STILL KICKING
Longevity and Ageing:
The demographic climate change of our time

Emily Millane
# Longevity and Ageing
The demographic climate change of our time

Emily Millane

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Summary</td>
<td>3</td>
</tr>
<tr>
<td>Introduction</td>
<td>5</td>
</tr>
<tr>
<td>Older, For Longer: The Implications</td>
<td>8</td>
</tr>
<tr>
<td>Social Change and the Boomers</td>
<td>8</td>
</tr>
<tr>
<td>Rising Debt, Inadequate Retirement Income</td>
<td>10</td>
</tr>
<tr>
<td>Working More, But Not Enough</td>
<td>13</td>
</tr>
<tr>
<td>Paying For it: Longevity and Health</td>
<td>18</td>
</tr>
<tr>
<td>Responsible Elders</td>
<td>21</td>
</tr>
<tr>
<td>Conclusion: Opportunities to Take Charge</td>
<td>24</td>
</tr>
<tr>
<td>Older, For Longer: Background to This Paper</td>
<td>28</td>
</tr>
<tr>
<td>Glossary</td>
<td>31</td>
</tr>
<tr>
<td>References</td>
<td>32</td>
</tr>
<tr>
<td>Annexure</td>
<td>37</td>
</tr>
</tbody>
</table>
Acknowledgments

My thanks to Josh Bornstein, Josh Funder, Dennis Glover, Rod Glover, Tony Kitchener, Maxine McKew, Lorraine Elsas, Tom Bentley, Allison Orr and Edwina Throsby for their comments on the paper. Thanks especially to Simon Moodie for his detailed review and comments. Pat Sparrow, Rafal Chomik and Richard Burns provided very useful expert insights.

I am grateful to the Vincent Fairfax Family Foundation and the Melbourne Lord Mayor’s Charitable Fund for their generous support of this research.

We would also like to thank Tim Olsen and the Olsen Irwin Gallery for permission to use the image of the King Sun by John Olsen on the cover of this report.

My particular thanks to David Hetherington for his guidance, his patience and his good humour.

Any errors, omissions or foibles remain mine.

Emily Millane
18 November 2013

About the author

Emily Millane is Per Capita’s principal research fellow working on the Longevity and Positive Ageing project.

Emily has worked at Demos, a leading UK think tank. She has also practised in commercial law for national law firm Maddocks lawyers, principally providing structuring advice to companies and not-for-profits. Emily has degrees in Arts and Law from the University of Melbourne and received first class honours for her thesis on comparative Australian and New Zealand colonial history. She also holds an Australian Students’ Prize and a Premier’s Award for politics.

About Per Capita

Per Capita is an independent progressive think tank which generates and promotes transformational ideas for Australia. Our research is rigorous, evidence-based and long-term in its outlook, considering the national challenges of the next decade rather than the next election cycle. We seek to ask fresh questions and offer fresh answers, drawing on new thinking in science, economics and public policy. Our audience is the interested public, not just experts and practitioners.

Graphic Design by Design Clarity
© Per Capita Australia Limited, 2013
Executive Summary

1.8 million people aged over 85 in 2050. One in four people aged over 65 by 2056. Life expectancy at birth rising by 25 years in the last century. One million people with dementia by 2050. 85,000 more aged care places required in the next decade. Get the picture?

None of this is news. We have known about the trends in ageing and longevity for a while now. We are, however, still immersed in a social structure which is designed for lives shorter than the ones we are living.

This paper argues that increasing longevity and an ageing society together represent the demographic climate change of our time. We have started to see their effects. Without prompt and considered action on a number of fronts – political, social and economic – we risk a loss to our quality of life. For example, by delaying intervention it may mean that future adjustments to rein in the fiscal impact of ageing need to be done over a shorter period of time, making the impact of these policy measures more keenly felt.

We also risk losing our social compact. On current policy settings, governments will not be able to fully provide for the pensions and health costs of a burgeoning older population. There will be growing inequality between those with high retirement savings and those without. The people whose retirement savings will be most inadequate are predominantly women, the low-paid and casual workers.

The paper looks at how a number of significant social changes, both before and during the lives of the baby boomers, have produced specific policy challenges. The contraceptive pill liberated women but also created a lower fertility rate, which has had a direct impact on the old age dependency ratio, which means fewer working Australians to support the older population. Similarly, a greater acceptance of divorce, together with greater numbers of people not marrying and not having children, will have implications for the structure of families and potentially also contribute to an increasing number of people living alone.

The paper considers the income, expenditure and debt positions of older Australians and finds that post-retirement income is too low. Superannuation and the aged pension together are not ensuring a comfortable standard of living for Australians living longer life spans. This will also apply to younger Australians, even though they will have had the benefit of compulsory superannuation across their entire working lives. The paper looks at work and retirement patterns and the way that older Australians are working longer, possibly due to better health but most likely because of a realisation that they simply need to keep earning to boost insufficient retirement savings.

Next, the paper describes the key trends in health and aged care, finding that older Australians are spending more on their health - they may be living longer than previous generations, but they are paying for it. The paper looks at the specific impact of dementia and chronic disease on different groups in Australian society, including migrants and male carers. It also finds that the aged care sector requires a significant boost to the numbers and capabilities in its workforce.

---

1 The ratio of people aged 65 years and over to the working age population (15-64)
Finally, the paper considers the multiple responsibilities of older Australians. They provide financial and emotional support to children and grandchildren. They are often carers. And they are active participants in their communities.

The paper concludes by arguing that despite the snowballing effects of ageing and longevity, we are armed with the policy tools to arrest their detrimental effects. It outlines six areas where policy innovation could in fact lead to new business opportunities, greater prosperity and a higher quality of life for older Australians.
Introduction

Who are 'older Australians'?

I can’t think of ageing because the only way I look at ageing is someone around 70 – 90 years. I don’t think I am old.

Respondent (aged 55-64) to Australian Human Rights Commission’s 2013 survey on age-based stereotypes (AHRC, 2013: 4)

Who are we talking about when we speak of ‘older Australians’? The meaning of words can change over time. To be ‘old’ meant one thing at the turn of 20th Century. As a result of increasing longevity, it means something different and it will mean something different again in years to come.

For the purposes of this paper, we have defined ‘older Australians’ as those people aged 65 and above. According to the World Health Organization [WHO], most developed countries use the age of 65 as the accepted marker of old age (WHO, 2013). The United Nations [UN] uses 60 as the minimum age for an older person (UN, 2007). We consider that 60 is too low as a general marker for old age given Australia’s increasing average life expectancy.

Who are we talking about when we speak of ‘older Australians’? The meaning of words can change over time. To be ‘old’ meant one thing at the turn of 20th Century. As a result of increasing longevity, it means something different and it will mean something different again in years to come.

Another reason for taking the age 65 is because this is the current eligibility point for the aged pension.

We acknowledge that the pension age was set at a time when Australians had lower life expectancies. Accordingly, where relevant, this report uses descriptors such as ‘advanced old age’ and ‘old old’ to refer to those who are more elderly. These descriptions are appropriate given that Australia now has, for the first time, two generations of people over 65: people in their 60s and 70s and their parents in their late 80s and 90s.

Indigenous Australians are the notable exception from the category of ‘older Australians’ because their life expectancy is lower. It is beyond the scope of this paper to consider the reasons for lower life expectancy among Aboriginal and Torres Strait Islander people. Indeed, this has been the subject of a separate, large-scale campaign by the Council of Australian Governments, Closing the Gap.

Finally, as the introductory quote suggests, we acknowledge that deciding on an age above which someone is ‘old’ can be an artificial exercise. Chronological age is not determinative of whether someone feels, behaves or identifies as ‘old’. As the Productivity Commission has said, ‘the effects of ageing vary from person to person in terms of their time of appearance, their cause and consequence, their severity and their duration.’

2 This is legislated to go up to 67 years of age in 2023.
Policy design can change the experience of ageing

Australia was once among the global leaders in looking after elderly citizens. Today it ranks 14th on the first Global AgeWatch index, behind the USA, the UK and Ireland (HelpAge, 2013).

On 8 June 1908 the Deakin government passed the first Commonwealth legislation providing for an age and invalid pension. The Act had bipartisan support, with Labor’s Andrew Fisher declaring that he was happy to “eat political dirt if thereby I cold obtain a Commonwealth old-age pensions scheme.” (Day, 2008: 149) Such was the accepted merit of a universal pension scheme whereby the state provided for the aged.

Under the Act, the pension was means tested and paid to men at age 65 and to women from the age of 60, although the average life expectancy at birth for both genders at this time was below 60. The Act specifically excluded Aboriginal people, Africans, Pacific Islanders and New Zealand Maoris.

Despite these limitations, the introduction of the aged pension established a system of government benefits for the aged which has had a significant and ongoing impact. As the former Prime Minister, Julia Gillard (2011) has said:

“The very meaning of ageing, what it meant to get older, changed, changing how people felt about their own future, by offering better standards of living, offering freedom from want.”

By providing a level of financial security to older Australians, the aged pension positively changed the experience of ageing and what it meant to be ‘old’. Being old no longer meant you were forgotten by the state. Instead the state provided a safety net for you.

Of similar importance was the superannuation guarantee, introduced in 1992. For the first time, Australians started compulsorily saving for their older years. As this paper will show, however, the aged pension and the superannuation system are groaning under the weight of an ageing and longer-living society.

Per Capita’s research program on Longevity and Positive Ageing, of which this report forms the first installment, will interrogate current policy settings and develop policy proposals with the aim of promoting financial security, wellbeing, participation and a high quality of life for older Australians.
Structure of this paper

The body of this paper, Older, for Longer: The Implications, sets out the established and emerging trends in longevity, finding that we are amassing a complex and diffuse set of policy problems in the following areas:

1. Social change and the boomers
2. Rising debt. Inadequate retirement income
3. Working more, but not enough
4. Paying for it: health and aged care
5. Responsible elders: the multiple responsibilities of older Australians

The Conclusion argues that despite the picture presented by these trends Australia can take the lead in developing policies to deal with increasing longevity if we are smart and take the initiative now. It outlines six ways in which we can seize the opportunities presented by ageing and longevity. We can, for example, reconceptualise retirement as a staged process where people scale down their hours of work, or perform a different role before ceasing paid employment. We can use policy to create the circumstances to live better, longer.

A postscript, ‘Older, for longer: background to this paper’ presents the demographic trends which form the backdrop to this paper.

Note: The policies and legislation discussed in this paper are current at the time of writing.
Older, for Longer: The Implications

I mean, John in the last 15 years has had a stroke, he’s had a double bypass, he’s had two knee replacements. He really is a $6 million man.

Tim Olsen, 7:30 Report 29 July 2013

At the age of 85 celebrated Australian artist John Olsen was commissioned to paint a six-by-eight metre mural, the ‘King Sun’, the value of which exceeded any previous record for a sale of his work. John’s blood pressure is moderated by a pace maker, installed ever since the day he stood up only to collapse with a pulse rate of about 40. He gets around with the aid of a walking stick and was assisted by a helper to physically navigate the huge expanse of his latest work. Olsen himself said the process of making the King Sun, ‘somehow made me feel - and this is a funny one - more myself. More vibrant, more alive, more perceptive.’

John’s story shows how older Australians can live into advanced old age, despite the limitations which ageing presents: they can live well, and with a high quality of life. In part this may be due to financial security but in part it is also about keeping active and engaged in society.

Social Change and the Boomers

The baby boomers – those born in the post-war period of the late 1940s through to the 1960s – have seen a series of significant social changes during their adult lives which in turn created important policy challenges. People who are moving into older ages now have had adult lives defined by post-war prosperity and the sexual revolution.

The table below sets out the social changes experienced by the baby boomers, the impact on their collective experience of ageing, the policy implications and current policy settings. The final column sets out some examples of existing policy responses. While these responses have dealt with discrete issues created by social change, some big systemic problems still require policy responses. One such systemic problem is the way the superannuation system disadvantages women because they go in and out of the workforce more than men across their working lives, thereby accumulating less super.
<table>
<thead>
<tr>
<th>Social Change</th>
<th>Impact of the Experience</th>
<th>Policy Implications/Questions</th>
<th>Examples of existing policy responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction of the contraceptive pill in 1961</td>
<td>Lower fertility rates, meaning that people are ageing with fewer children and grandchildren and older age groups represent a high percentage of the overall population</td>
<td>How to address the age distribution imbalance: Increasing fertility rates? Immigration?</td>
<td>Skilled Migration</td>
</tr>
<tr>
<td>Feminism and the women’s rights movement in the 1960s and 70s</td>
<td>More women in the workforce, re-entering the workforce after childbirth and with a later retirement age than ever before</td>
<td>Women are working more and retiring later. Current superannuation system combined with lower average wages earned by women results in less retirement income for women.</td>
<td>Child care rebate  Low income superannuation contribution</td>
</tr>
<tr>
<td>A greater social acceptance of divorce</td>
<td>Contributing factor to the amount of older Australians living alone (approximately 30%)</td>
<td>Social isolation</td>
<td>Broadband Seniors Network</td>
</tr>
<tr>
<td>Post-war baby boom in late 1940s through to the 1960s</td>
<td>The baby boomer population moving into retirement and advanced old age in the next 30 years</td>
<td>• Enabling people to live at home for longer. • Managing the increased demand on the aged care system. • Dealing with the ‘mushrooming’ of chronic diseases such as dementia • Income for a large section of society moving into retirement.</td>
<td>Home care packages  Increasing user payments for accommodation  $200 million for dementia research  Increase to the superannuation guarantee</td>
</tr>
<tr>
<td>Increased recognition of same sex couples</td>
<td>Greater prevalence of older same sex couples living together</td>
<td>Recognition of the rights of same sex couples as they age, for example medical and financial decision-making by their partner.</td>
<td>LGBTI Aged Care Strategy</td>
</tr>
<tr>
<td>Introduction of superannuation guarantee</td>
<td>Older Australians retiring with a private pool of retirement savings for the first time.</td>
<td>People are able to manage their superannuation savings. What happens when their savings run out?</td>
<td>Increased superannuation guarantee ³</td>
</tr>
</tbody>
</table>

³ This will be pushed out to 2021 if the Minerals Resource Rent Tax Repeal and Other Measures Bill 2013 is passed.
Rising Debt, Inadequate Retirement Income

Income and debt

The majority of older Australians are living on incomes which are insufficient to lead a comfortable life. At the time of the last Census in 2011, 67% of men and 76% of women aged over 65 were living on less than $600 per week from all sources of income, or $31,200 annually. As a guide to retirement spending, the Association of Superannuation Funds of Australia (ASFA) benchmarks the annual budget to fund modest and comfortable lifestyles. According to its September 2013 figures, $41,830 is required to fund a comfortable lifestyle for a single person; $23,032 is required to fund a modest lifestyle (ASFA, 2013: 3).

Taking ASFA’s benchmarks, a modest lifestyle means spending no more than $75 per week on food, $39 per week on health and $63 per week on housing. By contrast the average weekly spend – across all age groups - at the time of the last Household Expenditure Survey was $204 for food, $66 for health and $223 on housing (ABS, 2011a). In other words, a modest lifestyle is very, very basic. It leaves little room to save for large one-off payments like council rates, car registration or energy bills or to have disposable money for things like leisure and socialising.

At the same time, our analysis of household debt shows that levels of debt (all forms) among households with at least one person aged 65 and over has grown considerably in recent years. This reflects the growth in average household debt across all age groups in the last decade, with average household debt among under-65s more than doubling between 2002 and 2010 (HILDA, Release 11). In part it is probably also a reflection of the (comfortable) lifestyles the baby boomers are trying to fund, or the degree of financial support older Australians are providing to their children.

The graph below shows average household debt levels among older Australians between 2002 and 2010. During this period the debt of households with at least one person aged 65 and over has more than doubled, from $8,400 to $21,172. By contrast, the average debt level among households with people only aged over 65 has decreased slightly, and among households comprised only of people aged over 85 debt has remained very small - $313 in 2002 and $1,313 in 2010.
Household debt over time

The insufficiency of superannuation

Over 30% of over 65s who reported having received a superannuation lump sum received less than $40,000 at the time of the last Census (ABS, 2011b). The low individual superannuation savings pool of older Australians reflects the introduction of compulsory superannuation in the later stages of their working life: for a person aged 65 today, a fully phased-in 9% superannuation guarantee came in when they were aged 54.

The age at which people become eligible to draw down on their superannuation, known as the preservation age, is increasing incrementally from 55 to 60 depending on a person's date of birth. For those born on 1 July 1964 and after, the preservation age is set at 60 years. There have been calls for the preservation age to be raised. For example, the Henry Review called for the preservation age to be raised to 67 in line with the legislated increase in the aged pension eligibility age (Henry et al. 2009: 3).

Example: A 65 year old woman on a median wage

An individual example illustrates both the insufficiency of superannuation savings to provide for a comfortable retirement and the challenge of stretching those savings across a longer lifespan. The assumptions built into this example are set out in the Annexure to this paper.

Let's take a woman born in 1948. She retires in 2013 at age 65 when she becomes eligible for the aged pension. By this stage, she will have been accumulating compulsory superannuation savings for 21 years. On her retirement, this individual will have accumulated approximately $70,000 in superannuation.

In order to achieve a 'comfortable' standard of living (defined by ASFA as $41,830 p.a.), this individual would need to draw down around $40,000 per year to supplement her pension because her pension entitlement at this level of income is negligible. On this basis, her superannuation savings will run out in under two years, after which her sole income each year will be the aged pension of around $19,000 per year.
More realistically, this person will try and spread her private savings across their lifespan; the longer their lifespan, the lower her available private savings per year, and in turn, the lower her combined income per year. Accordingly:

1. If she lives to 87 (the current life expectancy for a 65 year old in 2013) she will have an income on average:
   a. $24,472 per annum under a ‘comfortable’ standard of living (currently $41,830); and
   b. slightly above a ‘modest’ lifestyle (currently $23,032),
   for each year of her retirement.
2. If she lives to 100 she will have an income on average:
   a. $28,397 per annum under a ‘comfortable’ standard of living (currently $41,830); and
   b. slightly below a ‘modest’ lifestyle (currently $23,032),
   for each year of her retirement.

Note: these examples are based on a 3% annual pension increase (see second row in the matrices below). On the current tax to GDP ratio, a 4% annual rate of increase in the pension will become unsustainable with a proliferation of people moving into older age who become eligible for the aged pension.

Figure 2: Annual Shortfall between Retirement Income* and ‘Comfortable’ Standard of Living

<table>
<thead>
<tr>
<th>Life expectancy</th>
<th>Annual pension increase = 4%</th>
<th>Annual pension increase = 3%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life expectancy = 87</td>
<td>$19,921</td>
<td>$24,472</td>
</tr>
<tr>
<td>Life expectancy = 100</td>
<td>$20,576</td>
<td>$28,397</td>
</tr>
</tbody>
</table>

Figure 3: Annual Shortfall between Retirement Income and ‘Modest’ Standard of Living

<table>
<thead>
<tr>
<th>Life expectancy</th>
<th>Annual pension increase = 4%</th>
<th>Annual pension increase = 3%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life expectancy = 87</td>
<td>$371</td>
<td>$2,794</td>
</tr>
<tr>
<td>Life expectancy = 100</td>
<td>$1,027</td>
<td>$5,247</td>
</tr>
</tbody>
</table>

*Note: Pension plus superannuation withdrawals
Source: FAHCSIA ASFA, Per Capita analysis
This example also assumes the individual in question did not have to leave the workforce to have children or for other caring responsibilities which would have the effect of lowering her superannuation savings. Nor was she in casual or contract work (as just under 40% of Australians are – ACTU: 2013), where often no retirement savings are accumulated at all. In these circumstances her combined retirement income would be lower than in the examples above.

**Insufficiency of the aged pension**

Older Australians continue to rely on the aged pension as their main source of retirement income (ABS, 2011c). As set out in the superannuation example above, the current individual rate of the aged pension is a maximum of approximately $19,000 per year. Even taking into account the increase to the eligibility age for the pension in 2023, meaning that people commence drawing on the pension later in life, increased life expectancy will have the effect of cancelling out the benefit to retirement incomes of the two additional years’ work.

This increased life expectancy will, in turn, create increased pressure on public finances. In its *Intergenerational Report*, Treasury forecasted that ageing and health related pressures will result in an increase in total government spending from 22.4% of GDP in 2015-16 to 27.1% in 2049-50 (Treasury, 2010: 45).

The insufficiency of the aged pension as a single source of income, combined with the reality that more people are relying on the pension across an increasing lifespan, raises the question of how societies pay for old age. A number of approaches need to be considered in conjunction with each other. These include a preparedness to look at different taxation options. As Treasury has suggested, productivity could be increased (Treasury, 2010: 21), or progressive taxes raised. Another option is that older people work for longer and accumulate greater personal savings. To achieve this, consideration needs to be given to measures including but not limited to raising the aged pension eligibility age further and measures which encourage people to stage their retirement.

The exemption in the 2013 Federal Budget from the pension means test for older Australians who are downsizing their family home helps people to move into dwellings more appropriate to their current needs, often with less upkeep and associated costs. The limits around the initiative are, unfortunately, problematic. People need to have owned their family home for 20 years or more, and any drawdowns from the sale proceeds are counted in the pension means test. For this measure to be truly helpful in addressing the income challenges of older Australians, income drawn from the sale proceeds would be exempt from the means test. Furthermore, the measure has the obvious exclusion of low-income older Australians who have always rented and therefore do not own a family home from which to downsize.

**Working More, But Not Enough**

Labour force participation by over 65s began to rise in the mid-1990s and continued to rise during and after the financial crisis in 2007-2008. By contrast, overall labour force participation peaked in 2010 but has declined since then (RBA, 2013).

Australia has more than 400,000 workers aged 65 and over (and over 1 million aged 60 and over), almost 50 per cent more than five years ago (ABS, 2013a). This has been at a time when youth unemployment is rising and
A recent study by HSBC on Australia’s retirees found that a range of factors are contributing to older Australians working more: nearly 40% of respondents said that they had not prepared adequately or at all for a comfortable retirement (HSBC, 2013: 9). The concentration of Australian superannuation in equity markets saw funds take a huge hit in the wake of the Global Financial Crisis [GFC]. To remedy this, many older Australians have elected to work for longer. However increased work levels are still not producing a sufficient income for the majority of older Australians to lead comfortable lifestyles.

On an individual level, working longer boosts retirement savings and assists people to retain mental agility. While it has been common knowledge for some time that mental stimulation can assist with memory retention, recent overseas studies have also shown that working longer reduces the risk of dementia (INSERM, 2013). The factors which inhibit people working longer need to be addressed also. The type of work older people do and the environment in which they do it will play an important role in whether they stay in the workforce or not (Chomik, 2012). For example, research has shown that older people with stressful jobs or jobs that offer little security or autonomy have poor mental health and therefore tend to retire early (Olesen et al, 2012: 1).

The women’s rights movement and the introduction of a national maternity leave scheme have been two contributing factors to an increased presence of older female workers in the workforce. Greater numbers of women remaining in the workforce until an older age has driven up the average retirement age. The average retirement age for men has remained roughly steady since the mid-1990s, whereas the retirement age for women went from 42 in 1997 (ABS, 1997) to 49.6 in 2011 (ABS, 2011b).

However the nature of work which older women do precludes them from accumulating the same retirement savings as men. Consistent with overall labour force trends, older men are more likely to be in full-time work and they outnumber women in managerial positions. Men over 65 are more likely to be in full-time employment (101,952 compared with 90,901 in part-time employment), whereas vastly more women over 65 are in part-time employment (70,260 women compared to 33,069 in full-time work)(ABS, 2011b). While being in part-time work might delay retirement for women, allowing them to accumulate further retirement savings, their ability to accumulate as much as men is hindered by the reduced hours and income from such part-time work.

As Treasury reported in its *Intergenerational Report*, the ageing of the population will see the number of people aged 65 to 84 years more than double, and the number of people aged 85 and over more than quadruple. As a result, the proportion of people who are of working age will decline as a proportion of the whole population. This phenomenon is commonly expressed as increase in the old age dependency ratio: the ratio of retired Australians to those who are working age (15 to 64). In 2007 there were five working-age people for every older person. The ABS projects this number will drop to less than three in 2056 (ABS 2009a).
This old age dependency ratio may in fact increase further because of other factors compressing the proportion of the population in the workforce. One factor is higher education levels, meaning that people enter the workforce at 18 years or later, rather than 15. Year 12 retention rates have been increasing to record levels, as has the number of people in post-secondary education. So the actual proportion of working people supporting retirees may be even smaller than the traditional measure of the dependency ratio as the proportion of 15-64 year olds supporting over 65s.

Assuming the same policy settings and productivity levels, and without a higher fertility rate or increased levels of migration, those who are in the workforce will need to pay more tax for the public benefits and services required to support a larger aged population which is living longer. To afford the same standard of living through the pension, an increased taxation burden will fall on younger people to fund the proliferation of people on the aged pension. The choice is to increase taxes and/or productivity or, failing that, older Australians will have to go into debt to fund their lifestyles, work for longer or accept a lower standard of living.

**Retirement**

Financial security and health are important determinants of when people expect to retire. According to National Seniors, factors such as income, occupation, marital status and health predicated different levels of choice in the retirement decision among baby boomers (2012a:8). Of retired men and women whose last job ceased fewer than 20 years ago, the most commonly reported main reason for ceasing their last job was that they reached the eligibility age for the aged pension (44% of men and 27% of women) (ABS, 2011c).

Ahead of the legislated rise in the retirement age in 2023, the government needs to consider other mechanisms to encourage both men and women to stay in employment for longer. Otherwise, on current trends, people will continue to retire mainly when they reach the pension age even if they are without sufficient savings to retire.
Ways to encourage longer workforce participation include working with employers to retain workers over 65 and to hire them in greater numbers. These sorts of initiatives would need to take into account the type of work that people have done over their working lives and whether it is feasible to continue doing that sort of work, or to do something different. A related measure is to consider making retirement a staged process where people scale down their work responsibilities, rather than a binary concept of employment and unemployment.

**Discouraged workers and discrimination**

A factor prohibiting further labour force participation by older Australians is that many of them are discouraged from looking for work because of their age. ‘Discouraged workers’ are people who are not counted in the unemployment statistics because although they would like to work, they are not actively looking for work. Nearly three quarters of older people who are thus discouraged indicate that it is because they feel that employers consider them to be too old. This is indicated in the chart below.

![Figure 4: Primary reasons why older people are discouraged from seeking work (2012)](chart)

Source: ABS, Series 6200

One positive sign is that people are less discouraged from seeking work than a decade ago on account of their age. This may be because their health is better, or again because older people have no choice but to seek work to boost their retirement savings. It may also be because employers are starting to see the benefits of retaining and attracting older workers. NAB, for example, has been recognised for its My Future program, rolled out to assist mature age workers manage career direction, flexible working arrangements, retirement or simply a change of pace (NAB, 2011).
This isn’t to suggest, however, that age-based discrimination among employers and in the workplace is not an issue; it is. The Australian Human Rights Commission has found that 92% of businesses surveyed believe age-based discrimination is most likely to occur in the workplace (AHRC, 2013:24). As one employee respondent said, ‘You try getting a bar job at 50.’ So a further shift needs to occur in terms of employer attitudes to older employees and potential recruits if the capabilities and experience of older Australians is to be captured.

How to encourage positive changes in employer attitudes to older people and achieve a significant shift in the way they view older workers? At the very least, the government needs to undertake a substantial publicity campaign on age-based discrimination in the workforce, focusing on employer groups and the media. There is also a real opportunity for government to work with employer groups to capitalise on the opportunities of an older workforce so that there is knowledge-transfer between the older generations and young recruits. The government has introduced a one-off incentive payment of $3,250 per employee to employers who employ and retain older workers for at least six months. Another measure is to address the barriers older people face to retraining or acquiring new skills, due to the cost of such training.

**Seniors in the workplace**

Employers need to develop practices for managing the older workforce. The first step in this process is to consider approaches that will work for that particular business, having regard to its size, its areas of growth and its existing workforce. Governments can play a direct role in encouraging businesses to do this. The previous government initiated the Corporate Champions program which provided assistance valued at up to $20,000 for businesses to develop strategies to recruit and retain older workers. An industry expert would work with the business to develop a plan and implementation strategy. It is preferable to the straight incentive of $1,000 which the current government has outlined for employers who recruit and retain older workers for six months because it addresses the need for business attitudes and cultural practices to change.
Paying For It: Longevity and Health

A longer life is not always a blessing. As outlined in the previous sections of this paper, the longer people live, the more likely it is that they will be surviving on a modest income. The physical side of living longer can also be a burden, with conditions like back and joint pain and decreased energy becoming more prevalent in advanced old age. Also the longer people live, the more likely it is that they will have a psychological condition combined with a physical one.

Health expenditure on the rise

While older Australians are spending the largest proportion of their income on food and housing, the area of greatest growth in their spending is on health care. In the case of fees paid to private health practitioners and private health insurance, spending is growing at nearly 10% year on year. The fastest growing areas of expenditure for households comprised only of people aged 65 and over are, in decreasing order:

1. Fees paid to health practitioners;
2. Private health insurance;
3. Utilities;
4. Rent; and
5. Medicines, prescriptions and pharmaceuticals.

Government expenditure on health has also grown significantly as a percentage of GDP, putting a strain on public finances at a time of declining revenues. According to AIHW estimates, expenditure on health by all levels of government was $90.1 billion in 2010-11 (AIHW, 2012a: 22), up from $39.5 billion in 2000-01. There has been some suggestion that the rapid increase in expenditure on health is not attributable to ageing. The Grattan Institute has found that the chief drivers of higher health spending are that people of all ages see doctors more often, have more operations and procedures and take more prescription medicines. It argues that the ageing population will have ‘surprisingly little impact over the next two decades, particularly if policy reforms to increase workforce participation are put in place’ (Daley et al. 2013: 33). However, the difficulty of such reforms should not be underestimated.

What's more, spending growth on all areas of health among over 65s outstrips that of the under-65s. Between 2006 and 2011 spending growth on private health insurance by older Australians was double the rate of under 65s. Fees paid to health practitioners grew at nearly five times the rate than that of under 65s (HILDA, Release 11). Given that older Australians are spending more and more on health care, it represents a demand for health services which will impact on public finances also.

Paying for increased longevity in other ways

Dementia

Dementia will become an increasingly prevalent health problem for Australian society for two related reasons. First, dementia is becoming more prevalent among the ‘old old’ (i.e. those aged 85 and over). Secondly, the number of people who are the ‘old old’ is increasing: the proportion of older Australians who are over 85 will grow from around 1.6% of the population (2007) to between 5.8% - 9.3% of the population (2056) (ABS, 2010).
At the time of the last estimates by the AIHW in 2011, almost 1 in 10 Australians aged 65 and over, and 3 in 10 of those aged 85 and over, had dementia (AIHW, 2012b: 22). Absent a cure and on current population projections, the AIHW predicts that by 2050 over 900,000 Australians will be living with the disease.

Spotlight on dementia and Australia’s migrant groups

According to the former Department of Health and Ageing (DOHA), around 20 per cent of people aged over 65 years were born outside Australia and by 2021 that number will rise to 30 per cent. In Australia’s migrant community, the way that the change has manifested is that sufferers of dementia tend to lose their ability to communicate in their second or third languages. Most often, this means losing the ability to communicate in English.

Because some of the children and grandchildren of these people only speak English, the progression of dementia causes a communication deficit so that the families and carers cannot use a common language with dementia sufferers.

In response, the Gillard government allocated $60 million to provide workshops that assist aged care staff to support individuals with dementia, developing a handbook for staff dealing with culturally and linguistically diverse (CALD) sufferers of dementia, and supporting families. This initiative will need to be reviewed for its effectiveness and future governments will need to be alive to specific characteristics and needs of future CALD groups. According to DOHA, of those people living in Australia who were born in Latvia, Lithuania, Estonia or Slovenia, more than 60% are aged 65 years or over. By contrast, of those living in Australia who were born in South Korea, Taiwan or Afghanistan, less than five per cent are aged 65 years and over. Government’s role will be to adapt to the changing ethnic make-up of Australia’s older Australians – both generations above 65.

Chronic disease

As people age they are more likely to develop multiple chronic health conditions. According to the AIHW, among older Australians living in the community in 2009, the time of the last estimates, 49% of people aged 65-74 had 5 or more long-term health conditions; this rate increased to 70% of those aged 85 or over (AIHW, 2012a: 9). The most common conditions among older Australians are vision or hearing loss, arthritis or other musculoskeletal problems, and elevated blood pressure or cholesterol levels.

Research by Australian Seniors has shown that uncertainty is the most challenging aspect of chronic disease for older Australians, leading to anxiety and fear (Australian Seniors, 2012: 4).

Mental Illness

Mental illness among older Australians needs to be a priority health issue for policymakers. Beyond Blue estimates that between 10 and 15 per cent of older people experience depression and approximately 10 per cent experience anxiety. The rate of depression among older people in residential aged care is thought to be around 35 per cent. Depression among older people has particular features which differ from depression earlier in life, such as an increased chance of cognition problems and memory problems (Australian Psychological Society, n.d.).

There is broad scope to develop the existing services to support older Australians with mental illness, particularly older Australians who are living alone. An example of such an existing service is where monitors are installed in a person’s home so that a health service provider is notified when they have a fall and assistance can be dispatched immediately.
Paying for increased longevity through an underperforming aged care sector

Australia’s aged care system has some notable shortcomings. It is complex to navigate, is based on allocation rather than need, and has seen instances of very poor care which advocacy groups have described as a “human rights emergency”.¹

What is aged care?

‘Aged care’ is an umbrella term; it is not synonymous with ‘nursing home’. It refers to:

- people living in private dwellings but receiving some form of care and assistance;
- village-style arrangements where things like home maintenance are attended to but where people otherwise live independently;
- independent units where assistance is given with cleaning and personal hygiene, and meals are provided; and
- traditional ‘aged care facilities’. In this category, one group of older people requires assistance with mobility, feeding and other tasks, while another group are bedridden and require constant care.

In 2011, the Productivity Commission released its report on the aged care sector, Caring for Older Australians. The Federal government responded in 2012 with its Living Longer. Living Better policy, key elements of which were increasing in-home care packages from 60,000 to 100,000 and the requirement that in-home care packages be delivered on a consumer-directed basis whereby the person receiving care has greater control over the type of services they receive, by whom and when. The Abbott government has said that it will base its aged care policy on the consumer-directed care philosophy recommended by the Productivity Commission.

As of 2015, the larger government-funded home care programs – the Home and Community Care Package (HACC), the National Respite for Carers Package, the Day Therapy Centres and the Assistance with Care and Housing for the Aged – will be consolidated into a single Commonwealth Home Support Program. The simplified fee scheme which goes along with the HACC will require close monitoring to ensure that it is fair and efficient.

Different sections of the aged community have cited the following challenges faced by the sector which were not addressed by Living Longer. Living Better, including but not limited to:

1. People cannot access aged care because aged care system is still ‘rationed’. If a person meets the income and assets test to receive the aged pension, then they are still not automatically entitled to an aged care place. Instead, if there is a shortage of places the person must put their name on a waiting list.

2. Counter to the recommendation of the Productivity Commission, the Labor government exempted the family home from aged care means testing. This leads to a distortion in the ‘user pays’ model due to people whose wealth is tied up in their primary residence.

3. The need to build a larger workforce of carers, and ensuring that different parts of the aged care workforce have education and skills appropriate to the needs of people they care for. Resources are still directed to aged care providers rather than individual users. This is at odds with the ‘person centered’ approach advocated by the Productivity Commission.

4. The need to build a larger workforce of carers, and ensuring that different parts of the aged care workforce have education and skills appropriate to the needs of people they care for.

¹ As reported in the ABC’s Lateline program on 15 July 2013.
The low wages paid to aged care workers are a significant impediment to making aged care a job of choice, which can attract better-skilled workers. The $1.2 billion allocation by the previous government for an aged care workforce was welcomed as a means to improve the low remuneration of the aged care workforce but has been scrapped by the Coalition government. The Coalition has returned the $1.2 billion to the general pool of aged care revenue, and it is unclear whether aged care workers will receive an increased income as intended.

Refundable accommodation deposits (RADs) and daily accommodation payments (DAPs) (formerly known as ‘aged care bonds’) are generally considered to be a reasonable way of partially financing the development of aged care facilities in a time of growing consumer demand (Hendig, 2013). The emphasis of RADs and DAPs is on giving people a choice of how they pay for their accommodation component of residential aged care – either as a lump sum or in period payments.

However, RADs and DAPs can present a stressful financial burden for people going into aged care and their families if there hasn’t been adequate planning in middle age - especially considering that many people do not plan for retirement as much as they should (HSBC, 2013:15). According to the Department of Health and Ageing the average aged care bond in 2010-2011 was $248,850 (DOHA, 2012: 55). Most people can only raise such a significant amount by selling the family home. This creates difficulties if, for example, they have a partner still living at home who is not moving into aged care.

Responsible Elders: The Multiple Responsibilities of Older Australian

Caring for others

Informal Care

As a result of a prolonged lifespan and the growing levels of chronic disease, increasing numbers of older Australians have caring responsibilities, principally for their partners.

Older Australians who are caring for a spouse are subject to particular stressors. Caring is often a physical burden, especially when the carers themselves have a chronic disease like arthritis or decreased mobility from an acute health event like a stroke. And there is the mental and emotional stress associated with the decline of a loved one and a burden placed upon the carer to accept a greater responsibility for that person’s wellbeing.

Carers commonly have to scale down or leave employment to attend to caring tasks. This affects people in different ways. For example, a full-time worker may be able to negotiate an arrangement to work from home. But some jobs can’t be done at home, like nursing or labouring. Someone in a casual job can’t negotiate flexible work hours. Instead, they simply have to miss out on shifts, and miss out on getting paid.

Another way that caring affects people differently is by gender. Although the number of men and women caring for a spouse in the 65-74 age bracket is roughly the same, the number of older men caring for a spouse vastly outweighs the number of women.
This is attributable to the higher life expectancy of women: men who reach the age of 75 and over are more likely to do so with their female partner still alive. However men are not commonly recognised as ‘carers’, and do not develop the same sort of emotional support networks across their lives. Accordingly men are often ill equipped to deal with their caring responsibilities.

**Formal aged care**

Community concern exists about the capabilities of the caring workforce. At a national symposium on aged care and caring this year, aged care providers spoke about trainee carers being ‘unleashed’ on older Australians without adequate knowledge or skills to equip them to deal with complex conditions like dementia. While the vast majority of carers have the best of intentions in their work, the level of knowledge and skills which they bring to their job are highly variable. Despite the existence of accredited training courses, there is wide variability in the standard of training provided by registered training organisations (RTOs). Part of the solution to this may be in improved regulation of the RTOs.

**Helping the younger generations**

Older Australians are helping their spouses in greater numbers and they are helping their children and grandchildren too. They are getting squeezed in terms of their finances and their time.

The AIHW estimates that a considerable proportion (24%) of older Australians are providing direct or indirect financial support to children or other relatives outside the household (AIHW, 2007: viii). The most common ways that over 65s provide this support is to drive them places and to give them money for living costs or to pay off debt.

One in two children in regular childcare is being cared for by a grandparent. Grandparents providing care to young children do so for an average of 10 hours per week. Nearly 60% of children who were looked after by a grandparent received child care so that their parent could go to work (ABS, 2012a).
Responsible citizens: volunteering and community participation

Rates of volunteering among older Australians have been steadily rising over time. The 2011 Census showed that over half of those aged 65-69 years (55%) and just under half (42%) of those aged 70-74 years engaged in either paid or voluntary work or provided unpaid child care or care for a person with a disability, long term illness or problem related to old age. People in advanced old age are much less likely to volunteer: only 4.3% of those aged 90 and over. This is because of a decline in health and mobility for those in this age category.

Barriers do exist for older people to volunteer. Volunteering Australia has reported that impediments exist on organisational and individual levels:

- organisational impediments can include an ageist culture and/or a lack of appropriate support and training for older volunteers and difficult accessing adequate volunteer insurance to cover older volunteers; and
- individual impediments can include a lack of confidence, transport costs, health and mobility issues (Volunteering Australia, 2004:7).

Responsible for themselves

The vast majority of older Australians will continue to live in private dwellings – only 6% live in non-private dwellings including aged care facilities (AIHW, 2007:viii). This challenges the idea that older Australians need to be ‘looked after’ and are a ‘burden on the community’.

Given the proportion of older people living at home, the challenge is to allow older Australians to live independently but also to receive appropriate care when and how they determine it is necessary. They also need to be able to socialise and participate in the community. Sometimes older people find it hard to participate because of physically and mentally limiting conditions, or the aftermath of an acute health incident like stroke or aneurysm that hampers their confidence to interact with people.

The Gillard government increased the number of at-home care packages and allocated $9.9 million for the Broadband for Seniors Network which allows older Australians to access the internet in community centres. These are steps in the right direction.
Conclusion: Opportunities to take charge

This paper has shown how as a result of trends in longevity and ageing, we are experiencing the demographic climate change of our time: the effects of an increased lifespan are universal, affecting each and every one of us. The consequences bubble away slowly, but we have started to see the effects of the change already.

We will face a substantial public policy challenge if we do nothing to respond to the effects of longevity and ageing and plan for their future implications. The specific trends this paper has described include social change and the baby boomers, income, work, health and aged care and the financial, personal and community responsibilities of older Australians.

Quality of life across the community has already been affected by our changing demographic. If action is not taken now, the effects will be more widespread and more acute.

Set out below are some of the big questions which public policy needs to grapple with. We have identified six areas of public policy which must be addressed in response to the challenges of an ageing and longer living society.

1. Working for longer and reconceptualising retirement

As detailed in the Working Longer, But Not Enough section of this report, population ageing is leading to a rise in the old age dependency ratio. The working age population will be called up to support more people in retirement, and for longer. This increasing burden on the working age population can be reduced if older Australians remain in employment for longer and if they can overcome the barriers to gaining and maintaining employment.

The first public policy challenge is to frame increasing longevity as an economic and social opportunity. Living longer means the ability to work further into old age and continue engaging productively in the economy and the community. It also means employers have access to a larger pool of experienced workers whose knowledge and skills can be better shared with younger employers.

Age-based stereotypes held by employers need to be addressed. Overwhelmingly, older people continue to be discouraged from seeking work because employers consider them to be too old. Employers and business groups need to fully grasp the economic potential of an older workforce. As Susan Ryan AO, Australia’s Age Discrimination Commissioner has said:

Research also shows that an increase of 5% in paid employment of Australians over the age of 55 would result in a $48 billion impact on the national economy, every year (AHRC, 2013: 1).

Retirement itself needs to be reconceptualised. A rise in the eligibility age for the aged pension will not, of itself, be enough to retain people in the workforce as they age. Retirement needs to become a staggered process: blended stages where people scale down their work responsibilities.

For example, older workers could be retained to consult on projects where they have expertise, or they could go from full-time to part-time work before retiring completely. In this way, older people can manage down their income rather than waking up one day with no income other than a full or partial pension, however planned that day might
have been. Organisational inertia and a lack of consideration of the opportunities to capitalise on the skills and knowledge of older workers have hampered widespread innovative use of the older workforce.

2. Superannuation and retirement income

The ABS has found that among people aged 45 and over, the majority of people who returned to work did so because of financial need rather other reasons like a desire to remain productive or for social interaction (2011c: 8). This is because superannuation by itself does not provide a large enough pool of finances from which older people can draw to give them a good quality of life when their extended years of life are taken into account (as discussed in the Rising Debt. Inadequate Retirement Income section of this report). This means that we need to consider superannuation contribution rates, concessions, the need for people to plan for retirement much earlier in their working lives, and further developing the longevity insurance market.

3. Healthy ageing and managing chronic disease

Healthy ageing has entered the public policy vernacular, and it needs to remain the governing narrative about ageing in the future. The benefits of regular physical exercise, socialising, mental stimulation and healthy lifestyle choices are manifold – both for the individual concerned and for the community because healthier people are less likely to depend as heavily on health services. One of the most important aspects of healthy ageing is having strong social connectedness: initiatives around retaining and attracting older workers (point 1) and urban design to foster social interactions (point 6) are two ways of promoting this.

As set out in the Paying For It: Longevity and Health section, longevity will present challenges for the allocation of public finances. Chronic diseases such as dementia, diabetes and chronic joint pain are increasingly prevalent among Australia’s older people, and particularly among the ‘old old’. Older people need assistance in managing these conditions so that they can continue to work and to participate in their communities for longer – an essential element of healthy ageing. Such assistance can come in the form of technologies to allow people to live more comfortably and safely in their own home, or which enable people to feel more comfortable being mobile in the community. One example is in-car technology called intelligent speed adaptation, which helps older drivers (who have, on average, slower reaction times) to stay at safe distances behind cars in front of them (OECD, 2003: 9).

4. Enabling age-based economies to evolve

We need to consider how best to invest public and private funds to enable aged-based economies to evolve. As older Australians progress into advanced age with better health relative to previous generations, there will be rise in demand for leisure, tourism and affiliated service industries. In the US, leading market analyst Nielsen, together with US organisation BoomAgers, has reported that ageing baby boomers are “as likely as younger cohorts to experiment with new products” (Irving and Chatterjee, 2013: 1) There are openings in the education market for older people who wish to re-skill or simply continue formal education. The demand for assistive technologies for things like increased mobility and managing chronic back and joint pain is also on the rise.

Opportunities on the supply-side include a growing need for an aged care workforce, particularly one which is equipped to deal with different levels of acuity and the increasing incidence of chronic physical coupled with mental
illness among Australia’s aged. The challenge in this area is, as ever, to find ways to encourage people into caring roles which are traditionally low-paid and not seen as exciting career paths. Aged care workers also require further training so that they are equipped to deal with multiple chronic health issues, mental and physical.

Companies taking advantage of ageing and longevity

A report by The Economist in 2011 found that Intel, General Electric and Philips were just some of the companies which had set up dedicated research efforts to understand older consumers. Intel, together with General Electric, established a joint venture aimed at tapping into new market opportunities such as ‘tele-health’ and home health monitoring. The resulting ‘Care Innovations Guide’, allowing clinicians, patients and their families to connect remotely, has been deployed in 42 US States, with the cloud version to be launched before the end of 2013.

5. Living arrangements and urban design which are conducive to ageing sociably

The vast majority of older Australia reside in private dwellings. How they are living in those dwellings is of particular interest from a policy perspective. The proportion of older Australians living alone (approximately 30%) presents unique opportunities to develop housing design and home care models which allow people to live independently but also with a ready ability to socialise and interact with other people. Urban design and transport planning are two ways of responding to this. For example, Stockland Australia recently signed on as the first industry partner of the Living Housing, a partnership which has developed guidelines for accessible, safe and environmentally sustainable living for older people (and other groups in society including people with disabilities). The design guidelines also stipulate that dwellings need to be easily adaptable to the changing needs to older people.

Another example of urban design for an ageing society is the World Health Organization’s ‘Age Friendly Cities’ guidelines. It gives a comprehensive picture of the sort of urban environment older people can thrive in – including building accessibility, transport, affordability of social activities and ways to address isolation.

As at the time of the last Census, older women were more likely than older men to be living with relatives other than a partner. When they do live with family, women often assist with child-care and other household duties, meaning that the arrangement is good for the family both in terms of time spent with older relatives but also in terms of assistance with household responsibilities. Again, there is an opening for urban design and town planning to foster this arrangement, with its benefits for older people and their families. It also benefits the community because of the pressure this arrangement takes off aged care.

6. Participating in society

As people live longer, they have an extended capacity for engagement in society. The trick will be to develop applied policy which allows people to reach their full potential during these ‘added years’ of life. This will mean re-engineering the life course (Rowe 2013), so we are not simply adding ‘leisure years’ or isolated fragile years. One way to achieve this is to extend the number of years people work. Another way is to recognise and promote urban design and architecture which enables older people to participate in society and have their health needs met.
The ideas set out in this concluding section are high-level areas for action. It is not an exhaustive list. We will present more specific ideas in the areas of income protection and superannuation, health and aged care and participation in society in the next three reports of Per Capita’s Longevity and Positive Ageing project. The focus of the ideas developed in these future reports will be on the ways that older Australians of all backgrounds can maintain a high quality of life, across the longer life course.
Postscript

Older, for longer: background to this paper

Australia’s already-high life expectancy is steadily increasing. Since the start of the 20th century, the average male life expectancy has risen 24.5 years, to 79.7 and 25.4 for females, to 84.2. Projections show that over the course of the 21st century the average Australian life expectancy will continue to steadily rise.

Longer lives. Healthier lives?

As our lives get longer, the question is what happens in these ‘extra’ years of life?

![Figure 7: Average Australian Life Expectancy (1910-2050e)]

It is worth noting that not only are life expectancies averages only, but there is also a large degree of uncertainty about just how fast life expectancy will continue to rise. If health improves at a faster rate than it has historically, average life expectancy will be even longer than set out in the graph above.

However research is currently inconclusive as to whether people are living longer, healthier lives or experiencing longer periods of morbidity across their longer lifespan. Recent research by the AIHW, for example, suggests that the physical health of older Australians is improving. By comparing the core activity limitations of older males and females since 1998, the data showed that both genders gained more years without a profound core activity limitation than years with one (AIHW, 2012). Recent research by Harvard University also shows that morbidity is being ‘compressed’ into the later years of life, however the question remains whether this trend is as a result of medical advances, social and environmental factors, or a combination of these and other factors (Cutler et al 2013).
Further monitoring of the morbidity and functional limitations of older Australians needs to be undertaken to get a firm idea of whether increasing longevity is creating a situation where people are in fact ‘living longer, living better’. The results of that inquiry will have a bearing on how much of a burden ageing will place on the health care system.

The proportion of Australians who are among the ‘old old’ is forecast to increase rapidly in the medium term. Far more women are in this age bracket, reflecting their higher average life expectancy: 16% of women aged over 65 are in the 85 and over age bracket, whereas only 10% of men fall into this category.

In 2007 those aged 85 and over group form 1.6% of the population. By 2056, for example, the ABS forecasts that the cohort of people aged 85 and over will reach between 5-7% of the population. The annual growth rate for this age category is likely to peak at between 7-9% around 2031, attributable to the first of the boomers (those born in 1946) reaching the age of 85.

The growth of Australia’s older population is demonstrated through the changes in age distribution. At the moment, the bulk of the population sits around the middle age groups from 30 – 50 years. As the baby boomer generation ages, the population aged 65 years and over will comprise a larger component of the total population.

This growing proportion of older Australians is also the product of a declining fertility rate. Fertility rates started to decline in the 1960s. Since 1976, Australia’s replacement fertility rate – the number of children a female would need to have over the course of her reproductive life to replace both her and her partner – has been below replacement level (ABS, 2012b). Although the decline in fertility has slowed in recent years, the overall trend is of lower fertility.

International comparisons

Australia has the 9th highest life expectancy at birth worldwide behind Hong Kong, Guernsey, Andorra, San Marino, Singapore, Japan, Macau and Monaco (Central Intelligence Agency, 2012). The reasons why these countries have a high average life expectancy are manifold. Health care spending growth, rising living standards, environmental improvements, lifestyle changes and education have all played a role. Public health campaigns on the effects of tobacco also appear to have contributed to the higher life expectancy of these countries as demonstrated by the fact that their tobacco use is slowly but steadily decreasing (WHO, 2009).

Australia’s life expectancy ranks above the OECD average, where life expectancy is already higher than in developing countries. The diagram below shows the difference between the average life expectancy among OECD countries and Australia’s average life expectancy which, although variable over time, has been consistently higher since 1960. Recall again that these are averages only: over one half of the Australian population will likely outlive the average life expectancy.
Additional years of life expectancy in Australia relative to OECD average

Figure 8: Additional Years of Australian Life Expectancy over OECD Average (1960-2010)

Source: OECD Comparative Life Expectancy Tables 2011
Glossary

ABS means the Australian Bureau of Statistics

AHRC means the Australian Human Rights Commission

AIHW means the Australian Institute of Health and Welfare

CALD means people of culturally and linguistically diverse backgrounds

CIA means the United States Central Intelligence Agency

DOHA means the Department of Health and Ageing

FaHCSIA means the Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs

HILDA means the Household, Income and Labour Dynamics in Australia Survey

INSERM means the Institut National de la santé et de la recherché medicale

LGBTI means lesbian, gay, bisexual, transsexual and intersexed people

OECD means the Organisation for Economic Cooperation and Development

PC means the Commonwealth Productivity Commission

UN means the United Nations

WHO means the World Health Organization
References


ABS 2013b, Life Expectancy, January 2013, cat. no. 4125.0, ABS, Canberra.

ABS 2012a, Education and Training Newsletter, cat. no. 4211.0, ABS, Canberra.

ABS 2012b, Year Book Australia, May 2012, cat. no. 1301.0, ABS, Canberra.

ABS 2012c, Employee Earnings, Benefits and Trade Union Membership, cat. no. 6310.0, ABS, Canberra.

ABS 2011a, Household Expenditure Survey, September, cat. no. 6530.0, ABS, Canberra.

ABS 2011b, Deaths, Australia 2011, November 2012, cat. no. 3302.0, ABS, Canberra.

ABS 2011c, Retirement and Retirement Intentions, cat. no. 6238.0, ABS, Canberra.


ABS 2009a, Australian Social Trends, cat.no. 4102.0, ABS, Canberra.

ABS 2009b, Disability, Ageing and Carers, cat.no. 4430.0, ABS, Canberra.

Still Kicking
November 2013

Emily Millane


AIHW 2012b, *Dementia in Australia*, AIHW, Canberra.


Australian Seniors 2012b, *Improving Health Literacy in Seniors with Chronic Illness*,


Department of Health and Ageing 2013, Better Care for Older Australians from Culturally and Linguistically Diverse Backgrounds, Press Release, 26 June.


Minister for Mental Health and Ageing 2013, Press Release, Better Care for Older Australians from CALD Backgrounds, 26 June.


Organisation for Economic Cooperation and Development (OECD), Better Life Index, accessed via <http://www.oecdbetterlifeindex.org/topics/health/>


Royal Australian and New Zealand College of Psychiatrists 2010, Older Australians Deserve a Better Deal in Mental Health, August, accessed via <http://www.ranzcp.org/Files/ranzcp-attachments/Resources/Older_Australians_Deserve_a_Better_Dean_in_Mental_.aspx>


Treasury 2010, Australia to 2050: Future Challenges, January, Commonwealth of Australia, Canberra.


This paper uses unit record data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey. The HILDA Project was initiated and is funded by the Australian Government Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) and is managed by the Melbourne Institute of Applied Economic and Social Research (Melbourne Institute). The findings and views reported in this paper, however, are those of the author and should not be attributed to either FaHCSIA or the Melbourne Institute.
Annexure

- Female born in 1948
- Full-time worker
- Nominal Median wage for each year between 1992-2013
- Minimum employer contributions
- No voluntary superannuation contributions
- No children
- No caring responsibilities
- Rate of interest on superannuation for each year between 1992-2013: average rate of interest for a balanced portfolio industry fund for each year between 1992-2013 inclusive
- Rate of interest on superannuation for each year after retiring in 2013: 8% nominal rate of interest, calculated using the average rate of interest for a balanced industry fund for each year between 1992-2013 inclusive.
- Cost of living increasing 4% (nominal) each year

---

5 Median annual wage for a full-time female worker – all jobs.
6 Source: Australian Super