in which women predominate. As Heintz says

The question of women's economic empowerment cannot be boiled down to making markets work for women, since there is a risk of sidestepping the importance of non-market spaces and institutions. Markets in general, and labor markets in particular, depend on non-market institutions in order to function. It is this constellation of institutional forms and dynamics which needs to be considered if we are to understand how real labor markets work.⁸

'Real labour markets' and mainstream jobs now include women and other historically marginalised groups and they also increasingly operate in flexible ways to meet the needs of new product and service markets in globalised economies.

It is possible that we are now at a point where the disruptions to the traditional workforce (caused by increased female participation) and the disruptions to traditional work organisation (caused by globalisation, digital transformation and innovations of many kinds) have created opportunities to make labour markets work better for the diversity of people actually in them. But if Heintz and many others are correct, there will need to be a concomitant change in the sexual division of labour in the non-market space of the home and/or a radical re-valuing and integration of work and family roles.

At a more prosaic level though, there are some straight forward and overdue steps government can take in the way it conducts business that can contribute a better foundation for closing the gender gap in retirement incomes and many other policy areas. These steps are in the application of a gender lens in all policy development and gender-disaggregation in data collection and analysis. These were recurring themes emerging from COTA Australia's 2015 National Policy Forum on the theme "Gender and Ageing" and were identified in the Forum Communique in the following way:

- there is no such thing as the 'average older Australian', so government policies and programs using this as their target group and ignoring gender and other diversity characteristics cannot be fully effective;
- the gender lens (along with other factors of diversity) needs to be applied to the development and evaluation of all government policy and programs (including

⁸ Heintz, J. 2012, *Labor markets, gender, and macroeconomics: Informal write-up of presentation (SOAS workshop & consultation on women's economic empowerment, Jan 26-27, 2012)*, University of London
<https://www.soas.ac.uk/development/events/file75492.pdf>

those aimed at older Australians) to ensure that they are targeting the correct need and are fit-for-purpose in how they operate⁹.

The OECD also took up this issue in its 2012 report, *Closing the Gender Gap*, calling for gender equality to be embedded in public policy, including through gender disaggregated data collection and analysis, and outlining a program of action to achieve better outcomes¹⁰. The following recommendation takes its lead from that report.

Recommendation 2:

Although the Australian Government has made significant progress over a long period of time, it still needs to do more to develop, monitor and evaluate public policies, such as those impacting on retirement incomes, using a gender lens, to achieve more effective and fairer outcomes. This includes:

- ***Strengthening the capacity, skills and mechanisms for regular impact monitoring and evaluation of gender initiatives, including the capacity for the collection and analysis of relevant gender-disaggregated data across all policy areas;***
- ***Incorporating gender impact assessments in the design, implementation and evaluation of laws, policies, regulations, programs and budgets in a systematic and comprehensive way;***
- ***Strengthen incentives as well as compliance and accountability measures to make the implementation of gender equality and mainstreaming initiatives across government more effective.***

5. Superannuation

Superannuation is a key pillar in the potential economic security of women in retirement in Australia. However, at this stage of system maturation it is not yet delivering well enough on its potential for working people, and particularly not for women. The stark picture of the gender imbalance in superannuation includes that:

- on average women retire with half as much in their super accounts as men;
- 90% of women will retire with inadequate savings to fund a comfortable retirement; and
- one in five women yet to retire has no superannuation¹¹.

At the broad system level, refining the operation of superannuation is a pre-requisite for better outcomes for both women and men. Much more needs to be done to ensure that the system performs optimally to deliver on its original purpose of contributing to adequate retirement incomes for all working Australians. COTA is on the record proposing a number of areas where

⁹ COTA Australia, 2015, Communique from the COTA Australia 2015 National Policy Forum on Gender and Ageing, Canberra. <http://www.cota.org.au/australia/national-policy-forum-2015-gender-and-ageing-forum-communique.aspx>

¹⁰ OECD (2012), *Closing the Gender Gap: Act Now*, OECD Publishing, P.44.

¹¹ ANZ, Op Cit, P.9.

we need to see improvement in the system, such as:

- better system design around a clarified purpose, equity in taxation concessions;
- better integration with the transfer system;
- addressing the impact of broken work patterns; and
- exploring how government can facilitate better ways of addressing individuals disproportionately carrying exposure to longevity risk, short-term market fluctuations and major life events.

It is essential to recall that even in a better functioning system, superannuation is largely linked to earnings. Two key characteristics of women's employment significantly disadvantage them in this regard: the gender pay gap and broken patterns of paid employment.

Over their lifetimes, women as a group earn less than men. Adopting the OECD definition of the gender pay gap¹²:

- on average, women working full-time earn 18.8% less than men working fulltime¹³; and
- the gap is greatest among those aged 45-54, at 24%¹⁴ (and presumably is similar for those older than 54).

It should also be noted that some women currently in retirement were never in the paid workforce and those who were working prior to the 1969 and 1972 Equal Pay Decisions carry the legacy of significantly lower individual lifetime earnings than male counterparts.

In addition, fewer women are in the workforce than men and they predominate in the part-time and casual labour market. Women currently make up only 35.4% of the fulltime workforce¹⁵; and women's workforce participation rate is 59% compared to 71% for men¹⁶. Women also spend less time in the workforce - female baby boomers will have spent around 35% less than male counterparts¹⁷ - usually due to time out or reduced working hours in order to care for children and other family members.

So if women spend less time in the workforce and earn less than men when they do participate in work, the superannuation system as currently structured is generally not going to deliver the same benefits to women as to men. Therefore, if superannuation is to be the main form of government supported retirement savings for Australians, there needs to be measures built into it to adjust for women's differing workforce participation and earnings. COTA strongly

¹²"The gender wage gap is unadjusted and is defined as the difference between median earnings of men and women relative to median earnings of men. Data refer to full-time employees."

OECD Data – Earnings and Wages – Gender Pay Gap 2015 <https://data.oecd.org/earnwage/gender-wage-gap.htm>

¹³ ANZ, Op Cit, P.8.

¹⁴ Ibid P.32.

¹⁵ Workplace Gender Equality Agency, 2014, Gender Workplace Statistics at a Glance,

https://www.wgea.gov.au/sites/default/files/2014-02-10-Stats_at_a_Glance.pdf

¹⁶ ANZ Op Cit, P.8.

¹⁷ Equality Rights Alliance, Fact Sheet 2: Ageing Women and Housing

http://equalityrightsalliance.org.au/sites/equalityrightsalliance.org.au/files/images/final_housing_fact_sheet_2.pdf

believes the government should integrate more initiatives into the system to assist those on low-incomes (where women predominate) across the generations to build savings that will help them to avoid disadvantage in retirement.

COTA supports the call by Women in Super¹⁸ for a group of measures designed to improve retirement incomes and fairness for women. We have based our recommendations below on their proposals.

The first measure relates to the Low Income Super Contribution (LISC). COTA Australia considers the Government's decision to terminate the LISC in June 2017 to be short-sighted and counter-productive. The investment of even the modest amount per person under the LISC will reap long term benefits for individuals and government. Yet the program has been terminated while superannuation tax concessions for very high income earners are retained, despite widespread agreement that the top-end concessions do not contribute to reducing government expenditure on age pensions.

As Women in Super notes, the aim of the LISC is to help low-income earners save for retirement and compensate them for tax they have paid on their compulsory Superannuation Guarantee contributions which exceeds their marginal tax rate, and is a vital measure to help many women partially overcome the super savings gap. Without it, about 1 in 2 working women and 80% of the female part-time workforce will receive a tax penalty for saving for their retirement.¹⁹

Recommendation 3:

The Low Income Superannuation Contribution be retained; or an alternative measure introduced that would achieve or improve upon its intended purpose.

Secondly, the earnings threshold for participation in the Superannuation Guarantee requires immediate overhaul. The threshold of \$450 monthly earnings from a single employer required for the Superannuation Guarantee to take effect is a good example of outdated bias in the system that penalises many women (and others) and does not take account of the changing organisation of work in general. Women in Super say that around 250,000 Australians (many of them women) miss out on super as they do not meet the threshold. Increasing numbers of employees - particularly women - work more than one part-time job so while their total earnings may reach or exceed the threshold, they do not reach it with any one employer and therefore miss out on super on their total earnings²⁰.

Recommendation 4:

The \$450 monthly earnings threshold required to access the Superannuation Guarantee be removed.

¹⁸ Women in Super, <http://womeninsuper.com.au/node/430> ; and Cate Wood, *Women in Super: Presentation to the COTA Australia National Policy Forum 2015*

¹⁹ Ibid; and Keep Super Fair Campaign, <http://keepsuperfair.com.au/>

²⁰ Women in Super, Op Cit

Thirdly, the gendered cultural and structural bias of the superannuation system shows up most starkly in regard to the exclusion of super payments from Paid Parental Leave. “Many women miss out on thousands of dollars of super and in fact, their super savings stagnate and begin to fall behind those of men during the child rearing years.”²¹ It is highly anachronistic, unfair and inefficient to view Parental Leave as an illegitimate break from working life, with the short and long term costs of it largely to be carried by individual women.

Recommendation 5:

Superannuation be incorporated in Paid Parental Leave.

Fourthly, the Superannuation Guarantee remained stagnant at 9.0% of an employee's earnings from 2002 to 2013. After the former government resumed annual increases toward 12% it has again been frozen after two steps to 9.5%, where it will remain until 2021. COTA has consistently argued that the super system will not mature adequately and fulfill its potential without the previously planned increases to 12% and we believe it should then increase to 15%. The system was designed to eventually operate at this level in order to achieve adequate savings for retirement.

Recommendation 6:

The Superannuation Guarantee (SG) be increased from the next financial year as previously planned in 0.5% annual increases to 12%, and continue to be increased thereafter to 15%.

6. The Social Safety Net

Despite a maturing superannuation system, the reliance of most retirees on the social safety net will continue in the decades to come. This is particularly the case for women as a group. They enter the retirement phase with fewer economic resources in their own right than men, which then have to last them through longer lives.

In this section we briefly consider the importance of some components of the safety net to a large proportion of the older community, but especially for current and future cohorts of older women. We contend that the interaction of these components with each other and with external economic forces such as the supply and cost of private housing, are critical to an understanding of and response to women's lower economic status in older age and the quality of life for older people in general.

The Age Pension

In 2012, Rice Warner expressed its alarm that the Age Pension in Australia was at that time only \$28 per week higher than the OECD poverty measure of 50% of the median wage. They made the gender point that (in 2011) 49% of females relied solely on the Age Pension to fund their retirement compared with 40% of males²².

²¹ Ibid

²² Rice Warner, 2012, *Valuing Females and Rewarding them in Retirement*, www.ricewarner.com

Women are far more likely to be full age pensioners than men - 56.6% of full Age Pension recipients are women and 67.9% of single, full Age Pension recipients are women²³ - reflecting past earnings and savings patterns and women's greater longevity.

Older single women are one of the fastest growing demographic groups vulnerable to poverty. They already rely the most heavily on the social safety net and their numbers (and population share) are predicted to increase significantly over coming years through divorce, separation, widowhood (when part of a low assets/low income couple), or choice to remain single.

COTA fought hard for an increase to the age pension in the late 2000's and we warmly welcomed the 2009 single Age Pension increase and indexation linked to the best of the CPI, PBLCI and MTAWI. Since this generational reform we have seen a decrease in levels of poverty among older people - particularly single older women and men.

Nonetheless, the Age Pension is still a modest income. It is a far more adequate payment than the Newstart Allowance (see discussion below), partly due to the more realistic indexation arrangements introduced in 2009, and the significant increase in the single rate (which women access the most) at that time, acknowledging that cost of living overheads per person are lower and the economies of scale greater for a couple. But it is very difficult to live on the Age Pension if the recipient is single and does not own their own home. This grouping is at the greatest risk of poverty.

A key concern for all current and future Pensioners is the assumption of outright home ownership built into the rate of the Age Pension. We discuss below that while this is a reasonable assumption across the current older population (including women), home ownership levels for other age cohorts are trending downwards and people will increasingly enter retirement as renters. COTA has for many years argued that the Age Pension is inadequate for those who rely entirely upon it and are not home owners, and that it is essential that government takes steps to meet this challenge. This was the missing piece in the 2009 Harmer Review of the pension system, although the Review recognised the issue and recommended that there be more work to address it.

Recommendation 7:

Measures to address a sufficient supply of affordable and appropriate housing must be an urgent priority for the Federal Government, and the maximum Rent Allowance for Age Pensioners be significantly increased (see further recommendations below).

Newstart Allowance / Unemployment

Newstart Allowance recipient figures tell an important story about both mature age and female workforce participation and are relevant to the retirement incomes of older women.

²³ Department of Social Security Data Access Section, as at June 2015, Data request response.

The Department of Social Services most recent *Statistical Paper (No 12, 2013)* showed that while women made up 46.4% of total Newstart recipients, they made up 52% of long term Newstart recipients. Given that women comprised approximately 46.4% of the workforce²⁴, they were over-represented amongst the long term unemployed receiving Newstart.

Mature age workers (50-65 years of age) made up over a quarter (27.9%) of the total Newstart population (similar to their share of the labour market at around 26.9%²⁵), with the 50-59 year old cohort significantly outstripping all other age cohorts, at 19.3% of total Newstart recipients.

Mature aged women were the largest group by age and gender (13.7%) of total Newstart recipients, with the largest number of Newstart recipients by a significant margin being in the 50-59 year old female cohort.

About one third of **long term** Newstart Allowance recipients were mature aged. Mature aged women were once again the largest group (15.72%) of the long term Newstart recipients, and the number of women in the 50-59 age range significantly outstripped other age and gender cohorts of long term Allowance recipients²⁶.

For the grouping of people who subsist on Newstart later in working life, often for extended periods in the decade preceding retirement, the loss of income and savings can be catastrophic for longer term economic security. Many eat into and exhaust savings and other resources to manage through the time on the Allowance, and indeed the conditions for receipt of Newstart require the draw-down of financial resources other than superannuation. Clearly this will have an impact on their ability to fund retirement.

It remains the case that too many older people of pre-Age Pension age who are still in the workforce face significant barriers to retaining their job and to re-entering employment if they become unemployed. Further, the 2014-15 Budget measure (still policy but not yet legislated) to continue extending the pension eligibility age out to 70 years over time creates a significant worry that many older people, unemployed due to age and sex discrimination and lack of jobs, will stay on Newstart Allowance for years longer.

We also point out that many unemployed mature age workers are NOT on Newstart because they are not eligible (as part of a couple) or because of the draconian means test for Newstart; and also because they have become discouraged job seekers due to age discrimination and have reluctantly left the active workforce, disillusioned and disheartened.

Recommendation 8:

The Age Pension eligibility age should not be increased further before the Government

²⁴ Workplace Gender Equality Agency: Gender Workplace Statistics at a Glance: Feb 2014
https://www.wgea.gov.au/sites/default/files/2014-02-10-Stats_at_a_Glance.pdf

²⁵ ABS 6291.0.55.001 - *Labour Force, Australia, Detailed* - Electronic Delivery, Sep 2015

²⁶ Department of Social Services, *Statistical Paper No. 12 Income support customers: a statistical overview 2013*, Canberra, Pp, 36-38.

implements an agreed package of measures to remove discrimination and other barriers to mature age employment.

People who rely on Newstart and similar allowances are living in poverty. The gap between Newstart Allowance and pensions has widened too far. It is currently about \$172 a week for a single person (\$149 per week for people over 60 and unemployed 9 months or more), and widening, while differential indexation approaches continue. If the current inadequate indexation arrangements are maintained and there are no real increases in the allowance, Newstart will only be worth half the pension in 20 years' time. It is clear that measures need to be taken to ensure the gap does not get any wider. This could be addressed by aligning indexation arrangements for both the pensions and Newstart allowances to movements in full time wages. COTA supports ACROSS's continuing call for an increase to allowances to lift recipients out of poverty.

Recommendation 9:

The single rate Newstart allowance payments be increased by \$51 per week and allowance payments be indexed every six months to movements in a standard Australian Bureau of Statistics measure of typical fulltime wage levels.

Housing Support

In this section we discuss a number of factors that threaten to increase housing stress and homelessness among the most vulnerable older Australians (a group in which women predominate) in coming years. They are:

- a consistent trend to reduced outright home ownership for people going into retirement in the future;
- a public pension system in older age that largely presumes outright home ownership or appropriate housing security is already in place for recipients;
- reduced access to affordable public and social housing in all age cohorts;
- the lack of appropriate, affordable, private rental housing across all ages; and
- the inadequacy of public Rental Assistance in the face of a housing affordability crisis.

Access to safe, affordable, appropriate housing can make a big difference to the quality of a person's life and their ability to avoid disadvantage, and it is integrally bound up with economic security for older people. Home ownership among older people is often given as a reason why they can survive on lower incomes, and inversely, as noted above, the rate of the Age Pension assumes home ownership.

71% of older Australians own their home outright (down from 78% in 2002)²⁷ and it is even the case that the current population of women over the age of 65 have a higher level of home ownership than men over the age of 65. However, given that women have a lower level of income than men in that age group, they are often not able to maintain a home over the long

²⁷ AIHW 2015, *Australia's welfare 2015*. Australia's welfare no. 12. Cat. no. AUS 189. Canberra: AIHW (Section 6.2)

term²⁸ - a common problem for pensioners overall.

In regard to older Australians, security of housing has an additional importance. The widely accepted direction taken through *Ageing in Place* policies that support the delivery of aged care and domestic services in the home represent important efficiencies for governments in the context of an ageing population. These policies also reflect the commonly held preferences of older people to stay in their own homes and neighborhoods and receive support there when needed. This policy direction requires stable, appropriate housing, and suits the current profile of older age home ownership.

However, the current level of home ownership tends to mask the looming growth of housing stress facing future generations of older people. Growing numbers of older people do not own their own home and indicators point to an older population (particularly of women), which over time, will increasingly be renters on the private market.

The 2011 Census showed that there were 600,828 single women over the age of 45 with less than median income who did not own their own home (62% of single women under median income). The equivalent number of single men in the same situation was 373,794 (38% of single men under median income)²⁹.

Currently around 12% of people over 65 are renters, with a third of them in public housing and two thirds in private rental accommodation³⁰. In 2011, for older people in private rental accommodation, housing costs accounted for 29% of gross income for couples and 37% of gross income for lone-person households³¹ (in which women predominate). Single older people are more likely to rent both privately and publicly than couples³².

The 2011 Census also showed that older women are currently disproportionately represented in public and social housing³³. However, housing research makes it clear that increasingly shrinking pools of public and social housing will not be a resort for new cohorts of the older poor³⁴.

COTA believes that the supply of social housing is an essential part of the housing for 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 (and other forms of affordable housing) to

²⁸ Equality Rights Alliance, Op Cit

²⁹ Ibid

³⁰ AIHW 2012 *Older Australians at a glance*, 4th edition Canberra

³¹ AIHW 2013, *Australia's Welfare 2013*, Australia's welfare no. 11. Cat. no. AUS 174. Canberra: AIHW. P.107

³² ABS, 2013, *Household wealth and wealth distribution* 6554, 2011-2012, 35,39.

³³ Equality Rights Alliance, Op Cit

³⁴ AHURI, 2006 *Rental housing provision for lower income older Australians*, AHURI Final Report No. 98

increase the stock of housing for low-income households.

The longer term solution to housing unaffordability – which will increasingly impact on older women into the future – requires national action on the supply of housing.

COTA believes that the government must find ways to encourage private sector development of affordable housing options and we support the call from ACOSS and others for innovative financing models to leverage private investment into affordable housing³⁵. For example, we consider that the National Rental Affordability Scheme (NRAS) made a very useful contribution to increasing the supply of affordable housing, particularly in locations that are close to services and are deeply disappointed that the Government has withdrawn funds for Round 5 of the Scheme and there are no plans for further investment. There were problems with the administration of NRAS but it could have been fixed, and indeed there were active moves within the Abbott Ministry to do so but these did not succeed.

Recommendation 10:

The Government redesign and reintroduce a program along the lines of the National Rental Affordability Scheme to encourage private and community sector development of affordable housing options.

Recommendation 11:

The Government work closely with the States and Territories through COAG or other processes to research and identify other measures to significantly improve the supply of affordable and appropriate housing, in general and in particular for later life. This should include reestablishment of the Housing Supply Council to provide government with independent expert advice.

Recommendation 12:

The Government actively investigate a range of options to leverage low cost private finance, including an affordable housing growth fund.

COTA also encourages the Government to examine closely the impact of current arrangements in regard to Negative Gearing and Capital Gains Tax on investment properties to demonstrate conclusively whether or not they are meeting their policy purpose to encourage new housing supply.

Recommendation 13:

The Tax White Paper process address options for ensuring that policy settings related to negative gearing and capital gains tax on investment properties to meet their policy purpose to encourage new housing supply.

³⁵ ACOSS et al, 2015, *An Affordable Housing Reform Agenda*, P.5.
http://www.acoss.org.au/images/uploads/Housing_paper_March_2015_final.pdf

Housing stress and homelessness amongst older Australians have historically tended to be viewed as mostly a men's problem. The evidence shows that they are also very much issues for the current group of older women and will increase as a pressing concern for future older generations of women³⁶.

One of the most concerning developments in recent times is the rise in the number of older women among the homeless population. This can be attributed to a number of factors including private rental unaffordability, 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. In many cases women at risk of homelessness, and those who are homeless, have faced domestic violence at some time in their life³⁷.

Research suggests that vulnerable women living alone are very resourceful, yet situations in their 50s and 60s such as health crisis or age discrimination in the workplace, can hasten their entry to homelessness. A common story that COTA hears is of single women who are still working and paying mortgages well into their 60s because they purchased post age 45 and have had to support themselves and pay off their home on a solo income. At retirement these women often still have a mortgage and use the money they can access in their super to pay off the debt, eating up most of the small amount they have been able to accumulate and reducing the resources available to them in retirement even further.

COTA supports a package of measures around addressing homelessness proposed by ACOSS and others³⁸.

Recommendation 14:

Governments establish multipartisan long-term (four+ years) funding agreements for the services that prevent, intervene early in, and support people experiencing homelessness.

These agreements need to be:

- ***Indexed annually at a level that continues to meet the costs (including wages) of providing the services, capital and research funded under the agreements.***
- ***Negotiated and drafted in a manner that involves the homelessness sector and wider civil society in a collaborative fashion with government***

In addition, COTA believes that there is an urgent need to devote government resources to research better understanding issues of older women's homelessness and developing responses and solutions to this looming, but still largely invisible problem. We endorse the proposal by Equality Rights Alliance for the specialist services to support women avoid homelessness³⁹.

³⁶ Equality Rights Alliance, *Fact Sheet 1 Housing is a women's issue*,

http://equalityrightsalliance.org.au/sites/equalityrightsalliance.org.au/files/images/final_housing_fact_sheet1.pdf

³⁷ Homelessness Australia, *Homelessness and Women*,

http://www.homelessnessaustralia.org.au/images/publications/Fact_Sheets/Homelessness_and_Women.pdf

³⁸ ACOSS et al, Op Cit

³⁹ Equality Rights Alliance, Fact Sheet 1, Op Cit

Recommendation 15:

Governments increase funding and integrated services and referrals to legal and non-legal services that provide advice and assist women to sustain tenancies and avoid eviction into homelessness.

Adequate Commonwealth Rent Assistance (CRA) increasingly will also be a crucial component in the public safety net for the most vulnerable older Australians. It is a payment that can efficiently be targeted to need reflecting market realities and 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. COTA supports the package of measures around rental assistance called for by ACOSS and others⁴⁰.

Recommendation 16:

The maximum rate of CRA should be increased by 30% in the 2016-17 Budget.

Recommendation 17:

A review of rental subsidies in private and public rental housing should be conducted, including an expert review of CRA indexation with recommendations to ensure the future adequacy of the payment in the context of rising housing costs.

Recommendation 18:

Social housing rent setting should continue to ensure that households are not left in after-housing poverty.

⁴⁰ ACOSS et al, Op Cit

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