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5 December 2002

Dr Margot Kerley  
The Secretary of the Committee  
Standing Committee on Ageing  
Parliament House  
CANBERRA ACT 2600

Dear Dr Kerley,

Please find attached National Seniors Association's submission to the Standing Committee on Ageing for its inquiry into long term strategies to address the ageing of the Australian population over the next 40 years.

As the largest organisation for older Australians, National Seniors welcomes the opportunity to contribute to this process.

If you need further information or clarification, please do not hesitate to contact me on (07) 3211 9611.

Yours faithfully,

David R Deans  
**Chief Executive**

# **SUBMISSION TO THE STANDING COMMITTEE ON AGEING**

*Long term strategies to address the ageing of the  
Australian population over the next 40 years*



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## **Who we are**

With over 230 000 members, National Seniors Association (NSA) is the largest organisation representing Australians aged 50 and over. Membership is comprised of self-funded retirees, pensioners and people in the workforce. NSA receives no government funding, and its lobbying agenda comes directly from members. NSA is currently in legal partnership talks with Council on the Ageing.

## **Introduction**

This submission is a broad overview of the long-term initiatives National Seniors recommends for Australia's ageing population. For details on specific areas please refer to NSA's National Strategy for an Ageing Australia submissions.<sup>1</sup>

National Seniors believes the future costs associated with population ageing may be overstated. In this paper, we challenge policy makers to consider older Australians not as a drain on social services but as active contributors to society. The establishment of the National Seniors Productive Ageing Centre demonstrates our commitment to this concept.

In proposing a long-term framework for the ageing population, National Seniors supports the United Nations 2002 International Plan of Action on Ageing and, in particular, the World Health Organisation's Active Ageing policy. We conclude by making several broad recommendations under the headings of participation, health and security.

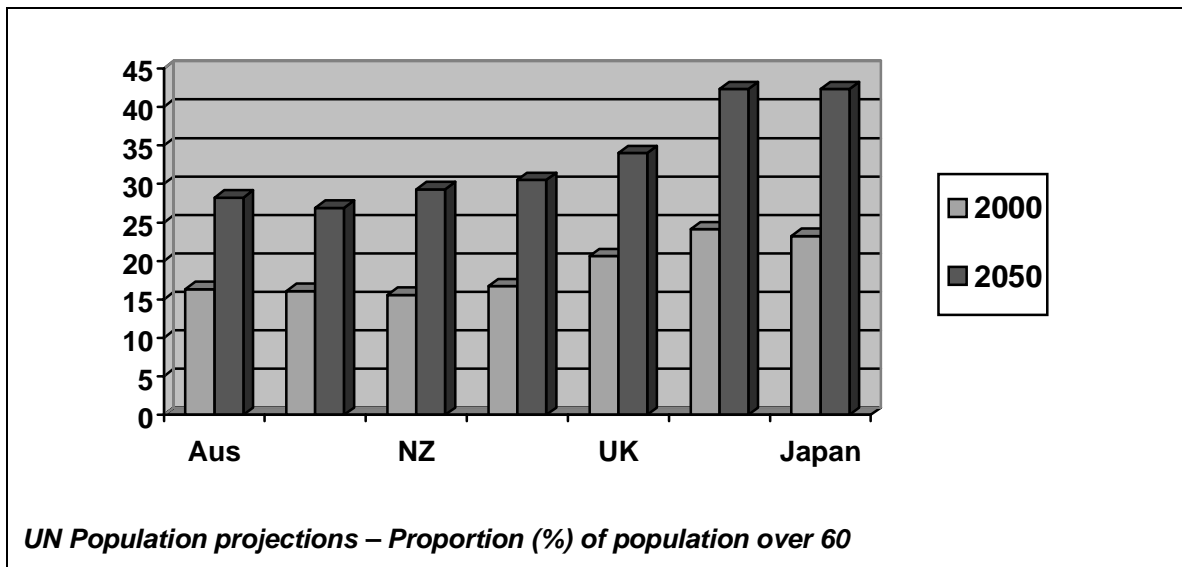
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<sup>1</sup> *Healthy Ageing* (Feb 2000); *Independence and Self Provision* (April 2000); *Employment* (April 2000); *World Class Care* (July 2000); *Attitude, Lifestyle, Community Support* (Nov 2000).

## The issue

Throughout the developed world, population ageing is a global trend caused by declining birth rates, increasing life expectancies and the sheer size of the baby boomer generation. This means the proportion of older people in our societies is growing rapidly.

This ageing trend is occurring in Australia at a lesser extent than most other OECD countries. In 2000 Australians over 60 made up 16.3 per cent of the population. By 2050 they are projected to comprise 28.2 per cent of the population.<sup>2</sup>



## Is there an ageing crisis?

Some analysts predict the decline in the proportion of younger workers; a shrinking tax base as more people move into retirement; and increased spending on health and age pensions will create significant pressures on national budgets. In 2002, Federal Treasurer, Peter Costello, released the *Intergenerational*

<sup>2</sup> United Nations Population Division 2002

*Report*. It argued that Australia's ageing population would be fiscally unsustainable without cuts to current social spending.<sup>3</sup>

Opponents of this view say fears about population ageing are founded on negative stereotypes of older people as dependent, burdensome and frail. Dowrick and McDonald suggest the *Intergenerational Report* paints an unnecessarily grim economic picture. They say it understates the effect of a fall in employment, greatly underestimates the potential for future increases in labour force participation rates and presents an unduly certain picture of the levels of future costs of health and aged care.<sup>4</sup>

## **Health and Social Security**

Much of the rhetoric around the "crisis" of an ageing population centres on future costs of health and age pensions.

NSA believes to equate ageing with spiralling health costs is misleading. There is strong evidence that demographic changes have only a small impact on health care expenditure. Rising costs are usually associated with demands for new technology, treatments, equipment and pharmaceuticals, and inefficient provision of health care services.<sup>5</sup> It is important to remember that health services and long term care are highest in the last two years of life regardless of age;<sup>6</sup> increases in longevity tend to be associated with the extension of a "healthy lifespan" hence increased health costs attributed to an ageing population are often overstated;<sup>7</sup> and changes in the structure of long term care away from

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<sup>3</sup> Commonwealth of Australia, *Intergenerational Report 2002-2003*, Budget Paper No. 5, p.9.

<sup>4</sup> P. McDonald et al, "Comments on Intergenerational Report, 2002-03", Australian National University, June, 2002.

<sup>5</sup> Commonwealth of Australia, *Intergenerational Report 2002-2003*, Budget Paper No. 5, p.8; International Social Security Association, *Ageing and Social Security: Ten Key Issues*, Geneva, 2002. p. 15.

<sup>6</sup> OECD, *Maintaining Prosperity in an Ageing Society*, Paris, 1998, pp 91-98

<sup>7</sup> op. cit., International Social Security Association, *Ageing and Social Security: Ten Key Issues*, 2002. p.14

institutionalisation and towards home care services may lead to less pressure on government budgets.

Rather than “old age” itself, it is disability and poor health which is associated with increased medical spending. The growth in non-communicable diseases such as heart disease, diabetes and cancer is a concern for both developed and developing countries. It is for this reason that the World Health Organisation (WHO) suggests health systems adopt a life course perspective that focuses on health promotion, disease prevention and equitable access to primary health care and long-term care. It cites estimates that a one dollar investment in measures to encourage moderate physical activity leads to a cost saving of \$3.20 in medical costs.<sup>8</sup>

In terms of social security costs, critics of the dependency ratio<sup>9</sup> say it is based on the assumption that people over 60 are not independent. Kinnear claims that the vast majority of older Australians are healthy, active and live independently in the community. Only 7 percent of people aged over 65 require residential care and even fewer require public assistance for daily living.<sup>10</sup>

Seniors make significant contributions to the economy, either formally through the workforce or as volunteers within the community. For example, as carers of grandchildren, grandparents indirectly boost the economy by enabling their children to participate in the workforce.

In the formal sector, Australian workforce participation rates for the 55 to 64 age cohort are about 39 per cent<sup>11</sup>. This compares to 58 to 60 percent in New

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<sup>8</sup> From US Center for Disease Control (1999)

<sup>9</sup> Dependency ratio is the non-working age population divided by the working age population.

<sup>10</sup> P. Kinnear, “The Ageing Crisis” in *The Australia Institute*, No. 29, December 2001. p.1

<sup>11</sup> See transcript of Prime Minister, John Howard’s speech to the Financial Planning Association, 21/11/2.

Zealand and the United States. Despite claims of a “trend towards early retirement” by the Australian Bureau of Statistics, National Seniors receives considerable feedback suggesting that while some people choose the luxury of early retirement there are many senior Australians who want to keep working but are unable to find work. Research confirms that workers over 50 are the first to be retrenched and the last to be rehired.<sup>12</sup> This is supported by consistently higher long term unemployment rates for people over 50.

Most commentators would agree that employment promotion is key to maintaining an ageing population. In a study of European countries, McDonald and others concluded that increased participation rates supported by slightly higher immigration levels could compensate for a decreased labour supply.<sup>13</sup> With Australia’s relatively low mature age participation rates, this strategy could be applied here. Australian studies show that the average per capita income would rise if only 10 percent of people aged between 55 and 70 remained in the workforce.<sup>14</sup>

However, the success of workforce participation programmes will depend on how well older workers can be reintegrated back into the labour market. This will require appropriate programmes to both re-train older workers and match the needs of employers. Another challenge will be creating the incentives to keep seniors in the workforce.

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<sup>12</sup> Drake Management Consulting (Aus), “Smashing the Stereotypes” in *Drake Business Review*, Vol.14 No.1, 1999

<sup>13</sup> P. McDonald and R. Kippen, “Labour supply prospects in 16 developed countries, 2000-2050” in *Population and Development Review* 27 (1), pp 1.32

<sup>14</sup> Access Economics, *Population Ageing and the Economy*, Commonwealth of Australia, 2001.



## **Framework for an ageing population**

In proposing a framework for an ageing population, National Seniors supports the 2002 International Plan of Action and the WHO's Active Ageing policy.<sup>15</sup> The WHO definition of Active Ageing is: *the process of optimising opportunities for health, participation and security in order to enhance quality of life as people age.*<sup>16</sup>

Australia has a world-class system of retirement income and social services. National Seniors challenges policy makers to view older Australians not as dependents but as active participants and contributors of society. By harnessing the current and potential human capital of its older population we believe that Australia would become a model of best practice on this issue.

In building long term strategies for an ageing population National Seniors recommends the following:

1. Use the United Nations 2002 International Plan of Action on Ageing and the World Health Organisation Active Ageing Policy as the basis of a national long term strategy for an ageing population.
2. Supplement, strengthen and shape the policy recommendations in the 2002 International Plan of Action on Ageing and the WHO Active Ageing Policy with feedback from Australian stakeholders to suit the national environment.
3. Bring ageing issues into the mainstream and adopt a comprehensive all of government, business and community approach to addressing them.
4. Centre the ageing population debate not on the dependency of older Australians but the contributions they can and do make.

### ***Participation***

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<sup>15</sup> World Health Organisation, *Active Ageing A Policy Framework*, Geneva, 2002

<sup>16</sup>Ibid. p.12

5. Ensure Business is more proactive and accountable in addressing the issue of mature age unemployment and retrenchment.
6. Provide appropriate training programmes and job matching services to enable the successful reintegration of older workers into the workforce.
7. Develop incentives such as flexible hours and a phased retirement model for people to work longer.
8. Rethink labour market policies that encourage early retirement. While raising the superannuation preservation age is an example of this, it should not be considered until the employment prospects for older workers have improved.
9. Create age friendly environments in all areas. We welcome the new Disability Standards for Accessible Public Transport introduced in October 2002.
10. Introduce age discrimination legislation to ensure the rights of older people to economic, political and social participation are not infringed upon. We acknowledge and welcome the establishment by the Attorney General's Department of a Core Consultative Group of key stakeholders to assist in developing an Age Discrimination Bill.
11. Provide opportunities for lifelong learning and leisure pursuits.
12. Encourage official mentoring roles for older people in schools and the community.

### ***Health***

13. Adopt a life course approach to health maintenance which focuses on the prevention of non-communicable diseases.
14. Place greater emphasis on research into non-communicable diseases.
15. Increase home care services.
16. Ensure further support, including more respite care, for informal carers who are often seniors themselves.
17. Increase convalescent care facilities so that older Australians are able to recover properly following hospital treatment before returning home.

18. While maintaining private health insurance, ensure that safety nets continue to exist and provide high standards of care for those who need them.
19. Continue efforts to remove gap payments in private health insurance so that people on limited incomes are not faced with unexpected bills.
20. Increase and more effectively channel funding for dental health services, for example, in State Medicare funding agreements include outcomes for oral health.

### **Security**

21. Investigate the adequacy of the single age pension and raise it if necessary to comply with the standard of living scale used by the OECD. The OECD assumes couples need 50 percent more than single people to reach the same standard of living.
22. Encourage more personal superannuation contributions by:
  - a. Simplifying the superannuation system
  - b. Applying consistent rules across all superannuation schemes and the government's treatment of superannuation and tax
  - c. Undertaking public education on superannuation including its tax concessions and benefits and the consequences of limited personal contributions
23. Strengthen Australia's retirement savings scheme by holding superannuation fund managers more accountable for the money entrusted to them. Ultimately the state acts as banker - if superannuation fails, social security costs rise. In this vein National Seniors welcomes moves towards the introduction of a universal licensing regime for superannuation funds.
24. Exempt people over 50 from the superannuation tax surcharge to encourage greater self provision.
25. Investigate the inadequacy of women's superannuation. In 1993, women's superannuation amounted to only 45 percent of the male average due to interrupted participation, lower average earnings, and a greater tendency to work part time. Despite a rapid increase in superannuation levels over

the next three decades, the majority of women will still need their retirement incomes supplemented.<sup>17</sup>

26. Monitor the redundancy criteria of employers including the public service.

27. Only consider raising the age pension age when the issue of mature age unemployment has been adequately addressed.

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<sup>17</sup> Ibid.