



## **ACSA Submission**

### **Senate Standing Committee on Community Affairs Inquiry into the extent of income inequality I Australia**

**22 August 2014**

**Senate Standing Committees on Community Affairs**  
[community.affairs.sen@aph.gov.au](mailto:community.affairs.sen@aph.gov.au)

#### **ACSA CONTACTS**

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**Adj Prof John G Kelly AM, ACSA CEO**

**Heather Witham, ACSA Manager, Government Relations and Policy**

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**AGED AND COMMUNITY SERVICES AUSTRALIA**  
Level 1, 10 Thesiger Court Deakin ACT 2600 (02) 6232 5705 [www.agedcare.org.au](http://www.agedcare.org.au)

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## **ABOUT THE ACSA FEDERATION**

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Aged and Community Services Australia (ACSA) is the leading national peak body for aged and community care providers and represents church, charitable and community-based organisations providing housing, residential and community care and home support services to older people, younger people with a disability and their carers. About 700,000 older Australians depend on care and support provided by ACSA members in the metropolitan, regional, rural and remote regions across Australia.

ACSA operates within a federated structure of state associations which are independently incorporated and to whom mission-based providers belong as members. The state associations are members of the ACSA national body.

The ACSA Federation is made up of the following members:

- Aged and Community Services Association of NSW & ACT (ACS NSW&ACT)
- Aged and Community Services SA & NT (ACS SA&NT)
- Aged and Community Services Tasmania (ACS Tas)
- Aged and Community Services Western Australia (ACS WA)
- Aged and Community Services Australia Victoria (ACSA Vic)
- Aged and Community Services Australia Queensland (ACSA Qld)

## **INTRODUCTION**

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Mission-based and not-for-profit (NFP) aged care organisations are charged with responsibility for providing services to those most in need. They deliver about 65% of aged care services and about 85% of all community aged care in Australia. These organisations are visible and highly accessible in the community resulting in the public relying on NFPs for service, support and care.

The Terms of Reference are:

- a. the extent of income inequality in Australia and the rate at which income inequality is increasing in our community;
- b. the impact of income inequality on access to health, housing, education and work in Australia, and on the quality of the outcomes achieved;
- c. the specific impacts of inequality on disadvantaged groups within the community, including Aboriginal and Torres Strait Islander peoples, older job seekers, people living with a disability or mental illness, refugees, single parents, those on a low income, people at risk of poverty in retirement as well as the relationship between gender and inequality;
- d. the likely impact of Government policies on current and future rates of inequality particularly the changes proposed in the 2014-15 Budget;
- e. the principles that should underpin the provision of social security payments in Australia; and
- f. the practical measures that could be implemented by Governments to address inequality, particularly appropriate and adequate income support payments.

## **Impact of Income Inequality on older Australians**

The 2011 Census reported that around one in seven Australians were aged 65 years and over. Around 88% of older people are no longer engaged in the labour force<sup>1</sup> leaving this group dependent on savings, superannuation, the aged care pension and allowances as their main source of income. As such, people aged 65 years and over have been reported to have the lowest mean incomes, at \$526.00 per week<sup>2</sup>.

The broad measures proposed in the 2014 Federal Budget is expected to have an impact on the quality of life of older people and their care. The recommended reductions in funding, discontinuation of supplements and redirection of priorities may result in older Australians paying out of their pocket to cover care costs, adding another financial burden.

Measures such as the discontinuation of the payroll tax supplement will likely see majority of aged and community care providers, who are mostly not-for-profits, limiting the type of services offered to ensure financial viability. Suggested measures such as the GP co-payment or the pension indexation is also anticipated to affect the standard of living of older Australians.

Aged and Community Services Australia (ACSA) would like to highlight to the Senate Inquiry the impact of income inequality to older Australians. Particularly the effect on the following key areas:

- Supported accommodation options.
- Older people living in rural and remote areas.

### ***Supported Accommodation Options for Older People***

The standard of living has been shown to decline with increasing age<sup>3</sup> and housing and home ownership is a major factor influencing quality of life. Although, the majority of older Australians have been reported to be mortgage free, there are still a proportion who are paying off a mortgage on a limited income or are renting.

It is predicted that the number of older people in low-income, rental households will increase to 419,000 by 2026<sup>4</sup>. Currently the social housing sector is a major provider of rental housing for older Australians. This housing stock is becoming older and is limited in number. While there is a need to ensure that social housing is suitable for the needs of an older population with such growing demand, the private sector will almost inevitably need to be tapped into to provide appropriate senior housing. As a consequence older people in the private rental market will be required to put a higher proportion of their income into housing costs. With the discontinuation of the National Rental Affordability Scheme, there is an increasing pressure for older people with lower incomes to get on the private market or risk being homeless.

### ***Effect on Older People in Rural and Remote Areas***

Income distribution is highly biased towards people living in major cities. Mean incomes in capital cities were 21% higher than those in the rest of the state<sup>2</sup>. Overall, for older people living outside state capital cities, their mean income was reported to be 5% lower than those living in capital cities<sup>2</sup>.

The majority of aged and community care providers in rural and remote areas are operating on a smaller scale than the metropolitan equivalents. This unique situation makes them susceptible to risks when payment and funding measures are altered or all together withdrawn and threatens their long-term viability.

With limited options, older people in rural and remote areas may be forced to travel distances to access services, or would have to pay more to enable service delivery. Should the option of relocation be considered, they are also placed in a situation where even tapping into the equity of their primary asset, their home, may not be enough owing to the volatile housing market. This would place immense financial anxiety on older people and their families.

### ***The impact of income inequality***

Older Australians are faced with having to address rising costs of living on a limited income. While most would have assets in the equity of their homes, majority pay for their daily living costs from savings, superannuation, allowances or the aged care pension. Older people may be restricted to the available options of care if they are faced with paying the cost of services. There is also a risk for older people who have low-income in the rental market to be faced with homelessness. Similarly, older people in rural and remote regions, who already have income inequality, maybe faced with even more financial pressures to cover the cost of care services.

It is imperative that the Government take into consideration the impact of the broad measures proposed in the 2014 Federal Budget on the standard of living of older Australians. The quality of services should never be compromised and ongoing support should be provided to the best possible quality of life of older Australians.

### ***References***

1. Australian Bureau of Statistics 2013, *Reflecting a Nation: Stories from the 2011 Census, 2012—13*, cat. no. 2071.0, ABS, Canberra.
2. Australian Bureau of Statistics 2013, *Household Income and Income Distribution, Australia, 2011-12*, cat. no. 6523.0, ABS, Canberra.
3. Bradbury B and Gubhaju B 2010, *Housing costs and living standards among the elderly*, Occasional Paper 31, FaHCSIA, Canberra.
4. Jones A et al 2008, *Rental housing for lower income older Australians*, Bulletin 96, AHURI, Queensland.