

THE PARLIAMENT OF THE COMMONWEALTH
OF AUSTRALIA

EXPECTATIONS OF LIFE: INCREASING THE
OPTIONS FOR THE 21st CENTURY

REPORT BY THE HOUSE OF REPRESENTATIVES
STANDING COMMITTEE FOR
LONG TERM STRATEGIES

APRIL 1992

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Chairman	Hon. B O Jones, MP
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Committee Secretary	Mr Ian Dundas
Secretary to the Inquiry	Ms Margaret Swieringa Dr Robert Darby (<i>from June 1991</i>)
Staff	Ms Kelly Fitzsimmons Ms Tracy Cumberland

* Mr K J Andrews replaced Mr J W Bradford, MP on 21 June 1991

† Mr A A Morris replaced Mr L R T O'Neil, MP on 13 November 1990.

TERMS OF REFERENCE

That the Committee for Long Term Strategies inquire into and report on the factors that will be the central determinants of changing expectations of life into the 21st Century, with reference to:

- . the elements that determine variations in longevity such as occupation, gender, education, class, place of residence, ethnicity and race, consumption patterns, wealth and other factors;
- . the need to develop policies which recognise and encourage the redefining of "time-use value" (i.e. validating non-work experience), given that increasing longevity will coincide with declining labour input;
- . in the face of the changing population structure, the maintenance of the most productive use of human resources for the nation;
- . the maintenance of individual quality of life into old age;
- . developing policies for stimulating creative time use; and
- . developing policies to meet and anticipate changes in population structure in the areas of education, training and employment practices.

PREFACE

This report deals with one of the major social issues currently facing the Australian community and, indeed, the whole western world. It is the outcome of an inquiry conducted during 1991 by the Committee for Long Term Strategies, called *Expectations of Life: Increasing the Options for the Twenty-First Century*. Note the plural "expectations": the Committee was interested in diversity and quality of life, not just quantity.

The inquiry was particularly concerned with the economic, social and cultural implications of increased longevity among the Australian population, the increasing proportion of aged persons in the community and the lengthening period which now follows retirement from formal employment.

Like most industrial countries, Australia has experienced a considerable rise in life expectancy over the past century and is currently experiencing a significant rise in the proportion of the elderly who remain vigorous well past the customary (or even statutory) retirement age.

In Australia the rise in the proportion of older people (the "chronologically gifted" as the neologism has it) is due partly to increased longevity, but it probably has more to do with the fact that the baby boom, which ran from the late 1940s to the late 1960s, was followed by a dramatic fall in the birthrate.

These facts are well known.

Another important development is that, as life expectancy has increased, the age of retirement has tended to decrease, with the result that retirement, for the first time in human history, has become a definite and significant long-term phase in most people's lives. Most people who now retire at 55 may look forward to at least another 20 years of active life.

Strangely, the predominant response to these developments has not been joy at the opportunities and challenges offered by this new stage of life, now commonly known as the Third Age. On the contrary, we hear little but expressions of fear and alarm at the "burden" which the increasing numbers of aged are supposed to be imposing on the rest of society. There have been many media reports to this effect over the past five years or so.

This is an unfortunate response, and one which most submissions and other evidence given to the Committee were concerned to counter. The message received by the Committee was that, if there is a problem with ageing, the problem is not the aged, but myths about and hostile attitudes towards them.

To declare a personal interest, for many years I have been concerned with the question of how value is conferred on the use of time and life experience. I have written elsewhere about "time-use value", an awkward but necessary term which refers to the ways in which value is attributed to an individual's use of time.

Typically, the value of time-use is something *conferred* by somebody else. We have difficulty awarding time-use value for ourselves. If an employer puts his hand on your shoulder and says, "I want you and your value to me is \$x per month", then time use value is demonstrated. If the employer changes his mind, then the value is withdrawn.

Those with an interesting and challenging job in a dynamic area or absorbing interests outside it have many more options for rewarding activity than those with a dull job or little beyond it in a declining area. Most people's identity and self-esteem depend on their jobs and their family, but when work finishes, the family breaks up or a partner dies, there may be little else to give life its meaning. Time-use value may fall dramatically, with serious effects on self-esteem and the capacity for independent activity.

Richer people, the better educated and those with intellectually or physically demanding interests outside their work and family have far more flexibility. Wealth oils all wheels; education increases leisure, as well as work, skills; and a serious interest in reading, music, travel, painting and the arts generally, outdoor activity, the care of animals, hobbies and the maintenance of professional skills, and such like, enable people to keep up intellectual and physical activities and thus maintain their *joie de vivre*.

Such considerations apply to people at all ages, and as strongly to those who lose their jobs as a result of retrenchment as to those who retire voluntarily, but these issues are brought to the fore by the ageing of the Australian population and are explored here in that context.

This report examines the potential for useful and creative human experience offered by the changing demographic contours of our society. The chapters that follow consider many aspects of this challenge: increasing the opportunities for work; the myth of the aged as a burden on society; the future of work and leisure in the post-industrial age; the quality of life in old age, as opposed to mere quantity of years; the unequal distribution of life expectancy and how steps towards equality might be made; opportunities for fitness and recreation; access to culture and the arts; the value of lifelong education; and the importance of the urban environment.

I hope this report stimulates debate about these issues and thus makes its contribution to the realization of what, in the final chapter, we have called the promise of the Third Age.

BARRY O JONES
CHAIRMAN

April 1992

...you and I are old;
Old age hath yet his honour and his toil;
Death closes all: but something ere the end;
Some work of noble note, may yet be done,
Not unbecoming men that strove with gods.
The lights began to twinkle from the rocks;
The long day wanes: the slow moon climbs: the deep
Moans round with many voices. Come, my friends,
'Tis not too late to seek a newer world.

— Tennyson

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RECOMMENDATIONS

Chapter 3: Human Resources

Discrimination Legislation

1 That the Commonwealth Government introduce comprehensive legislation, along the lines of that which already covers sex, race and disability, to make discrimination on the basis of age unlawful.

2 That the Human Rights and Equal Opportunities Commission run a community education campaign against age discrimination and "ageism" (negative stereotyped attitudes to the aged) and on the value of older employees.

Compulsory Retirement

3 That the Commonwealth Government abolish compulsory age-related retirement in the Australian Public Service and other Commonwealth employment areas.

4 That the Minister for Industrial Relations review industrial relations acts, awards and other relevant instruments to identify and remove provisions which could discriminate on the basis of age or which make it difficult to introduce more flexible working arrangements.

Flexibility in Employment

5 That the Minister for Industrial Relations, in consultation with the Minister for Health, Housing and Community Services and the Minister for Employment, Education and Training initiate an investigation of the possibilities for phased retirement and other methods of making employment at later ages more flexible.

Training Programs

6 That the Minister for Employment, Education and Training:

- . conduct a review of Commonwealth job placement services and labour market programs so as to assess their relevance to and suitability for older workers;
- . reform and improve such programs so as to increase the participation of older workers and/or introduce new programs specifically targeted at older workers; and
- . take steps to increase the opportunities for older people to participate in retraining, reskilling and other vocational training programs.

7 That the Commonwealth Government, in consultation with the States and with union and employer bodies, take action to abolish upper age restrictions on apprenticeships and other vocational, industrial and job-oriented training programs.

Older Unemployed

8 That the Department of Employment, Education and Training conduct a detailed study of the characteristics and needs of the older unemployed.

Social Security

9 That the Minister for Social Security, in consultation with the Minister for Health, Housing and Community Services and the Minister for Employment, Education and Training, consider ways of modifying the age pension system so as to encourage older people to remain in or re-enter the workforce, (for example, by permitting retention of a percentage of pension that corresponds to number of hours worked).

10 That the Minister for Social Security consider ways of increasing the degree of local involvement in the assessment of social security entitlements, in order to maximise the sense of community and to make use of local knowledge.

Volunteers

11 That the Commonwealth Government consider ways of increasing Commonwealth support for voluntary organisations which cater for the needs of older people.

12 That the recommendations on volunteer work made in the report from the House of Representatives Standing Committee on Community Affairs, *Is Retirement Working: A report on the community involvement of retired persons*, recommendations 10 to 15, be implemented, with particular reference to reimbursement of expenses (Recommendation 10) and extension of insurance cover (Recommendation 11).

Collection of Statistics

13 That the Australian Bureau of Statistics calculate the value of unpaid work and include such figures in the National Accounts and appropriate ABS publications.

Chapter 4: Myths and Realities of the Dependency Question

14 That the Commonwealth Government recognise -

- . that the changing demographic structure of the population requires reassessment of the value and importance, both socially and economically, of life outside traditional work. The capacity of people to confer value (that is, value without a dollar equivalent) on their own "labour time-use" will be increasingly significant when expectation of far longer active life coincides with a likely reduction in the length of the paid work life, especially physical work;
- . that the increasing absolute and relative numbers of the aged in Australian society do not impose a burden on the economy or threaten the viability of the health and welfare system; and
- . that such demographic changes raise questions about social practices and institutions that need to be solved in a rational and consensual manner.

Chapter 6: Health and Medical Issues

Preventive Health

15 That the Minister for Health, Housing and Community Services initiate a review of national health spending in order to determine what proportion is spent on preventive health and health promotion strategies; analyse the costs and benefits of preventive (before illness) as compared with therapeutic (after illness) approaches to health care; and consider redirecting funds from treatment to prevention of illness.

16 That the Commonwealth Government, in consultation with the States (through the Australian Health Ministers' Conference) make preventive health strategies the main emphasis of any national health policy.

Oral Health

17 That the Minister for Health, Housing and Community Services make specific provision for older people to have access to subsidised oral health care.

Palliative Care

18 That the Commonwealth Government, in consultation with the States (through the Australian Health Ministers' Conference) support the provision of effective palliative care for older Australians.

Medical Education

19 That the Minister for Health, Housing and Community Services and the Minister for Employment, Education and Training conduct a review of medical education to determine whether more specialist geriatricians ought to be trained at medical school and whether other medical personnel, including GPs and nurses, receive adequate training in meeting the needs of elderly patients.

Collection of Statistics

20 That the Commonwealth Bureau of Statistics, in consultation with researchers and professional experts in the field, improve its collection of data on mortality, morbidity and socio-economic status in order to provide statistical information that is more useful to researchers studying the relation between health/mortality and socio-economic position.

21 That the Attorney General consult with the States with a view to having the information shown on death certificates more comprehensive and thus more useful for mortality studies.

Chapter 7: Fitness for All Australians

Community Fitness

22 That the Minister for the Arts, Sport, the Environment and Territories initiate a review of the Department's sport and recreation budget in order to redirect funding from organised and competitive sport towards community fitness and mass participation health and fitness activities.

National Recreation Strategy

23 That the Departments of Health, Housing and Community Services and the Arts, Sport, the Environment and Territories develop a national recreation strategy, linked with a health promotion campaign along the lines of the "Life. Be In It" campaign, targeted particularly at those who are reluctant to take adequate exercise.

Workplace Fitness

24 That the Commonwealth Government investigate the possibility of introducing deductibility of fitness-related expenses from taxable income.

25 That the Commonwealth Government encourage the provision of work-based health and fitness facilities and the introduction of programs on health and fitness and safety education.

26 That the Minister for Industrial Relations, in consultation with relevant employer and union bodies, develop policies by which access to health and fitness opportunities are part of employee benefits.

Chapter 8: Education, Culture and the Arts

Education

TAFE

27 That the Minister for Employment, Education and Training provide additional federal funds for the TAFE system in order to increase its capacity to offer courses that appeal or are useful to older people.

Lifelong Education

28 That the Minister for Employment, Education and Training work with the States to develop programs for lifelong education so that adults can continue to educate themselves and learn new skills throughout their lives.

Culture and the arts

Cultural Facilities

- 29 That the Minister for the Arts, Sport, the Environment and Territories -
- . consult with the States with a view to increasing the accessibility of cultural facilities (especially theatres, concert halls, art galleries, and museums) to old people by taking steps to overcome the barriers identified in Para 5.36.
 - . take note of and act upon Australia Council's suggestions for increasing general, and particularly older people's, participation in cultural activity.

Public Libraries

30 That the Commonwealth Government make a commitment to providing financial support for public libraries, as already recommended in the report of the Committee for Long Term Strategies, *Australia as an Information Society: The role of libraries/information networks* (September 1991).

Public Broadcasting

31 That the Commonwealth Government recognise the importance of public broadcasting, with its wide range of program material, to the quality of life among the retired and the elderly and accordingly strengthen its commitment to public broadcasting services so that they can offer the necessary diversity of program material.

Chapter 9: Housing and the Urban Environment

Representation on Planning Bodies

32 That the Minister for Health, Housing and Community Services, in consultation with the Minister for the Arts, Sport, the Environment and Territories, where appropriate, and representative organisations of the elderly, take steps to ensure that people representing the interests of the elderly are appointed to planning, consultation and decision-making bodies with responsibility for urban planning and housing issues (for example, the Better Cities Program).

Living at Home

33 That the Minister for Health, Housing and Community Services consult with the States to develop policies which will make it easier for the elderly -

- . to remain within familiar neighbourhoods.
- . to continue living in their own homes (for example, by considering the provision of carers' pensions rather than funds for institutions; development of home maintenance, repair, advisory and cost assistance programs).

Design Standards

34 That the Minister for Health, Housing and Community Services consult with the States and appropriate professional associations with a view to ensuring that Australian design standards, especially in relation to pedestrian safety, building access, lighting, pathways and signs, are more prescriptive on the needs of the aged, and especially the frail and handicapped.

Public Transport

35 That the Minister for Health, Housing and Community Services consult with the States and local government with a view to modifying pedestrian and public transport provision to facilitate their use by the elderly.



CHAPTER 1

INTRODUCTION

1.1 In pursuit of its terms of reference to inquire into and report to the Parliament on matters vital to the future development of Australia, the House of Representatives Standing Committee for Long Term Strategies determined to investigate one of the major social issues of our time: the social implications of extended life expectancy together with the possible reduction in the centrality of work; the development of alternative time uses; and recognition of their value. These questions have been highlighted in recent times by the rapid ageing of the Australian population.

1.2 Like most industrialised countries, in the post-World War II period Australia has experienced a considerable rise in the proportion of the elderly and a decrease in the proportion of the young, trends that will continue until the middle of next century.

1.3 The inquiry has been concerned with the social, economic, cultural and ethical implications of these changes to the population's age structure, with a particular focus on lifestyles and work patterns. The objectives of the inquiry have been to draw out the main facts of the situation, to raise ideas for discussion and to consider what policy moves might best equip the community to cope with these changes.

1.4 Four broad questions asked by the Committee in an information paper circulated early in the inquiry relate to variations in life expectancy, time-use value, human resources and quality of life.

1. Variations in Life Expectancy

Although general life expectancy is increasing, there are still marked differentials in mortality rates between groups within the community. Women live longer than men; people who work in offices are healthier than those who work in heavy industry; Europeans live longer than Aborigines.

A report (1988) by the Health Targets and Implementation Committee to Australian health ministers discussed such problems as part of a broader survey of health services within Australia and made recommendations that reflected the concerns of the World Health Organisation, which has recommended that:

By the year 2000, the actual differences in health status ... between groups within countries should be reduced by at least 25%, by improving the level of health of disadvantaged ... groups.¹

¹ Quoted in *Health for All Australians* (Canberra, AGPS, 1988) p 2.

2. A Redefinition of "Time-use Value"

In the 1980s, when youth unemployment became a serious issue, government policies concentrated on encouraging people to leave the workforce early. With the ageing of the population, this emphasis has been found inadequate, and the following sorts of questions are being asked:

- . How can a smaller workforce support a larger retired population?
- . Is retirement in the traditional sense the most desirable way for people to spend a quarter of their lives?
- . Should people's lives be separated rigidly into periods of education/training, working and retirement, with set expectations for each?
- . How can education encourage greater independence and flexibility in the population?

3. The Changing Population Structure and Human Resources

Since the Industrial Revolution, society has established patterns of work in which men and women worked for set numbers of hours and a set period of years in factories, offices, shops etc. Retirement as a fixed time in the lives of the few who survived that long dates from the latter part of the 19th Century and fitted in with this pattern. The pensionable retirement age was originally set at a point above average life expectancy, with the result that few people lived long enough to develop a retired lifestyle. During the 20th Century, increased life expectancy has meant that retirement has become a definite, and often lengthy, phase in the lives of nearly everybody. The following questions may be asked:

- . As the nature of work changes and the population gets older, what are the implications for social policy?
- . Can more flexible arrangements be made about the time and place of work?
- . How can Australia make maximum use of the skills and experience of its whole population?

4. Individual Quality of Life in an Ageing Population

There are three major determinants of the quality of life:

- . the material: how comfortable and financially secure people are;
- . the psychological: how people feel about themselves, how they perceive themselves in the regard of others, and what roles they see themselves as playing; and
- . the physical: how healthy and active people remain.

While these factors affect all groups in society, the last becomes especially important to older people. The following issues emerge:

- . How to encourage and use the individual's untapped talents and creativity.
- . How to overcome attitudes within the individual and society which characterise the retired or unemployed as having less value than those in employment.
- . How to maintain an active and healthy life into old age.
- . *How to deal with the problems of extreme longevity and associated chronic illness.*

1.5 As this report goes on to explain, while the ageing of the Australian population has been a much discussed and analysed topic over the past decade, many of the above issues have not been seriously addressed.

Why Another Report on the Ageing of Australia?

1.6 In recent years there has been an outpouring of studies on most aspects of Australia's changing demographic contours, and it might be asked whether there was much scope left for a non-specialist body to say much that is new on the subject. The Committee has learned that, among other developments:

- . A considerable body of research has been carried out by academic experts, voluntary agencies and government bodies, and many other studies are in progress.
- . Governments, industry and voluntary agencies are very aware of the demographic trends and are actively addressing many of the issues which arise from the ageing of the population.
- . The Governments of all states except Tasmania and the Northern Territory have established policy and research units on the aged, and most of these have also produced major documents on the basis and direction of policy on issues relevant to the aged.
- . A major review of Commonwealth age care policy and practice (under Professor Bob Gregory) is under way at the time of writing.
- . Moves towards several major reforms which the Committee's investigations have revealed as crucial are already in process. These include legislation to outlaw age

discrimination and health care policy changes to place more emphasis on preventive health:

- (a) New South Wales has legislated to outlaw compulsory retirement and South Australia to ban age discrimination generally;
- (b) Victoria and Western Australia have published discussion papers on the question and are likely to introduce legislation in the near future;
- (c) the Federal Attorney General's Department is considering the issue and is likely to release a discussion paper in the near future;
- (d) the National Better Health Program has preventive health as one of its goals;
- (e) the Victorian "Active At Any Age" campaign has fitness among the elderly and preventive health generally as its objectives;
- (f) the Department of the Arts, Sport, the Environment and Territories (DASET) is also doing work on fitness promotion, though its progress is hampered by the fact that most of its sport and recreation budget goes to elite and competitive sport.

1.7 In view of such activity it might be assumed that there was little that a fresh inquiry could add to the topic, but there are issues that have not received very much attention. Most research on the ageing of the population has focussed on retirement income and health care, but relatively little has been concerned with work, education, fitness and recreation. Much of the commentary (particularly in the media) on the question has been alarmist in nature, stressing the supposed "burden" of the aged, and throwing around expressions like "demographic time bomb". The Committee is anxious to redress this imbalance: to discuss the neglected issues, including work, education, training, cultural recreation and urban planning, and to critically reassess the "aged as burden" argument.

1.8 There are, as the South Australian Commissioner for the Ageing points out, particular reasons why this Committee's inquiry is particularly appropriate at the present time.

The notions that old age is necessarily a time of dependence, passivity and frailty, and that the process of ageing inevitably leads to such circumstances, are being challenged with growing frequency and intensity. Older people themselves are at the forefront of this challenge, demonstrating the desire of a significant part of the older population to be acknowledged as active contributors to economic, social and cultural life. This reflects a change in common expectations of life, particularly among the "younger old" (those in their 60s), and the unwillingness of the latter to conform to the stereotyped roles in which many find themselves cast by the wider community.

This change in expectations is also expressed in the buying behaviour of the ageing population. Developments over the last 15-20 years, in particular, have placed a strong community emphasis on the right of consumers and individuals to have a say in the decisions which affect their well-being, and there has been an increasing consumer willingness to question the opinions of professionals and providers of goods and services in reaching some of these decisions. A growing sense of autonomy and increasing exercise of the right to make consumer choices will be important factors in determining the expectations of older people and the roles which they play in the 21st Century.

There is growing recognition that the community at large has much to gain from using the skills, knowledge and experience of older people - not in a token way that leaves them with the status of some kind of optional extra, but in a way that enables older people to stay in the mainstream of the community to the extent that and for as long as they wish.

Apart from the wish of older people themselves to maintain a lifestyle of "active ageing", the sound economic sense of encouraging such aspirations is being increasingly acknowledged by the wider community. A national commitment to active ageing is likely, in the long-term, to ensure that older people retain their income-earning capacity and their good physical and mental health for longer than in the past, thus creating the potential for relieving pressure on public expenditure in these high-cost areas.

1.9 The Committee felt that not all the research being published had an orientation appropriate to contemporary attitudes or likely future trends, and that much of it had enjoyed little circulation beyond the scholarly and professional sphere. For example, much of the existing literature on old people's health stresses illness, decline, dependence and the cost of care - as the retired George Fairfax wryly complained in his paper for the Committee's public seminar:

What started me thinking beyond the very rim of the topic was a visit to an agency dedicated to supporting older people in the community. I was really looking for some material to assist me in preparing this talk. I suppose I was hoping to pick up some brochures or other written material which would give me a greater knowledge of the needs and special requirements of older people for leisure and entertainment on the one hand, and programs which were in place to meet those needs on the other. I found that the publications available were overwhelmingly directed towards preparing for and coping with one's own death, dementia, incapacity, incontinency, and the inability to manage finances, arthritis, family affairs and life generally.

I was so thoroughly depressed by this avalanche of gloom that, when I left the building, feeling as if I had just stepped out from the grey shadow of the wings of the angel of death, I made a bee-line for the nearest pub.

1.10 The modern approach is to emphasise the persistence of capacity in the ageing and to encourage their determination to lead lives of independent activity. Thus, while health features prominently in this report, the emphasis is on the positive side of health, the value of preventive approaches to health care and the importance of physical fitness.

1.11 Equally, considering that much of the academic and government research has had little circulation beyond the specialists, the Committee felt that it had a role to bring relevant information and policy developments to the attention of the Parliament and to make recommendations for Commonwealth government action where appropriate. One striking point which emerged from the Committee's research is how old some of the "new" issues are and how little has been done to address them. As long ago as 1975 Professor Ronald Henderson suggested in his report on poverty in Australia:

- . the abolition of the compulsory retirement age;
- . development of options for phased retirement, with the opportunity for a gradually decreasing number of hours of part-time work, and more suitable jobs as strength and mental alertness decline; and
- . the use of the able-bodied aged to assist with the provision of community services as volunteers.²

1.12 Only now are these ideas being taken seriously. In the same report Professor Henderson also urged that: "Ways must be found to enable old people to contribute something to others, to make use of their experience and abilities, to develop their skills or to help them learn new ones".³ Ahead of its time in 1975, perhaps, such an attitude is now in the mainstream of progressive thinking about the place of the aged in Australian society.

1.13 Much has been done, particularly by State Governments and voluntary agencies, in recent times to increase security and improve quality of life in old age, but there is no excuse for complacency. How much better things may be for the current or coming generation of the aged, in comparison with how they were for the previous, weighs little in the minds of those directly involved. Because you are old only once, every generation of the aged is a "pioneer". Such people might well agree with the young feminist, Lesley Channon, in Eleanor Dark's novel *Waterway*: "She could not say, never having known such an age, 'How far we have come!' but only 'How far we have yet to go!'"⁴

² Commission of Inquiry into Poverty, *Poverty In Australia: First Main Report* (Canberra, AGPS, 1976), p 236.

³ *ibid*, p 242.

⁴ *Waterway*, (1938) A & R Edn, 1979, p 90.

The Changing Experience of Successive Generations

1.14 The current generation of the aged has been characterised in the following terms:

- . they are generally less educated than their children;
- . they are generally "technologically illiterate" compared with their grandchildren;
- . their role after retirement (especially for males) is not clearly defined;
- . preparation for a lifestyle of leisure and recreation is largely incidental;
- . because of the rapidity of social change in Australia, their lack of ready access to ongoing education makes older people particularly vulnerable to "future shock".⁵

1.15 The next generation of the aged, however, will bring a completely new set of life expectations and experiences with them, and their own ageing experience will thus be very different. The coming generation of post 60-year olds is the first to grow up entirely within the automobile age and is thus likely to cope more effectively with traffic and remain more mobile. This generation is also young enough to have adapted to the arrival of the computer age and should have less difficulty dealing with electronic banking and similar features of the contemporary world. The Department of Community Services and Health (DCSH) points out in its submission:

When the characteristics of successive cohorts of elderly people are compared, it is apparent that each has a different set of life experiences and expectations. For example, there will be significant differences between those entering old age in the 1970s and those entering old age in the 1990s. The latter will live longer and may have retired from work earlier. They will be more highly educated and articulate, and better off financially because of superannuation, home ownership and dual incomes. In particular the women among the 1990s cohort will be more socially and politically aware than their sisters of the 1970s group, and they will also be used to a greater degree of social and financial independence. It is recognised that this 1990s cohort of aged people will have higher expectations than their predecessors, and they will be more skilful in articulating these.

Conversely, there will be more people who are alone, many having experienced the dislocation of divorce in addition to the more traditional pattern of widowhood in old age. There will be many without strong personal support networks, especially those who had no children or have small highly mobile families.⁶

⁵ Dr Leon Earle, "Recreation patterns among older Australian adults", paper attached to submission from Department of the Arts, Sport, the Environment, Tourism and Territories (DASETT).

⁶ Department of Community Services and Health, Submission, p 3.

1.16 The last point here is very important. At present the heaviest weight of care for the aged falls on spouses (usually women, since they live longer than men). With increasing numbers of single people (either never married or divorced and not remarried), the importance of non-family support networks will increase. As Cane and Ruzicka point out:

... if current marriage trends [1985] are maintained for some time to come, perhaps a fifth to a quarter of Australians now in their early 20s will never contract a formal marriage. If such people remain childless, they will face an old age without sons, daughters or grandchildren for support or companionship and, in some instances, a need for alternative provision.⁷

While these modern developments may reflect historical trends, they nonetheless indicate a situation that will confront many Australians.

1.17 Dr Don Edgar, Director of the Institute of Family Studies, has identified a number of long term issues that need to be kept in mind as the "baby boom" of 1950-70 becomes the "senior boom" of 2010-2030:

- . They will be better educated, healthier, wealthier, better housed and more self-sufficient than any previous generation of the elderly.
- . More of the future aged will be members of four- and five- generation families, with wide networks of potential support, but this will be complicated by divorce, remarriage, gay and lesbian partnerships and increasing numbers of never-married people.
- . Better education and employment income will be an advantage but may be countered to some extent by the larger number of women in part-time jobs and small private businesses not covered by pensions or superannuation.
- . Prolonged life expectancy also prolongs our relationships. More parents and their offspring will thus share critical adult experiences: work, parenthood, retirement and widowhood.
- . More adult children are and will be involved in caring for frail parents and grandparents. Far from the myth that families used to care better, the future will mean greater caring. Women can expect to spend more years caring for an aged parent than for a dependent child. Will this be true also for men?
- . With childbirth concentrated on fewer years, siblings who are closer in age and think of themselves as peers may be more likely to share caregiving tasks than to expect the eldest child or the unmarried sister to care for the aged.

⁷ Penny Cane and Lado T Ruzicka, *Australian Population Trends and the Social Consequences: A report for the Commission for the Future* (Commission for the Future, n.d. [c.1987]), p 76.

Smaller families also mean more intensive ties between children and their parents. This may well increase the sense of reciprocal obligation and responsibility.

While the world of the very old will be largely a world of women, greater longevity also makes marriage a greater long-term commitment. The average length of marriage at the turn of the century was 28 years before one spouse died. It is now more than 43 years.

Divorce and remarriage will reshape the lives of the old. Women survive singlehood more resourcefully than men, who tend to lose contact with children and therefore family networks. Many will devote lots of effort to building new stepfamilies, only to find they split up too. Male involvement across generations may thus weaken and their children's sense of responsibility towards men whom they barely know may well decrease. A contrasting trend is for older men to attach themselves to another woman who will care for them. The question is how these changes will affect the development of policies for the care of the frail elderly.⁸

1.18 Another important feature of ageing in the 21st Century is that more people will be growing older in the outer suburbs of the capital cities. Previous generations grew up and then grew old in the inner suburbs, with good public transport and access to facilities like shops, libraries, hotels, hospitals, post offices and government services. The outer (that is, post-World War II suburbs) have been built around the motor vehicle. There is little public transport; facilities are further away, less abundant and harder to reach; and there are more limited housing options. Even though a greater proportion of the coming elderly can be expected to own a car and drive it, these differences will be very significant for the quality of their lifestyle and will thus necessitate careful thought by government planning agencies and the housing industry. At the same time, there is substantial migration of retired people to coastal areas, particularly the north coast of New South Wales, south-east Queensland and the Mornington Peninsula in Victoria; and also movement from rural areas to towns and cities. Again, these changes have implications for town and transport planning and for the provision of government services.

Who are the Aged?

1.19 There is one final introductory matter on which no parliamentary committee would dare to pass firm judgement: the definition of the aged. The definition for teenagers is anybody over 30; for the working population, it is retired people; for *healthy* older people it is *unhealthy* older people; for 80 year olds it is those over 100; for Aboriginal people it is anybody over 45; for statisticians it is men over 65 and women over 60; for professional geriatricians it is 75 or when ill-health becomes chronic; for the Department of Social Security it is the same as for statisticians; and in most legislation, it is anyone over 70. The American financier Bernard Baruch (1870-1965) claimed he would never be an old man because "old age is always 15 years older than I am".

⁸ Don Edgar, "Ageing - Everybody's Future", *Family Matters*, No. 29 (December 1991).

Scholarly authorities in the field point out that the aged population is not homogeneous in its capacities. As at any time of life, there are vast differences in the capabilities of people at the same chronological age: some 75 year olds are leaders of nations, while others lie bedridden in nursing homes.

1.20 Because chronological age is not a reliable guide to functional capacity, the concept of biological age should be considered. This refers to what a person can do, not the number of years to which he or she may lay claim. In the sociological literature the aged are now commonly, if inelegantly, divided into three groups.

- 1 **"Young old"**
 These can maintain a normal, active pattern of life. Usual age range: 65-74 years.
- 2 **"Middle old"**
 People with certain functional impairments who require limited assistance with certain activities but are still capable of living on their own so long as they get this help. Usual age range: 75-80 years.
- 3 **"Old old"**
 These are frail and generally so disabled as to require institutional or constant nursing care. Usual age range: over 80 years.

1.21 There is enormous variation even within these (still arbitrary) age groups. A particular age cannot be taken as a criterion for determining the category to which an individual belongs. That depends on the individual, who may be sprightly at 90 or incapable at 65, and who must be assessed on his or her own merits. Defining what is "normal" for any age groups also creates the danger that those who are functionally most capable will be taken as the general standard, thus creating unrealistic expectations as to the capacities of others in that age group and disappointment when they fail to meet the standard. People must be judged on their personal capacities, not in accordance with prejudices about certain ages are supposed to imply.

CHAPTER 2

THE AGEING OF THE AUSTRALIAN POPULATION: A DEMOGRAPHIC OUTLINE

Introduction

2.1 There is no doubt that the proportion of aged people in the Australian population is increasing and that this increase will continue until around the middle of the next century, at which point it should level off. Despite the many variables to be considered in making population forecasts, there is little dispute among demographers as to the figures, though there are differing views on their significance and interpretation. This chapter aims to outline the main demographic facts about the ageing of the population and to offer some explanation as to how the situation has come about.¹

2.2 There is no firm rationale for defining an aged person. Many people define old age as fifteen years beyond their present years. Biographical age ("you're as young as you feel") may differ from actual or numerical age, though the latter is the inevitable criterion for determining age-related entitlements or obligations (school, employment, the vote, driving, the pension etc). Demographers generally define an aged person as somebody 65 years old or more, a rather arbitrary dividing line that probably derived from its proximity to the threescore years and ten proverbially allotted to the maximum human span, and which now corresponds to the eligibility age for pensions in most western countries. It is sometimes said that 65 became the cut-off age because that was the point at which people became eligible for the age pension when it was first introduced by Bismarck in Germany. How this furphy got around is unknown, but in fact the entitlement age for the age pension under the German social insurance legislation of 1889 was 70 years, an age that few people were then expected to attain.

The Ageing of the Australian Population

2.3 The Australian population has been getting steadily older throughout the 20th Century. In 1901 only 4 per cent of the population was 65 or older, and 35.1 per cent was 15 or younger. By 1947, the proportion of the population over 65 had doubled, and in 1961 the 0-14 and the 65-plus age groups represented 30.2 per cent and 8.5 per cent respectively of the whole population. By 1989 the 0-14 age group had decreased to 22.1 per cent and the 65-plus age group increased to 11 per cent of the whole population. As Table 2.1 shows, this process of ageing was particularly rapid in the 1920s and 1930s, and it will become so again from the 1990s.

¹ This chapter is largely based on Bureau of Immigration Research, *Australia's Population Trends and Prospects 1990* (Canberra, AGPS, 1991).

2.4 The period in which Australia's aged (65-plus) population experienced its most rapid growth was during the last decades of the 19th Century, when the proportion quadrupled from 1 per cent (1861) to 4 per cent (1901). In that year there were 150,387 people aged 65 years or more, thirteen times the 1861 figure. The 75-plus age group grew even more markedly: from 2483 to 37,605, a fifteen fold increase.

Table 2.1: Proportion of Persons Aged 65-plus Years

Year	%	Median* Age of the Population
1881	2.5	20.1
1891	2.9	21.6
1901	4.0	22.5
1911	4.3	24.0
1921	4.4	25.8
1933	6.5	27.7
1947	8.0	30.7
1954	8.3	30.2
1961	8.5	29.4
1966	8.5	28.2
1971	8.3	27.5
1976	8.9	28.4
1981	9.7	29.6
1986	10.5	31.0
1991	11.4	32.5
1996	12.0	34.1
2001	12.3	35.8
2006	12.8	37.4
2011	13.8	39.1
2016	15.8	40.5
2021	17.6	41.6
2026	19.7	42.7
2031	21.5	43.8

* Age at which half the population is younger and half older

Source: Young (1990), p 68, Appendix Table 3

2.5 While the Australian population as a whole had grown by 328 per cent between 1861 and 1901, the aged population had grown by 1300 per cent. Such dramatic figures reflect the extremely young age structure associated with pastoral settlement and the gold rushes before the 1860s, but at least one sociologist, M A Jones, has concluded that in Victoria and New South Wales, the oldest colonies, there was "an ageing crisis" at the close of the century. Jones suggests that it was this crisis, combined with the effects of the severe 1890s depression, that led the Victorian and New South Wales governments to introduce the old age pension towards the end of the decade, thus setting the stage for the Commonwealth initiative of 1906-9.²

2.6 Australian Bureau of Statistics (ABS) projections for the period 1989-2031 indicate that the ageing of the Australian people will continue. The aged portion of the population will exhibit particularly marked growth after the turn of the century, and especially after 2011. Over the next four decades the proportion of the population under 14 years will continue to decline (from 22 per cent in 1990 to 17 per cent in 2031), and the proportion of the aged will increase from 11 per cent of the population (1.9 million) to 20 per cent (5.2 million) over the same period. (See also Table 2.2).

2.7 These changes are illustrated vividly in Figures 2.1 and 2.2, which show the change in the number and proportion of different age groups over the period 1991 to 2031. Figure 2.1 shows the rapid rise in the number of persons in the 45-64 and the 65-plus age groups and the very slow growth of the 0-14, 15-24 and 25-44 year age groups. From these projections it may be seen that symbolic years in the ageing process are 1996, 2021 and 2011. In 1996, for the first time in Australian history, the numbers of persons in the 45-64 age group will exceed those in the 0-14 category, and in 2021 they will rise just above those in the hitherto largest group, the 25-44 year olds. In 2011 the 65-plus age group will overtake the 15-24 year category, an event with considerable implications for tertiary education planning and for the marketing of consumer (particularly leisure) items, and from 2021 there will be more people over 65 than in the 25 to 44 year age group. Note, however, that those of working age (25-44 and 45-64) will still make up the vast majority of the population.

2.8 The same patterns may be observed in Figure 2.2, which shows the rise in the proportion of the 45-64 and the 65-plus age groups as a percentage of the total population, and the decline in the proportion of the other three groups.

² M A Jones, *The Australian Welfare State: Origins, Control and Choices*, (Third Edition, Sydney, Allen & Unwin, 1990), p 21.

Figure 2.1: Projected population at selected ages, 1991-2031 (000s)

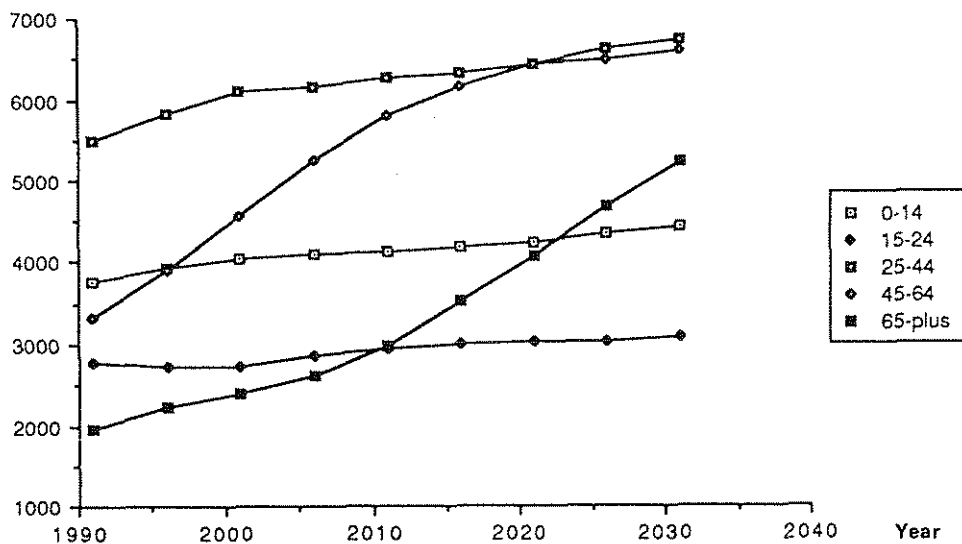
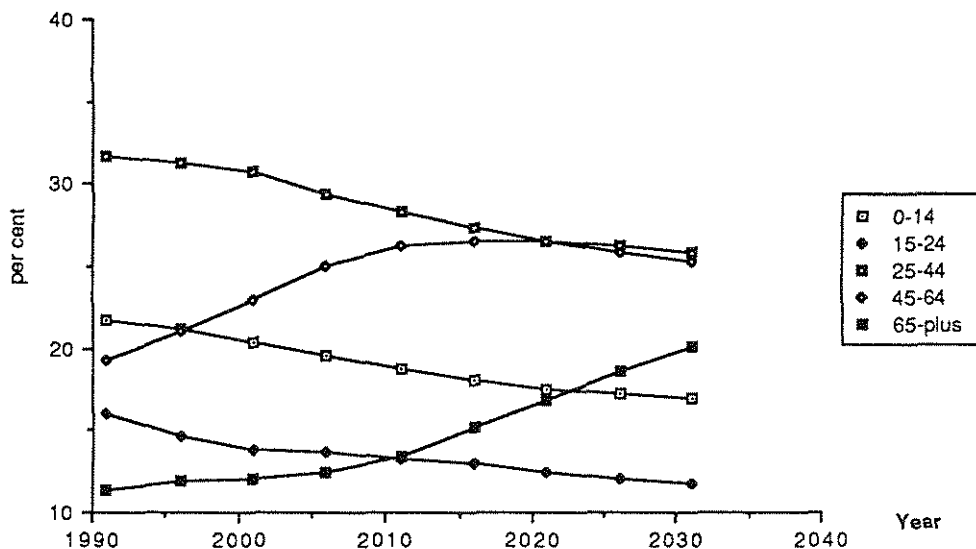


Figure 2.2: Proportions of people at selected age groups, 1991-2031 (per cent)



Source: Australian Bureau of Statistics, *Projections of the Populations of Australia ... 1989 - 2031* (Canberra 1990), ABS Cat. 3222.0.

Median age of the population

2.9 Another way of looking at population ageing is to trace changes in the median age of the population, the point at which half the population is older and half younger. While there have been fluctuations in the median age over the past 90 years, the trend has been steady increase: in 1901 the median age was 22.5 years, in 1991 32.5 years. This trend will continue in the coming decades. The median age of the population is projected to rise to 38.2 years by 2011 and 41.5 years by 2031.

The Ageing of the Aged Population

2.10 A significant aspect of population ageing is within the aged population itself. While the population aged 80 and above accounts for only about 2 percent of the total population, it is the fastest growing age group. In 1989 there were 357 000 persons aged 80-plus (2.1 per cent), compared with 167 100 (1.4 per cent) in 1968 and 282 200 (1.8 per cent) in 1984. The number of people aged 80-plus has increased by more than 100 per cent over the last twenty years and will double again by the year 2011.

2.11 Tables 2.2 and 2.3 illustrate the rapid growth of the oldest age group compared with the population as a whole. Between 1989 and 2031 the total population is expected to increase by 50 per cent (from 17 to 26 million), while the 80-plus population is expected to increase by nearly four times to 1.4 million. While the oldest age group will grow the most rapidly for the rest of this century, the "young old" (those in their mid-60s to late 70s) will become the fastest growing group in the first decade of next century as the baby boom generation starts to reach retirement age.

Table 2.2: Projected numbers of persons aged 60-plus in Australia, 1981-2001

Age Group	Population (000)				Percentage increase		
	1981	1991	2001	2011	1981-91	1991-2001	2001-2011
60-64	613.9	718.8	768.2	1 145.2	17.1	6.9	49.1
65-69	535.8	654.5	629.8	853.0	22.2	-3.8	35.4
70-74	401.2	502.9	590.6	636.2	25.3	17.4	7.7
75-79	261.1	384.4	475.5	453.2	47.2	23.7	-2.6
80-84	154.6	234.1	302.4	359.4	51.4	29.2	18.9
85+	102.5	162.5	256.8	348.1	58.5	58.0	35.6
65+	1 455.3	1 938.4	2 255.3	2 659.9	33.2	16.4	17.9
Total Pop.	14 926.8	17 008.6	18 916.7	20 557.1	14.0	11.2	9.7

Source: Hugo, p 154.

Table 2.3: Projected Number of Persons Aged 60-64, 65-74 & 75-Plus, 1981-2011

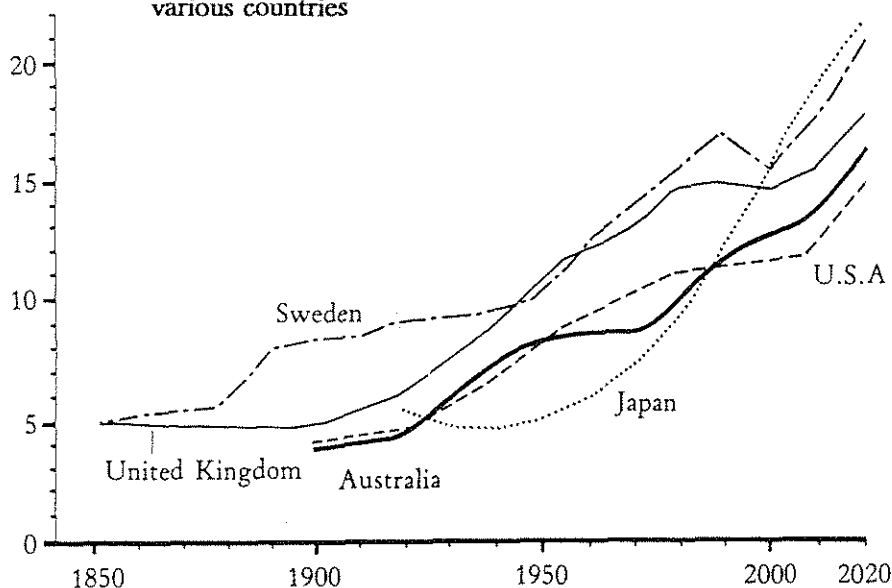
Age Group	Population ('000s)				% Increase 1981-2011
	1981	1991	2001	2011	
60-64	613.9	718.8	762.2	1142.5	86%
65-74	937	1157.4	1220.4	1489.2	60%
75-plus	518.2	781.1	1034.7	1107.7	114%

Source: Adapted from Table 6.2, Hugo, p 154.

International Comparisons

2.12 In recent years the populations of the world's industrial nations have become steadily older and their growth slower. The population growth rate of the countries of northern and western Europe stands close to zero. Among the countries with the slowest rates of population growth are Sweden and the United Kingdom, which are barely replacing their population, and the federal Republic of Germany, the population of which was declining.

Figure 2.3: Population aged 65 years and over as a percentage of total population of various countries



Source: Hal L Kendig and John McCallum, *Greying Australia*, p 3.

Table 2.4: Developed Countries Arranged According to the Proportion Aged 65 Years or More in Mid-1985 with Projections to 2005 and 2025 (medium variant)

Country	1985	2005	2025
		<i>Percentages</i>	
Sweden	18	18	23
Norway	16	15	21
United Kingdom	15	16	20
Denmark	15	16	23
Germany, Fed. Rep.	15	19	24
Switzerland	15	18	26
Austria	14	16	22
Belgium	14	17	21
Greece	13	18	21
Luxembourg	13	17	23
France	13	16	21
Italy	13	18	22
Finland	12	15	22
Netherlands	12	15	24
Spain	12	15	19
Portugal	12	15	18
United States	12	13	20
Ireland	11	10	13
New Zealand	10	12	18
Canada	10	13	21
Japan	10	18	24
Australia	10	12	17
Iceland	10	12	18
Malta	10	12	18
USSR and Eastern Europe			
Germany, Dem. Rep.	14	16	20
Hungary	12	15	20
Bulgaria	11	16	19
Czechoslovakia	11	12	17
USSR	10	13	15
Romania	10	14	16
Poland	9	12	17
Yugoslavia	8	14	18

Source: Young, p 40 (Note that table pre-dates recent changes in eastern Europe).

2.13 As Table 2.4 shows, Australia's population is, and will remain, quite young in comparison with that of other industrialised countries. A number of countries already have an age structure that Australia will not even come close to realising for decades: in 1986-87, for example, Sweden and Norway already had as great a proportion of aged people as Australia expects to reach in 2025. As Figure 2.3 shows, Australia's population is now ageing slightly faster than that of the United States, but the latter is still expected to have a higher proportion of aged by that date than Australia will.

Gender Composition of the Aged Population

2.14 A notable feature of Australia's ageing population is the imbalance in the sex ratio: elderly women far outnumber elderly men. In 1989 the sex ratio was 99.7 males per 100 females overall, but 73.8 males per 100 females among those aged 65 and over. At ages above 85 years women outnumber men two to one. Women outnumber men at later age groups because women have lower death rates at all ages and thus greater life expectancy. The implication of this situation is that issues affecting the elderly, especially after age 75, are issues that principally affect elderly women.

Ethnic Composition of the Aged Population

2.15 Australia's aged population is rapidly becoming more ethnically diverse, and the overseas-born are expected to be the source of the greatest increase in the size of the 65-plus age group in the coming decades. Until recently most of those entering the ranks of the aged were from English-speaking backgrounds, but those from non-English speaking backgrounds (NESB) are now contributing large numbers of recruits.

2.16 The growth in the size of the NESB aged population has its origins in the waves of immigration in the two decades following World War II. Most of the overseas-born now joining the ranks of the aged arrived in Australia as young adults in the 1950s and 60s. There are thus major groups among the overseas-born that have a median age significantly higher than that of the Australian-born population. In 1989 the median age of the former was 41.6 years, ten years older than that for the population as a whole (31.9 years) and 13.2 years older than that of the Australian-born population (28.4 years).

2.17 The various overseas-born groups show differing age profiles, depending partly on their time of arrival and partly on mortality rates. One reason why southern European migrants have an older age profile is because they live longer than the population as a whole (possibly on account of a healthier diet). Generally speaking, the earlier a group arrived, the older its population. In June 1990 the NESB immigrant groups with the highest median age were those who made a significant contribution to Australian immigration before the Second World War: the Russian-born (65.4 years), the Polish-born (56.2) and the Italian born (53.4). By contrast, the median age of the latest group of settlers, those from Asia, are much younger than the European - 28.4 years compared with 46.7. The youngest ethnic groups are those born in Hong Kong and Macao (median age 28.8 years), Vietnam (29.1) and Malaysia (30.1).

Influences on Population Ageing

2.18 The age structure of a society is shaped by fertility (the number of children being born), by mortality (death rates) and by immigration. Population ageing would be accelerated by improvements in life expectancy, declines in fertility or an increase in the average age of immigrants.

Improvements in mortality

2.19 As Table 2.5 shows, life expectancy has increased throughout the 20th Century. In the 1980s declining mortality was the major cause of population growth in the 80-plus age group, which increased by 40 per cent between 1981 and 1989. Declining mortality also contributed significantly to the increase in the 65-plus age group, which grew by 28 per cent over the same period. These increases are much greater than the 13 per cent increase in the population as a whole. If, as seems likely, life expectancy continues to improve, the rate at which the proportion of aged people grows will be all the greater.

Table 2.5: Expectation of Life at Birth

Year	Males	Females
1881	46.5	49.6
1891	47.2	50.8
1901	51.1	54.8
1911	55.2	58.8
1921	59.2	63.3
1933	63.5	67.1
1947	66.1	70.6
1954	67.1	72.8
1961	67.9	74.2
1966	67.6	74.2
1971	68.1	74.8
1976	69.6	76.6
1981	71.2	78.3
1986	72.6	79.8
1996	73.5	80.2
2021	75.4	84.5

Source: Young, p 68, Appendix Table 3.

Decline in fertility

2.20 Fertility is the main influence on a population's age composition when mortality is low: the average age of a population will increase if there are fewer babies being born. Continued low fertility will produce a relative decline in the proportion of young people and a rise in the proportion of the old.

2.21 As Table 2.6 shows, Australia's total fertility rate (TFR) and net reproduction rate (NRR) have declined markedly since the 1960s. The TFR is the sum of the age-specific fertility rates for a given year and indicates the average number of children that would be born alive to a woman if she passed through all her child-bearing years in conformity with the age specific fertility rates of a given year. In a general sense it means the number of children per family. According to the Bureau of Immigration Research, a TFR of 2.1 is currently required for a couple to replace themselves in Australia.

Table 2.6: Births, Total Fertility Rates, Ex-nuptial Rates, Net Reproduction Rate (NRR), Australia, Year Ended 31 December 1947-89

Year	Births	TFR	% ex-nuptial	NRR
1947	182 284	3.06	4.0	1.42
1948	177 976	2.98	4.0	1.38
1949	181 261	3.07	4.1	1.38
1950	190 591	3.06	3.8	1.42
1951	193 298	3.06	3.9	1.41
1952	201 650	3.18	3.9	1.47
1953	202 235	3.19	4.0	1.48
1954	202 256	3.19	4.0	1.50
1955	207 677	3.27	4.1	1.53
1956	212 133	3.33	4.2	1.55
1957	220 358	3.42	4.2	1.60
1958	222 504	3.42	4.6	1.61
1959	226 976	3.44	4.7	1.62
1960	230 326	3.45	4.8	1.62
1961	239 986	3.43	5.1	1.67
1962	237 081	3.42	5.4	1.61
1963	235 689	3.33	5.7	1.57
1964	229 149	3.15	6.5	1.45
1965	222 854	2.98	7.0	1.40
1966	223 731	2.88	7.4	1.36
1967	229 296	2.85	7.7	1.41
1968	240 906	2.89	8.0	1.36
1969	250 176	2.89	7.8	1.36
1970	257 516	2.86	8.3	1.35
1971	276 362	2.87	9.3	1.36
1972	264 969	2.66	9.8	1.28
1973	247 670	2.42	9.8	1.16
1974	245 177	2.32	9.5	1.11
1975	233 012	2.15	10.2	1.02
1976	227 810	2.06	10.1	0.98
1977	226 291	2.02	10.3	0.96
1978	224 181	1.96	11.0	0.93
1979	223 129	1.91	11.7	0.91
1980	225 527	1.90	12.5	0.90
1981	235 842	1.94	13.2	0.93
1982	239 895	1.94	13.7	0.93
1983	242 570	1.93	14.7	0.92
1984	238 472	1.88	14.8	0.90
1985	243 910	1.89	15.5	0.91
1986	243 408	1.87	16.8	0.90
1987	243 959	1.85	18.0	0.89
1988	246 193	1.84	19.0	0.88
1989	250 853	1.85	20.3	0.88

Source: *Australia's Population Trends and Prospects 1990*, p 14.

2.22 Low and declining fertility has been Australia's experience since the early 1960s. The TFR rose steadily each year from 1948 until its peak of 3.5 in 1961. This was followed by a sharp decline to 2.88 in 1966, stabilisation until the early 1970s and then another sharp fall. The TFR first fell below replacement level in 1976 (to 2.06) and has not risen above it since. While there was a modest recovery in fertility rates in the early 1980s, this was followed by the return of the downward trend in the latter half of the decade.

2.23 In 1989 there were 250 900 births in Australia, the most since 1972 and the fourth year in succession when the number of births was greater than in the year before. Despite such increases in the absolute number of births, the TFR (1.85 in 1989) is still below replacement level.

2.24 The other main measure of fertility is the net reproduction rate (NRR). The NRR is the number of daughters a woman would produce during her lifetime if she were to conform to a given set of age-specific fertility and mortality rates. It is a basic measure of the extent to which women reproduce themselves: a NRR of 1.0 is replacement fertility.

2.25 Following World War II Australia's NRR peaked at 1.67 in 1961. Since then it has declined steadily, reaching its lowest recorded level of 0.881 in 1988. Although the NRR rose slightly (to 0.884) in 1989, this was still 12 per cent below the long-term replacement level.

2.26 The decline in Australia's TFR and NRR is reflected in the decrease in the proportion of the Australian population aged 0-14 years (from 28.7 per cent in 1971 to 22.1 per cent in 1989) and the increase in the proportion of those aged 65 years and more (from 8.3 per cent to 11.3 per cent). As a consequence, the "child dependency ratio" (the ratio of the number of children to the number of people at working age) has decreased from 45.5 in 1971 to 33.0 in 1989, while the "aged dependency ratio" (the ratio of the number of people 65-plus to the number at working age) has increased from 13.3 to 16.5 over the same period.

2.27 The children of the post-war baby boom began moving into their reproductive years in the late 1960s, but the women have had fewer children than their mothers, and many have chosen to have no children at all. Those that do have children tend to have them later. The current and projected ageing of the Australian population is a direct result of the baby boom being followed by this continuous decline in the birth rate.

2.28 The important role played by fertility in population ageing is emphasised in projections by Dr Christabel Young for the population aged 65 and older to the year 2046. The projections assume a constant level of net migration (100 000 per year) and various fertility rates. Dr Young found that low fertility produced a significantly older population. With a NRR of 0.7, about 25 per cent of the population would be aged 65-plus in 2046, compared with only 20 per cent with a NRR of 0.9.³

³ Christabel Young, *Australia's Ageing Population: Policy Options*, (Canberra BIR/AGPS, 1990), p 20-21.

The role of immigration

2.29 Immigration has been an important component of Australia's population growth and can also play a role in shaping the nation's age profile. During the late 1980s Australia's large population growth was mainly contributed by the largest intake of migrants since the 1950s. Although the arrival of young, working-age migrants tends to make the age structure more youthful, immigration has had a greater effect on the size of the population than on its age profile. Also, because immigrants themselves age like everybody else, the large intake of young adult migrants following World War II is now contributing to the growth of the 65-plus age group.

2.30 Immigration is not likely to retard population ageing to a significant extent. Dr Young's study concluded that, irrespective of future immigration at rates of 50 000, 100 000 or 150 000 a year, Australia's population will continue to age at more or less the same rate. A very high level of immigration (more than 150 000 per year) could reduce the proportion of the aged by 2 or 3 percent, but only at the cost of adding more than 8 million people to the total population.

Dependency Ratios

2.31 Much of the reason why the "greying of Australia" has come to be seen as a problem over the past decade has to do with fears that the growth of the aged population will impose a burden on the economy in general and on people of working and tax-paying age in particular. Such concerns probably derive more from the increase in the size of the aged population relative to those of working age than from the increase in the aged population per se. Because it is the employed who produce the goods and services needed to sustain society's non-working members, the relative increase in the size of the latter has raised questions about the nation's capacity to support the aged. The concept of dependency ratios has been developed to provide a way of measuring a society's capacity to support its non-working (including aged) population. As the term implies, dependency ratios express the relative sizes of the "productive" and "non-productive" segments of the population.

Aged dependency ratios

2.32 As Table 2.7 shows, there will be a continuous increase in the aged dependency ratio in the coming decades. The rate of increase will accelerate early next century as the survivors of the baby boom generation begin to reach retirement. In 1971 there were 13 aged (65-plus) dependents for every hundred persons of working age (15 to 64), in 1989 there were 17, and in 2031 there will be 32, nearly double the present figure.

Table 2.7: Dependency Ratio: Dependent Persons Per 100 Persons of Working Age (15-64)

Year	Aged (65+)	Youth (0-14)	Total	Labour Force dependency ratio*
1974	na	na	49	134
1954	na	na	58	138
1961	na	na	63	143
1966	na	na	61	138
1971	13	46	59	139
1976	14	42	57	124
1978	14	41	55	-
1981	15	38	53	118
1983	15	37	52	-
1986	16	35	51	-
1987	16	34	50	-
1988	16	33	50	-
1989	17	33	50	108
2001	18	30	48	109
2011	20	28	47	111
2021	26	27	52	117
2031	32	27	59	-

* Number of persons aged 0-14 years plus persons aged 15 years or more who are not in the labour force per 100 persons aged 15 years or more who are in the labour force.

Source: *Australia's Population Trends & Prospects, 1990, Table 4.1, p 70 and 4.2, p 72.*

Total dependency ratios

2.33 The aged dependency ratio does not, however, tell the whole story. A more complete picture is offered by the total dependency ratio, which takes account of the fact that the aged are not the only dependent portion of the population. Other groups of dependents include the disabled, adult care givers and, most importantly, children.

2.34 Table 2.7 also shows past and projected total and youth dependency ratios. It indicates that, while aged dependency will increase, youth dependency will decline, so that the total dependency burden will not change much. When the baby boom generation has retired, the total dependency ratio will be little different from what it was when they were children. It is clear from the table that this result will be caused by a shift in the composition of the dependent population: the increase in aged dependency will be largely offset by the decrease in youth dependency.

Labour force dependency ratios

2.35 But even total dependency ratios do not provide a complete picture, since they assume that all people of working age (15-64) are in the labour force and that all the young and old are not. In practice, many people of working age are not in the labour force, while many teenagers and older people are. A better measure of dependency is thus provided by the labour force dependency ratio.

2.36 The labour force is defined as all people in paid employment plus those unemployed who are looking for work. The labour force dependency ratio is the ratio of people aged 0-14 plus people over 15 who are not in the labour force to all people aged 15 years and over who are in the labour force. Table 2.7 shows past and projected labour force dependency ratios for the period 1974 to 2031. Far from showing an increase in dependency, it shows a steady decline from a peak in 1961 to a low point in the 1990s, followed by a slight rise next century. According to these figures, the number of dependents that each worker will have to support will be lower in the future than in recent decades.

2.37 The main reason for the decline in the labour force dependency ratio is the growth of the labour force. Despite the increase in the size of the aged population and the trend towards early retirement among males, it should continue to grow until 2021. There are two main reasons for this growth. First, the baby boom of c.1950 to c.1970 produced a population bulge at the 15-44 age group which will continue to feed the labour force in the coming decades. Secondly, the size of the labour force has been boosted by the large increase in female labour force participation over the past twenty years.

2.38 It is true that a steady or slightly declining dependency ratio does not necessarily mean that total social (government) expenditure on the dependent will automatically decrease, since per capita expenditure on the aged is two or three times as much as that spent on the young. This important question is considered in Chapter 4, "Myths and Realities of the Dependency Question".

CHAPTER 3

HUMAN RESOURCES: THE AGED AND THE WORLD OF WORK

3.1 Work is central to all economic and social life and probably to the human condition itself. In the technologically advanced "First World", there are two distinct trends in the 20th Century: a sharp increase in life expectancy, especially active life, and the reduced need for labour inputs (especially physical work). This leads to the paradox that people live longer but work less. Paid employment provides the income which is so important for quality of life, the identity which is so important for self-esteem and social confidence, and the meaningful activity which is so important for feeling useful and avoiding boredom. Work is critical to self-recognition or definition ("I'm a plumber") and community recognition ("he/she's still working"), with its coded implication, "He/she is still useful". Naturally some jobs are more rewarding than others: the greater the skill, the education required and the degree of responsibility, generally speaking, the greater the work satisfaction. In the post-industrial era we are moving away from a world in which employment is dominated by repetitive mechanical tasks needing physical effort (the world of Ford and Taylorism) and gradually moving towards an economy in which most employees will have a range of skills and the chance to carry out a variety of tasks - however traumatic the sense of dislocation during the period of transition may be.

3.2 While some employees look forward eagerly to retirement and take it as early as they can, others resent the compulsion to retire and would like to continue working for as long as they choose. While few studies of the factors determining the decision to retire were drawn to the Committee's attention, it is clear that the decision hinges most crucially on these questions: state of health, level of retirement income and work satisfaction. For women the position is rather different from that of men. Married women who have not been in employment can expect little change in their lives beyond, for better or for worse, having their husband around the house more often, with the possibility that this change will increase the level of their domestic labour.¹ Women who have worked are less likely than men to have superannuation cover and are more likely to want to continue working, or even to seek work, at later ages.

3.3 In 1911, 72 per cent of males aged between 65-70 were in the work-force, a time when their life expectation was only 55 years. By 1961 participation had fallen to 40.1 per cent, and by 1984 it was 10 per cent, at a time when life expectation had risen to 72 years. The effects of the increasing number of old people in Australia on work patterns is the subject of this chapter. It has long been felt that, from an equity point of view, the restrictions on the employment of older people should be relaxed and their freedom of choice increased. That is vital. The Committee believes that older people (and, indeed, the middle aged) should have the freedom to choose whether to retire or

¹ Sharon Winocur, Linda Rosenman and Ann Cross, "Women and retirement: Some key factors affecting the decision making process", paper presented to Social Policy Research Centre Conference, University of New South Wales, July 1991.

to continue working, but freedom is only theoretical if the iron law of necessity prevents people from having a range of future options from which to choose.

3.4 To continue working, people need as a minimum:

- . adequate health and fitness;
- . a satisfying job; and
- . the sense of being valued as useful, not the beneficiary of charity.

3.5 Various studies have identified some of the key employment issues in the changing demographic structure. The Social Security Review (1986-88) emphasised the importance of establishing "a social and political consensus on retirement incomes policy and a bi-partisan agenda for reform". It also proposed a number of specific reforms in labour market and income support measures:

- . Improved income support for those aged over 50 and unemployed through more adequate social security payments and liberalised income and work test conditions.
- . Improved access to employment placement services and labour market programs for older unemployed.
- . Elimination of compulsory retirement ages and the introduction of anti-discrimination legislation on the basis of age.²

3.6 The Department of Industrial Relations (DIR) has also made a number of general points about the possible affects of the changing demographic structure:

- . possible increase in social security costs;
- . increased need for continual up-grading of skills;
- . likelihood that more workers will want to work beyond normal retirement age; and
- . desirability of making employment options more flexible, by measures like part-time work, job sharing, career break schemes, home-based work, employer supported child and aged care, flexible leave provisions.³

3.7 To these could be added the necessity for portable superannuation.

² Social Security Review, Issues Paper No. 6, Chris Foster, *Towards A National Retirement Incomes Policy: An Overview*, p 11-12.

³ DIR Submission, p 5.

3.8 Not all these issues are discussed in this chapter. In particular, the Committee felt that the question of retirement income, with its endless ramifications in the pensions/benefits and superannuation area, was too large to be tackled adequately in a report of this type. As well, it is a topic that has received a great deal of detailed attention in recent years, and one that is likely to continue receiving the same. This chapter deals in order with the decline in labour force participation at older ages; ways to reverse this trend (by means of abolishing compulsory retirement and introducing more flexible working arrangements); the importance of vocational training and retraining throughout life; and the possibility of anti-discrimination legislation.

Labour Force Participation

3.9 Since the 1960s there has been a steady decline in labour force participation rates for older workers, particularly males. As Tables 3.1, 3.2 and 3.3 show, participation rates for the top three age groups (males aged 55-59, 60-64 and 65-plus years) begin to fall steeply in the period between 1972 and 1977, after remaining steady since 1911. Taking the 60-64 year old age group as an example, in 1911 85.8 per cent of this group was in the labour force, a figure which declined slowly until World War II increased the demand for manpower, then continued falling slowly until 1972, when it stood at 76.5 per cent. One interesting feature of the figures is that there was no rapid fall in the participation rate after 1911 as a result of the introduction of the age pension (except for the 70-plus age group), but that participation did fall markedly (from 85.7 to 80.5 per cent) during the 1930s Depression. After 1972, however, labour force participation rates for older workers began to fall dramatically. In the 60-64 age group, the rate declines from 76.5 per cent for 1972, to 62.2 in 1977, 47.7 in 1982 and 44.7 in 1987. The figures for the 65-plus age group are even more striking.

Table 3.1: Workforce Participation Rates, Classified by Sex, Census 1911 to 1961

Census	Age Last Birthday												All ages
	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-70	70+	
Males													
1911	90.0	97.7	98.1	97.9	97.6	97.0	96.4	95.2	92.7	85.8	72.0	44.1	83.8
1921	86.4	96.6	97.6	97.8	97.5	97.3	96.7	95.5	92.9	85.7	70.5	39.9	81.9
1933	73.0	96.4	98.0	97.9	97.0	96.6	96.1	94.5	91.9	83.2	47.5	23.8	77.6
1939	n.a.	97.2	98.3	98.6	98.3	97.2	96.1	94.6	91.1	80.5	n.a.	n.a.	n.a.
1943	76.8	94.5	97.0	97.6	97.8	97.4	96.3	95.1	92.7	84.6	62.3	26.8	n.a.
1945	74.2	94.1	96.7	97.7	97.8	97.8	96.9	95.3	93.2	85.1	64.4	28.7	n.a.
1947	81.1	93.7	96.7	98.0	98.0	97.7	96.7	94.2	91.3	79.9	49.6	22.8	79.9
1954	79.7	96.6	97.4	98.5	98.3	98.0	97.4	95.7	91.5	79.8	48.9	21.6	79.6
1961	69.6	94.9	98.2	98.6	98.5	98.0	97.5	96.0	92.7	79.6	40.1	17.8	75.2

Source: Michael Keating, *The Australian Workforce 1911-1961* (Canberra 1973), p 326.

Table 3.2: Labour force participation rates by age and sex, Australia, 1967-87

Age group	Year (August)					Ratio 1987 to 1967
	1967	1972	1977	1982	1987	
<i>Persons</i>						
All persons	60.1	61.3	61.8	60.0	61.4	1.02
<i>Males</i>						
All males	83.5	82.5	79.8	76.6	74.9	0.90
15-19	64.7	58.5	62.1	62.4	57.5	0.89
20-24	92.2	91.7	91.2	89.3	89.5	0.97
25-34	97.7	97.7	96.9	94.9	94.6	0.97
35-44	97.7	97.6	97.0	95.1	94.4	0.97
45-54	95.6	95.6	93.2	90.0	89.6	0.94
55-59	91.3	90.6	86.3	79.1	74.5	0.82
60-64	78.5	76.5	62.2	47.7	44.7	0.57
65+	23.9	22.3	13.7	9.2	8.5	0.36
<i>Females</i>						
All females	37.2	40.6	44.2	44.0	48.3	1.30
15-19	61.1	56.2	57.6	56.1	53.7	0.88
20-24	61.6	61.7	68.7	70.0	75.5	1.23
25-34	35.9	42.4	50.4	53.7	61.9	1.72
35-44	40.7	49.3	55.9	58.0	65.8	1.62
45-54	37.5	45.4	48.3	49.5	55.3	1.47
55-59	29.1	31.3	31.6	26.0	30.5	1.05
60-64	16.6	17.1	15.2	9.7	13.2	0.80
65+	4.4	3.8	3.5	2.5	2.6	0.59

Source: Reid, p 177.

Table 3.3: Labour force participation rates by age and gender, 1989 and projections for 2001 (per cent)

		50-54	55-59	60-64	65+
Males	1989	86.6	74.9	49.8	8.5
	2001	86.4	66.3	34.2	7.4
Females	1989	52.2	32.1	13.6	2.2
	2001	59.4	33.0	15.0	2.6
Persons	1989	69.8	53.8	31.6	4.9
	2001	73.0	49.8	24.6	4.3

Source: DEET, *Australia's Workforce in the year 2001*, (AGPS 1991), p 133.

3.10 Nor is this trend expected to stop. A study by the Department of Employment, Education and Training (DEET) projects that labour force participation in the 60-64 year age group (males) will decline to 34.2 per cent in 2001, if present trends continue.⁴ The decline in male labour force participation has been much greater in Australia than in the

⁴ Department of Employment, Education and Training, *Australia's Workforce in the Year 2000* (Canberra, AGPS, 1991), p 133.

United States or Japan: 15 percentage points between 1974 and 1981, compared with 2 points in Japan and 6 in the US. In 1947, 30 per cent of men aged 65-plus in Australia were still in the labour force, but in 1984 the figure was only 10 per cent.⁵

3.11 The reasons for this decline are considered to be a mixture of voluntary and involuntary factors. Researchers from the Bureau of Labour Market Research (BLMR), which carried out a major study of older workers in the early 1980s, concluded that the voluntary factors were:

- . increased coverage of superannuation schemes;
- . increased income from rent, dividends and interest;
- . home ownership at earlier ages;
- . availability of service pensions to World War II veterans at age 60; and possibly an
- . increased preference for leisure.

3.12 Among the involuntary factors were:

- . the discouraged worker effect (dating from 1974 recession), as workers drop out of labour force after unsuccessful efforts to find work;
- . older workers were disproportionately affected by the recession because they were concentrated in declining industries;
- . methods used by employees to determine who should be retrenched discriminated against older workers; and
- . discrimination faced by older workers when competing with younger workers for some jobs.⁶

3.13 There is argument as to the relative weight of the voluntary and involuntary factors, with some researchers arguing that most of the declining participation is really hidden unemployment⁷, and others that the trend is largely the result of improved pension availability. If there is a consensus view it would be that a long-term trend towards earlier retirement was accelerated in the 1970s by (1) the recession and (2) improvements in coverage and rates government pensions and related benefits.

⁵ McCallum, "Lifestyle implications of Australian retirement patterns", p 10.

⁶ Alan Stretton and Lynne S Williams, "Labour force participation at higher ages: Policy implications from the BLMR research work", *Economic Papers* 4(1), March 1985.

⁷ Peter Stricker and Peter Sheehan, *Hidden Unemployment: the Australian experience* (Melbourne, Institute of Applied Economic and Social Research, 1981).

3.14 There is certainly strong evidence that much of the decline is involuntary. If improved pensions were an important cause, one would expect participation rates to rise as the percentage of people at eligible age receiving the pension declines (as occurred in the late 1980s: see Chapter 4), but in the 1980s-90s it appears that the declining pension take-up rate has had no effect in slowing the rate at which labour force participation declines. It is also clear that many people who have taken early retirement over the past fifteen years would have preferred to continue working. The results of a survey of 1050 retired people by the Australian National University's Ageing and the Family Project (in Sydney, 1981) challenges those who argue that the decline in labour force participation rates is largely voluntary. According to the survey:

- . 25 per cent, counting only those in good health, would have preferred to retire later than they did;
- . 40 per cent of all respondents so preferred; and
- . 77 per cent of those who found retirement "difficult" would have preferred to work longer, compared with 28 per cent of those who found retirement "not at all difficult".⁸

3.15 The researcher in charge of the project, Dr John McCallum, concludes:

Probably around a third of all retirees who are able to work would prefer to work longer. The rush to retire during the 1980s has either been more of a 'push', or the retirement experience has not met the expectations held about it.

This group are most likely to find their retirement difficult because they want to work but lack appropriate opportunities or cannot afford to because of marginal tax rates.

3.16 The current situation of unemployed older workers is very serious, yet relatively little attention is being paid to their plight. In 1985 the BLMR noted that unemployment was worsening for older males and unmarried females and pointed out that:

- . Hidden unemployment among 55-plus males is at least equal to the level of recorded unemployment;
- . Duration of unemployment is much longer than for younger workers: older workers who lose job are likely to be unemployed for at least a year;
- . 'Early retirement' conceals unemployment;

⁸ John McCallum, "The right to retire but not to work: The future for Australia's older workers" *Australian Journal of Social Issues*, 21(2), 1986.

As do many invalid and service pensions.⁹

3.17 Figures for June 1991 show that older workers have a below average unemployment rate (except for the 60-64 age group) but a much longer duration of unemployment:

Table 3.4: Unemployment by age and sex, June 1991

Unemployment Rate (per cent)			
Age	Males	Females	Persons
15-64	9.5	8.6	9.1
55-59	6.7	4.2	5.9
60-64	12.7	1.8	10.1

Duration of Unemployment (average) (weeks)			
Age	Males	Females	Persons
15-19	26.8	23.3	25.1
20-24	37.1	44.4	40.1
25-34	42.6	34.0	39.4
35-54	50.6	44.8	48.2

Source: *The Labour Force, June 1991, ABS Cat. 6203.0*

3.18 The figures would probably be worse at older age groups if ABS provided better breakdowns by age category. Press reports suggest that age discrimination may begin at 35, that many companies consider "mature" to mean early 30s, and that unemployed professional people in their 40s have very little prospect of finding work.¹⁰

3.19 MatureSTAFF is an employment agency in Sydney which caters for the older unemployed, that is, people over 40. Since its establishment in 1989, about 709 people have applied to the agency for help, of which 254 have found jobs and 455 remain unemployed (as at October 1991). Most of the applicants are aged between 40 and 59, with the heaviest concentration in the 45 to 54 year age group, but there are significant numbers aged 60 to 64 and even a few aged 65 or more. In her submission to the Inquiry the Director of MatureSTAFF, Mrs Anne Donnellan, makes the following comments:

Reason for unemployment - Most clients were unemployed as a result of retrenchment or early retirement.

Occupational background - The agency deals with "white collar" occupations. Most clients have held jobs in the following areas (in descending order): managerial, clerical, secretarial, sales, accounts, administration, receptionist, and teaching.

⁹ Stretton & Williams 1985, p 35-6.

¹⁰ "Past it at 35: the lot of jobseekers today", Sydney Morning Herald, 12 June 1991.

Educational background - About half the clients have tertiary educational qualifications, including (in descending order): administration, secretarial, arts degrees, accounting, engineering degrees, science degrees and marketing.

Status of job found - It is rare for a client to find a job of equal status, and almost never of comparable salary, to that previously held.¹¹

3.20 Ms Donnellan's views are supported by the submission received from the Department of Social Security (DSS), which states that:

*Older unemployed people have limited prospects of regaining full-time employment. Negative attitudes among employers and the community in general may also hinder attempts by older people to improve labour force participation.*¹²

3.21 This situation is expected to get worse. A study by DEET, *Australia's Workforce in the Year 2000*, pays shamefully meagre attention to the position of older people in the workplace. It has a chapter on teenagers and "disadvantaged groups", which are Aboriginals, migrants and the long term unemployed, but it is only under the last of these headings that there is any mention of the aged. The study points out that:

*Long term unemployed persons are typically older than the average person in the workforce. In 1990, 32 per cent of those unemployed for one year or more and 42 per cent of those unemployed for two years or more were over 45 years of age, while this age group represented only 25 per cent of the labour force.*¹³

3.22 The explanation for this situation is that older workers were displaced in the 1983-84 recession and have found it harder than younger workers to find work again:

*The displaced workers from the 1982-83 recession, many of whom were older workers, have had to compete for the available jobs with large numbers of new entrants to the labour force who have been younger and better educated. Thus the drift to long term unemployment commences for these unemployed job seekers as they get pushed down the queue in terms of their suitability in the eyes of employers.*¹⁴

¹¹ Mrs Anne Donnellan, Director of MatureSTAFF, Submission.

¹² DSS, Submission, p 2.

¹³ DEET, *Australia's Workforce in the Year 2000*, p 94.

¹⁴ DEET, p 95.

3.23 Although DEET acknowledges that "the longer an individual is unemployed, the lower is their [sic] probability of obtaining employment", it offers no hope for improvement and proposes no definite action to assist such people, even though it concludes that their situation will not be alleviated by economic growth (because new jobs are likely to require new skills that they have never learned) and will probably be worsened by economic restructuring:

Micro-economic reform could lead to substantial numbers of retrenchments from a range of industries over the next decade. Older retrenched who may not have readily transferable skills will be particularly vulnerable to long term unemployment [,] especially if they live in disadvantaged regions. Appropriate assistance to retrenched [,] such as the provision of retraining schemes, mobility assistance or job search training may reduce this possibility of long term unemployment.¹⁵

3.24 Researchers at the BLMR have suggested a number of ways in which older workers could be protected from dismissal. These are:

- By increasing the relative cost of retrenching older workers by measures to establish minimum standards for redundancy payments and periods of notice dependent on age and/or years of service.
- By influencing the procedure (criteria) for determining which employees are to be retrenched.
- By means of legislation against discrimination on the basis of age.¹⁶

3.25 Noting that when older workers lost their jobs they had difficulty competing with younger applicants, with the result that they experienced long periods of unemployment and often withdrew from the workforce, they also proposed four measures to help them return to work: counselling; campaigns against discrimination; wage subsidies; training and retraining schemes.

Counselling

3.26 Counselling usually includes advice on effective job search techniques and on the need to update skills. In 1982/83 the Commonwealth Employment Service (CES) increased the number of counsellors assisting disadvantaged groups such as older workers, the disabled, and the long-term unemployed. As the older unemployed are a more heterogeneous group than unemployed youth, counselling needs to be fairly intensive. There is therefore substantial scope for the further development of a specialised counselling service for older workers.

¹⁵ DEET, p 97.

¹⁶ Stretton & Williams, p 43-4.

Campaigns against discrimination

3.27 One problem which could reduce the effectiveness of reintegration measures is the possibility that some employers may discriminate against older workers when recruiting. One of the difficulties in identifying discrimination lies in distinguishing between economically irrational prejudice by an employer and economic behaviour by a firm which is rational but which seems discriminatory to the individual employee.

3.28 If discrimination in recruitment was thought to be a problem, governments could mount a publicity campaign which pointed out the advantages of hiring older workers. Broad objectives of such a campaign might be to correct any misconceptions held by employers about the productivity of older workers, and to suggest that hiring older workers was "socially responsible". In addition to a publicity campaign, intensive matching by CES officers would be necessary if disadvantaged older unemployed were to be successfully placed. Approaches similar to those adopted to encourage the employment of youth would need to be considered.

Wage subsidies

3.29 A third approach to aiding the reintegration of the older unemployed is to offer wage subsidies. This policy was adopted in Australia in March 1983 with the Adult Wage Subsidy Scheme (AWSS). Under the extended provisions of AWSS, an older worker (45 years and over) must be unemployed for a year before attracting a subsidy. Under the standard provisions of AWSS, a lower subsidy is available to all adults (25 years and over) who have been unemployed for eight of the previous 12 months.

3.30 Whether duration of unemployment is an appropriate criterion for eligibility is open to question. It could be argued that an older worker who loses his or her job is immediately disadvantaged compared with younger unemployed persons. This suggests that the subsidy should be made available very soon after an older person becomes unemployed. As the period without work lengthens, the re-employment prospects of an older person are likely to fall even further, so that the value of the subsidy might need to be increased.

3.31 There are, however, some disadvantages in removing duration of unemployment as an eligibility criterion. This criterion acts as a sorting mechanism to make it less likely that assistance will be given to persons who would regain employment in the normal course of events after only a short search. A more serious problem is that the scheme could be abused by employers dismissing older workers and rehiring them as soon as they were eligible for a subsidy. If some of the means of protecting older workers from dismissal, as discussed above, were introduced, it might be feasible to give less emphasis to duration of unemployment in determining eligibility for wage subsidy schemes.

3.32 Training schemes are considered separately below.

Importance of Attitudes

3.33 Although very little has been done to implement any of these proposals, there is concern within DEET and DSS at the declining participation of and work opportunities for older (55-64 year old) people. Considering this trend undesirable, they have commissioned surveys of employer and older workers' attitudes and initiated programs to assist older workers. The surveys found that the attitudes of the community, employers and older workers themselves formed an important influence on labour force participation rates. The specific results of the surveys, conducted in 1989 and 1990, were summarised by an officer from DEET, MS Kathy Patston, at the Committee's seminar.

3.34 *Reasons for unemployment*

Most unemployed 55-64 year olds believed that the main reason they had not been able to find a job was because employers considered them too old. Over half the survey sample believed that discrimination started at 45; and a quarter believed it began at 40.

3.35 *Attitudes of employers that discouraged them from recruiting older workers*

General doubts about capabilities of older people, especially the view that their memory is poor and physical endurance and strength are in decline.

Assumptions that they are more accident prone and costly in workers' compensation and sickness pay; that they are less adaptable to change and thus unable to learn to use new technology; and that they are not worth retraining, given their few remaining years of employment.

Formal company policies on early retirement, maximum recruitment ages and vague preference for the young; many companies had a policy of not recruiting staff who were less than five years from retirement age (often 55).

Belief that government policy and community preference were to encourage early retirement of old and employment of young.

3.36 Interestingly enough, employers' experience with older workers in many of these firms largely contradicted these prejudices.

3.37 *Reasons why older people often do not seek work*

Belief that their capabilities are less than those of young people.

Belief that they have little or no chance of ever getting a job.

Belief that company policies on upper age limits made it pointless to send in applications.

The future orientation of consumerist culture, its elevation of the youthful and its denigration of anything not expected to live long enough to justify the effort of improvement.

3.38 *Direct discrimination*

Although companies all claimed to employ the best person for the job, many companies in fact had upper age limits for recruitment, ranging from 40 to 60 years.

3.39 *Indirect discrimination*

Even when employers had no explicit policies on age, personal characteristics common among older people could reduce their chances. These include:

- . disability;
- . length of unemployment;
- . education level;
- . command of English;
- . out-of-date skills and experience.

3.40 Ms Patston also mentioned a number of ways in which older people could be assisted to get a job: retraining, subsidised employment and voluntary work.

Retraining

3.41 Many older people are reluctant to undertake retraining, usually out of a belief that they would not benefit from it; and the less educated they were, the more likely they were to believe that they would not benefit. The DEET survey revealed that 26 per cent of respondents considered that they were too old to learn anything new; that 14 per cent said there was no point because they were about to retire; and that 19 per cent said it would make no difference because employers would still reject them because of their age.

Subsidised employment

3.42 This was a surprisingly successful measure: once employers realised that older people can do the job, they were often happy to keep them on, even after the subsidy is ended.

Voluntary work

3.43 Voluntary work can assist older people by establishing contacts and providing opportunities to develop new skills. About 41 per cent of the DEET survey were prepared to participate in voluntary work.¹⁷

What is to be Done?

3.44 Having considered the situation as it stands, the next step is to consider the future and to ask what labour market reforms are needed to increase older people's freedom of choice and to improve their quality of life. A number of these have been suggested by

¹⁷ Seminar Transcript, p 89-98.

the South Australian Commissioner for the Ageing, the Victorian Government and other submissions. The most notable are:

- Removal of institutional barriers to employment of older persons, like the compulsory retirement age and age limits which apply to some forms of training.

A number of States have legislated to prohibit discrimination on the basis of age in the labour market. The Victorian Government is giving consideration to these measures, including more flexible retirement programs, in the context of contemporary micro economic reforms, award restructuring and the impact of the recession. While the benefits of abolishing compulsory retirement to certain categories of already privileged workers are obvious, the Government is anxious to examine the systemic and distributional effects of such measures.

- Increased flexibility of working arrangements

This includes arrangements as to the number of hours worked, which can be defined per day, or per month, or even per year to allow maximum flexibility for the worker. This may entail longer sick leave periods, on the (questionable) assumption that older persons may be more vulnerable to illness. Working from home and job sharing may be considered. Part-time workers should be entitled to the same non-wages benefits (holidays, etc) as full-time workers, in proportion to the number of hours worked.

- Enriched financial rewards to be gained from employment by increasing the income allowed before the reduction or removal of pensions and especially the benefits associated with pensions (i.e., public transport concessions, pharmaceutical benefits, etc).

If older workers were encouraged to work, especially in part-time jobs, their wages would probably be only an income supplement and would not be sufficient to offset the loss of pension benefits. Some innovative ideas may be gained from a study of overseas countries where partial retirement systems are organised which, for the worker, combine the benefits of retirement security with the continuation of a professional activity. Even if, in the long term, superannuation provisions replace old age pensions altogether, the question of eligibility for the peripheral benefits remains to be solved.

- Increased level of safety at work and the use of technology to make jobs less physically demanding

While these steps will benefit all workers, older people are deemed to be less strong and resistant and thus more prone to accidents than younger people. Technological change has an impact on the content of many occupations and often modifies the skill required. In many occupations the physical effort is now replaced by a range of other skills, including literacy, logical thinking, quality control skills and computer literacy. It is important, however, that on the pretext of lower physical aptitude and lack of training, older workers, especially women, are not segregated into specific low skill, menial occupations.

Increased training and retraining opportunities for older people

There should be more provision of re-skilling and employment placement opportunities for older workers. In North America, for example, after ten years of experience with age discrimination legislation, government-sponsored and non-government programs have been developed to encourage the establishment of small business enterprises by older people, the employment of older people in various forms of community service, and job placement programs specifically geared for the needs and capacities of older workers.

3.45 None of these is a new idea. As shown earlier, many of the proposals for reducing the restrictions on work at later ages have been around for a long time. The problem is that governments, employers and unions have been slow to act: only in South Australia, where comprehensive legislation against age discrimination has been passed, and New South Wales, where compulsory retirement has been made unlawful, have decisive moves been made (See Appendix 4).

3.46 Although there is a gap between expert opinion and popular perception, and although these issues are not discussed as fully as they should be in public forums, it is now generally agreed among authorities on the question that older people should be permitted and, indeed, encouraged to remain in the workforce. In the 1980s, with high youth unemployment, older people were urged, and often forced, to retire in order to release jobs for the young, but this policy is now discredited. For one thing, it is inequitable to assume that young people need work more than the old; for another, the policy had no effect on youth unemployment. Every submission to the inquiry which discussed employment issues urged the abolition of compulsory retirement ages, the prohibition of discrimination on the basis of age, and the introduction of measures to assist older workers remain in or rejoin the workforce. As Professor Encel pointed out at the seminar, such views are in accordance with international thinking on this topic. He notes that the recent interest in increasing opportunities for older people to remain in work are expressed in two documents:

OECD, *The Future of Social Protection* (1988)

This argued for the "active society", that is, one which makes better use of human resources for economic and welfare reasons.

World Health Organisation, *Healthy Ageing Project* (1980)

The general objective was to ensure health equity by reducing differentials between and within countries, including differentials between young and old, and encouraging the full use of physical and mental capacity; a reduction in disease and disability; and a reduction of premature death. The question of work opportunities after retirement was considered relevant to these objectives.¹⁸

¹⁸ Seminar Transcript, p 100-101.

3.47 Kathy Patston also reported that most people (aged 55-64) in the DEET survey believed that: compulsory retirement was wrong and that people should be able to determine for themselves when they want to retire; that older workers can continue to be productive; and that the possibility of progressive (or phased) retirement should be introduced.

3.48 She also noted that people classified the benefits of remaining in the workforce under the following categories:

- . keeping active;
- . avoiding boredom;
- . the money; and
- . retaining the self-esteem and social standing that derive from being productive.¹⁹

3.49 Consistent with the fact that older men's workforce has declined while women's has not, there was a significant gender difference here. Women were far more likely to see advantages in remaining unemployed, while men were more likely to say that there were no benefits.

Compulsory Retirement

3.50 According to the submission from DIR, there are few specific provisions, either in awards or legislation, that make it compulsory for private sector employees to retire at a particular age. Retirement at age 60 or 65 is largely a matter of employer policy, a convention reinforced by a number of social security, tax, superannuation and attitudinal factors:

- . superannuation funds rarely accept contributions from a person over 65;
- . most workers compensation schemes cease payments at age 65;
- . social security provisions award the age pension to women at 60 and men at 65;
- . restrictions on the amount of money that social security pensioners may earn before losing benefits reduces their participation in part-time work; and
- . there are restrictions on employment beyond age 65 in Commonwealth and State government employment (except in New South Wales).²⁰

¹⁹ Seminar Transcript, p 96-97.

²⁰ DIR, Submission, p 9.

3.51 Nonetheless, as noted earlier, most employers do impose a compulsory retirement age and many have a policy of not hiring people once they have passed a certain age. As Patston has emphasised, therefore, and Schulz et al confirm, the main barrier to the continuing employment of older people is built from custom and attitudes:

The future may see the current rigidity of personnel practices, a lack of educational and training opportunities, and assumptions about declining productivity combine to create powerful barriers to older-worker employment. Yet if we look at the changing composition of industries and occupations, we see that there are not likely to be major "job requirement" barriers to the employment of displaced and older workers. The more important barriers are likely to be the attitudes of both workers and employers, interacting in an institutional environment that discourages work and encourages retirement.²¹

3.52 There is a paradox at work here, because, as Kathy Patston pointed out, employers who actually do take the plunge and employ older workers find that their experience contradicts the negative stereotypes that most of them hold. As the DSS submission notes, employers perceive a number of advantages with older workers:

- . they have better developed skills, experience and qualifications;
- . they are likely to stay in the job longer;
- . they have greater ability to understand and carry out instructions; and
- . they are more reliable and loyal.²²

3.53 These points are confirmed in an exhaustive analysis by Frank Reid²³, who considers and discusses the usual objections to the abolition of compulsory retirement. He covers the following areas: hiring and promotion opportunities; productivity; labour costs; and personnel practices.

²¹ James H Schulz, Allan Borowski and William H Crown, *Economics of Population Ageing: The "Graying" of Australia, Japan and the United States* (New York, Auburn House, 1991), p 335.

²² DSS Submission, p 3.

²³ Frank Reid, "Age discrimination and compulsory retirement in Australia", *Journal of Industrial Relations*, 31 (2), 1989. Reid, an academic at the University of Toronto, wrote this paper while a Visiting Fellow at the Industrial Relations Research Centre, University of New South Wales.

Hiring and promotion opportunities (for younger employees)

3.54 Employment prospects for the young would not be significantly reduced if compulsory retirement were abolished because:

- . a ban on compulsory retirement would have little effect on participation rates;
- . any effect that there was would be temporary, lasting only for as many years as the number by which the compulsory age was lifted;
- . if there were no specified age, transition would be longer, but very diffuse, since few would work until they died; and
- . participation rates at older ages (especially 60-64) have declined dramatically (1967 to 1987) and are expected to decline further. The few employees who would choose to work beyond normal retirement age would occupy only a small fraction of the jobs being made available by the reduced participation of others in their age group.

Productivity

3.55 Research shows that productivity is not significantly related to age. Studies cited by Reid have established that:

- . work related abilities do not generally deteriorate until the mid-70s (or Fourth Age);
- . there is such great variation among individuals in the impact of ageing that age is a totally unreliable criterion for determining employability: employees should be judged on individual merits.

Turnover

3.56 Job turnover declines steadily with age. In fact, turnover rates for young males (under 25) are ten times greater than for males 60 and over.

Absenteeism

3.57 There is no consistent relationship between absenteeism and age. Older workers (45-plus) have a slightly lower incidence of absences than average, but a slightly higher number of days lost per year, because their absences are longer.

Wage Rates

3.58 Would higher wages have to be paid to long-serving employees simply because they have been there a long time?

- . This is not a problem when promotion is based on merit rather than seniority.
- . Nor is it a problem even when increments within a salary scale are based on age: because there are only a few increments, an ageing employee would already be in the top range after five or so years. After that there are no further pay increases, no matter how long he remains in the job.

3.59 Reid also considers other issues related to the abolition of compulsory retirement: competency tests; social expenditure on aged (i.e. the age pension); and efficiency and equity. He concludes that competency tests will not be necessary because the productivity of older workers does not differ significantly from that of younger employees. The abolition of compulsory retirement is not likely to reduce expenditure on age pension very much because few employees are likely to work beyond (what is now) normal retirement age. On the matter of efficiency and equity Reid states:

From the human rights standpoint, compulsory retirement and age discrimination are inequitable violations of human rights. From this perspective it does not matter whether discrimination is an irrational prejudice or a rational use of age as an efficient screening device. From the human rights perspective, employment decisions based on a person's age are unacceptable for the same reasons that distinctions on the basis of race and sex are unacceptable.

3.60 Reid's general conclusions are that:

- . A ban on compulsory retirement is not likely to have a significant impact on labour costs because, compared with younger employees, older employees have slightly higher absenteeism, but substantially lower turnover and equal productivity.
- . Because it is not likely to have economic effects, the merits of prohibiting age discrimination can be decided as a human rights issue, focussing on the dignity and well-being of older Australians.²⁴

Flexible Working Arrangements

3.61 Just as there is all but universal objection to compulsory retirement, so there is widespread support for various forms of flexible work arrangements, including phased retirement. DSS has proposed that the introduction of phased retirement, by such specific means as: part-time work; flexible hours; home work; and gradual demotion. It considers

²⁴ Reid, p 176-83.

that the opportunity for such options would encourage continued employment and hence mainstream participation in community life by older workers.²⁵

3.62 There are a number of concepts to be considered here, but three key issues: the switch to part-time work or lower level jobs at later ages; the chance for retraining; and opportunities to continue working beyond the currently conventional retirement age. In practice these issues are hard to separate, and most submissions to the inquiry treat them all in the same breath. For example:

A set age for retirement should give way to the choice of working longer if desired. Instead of a cut-off point, employees should consider an extended period of part-time work, with pension or superannuation making up the difference in pay rates. To allow younger personnel to gain promotion, this choice of extending one's working life could take on a training role. Training and education should be available to those wishing to change direction.²⁶

3.63 The Victorian Retirement Advisory Association considers most of the relevant issues discussed here seriatim.

Skills and Experience Lost to Society

3.64 Retirement policies which enforce retirement at a date determined solely by the calendar lead to significant loss of experience, skills and capabilities which could be of value to society. Many persons are forced to retire from the workforce while they are still at the peak of productivity and creativity.

Deferred Retirement

3.65 Ways of integrating older persons into the workforce and making use of their skills and experience need to be investigated.

Legislation

3.66 Equal opportunity legislation should include age as a prohibited ground of discrimination in employment such as that recently enacted in South Australia: or, as the United States, deferred retirement should be rewarded with a percentage increase in pensions.

Flexible Retirement

3.67 Flexible retirement which is based on employees working shorter hours - that is virtually part-time in their later years - as in Switzerland is another way for society to gain the benefit of expertise and experience for a longer period than is possible with the

²⁵ DSS Submission, p 5.

²⁶ Country Women's Association of Western Australia, Submission, p 2.

current age norms. Flexibility in retirement as in the United States, Canada and Japan, should be examined.

Post-Retirees and the Workforce

3.68 Virtually no opportunities for returning to the workforce exist for post-retirees, as many very competent early retirees and those who have had early retirement forced on them by redundancy, have discovered. Society is losing significant input to the economy.

Re-employment of Retirees

3.69 Ways of encouraging employers to give active consideration to re-employment retirees need to be considered. Methods might include part-time employment, short-term contract employment to meet specific needs in organisations and incentives to employers along the lines of the Jobsearch allowance. Affirmative action should be taken to encourage retirees to return to work in the post-retirement period.²⁷

3.70 The advantages of retaining older workers, and thus permitting flexible retirement, have been summarised by Professor Encel:

- . A better mix of work and non-work will improve health and well-being at all ages.
- . The extension of working life will reduce (age) dependence and ease pressure on pension system.
- . Such a mixture will allow possibility to reduce unemployment in periods of labour surplus and expand employment in times of labour shortage.
- . Implications of demographic change: the rise in the proportion of aged should lead to reconsideration of work opportunities for older people.
- . Retirement age is not a biological or even social necessity, but a cultural artefact deriving from the administrative necessities of social security provision, beginning in Germany in the 1880s.
- . As more of the population (workforce) becomes skilled and trained, the greater the wastage of the investment in that training if work ceases early: the earlier the retirement, the greater the wastage.
- . Human rights argument: people have a right to work, and this includes the aged.²⁸

²⁷ Victorian Retirement Advisory Association, Submission, p 8.

²⁸ Seminar Transcript, p 106-107.

3.71 The DSS adds that phased retirement is also likely to be positive economic effects, increasing productivity and reducing DSS outlays, and thereby maintaining the skills base of the workforce while younger workers are undergoing training.²⁹ It notes, however, that allowing workers to work beyond 65, and other flexible retirement measures, will require significant changes to superannuation and tax arrangements.

3.72 There are also difficulties with the concept of employees accepting gradual demotion towards the end of their career. This would be seen as an embarrassment and humiliation unless community attitudes change markedly. The DIR notes that the report from the House of Representatives Standing Committee on Community Affairs, *Is Retirement Working?*, supported the concept of phased retirement, but suggests that it may be culturally difficult for senior staff to move to lower status positions as they age.³⁰ It also points out that industrial awards also limit employment options: in 1989 only 70 per cent of federal awards included provision for casual work, 31 per cent for part-time work and 3 per cent for seasonal work. Home based work is not a favoured option for increasing employment flexibility because it lacks the social interaction many people give as a reason for seeking work, and because the difficulty of policing award conditions allows such workers to be exploited more easily.

3.73 One of the most readily achievable ways of increasing workforce participation options, and not just for the aged, is through more flexible working arrangements. As the DIR notes, the value of part-time work, job sharing and similar arrangements is that they can suit employers and employees alike. Employers are enabled to retain the services of experienced staff while responding to seasonal demand fluctuations. Employees are enabled to work at times that suit them, leaving other parts of the day or week available for leisure, fitness, recreation or volunteer activities.³¹ Researchers from the BLMR suggest that increased opportunity for part-time work at older ages could ease the transition from work to retirement, and that it could also provide firms with a ready means of adjusting the size of their workforce to meet current needs. They suggest a number of ways in which part-time work could be encouraged:

The first is a formal partial retirement scheme. In Sweden, for example, workers aged 60 to 65 who meet certain conditions are guaranteed a partial pension that can be combined with continued part-time work. The individual is responsible for funding the part-time job. This partial pension scheme pays the older worker about 80% of his or her previous net income.

A second approach is for individual companies to allow older workers to reduce their working time as they approach retirement age. Under these arrangements, the older worker does not need to search for a part-time job. Rather, his or her existing job is converted to a part-time job.

²⁹ DSS, Submission, p 5.

³⁰ DIR, Submission, p 9.

³¹ DIR, Submission, p 8.

A third approach is to reduce effective marginal tax rates implicit in the social security and tax regulations which discourage persons receiving or eligible for a pension from seeking part-time work. Given the large number of factors which determine marginal tax rates, several measures could be considered. These include increasing the income limit which can be earned before the fringe benefits associated with pensions are withdrawn; increasing the amount of income a pensioner could earn and still receive the maximum pension (thus raising the level of income at which the high tax rates apply); and lowering the rate at which pensions are reduced after the "free income" limit is exceeded.

While the measures outlined above might make part-time work more attractive to pensioners, the availability of part-time positions for older workers would be another important factors influencing the incidence of partial retirement. The large increase in part-time jobs in Australia in recent years has been concentrated among youth and married females. It is difficult to know whether older workers could compete successfully against other demographic groups for these jobs, or whether part-time jobs specifically intended for older workers would emerge if a demand existed.³²

Training and Retraining

3.74 In a rapidly changing economy, skills learned when a person was young may well be obsolescent by the time he or she reaches late maturity. That in itself is bad for the individual and the economy, but if such an employee is then retrenched, he or she will experience great difficulty finding work again. Supporting the comments in DEET's study of the workforce in 2001, the DSS points out that "the need to retain and upgrade the skills of the long-term and older unemployed within the context of structural adjustment of Australian industry also poses a challenge."³³ Indeed, the need to provide adequate training and retraining opportunities throughout a person's working life will be one of the challenges of the next twenty years.

3.75 Many submissions have emphasised the importance of such a reform. One of them argues:

People's lives should not be rigidly separated into periods of training, work and retirement. There is a role of continuing education all throughout life, opening doors, revealing possibilities of other and more different vocations, and opportunities for using time usefully and profitably. At the same time, skills and a life time's experience should not be wasted. Retired skilled tradesmen could become apprentice trainers, working part-time.³⁴

³² Stretton & Williams, p 47-8.

³³ DSS, Submission, p 2.

³⁴ Country Womens' Association of Western Australia, Submission, p 2-3.

3.76 The Victorian Government submission urges that opportunities for training and retraining of older workers be increased to help them cope with the obsolescence of their skills, new skill requirements and the changing occupational structure of industries. The submission contends that:

It would be beneficial to promote training courses specially designed for older workers, either those who are in employment or those who have left and wish to return. Statistics indicate that older people take little advantage of existing courses, which are often designed to provide basic skills, and prefer shorter courses, less intensive courses or just refresher courses. The award restructuring process, with its emphasis on life-long training, should facilitate the development of such courses. It should also allow more recognition of the skills acquired through experience.³⁵

3.77 The importance of such reform is emphasised not only by the economic restructuring that is expected to continue and the increasing number of older people, but also by the fact that existing training programs do not adequately cater for the needs of older workers. One striking illustration of that fact is the minuscule number of older people who participate in them, as shown in the following table.

Table 3.5: Age of participants in Australian employment assistance programs, 1987

	% Under 45	45-54	55-plus
Job Start	94	5	1
Adult Training	91	8	1
Aboriginal Training	96	3	1
Community Training	92	7	1

Source: Shulz et al, p 334.

3.78 Of course, as Kathy Patston has stressed, the problem may not lie entirely in the nature or rules of the programs, since older people are notoriously reluctant to undergo training even when it is available. Even so, failure to market such programs in such a way that they attract older people is in itself a weakness.

3.79 The problem with existing training schemes were summed up by researchers from the BLMR. They point out that:

Although many older unemployed need some form of training, existing schemes appear not to have met the needs of older workers. There are several reasons for this, and these indicate the type of changes needed for effective assistance

³⁵ Victorian Government, Submission, p 20.

to older unemployed. First, older persons are usually thought to be less mobile and less willing to accept change. Some may have difficulty accepting that their skills need updating or may be reluctant to change occupations late in their working life. Thus a combination of suitable training programs and appropriate counselling is needed.

Second, it is possible that existing programs are more geared to giving basic skills to young persons than to updating the existing skills of older workers. For older workers, the need is to expand or develop their existing skills, rather than to start from scratch. In Australia there has been very little examination of either the need for training or retraining of older workers or the methods of training most likely to succeed. This omission deserves early action.

A third problem with some existing programs is that, to be eligible, an older worker must be accepted by an employer or be assessed as having a good chance of gaining employment after training. Any difficulties which the CES might have in persuading employers to accept older workers would reduce their chances of being accepted into training programs. Hence a Catch 22 situation could develop.

Finally, older unemployed must register with and seek the assistance of the CES before they can be directed into a program or receive counselling and other services. Yet older workers seem reluctant to use CES services. The first step in any attempt to reintegrate the older unemployed must be to encourage them to seek assistance from the CES. This will only occur if the CES has an array of programs and services to aid older workers, and has officers who are aware of the special problems of the older unemployed. In addition, the CES may need to mount campaigns to inform older workers and employers of the assistance it can provide.³⁶

3.80 The position may have improved since these words were written (1985), but there is still a long way to go if the experience of Anne Donnellan is any guide. She explains in her submission that the problem for many clients is lack of computer or word processing skills. Accountants and financial controllers are expected to be familiar with Lotus, and secretaries with a program like WordPerfect. If they are familiar with these programs, employers may train them on their own computers, but few will take on staff with no computer experience.

3.81 The problem with existing training programs is that most are set up with two separate arms: training and placement. Consequently, placement agencies (like MatureSTAFF) are not permitted to do any training, but must pass clients on to TAFE, Jobtrain, Skillshare and other State or Commonwealth programs whose courses are supposed to fit the needs of the applicants. Usually, however, they do not fit the needs of older clients. This is because:

They are set up so that an applicant must have been unemployed for six months and must await selection for a class (usually another 3 or 4 months). Older (retrenched) people need training immediately.

³⁶

Stretton & Williams, p 45-6

The courses are more likely to be oriented to the basic needs of the inexperienced. Older people do not need to be taught the elements of civilised behaviour, but specific skills, like computer programs.

There is no provision for people keep in practice with skills already learned. Clients who do succeed in learning some computer skills cannot be expected to remember what they have learned over the further 6 to 12 months it usually takes to land a job.

3.82 Mrs Donnellan considers the problem could be solved in the following ways:

By reforming State and Federal training programs so that they take account of the needs of older, particularly retrenched, workers.

By permitting placement agencies like MatureSTAFF to carry out training and financially supporting such activity.

By establishing a national data base of professional people who are seeking work.

Anti-Discrimination Legislation

3.83 When the States, followed by the Commonwealth, introduced anti-discrimination legislation in the 1970s and 80s, age was not a ground on which complaints could be made. In 1991 South Australia outlawed age discrimination and New South Wales compulsory retirement, but until then the only avenue for redress was through the Federal Government's National and State Committees on Discrimination in Employment and Occupation, established to fulfil Australia's obligations under an ILO Convention that the Government signed in 1974. These Committees had little power, but their annual reports evince increasing awareness of age discrimination as older workers faced mounting difficulties finding work during the 1980s. In its Annual Report for 1981-82 the National Committee on Discrimination in Employment and Occupation (NCDEO) noted that complaints of discrimination on the ground of age increased by 58 per cent during the twelve months and that most related to age stipulation in job advertisements.³⁷ In its report for 1982-83 the NCDEO revealed that "the majority of 'age' complaints relate to the older worker where the question of superannuation benefits and compulsory/voluntary retirement and redundancy are becoming increasingly significant".³⁸ In 1983-84 the Committee reported an increase in discrimination against older members of the workforce and noted the great difficulty they experienced in finding employment after losing their job.³⁹

³⁷ NCDEO, 9th Annual Report, 1981-82, p 7.

³⁸ NCDEO, 10th Annual Report, 1982-83, p 11.

³⁹ NCDEO, 11th Annual Report, 1983-84, p 16.

3.84 When the Committees on Discrimination were abolished in 1986, their functions were largely taken over by the Human Rights and Equal Opportunity Commission (HREOC), but responsibility for age discrimination in employment was not transferred. There was thus no federal jurisdiction in age discrimination until 1 January 1991, when new regulations made it a ground on which the HREOC could receive and investigate complaints. As the table shows, it is already receiving a significant number of them:

Table 3.6: Complaints of Discrimination Received by Human Rights and Equal Opportunities Commissioner, 1988-1991

Ground of Discrimination	1988-89	1989-90	1990-91
Sex	575	593	803
Race	243	297	352
Other	47	115	216
of which Age	-	32	75
Privacy	21	59	66

Source: Figures supplied by HREOC

3.85 Age is the most significant ground of complaint after sex and race, and by far the most significant ground in the 'Other' category; in 1990-91 it was a more frequent source of complaints than Privacy, a ground which has its own act and commissioner.

3.86 Many submissions (for example, that from the Victorian Retirement Advisory Association) urged the desirability of Commonwealth legislation to outlaw age discrimination. These suggestions are part of wider pressures towards the prohibition of such discrimination which, as Reid notes, have their basis in concern about human rights and demographic trends. The human rights argument stresses the inequity of restricting access to work on the basis of any demographic characteristic, whether sex, race and now, in an extension of sensitivity, age. The demographic argument notes the coming increase in the aged population and the possible effects of this change on pension expenditure, higher expectations of baby boom cohorts, weaker family links and greater numbers of single people. All this is familiar.⁴⁰

3.87 Reid points out, however, that legislation to ban age discrimination will probably have little effect on labour force participation rates. The United States and Canada have each passed legislation to ban compulsory retirement, but this has had no effect on the decline in labour force participation among those over 60 years of age.⁴¹ Whether a more comprehensive piece of legislation to ban age discrimination in all areas of employment would have more impact is impossible to say at this stage, but it is

⁴⁰ Reid, p 170.

⁴¹ Reid, p 172.

reasonable to think that such legislation could be particularly helpful during a recession in which older workers are disproportionately hard hit. As the Victorian Government suggests, "In periods of high unemployment, the main policy objective relative to older workers is to ensure that they are not discriminated against by employees who prefer younger staff."⁴² In the absence of (or even in addition to) anti-discrimination legislation, it may be necessary to mount publicity campaigns which stress the positive attributes of older workers (e.g. reliability, conscientiousness, ability to cope with pressure, strong work ethic and interpersonal and other skills developed through experience).

3.88 Despite its lack of impact on labour force participation rates, Reid does not feel that legislation to outlaw age discrimination would be a waste of time. On the contrary,

*From a human rights perspective, a ban on compulsory retirement is important, even though the evidence suggests that only a small number of employees will choose to work beyond the normal retirement date. Elimination of compulsory retirement is critically important for the small number of employees who are forced to retire by the policy. A ban is also important because it would help to reduce stereotypes based on age and would serve to enhance the dignity of all older persons, regardless of whether they choose to work past normal retirement.*⁴³

3.89 Although the capacity of anti-discrimination legislation to generate attitudinal change in the wider community (at least in the short term) is limited, it provides an essential foundation on which to develop administrative structures and educational programs aimed at bringing about such change. In individual cases, it also provides an important vehicle for ensuring that human rights are respected.

3.90 South Australia⁴⁴ was the first State to enact legislation to prohibit discrimination against people on the grounds of their age, and other States have either followed or are following this lead. The South Australian Legislation seeks to end discrimination in employment, education, the provision of land, goods, services and accommodation, and discrimination against persons by associations, qualifying bodies and other organisations. A range of exemptions applies in circumstances where charitable instruments, sporting activities, forms of insurance etc, are designed specifically for particular age groups.

3.91 Among the most significant provisions of the South Australian Legislation is the abolition of a standard retirement age. Although this provision is also subject to a range of exemptions, it aims to ensure that opportunities for older people to remain in, or to be considered for, particular forms of employment are assessed on their capacity effectively and safely to perform the work associated with a particular job, and not

⁴² Victorian Government, Submission, p 18.

⁴³ Reid, p 175.

⁴⁴ South Australian Commissioner for the Ageing, Submission.

merely on their age. This provision prompted some concerns, for example among South Australian employer groups, with the result that the introduction of this particular measure was delayed for two years, to enable more detailed consideration of its possible labour market implications to be undertaken.

3.92 As already noted, overseas experience, particularly in the United States and Canada, suggests that the impact of age discrimination legislation on labour force participation among older people is minimal, and that community attitudes towards and expectations of ageing require many years of challenge and redefinition before they reflect in practice the kind of equal opportunity environment that the legislation was originally intended to foster. There are, however, several reasons why leadership by governments is important in this field. Improved health and increased life-expectancy amongst older people will give rise to growing questioning of the social and economic constraints that have developed around arbitrary retirement ages. Future ageing generations are unlikely to accept the prospect of spending about a quarter of their lives with unreasonable limits placed on their civil rights. Already this challenging mood is in evidence: the South Australian Commissioner for Equal Opportunity, who will be administering the age discrimination legislation, plans to expand her staff by one third, in anticipation of her new responsibilities - a figure reached largely on the basis of age-discriminatory practices already drawn to her attention before the legislation comes into force.⁴⁵

3.93 Changing social expectations of the division between work and leisure, and a desire to avoid a dramatic drop in living standards after retirement, will generate growing demand for more flexible retirement options, driven by individual choice rather than by tradition or external circumstances. Age discrimination legislation can create a climate for supporting and encouraging these changing expectations, and for educating the wider community - not only about the aspirations of its current older members, but about the options and prospects for younger generation of ageing people.

3.94 In this context, the need for Commonwealth age discrimination legislation assumes particular importance.

Older People and Volunteer Opportunities

3.95 There is growing public recognition that the quality of life for older people is greatly enhanced by their remaining active participants in different aspects of community life. Neither age itself, nor the health problems faced by a proportion of the older population, necessarily prevent older people from wanting to learn new skills, or from applying the skills and knowledge gained in earlier years to new field of interest and endeavour. Furthermore, as age increases, the sense of accomplishment generated by the completion of interesting challenges often counts for more than material or social rewards. Not that such rewards are lacking, for engagement in volunteer activity may actually increase life expectancy. A twelve-year longitudinal study in the United States

⁴⁵ *ibid*, p 377-9.

found that men over the age of 60 who did voluntary work for at least four hours per week were two and a half times less likely to die than those who did not.⁴⁶

3.96 Volunteering offers many older the combined advantages of participation in interesting activities, and the maintenance of enhancement of skills and knowledge. Many older Australians are already engaged in some form of voluntary activity - not necessarily geared to the needs of the ageing. Major programs involving older volunteers are to be found in:

- . the provision of foster care for children;
- . fund-raising;
- . maintenance of national parks;
- . working with young people in trouble with the law;
- . helping people around the courts system;
- . community transport; and
- . tutoring children with learning difficulties: for example, there is a volunteer scheme in Sydney in which suitable retired people worked with difficult school children who needed special assistance, similar to the "Mentor Program" operating in New York, described by Professor Encel at the Committee's seminar.⁴⁷

3.97 As well as supporting specific programs, the unpaid labour of thousands of volunteers is essential to the functioning of the health and welfare system, education, community affairs and civilised social life generally.

3.98 A survey of volunteers in South Australia by the ABS in 1988 found over 55,000 volunteers, aged more than 60 years, contributing nearly 3.3 million hours of voluntary work over a three month period - an average of about half a day per week each.⁴⁸ A Canadian study of the economic contribution of volunteer activity found that its collective value exceeded that of some of the country's most prominent industrial sectors. In 1986-87 it was estimated that 5.3 million Canadians performed voluntary work and that each worked on average 191 hours, producing a total of 1.018 billion hours. The value of this work has been assessed, using an average service sector wage, at \$12.0 billion, an amount which exceeded the wages bill for six Canadian industries (trapping and fishing;

⁴⁶ James S House, Cynthia Robbins and Helen L Metzner "The Association of Social Relationships and Activities with Mortality: Prospective Evidence from the Tecumseh Community Health Study", *American Journal of Epidemiology*, Vol 116, No 1, 1982.

⁴⁷ Seminar Transcript, p 113 & 125-6.

⁴⁸ SA Commissioner for the Ageing, Submission, p 20.

agriculture; mines and oil wells; forestry; utilities; communications) and which was equal to 53 per cent of the wages paid in the entire retail industry.⁴⁹

3.99 Despite such a substantial contribution to the life of the community, society at large seems obtusely unaware of the immense amount of work done by older people. As the Victorian Retirement Advisory Association (VRAA) points out,

*Such work ranges for involvement in social service areas such as meals on wheels, unpaid work for organisations, and much unsung voluntary work in forming support networks for the frail, sick and elderly. Work in areas such as these results in considerable savings to society. Again it must be observed that older persons have become society's unpaid labour force.*⁵⁰

3.100 One of the problems in raising the status of volunteer work is that it claimed the low status of all care-giving occupations and, indeed, the low status of the aged themselves. As Dr Alice Day stressed, a society which values personal achievement (sporting, business, political etc) is unlikely to value altruism, so voluntary (or even paid) care-giving ranks low in social prestige, hence resources, along with the people assisted. It is thus necessary to look at volunteering and care giving and the contributions that older people are already making to the community, and to raise the status of care-givers as well as the aged.⁵¹

3.101 There are thus many neglected opportunities to develop volunteer potential further, thereby attuning the community's need for services with older people's skills, experience and willingness to apply them. At a time of high unemployment, the community is quite properly sensitive to the need to ensure that voluntary work does not replace existing paid jobs, or reduce the number of opportunities for creating new ones. But one of the most important things volunteers have to give is their time, and time is often the very commodity, which, despite their commitment to developing a "customer service" philosophy with a focus on timely and appropriate help for individuals, many community service agencies are finding at a premium in a difficult economic climate.

3.102 The challenge for volunteerism in the 21st Century, will be to explore different combinations of paid and volunteer labour, and to develop genuinely rewarding and stimulating volunteer opportunities instead of the menial or repetitive tasks which are currently often placed in the hands of volunteers.

3.103 Professor Encel mentioned the importance of voluntary associations, pointing out that Lord Beveridge, architect of Britain's post-war welfare state, had stressed in the 1940s that, whether welfare or recreation oriented, they do many things the bureaucracy

⁴⁹ *Economic Dimensions of Volunteer Work in Canada*, Report prepared for Department of the Secretary of State by David P Ross, Social Economic Research, Ottawa (January 1990), p 3-4.

⁵⁰ VRAA, Submission, p 9.

⁵¹ Seminar Transcript, p 148.

can do neither so well nor so cheaply. They should be supported (financially) because:

- they cut government costs. For a small outlay you can get a lot of services that would otherwise be non-existent or totally provided by government;
- they encourage the social networks which help the individual to retain and develop his identity and lead a meaningful social life.⁵²

3.104 In its submission the then Department of the Arts, Sport, the Environment, Tourism and Territories pointed to a possible role for volunteers in the cultural and heritage field. Already many people work as voluntary guides for art galleries and museums (for example, at the Australian National Gallery and the Australian War Memorial), and there is scope for extending such activities. As the Department suggests,

Many volunteer heritage organisations and institutions depend on volunteers to undertake a range of activities, which include the provision of services to other users. Most volunteers are individuals who have a strong interest in cultural/heritage issues during their working years and who turn to voluntary work to pursue this interest after their paid working life.⁵³

3.105 These ideas are in accordance with those of the English social historian, Peter Laslett, who points to the opportunities for the voluntary employment of retired people in cultural institutions like libraries, museums, art galleries and historic buildings - facilities that are now increasingly restricted in their opening hours and public services because of staff shortages. He also refers to the valuable work done by members of voluntary associations concerned with education and culture, and urges society to take more notice of such endeavours and to grasp its potential for enriching the Third Age lifestyle. As he writes with characteristic passion:

Time, or leisure rather - and a means to use it - has ceased to be the monopoly of an elite made up of hundreds, thousands or, at most, tens of thousands of persons. It is becoming a community of millions of our citizens, our elderly citizens, those in the Third Age. Some way, therefore, must be discovered to entrust them with our cultural future, and by the same means to relieve them of the burden of their present indolence.⁵⁴

3.106 The part played by volunteering in enriching the quality of life for older people was highlighted by submissions to the House of Representatives Standing Committee on Community Affairs' Inquiry into the Community Involvement of Retired Persons. The Committee's report recommended a number of practical initiatives, including improved financial support, aimed at further encouraging the volunteer effort of older people. The

⁵² Seminar Transcript, p 124-5.

⁵³ DASETT, Submission, p 7.

⁵⁴ Peter Laslett *A New Map of Life: The Emergence of the Third Age*, p 202.

Committee for Long Term Strategies commends these recommendations but emphasises that changes in employer and trade union attitudes will also be needed if volunteerism is to achieve its fullest potential. It is important to ensure that the employment of volunteers does not restrict job opportunities for professionals in any field of employment.

3.107 Volunteer work is more than an avenue for keeping older people and their skills productively involved in mainstream community life; it is also an avenue for extending or enhancing services in a way which the public sector in particular, is likely to have difficulty in achieving without major resource increases. It is this convergence of interest of older people's and the wider community's needs which merits further exploration and development.

COMMITTEE RECOMMENDATIONS - HUMAN RESOURCES

Discrimination Legislation

1 That the Commonwealth Government introduce comprehensive legislation, along the lines of that which already covers sex, race and disability, to make discrimination on the basis of age unlawful.

2 That the Human Rights and Equal Opportunities Commission run a community education campaign against age discrimination and "ageism" (negative stereotyped attitudes to the aged) and on the value of older employees.

Compulsory Retirement

3 That the Commonwealth Government abolish compulsory age-related retirement in the Australian Public Service and other Commonwealth employment areas.

4 That the Minister for Industrial Relations review industrial relations acts, awards and other relevant instruments to identify and remove provisions which could discriminate on the basis of age or which make it difficult to introduce more flexible working arrangements.

Flexibility in Employment

5 That the Minister for Industrial Relations, in consultation with the Minister for Health, Housing and Community Services and the Minister for Employment, Education and Training initiate an investigation of the possibilities for phased retirement and other methods of making employment at later ages more flexible.

Training Programs

- 6 That the Minister for Employment, Education and Training:
- conduct a review of Commonwealth job placement services and labour market programs so as to assess their relevance to and suitability for older workers;
 - reform and improve such programs so as to increase the participation of older workers and/or introduce new programs specifically targeted at older workers; and
 - take steps to increase the opportunities for older people to participate in retraining, reskilling and other vocational training programs.
- 7 That the Commonwealth Government, in consultation with the States and with union and employer bodies, take action to abolish upper age restrictions on apprenticeships and other vocational, industrial and job-oriented training programs.

Older Unemployed

- 8 That the Department of Employment, Education and Training conduct a detailed study of the characteristics and needs of the older unemployed.

Social Security

- 9 That the Minister for Social Security, in consultation with the Minister for Health, Housing and Community Services and the Minister for Employment, Education and Training, consider ways of modifying the age pension system so as to encourage older people to remain in or re-enter the workforce, (for example, by permitting retention of a percentage of pension that corresponds to number of hours worked).
- 10 That the Minister for Social Security consider ways of increasing the degree of local involvement in the assessment of social security entitlements, in order to maximise the sense of community and to make use of local knowledge.

Volunteers

- 11 That the Commonwealth Government consider ways of increasing Commonwealth support for voluntary organisations which cater for the needs of older people.
- 12 That the recommendations on volunteer work made in the report from the House of Representatives Standing Committee on Community Affairs, *Is Retirement Working: A report on the community involvement of retired persons*, recommendations 10 to 15, be implemented, with particular reference to reimbursement of expenses (Recommendation 10) and extension of insurance cover (Recommendation 11).

Collection of Statistics

- 13 That the Australian Bureau of Statistics calculate the value of unpaid work and include such figures in the National Accounts and appropriate ABS publications.

CHAPTER 4

MYTHS AND REALITIES OF THE DEPENDENCY QUESTION

4.1 One of the questions most frequently encountered by this inquiry is whether Australia can afford the coming increase in the aged population. At first sight this seems an ordinary sort of accountant's question (like "Can we afford a new car?"), but decisive differences emerge when we consider the answers. If we can't afford a new car, we don't buy one, and nobody suffers. But what if we decide that we "can't afford" the coming increase in the aged population? There are so many sinister implications flowing from such a decision that it is clear the question must be rephrased. Because an increase in the aged population is coming whether we like it or not, we must ask what we have to do in order to be able to accommodate it decently.

4.2 The evidence presented to this Committee suggests that this will not be nearly such a severe problem as has sometimes been supposed.

4.3 Typical of the alarmist reports which have appeared in newspapers and magazines over the past few years is "Time Bomb for Baby Boomers", (*Bulletin*, 10 September 1991). This recycles a number of journalistic clichés and inaccurate figures about Australia's demographic future, particularly the fear that population ageing is a "time bomb" that threatens to blow the economy to pieces. Any responsible society would be concerned about the fiscal implications of an open-ended commitment like the age pension, and it is obviously true that demographic change will require changes to social attitudes and institutional arrangements, but "time bomb" is altogether too strong an expression.

Dependency Ratios

4.4 Much has been made of supposedly worsening dependency ratios. Even the Information Paper attached to this inquiry's Terms of Reference asks, "How can a smaller and smaller workforce support a larger and larger retired population?". But if the workforce does get smaller, this will not be because of demographic change, since the proportion of the population at workforce age (15-64) will in fact increase slightly between now and 2021, as the following table shows:

Table 4.1: Dependent and Workforce Age Groups, 1988-2021 (per cent)

Year	Dependent Young %	Dependent Aged %	Dependent All Ages %	Workforce Age Group %
1988	27.8	13.5	41.3	58.7
1996	25.5	14.0	39.4	60.6
2001	23.9	14.4	38.3	61.7
2021	19.8	20.9	40.7	59.3

Source: Department of Community Services and Health (DCSH), *The Impact of Population Ageing on Commonwealth and State Social Outlays*, quoted in DCSH Submission, p 10.

4.5 There may be a decline in workplace participation for this age group, because of recession, restructuring, loss of industries, retrenchments, early retirement etc, but these are *economic* or *social* issues, not the consequences of demographic change.

4.6 It is thus misleading to claim (as in the *Bulletin* article) that by 2031 the number of workers supporting each pensioner will have halved from six to three. It is true that aged dependency is increasing, but it is also true that youth dependency is falling by almost as much. The total dependency ratio (the number of persons 0 to 14 and over 65 per 100 persons of working age) has declined from 63 in 1961 to 50 in 1989. It is expected to decline further, to 47 in 2011, before rising to 59 in 2031 - a figure still below the dependency level of the early 1960s.

4.7 A more accurate measure of dependency is given by the labour force dependency ratio, which is defined as the ratio of persons aged 0-14 and over 15 who are not in the labour force to persons aged over 15 who are in the labour force. This figure has fallen from 143 per hundred in 1961 to 108 in 1989, and is projected to rise only slightly in the coming decades: to 111 per hundred in 2011 and 117 in 2021. In short, the number of dependents that each person in the labour force will have to support will be lower in the future than in the 1960s and 1970s.

4.8 As the authors of a recent study of the "ageing" of Australia, Japan and the United States observe, the trend in dependency ratios gives cause for relief rather than alarm:

The total labour force dependency ratio was highest in Australia in 1960, when it was nearly 150. By 2020 the total labour force dependency ratio in Australia is projected to decline to 110. This projected decline is the result of declines in the child labour force dependency ratio from 74 in 1960 to 41 in 2020, as well as a decline in younger adult dependency brought about by the increased labour force participation of women. The declines in child and younger adult dependency more than offset projected increases in aged labour force dependency ratios over 1960-2020.¹

4.9 As John McCallum emphasises, population ageing occurs in the context of general population growth:

At no time in the next century before 2026 will the relative numbers of children and older people compared with the working age population (one type of dependency ratio) exceed the ratio in 1961, when the number of children relative to the working age population was high but the number of older people relatively low. Further, even with low net migration of 50 000 a year, the proportion of the working population aged 15-64 years is expected to remain above the 1981 level until 2021 and above the 1961 level until 2046.²

¹ Schulz et al, *The Economics of Population Ageing*, p 77-78.

² McCallum, in *Australia's Health 1990*, p 197-8.

4.10 Finally it should be remembered that "dependency ratios" are an incomplete and inadequate measure of social trends, a "very thin reed" as Schulz et al call them. Considering how much reliance is placed on them in alarmist accounts of the demographic "time bomb", they find it

*truly amazing to see so many important assertions and conclusions based on such a limited analytical concept. ... these demographic ratios are only one small indicator of what the future economic situation will be with regard to population ageing. Yet given the lack of better information, these ratios are the cornerstone today of most policy discussions related to the economic burden of future population structures.*³

4.11 What dependency ratios ignore is information on the impact of:

- . the differential expenditure patterns of the very old and the very young;
- . economic growth;
- . the early retirement phenomenon;
- . changing societal expectations regarding the levels and adequacy of retirement income; and
- . the changing nature of work opportunities for older people.⁴

The Cost of Population Ageing

4.12 A steady or slightly declining dependency ratio does not mean that total social expenditure on the dependent will necessarily decrease. Various studies have shown that per capita average public expenditure on the aged is two or three times as much as that spent on the young. The decreasing proportion of young and increasing proportion of old may therefore require higher expenditure than before. The different costs of the young and the aged should come as no surprise. The dependent elderly cost more, first because they make the heaviest demands on the income maintenance and health systems; and, secondly, because a smaller proportion of their costs is met privately (that is, by their families, unlike the costs of caring for children).

The Public Costs

4.13 To give and not to count the cost may be the injunction of the prayer, but it is not the practice of wise governments, which are in the habit of counting everything they can. Counting the cost of projected increases in the aged population has been the task of

³ Schulz et al, p 2-3.

⁴ Schulz et al, p 3.

several agencies, which have produced numerous analyses over the past decade. In 1984 the Social Welfare Policy Secretariat examined the extent to which the expected increase in expenditure on the aged could be offset against declining expenditure on children and young people. The study concluded that:

- . Commonwealth per capita outlays on the aged were four times those on the young;
- . State per capita outlays on the aged were half those on the young;
- . for the Commonwealth and States combined, the ratio of per capita outlays on the aged to per capita outlays on the young was 2.08 in 1980-81; and
- . projecting outlays on the basis of population projections, existing revenue raising capacity would have covered Commonwealth and State outlays combined until after 2011, although if the Commonwealth was considered separately, additional revenue sources would be required between 2001 and 2011.⁵

4.14 A more recent (1988) study by the Economic Planning Advisory Council (EPAC) found that if the value of age pensions increased in line with general living standards and the pension take-up rate remained constant, expenditure on the age pension would increase from 2.8 per cent of GDP in 1985 to 4.5 per cent in 2025. When EPAC considered total social expenditures (health, welfare, education, employment programs and social security), however, it found the increase to be much smaller. EPAC estimated that, even in the unlikely event of no improvement in labour productivity, the ratio of social expenditure to GDP would grow from 20 per cent in 1985 to 22.5 per cent in 2025, a figure it considers quite sustainable.⁶

4.15 More recently the Policy Development Division of the then Department of Community Services and Health (DCSH) has completed a new analysis of the dependency patterns on state and Commonwealth Government outlays on different age groups. This analysis shows that:

- . Commonwealth per capita outlays on aged persons remain four times those of the States, although the States' contribution has increased since 1980-81.
- . Per capita Commonwealth and State outlays on aged persons are twice those on the young, but have risen slightly since 1980-81.

⁵ SWPS, "The Impact of Population Changes on Social Expenditures: Projections from 1980-81 to 20-21", quoted in Department of Community Services and Health, *The Impact of Population Ageing on Commonwealth and State Social Outlays* (1990), p 1.

⁶ Economic Planning Advisory Council, *Economic effects of an ageing population* (Council Paper No. 29, Canberra, EPAC 1986), Table 7, p 24.

Taken together, Commonwealth and State social outlays would still be adequately met by present revenue raising capacity up to 2011 despite population ageing, due to:

- the rate of growth in the population of workforce age (allowing for current dependency levels); and
- the rate of decline in the young dependent age group.

Taking the Commonwealth alone, however, additional capacity would be required after the turn of the century with a substantial increase after 2011.⁷

4.16 Detailed tables are reproduced in Appendix 5. These show the extent to which differential rates of change in different population groupings affect overall outlays, particularly where the group undergoing the greatest change relative to the total population is also the group attracting the greatest outlays. In other words, changes in population numbers are not, on their own, adequate indicators of the likely extent of cost changes. This can be seen from Table 4.2, in the difference between the population dependency ratio between 1987-88 and the dependency burden over the same period. Both measures are concerned with the relationship between the dependent population and the population of workforce age, which is assumed to bear the full cost of dependency on government services.

4.17 The former is the ratio of the population in the dependent groups to the population of workforce age, while the latter represents the per capita cost to each person of workforce age of the dependent population.

4.18 The population dependency ratio actually falls quite substantially throughout the period, from 1.00 to 0.88 (assuming 1988 has the value of 1.00), because the population of workforce age is projected to grow much faster than the dependent groups counted together.

⁷ *The Impact of Population Ageing on Commonwealth and State Social Outlays*, p 2.

Table 4.2: Index of dependency burden on population of workforce age 1987-88 projected to 2021

	1988	1991	1996	2001	2011	2021
<u>Population Dependency Ratio</u>						
Population of workforce age (mill.)	9.63	10.32	11.20	11.93	12.83	13.00
Population young and aged (mill.)	6.77	6.94	7.29	7.39	7.91	8.89
Population dependency ratio	0.70	0.67	0.65	0.62	0.62	0.68
Dependency relative to 1987-88	1.00	0.96	0.93	0.88	0.88	0.97
<u>Dependency Burden</u>						
<u>Commonwealth Dependency Burden</u>						
Population of workforce age (mill.)	9.63	10.32	11.20	11.93	12.83	13.00
Commonwealth outlays (\$'000 m.)	38.61	40.98	44.06	46.42	52.55	60.49
Dependency burden (\$ per capita)	4 009.13	3 970.93	3 933.93	3 891.03	4 095.87	4 653.08
Dependency burden relative to 1987-88	1.00	0.99	0.98	0.97	1.02	1.16
<u>State Dependency Burden</u>						
Population of workforce age (mill.)	9.63	10.32	11.20	11.93	12.83	13.00
State outlays (\$'000 m.)	15.15	15.85	16.64	16.99	17.89	19.31
Dependency burden (\$ per capita)	1 573.48	1 535.85	1 485.71	1 424.14	1 394.39	1 485.38
Dependency burden relative to 1987-88	1.00	0.98	0.94	0.91	0.89	0.94
<u>Commonwealth/State Dependency Burden</u>						
Population of workforce age (mill.)	9.63	10.32	11.20	11.93	12.83	13.00
Commonwealth/State outlays (\$'000 m.)	53.76	56.83	60.70	63.41	70.44	79.80
Dependency burden (\$ per capita)	5 582.55	5 506.78	5 419.64	5 315.17	5 490.26	6 138.46
Dependency burden relative to 1987-88	1.00	0.99	0.97	0.95	0.98	1.10

Source: *The Impact of Population Ageing on Commonwealth and State Social Outlays, Table 2.10, p 13.*

4.19 Despite this trend, the dependency burden is lower at the end of the period than the beginning only for the States. For the Commonwealth and States together, it stays below 1.00 until 2011, while for the Commonwealth alone, it rises above its 1988 level between 2001 and 2011. This indicates that, if 1988 policies remained unchanged and only the population changed, the States would have a reduced requirement for social outlays, with the Commonwealth and the States combined being able to cover their social outlays until after 2011. On its own, the Commonwealth would require additional revenue raising capacity before 2011.⁸

4.20 It is clear from these figures that, while the Departments of Health, Housing and Community Services and Social Security will need extra funds to maintain their current range and quality of age care services, there is no suggestion that the Australian economy will not be able to supply the necessary increases. Indeed, as the EPAC study shows, this would be possible with a minimal level of economic growth.

⁸ *ibid.*, p 12-13.

4.21 While the recession may generate fears about the nation's capacity to pay for anything at all, it should not be thought that the aged are the main problem. As the South Australian Commissioner for the Ageing points out,

While it is true that those countries with a long history of universal provision of income support have begun to question their ability to maintain this commitment, there is no evidence that their economic well-being or growth are jeopardised by the demographic shift towards an older population. Indeed, as the Director of the Australian Institute of Family Studies, Dr Don Edgar, has recently suggested: "the oldest countries usually have the highest standards of living, the best medical care, the greatest industrial development and technology. An older population is a consequence of societal success and affluence".⁹

Unemployment

4.22 None of the studies referred to here has devoted much attention to the impact of unemployment on dependency ratios. Obviously, if the increase in labour force participation rates disguises an increasing number of unemployed, total real dependency is increasing, even though the tables cited here do not include the unemployed in their dependency calculations. Quite the reverse: unemployed who are looking for work are counted as part of the labour force and thus numbered among those who are reducing the dependency burden. This eccentric numbering would appear to be a serious weakness in available statistics.

4.23 The Department of Social Security has published figures which show the proportion of persons receiving any government benefit in relation to both the total population and the labour force. The figure for the later rose from 37.2 per hundred in 1978 to a peak of 47.1 per hundred in 1983 (the depth of the then recession), after which it declined to 40.6 per hundred in 1988 (see Table 8.3). Later figures and projections for the 1990s are not readily available, but whether the proportion continues to decline or turns upward again depends largely on whether the unemployment rate falls or rises. One implication of this table is that it makes comments like the one about the number of workers per age pensioner halving from six to three pretty meaningless: in 1983 there were only just over two workers for each social security beneficiary, yet the nation did not collapse.

⁹ Commissioner for the Ageing, South Australia, Submission p 5.

Table 4.3: Social Security Pensioners and Beneficiaries and Veterans Affairs Service Pensioners and Net War Widows, 1978-88

Benefit Group	Year	Per hundred persons in the labour force	As a % of the total population
All DSS pensioners & beneficiaries & DVA service pensioners & net war widows	1978	37.2	16.6
	1979	38.6	17.3
	1980	39.0	17.7
	1981	39.7	18.0
	1982	41.4	18.7
	1983	47.1	21.3
	1984	45.5	20.8
	1985	44.3	20.4
	1986	43.4	20.4
	1987	42.5	20.2
	1988	40.6	19.5

The figures include age, invalid and service pensioners, as well as those on supporting parent's, unemployment and sickness benefits.

Source: Department of Social Security, *Pensioners and Beneficiaries as a Proportion of the Population and Labour Force Australia 1978-88*, Canberra, 1988.

4.24 It is misleading, in any case, to make a direct correlation between actual pensioners and persons of pensionable age (men 65, women 60), since not all persons of eligible age receive the age pension. The following table shows past percentages and projections for the next few years.

Table 4.4: All age pensioners as a percentage of the population at age pension age

ACTUAL		PROJECTED	
1980	76.8	1991	58.3
1981	75.9	1992	59.8
1982	74.2	1993	59.5
1983	73.5	1994	59.2
1984	69.8	1995	59.3
1985	66.5		
1986	64.0		
1987	62.1		
1988	60.8		
1989	59.4		
1990	58.2		

Source: *Pensioners and beneficiaries as a proportion of the population and the labour force, 1980-1990* (DSS), Table 1. Projected figures supplied by DSS.

4.25 These figures show that in 1991 considerably less than two thirds of the eligible population received the age pension. The proportion of those that do has declined from 77 per cent in 1980 to 58 per cent in 1990, and it seems to be stabilising at around 60 per cent. Whether the proportion rises or falls in the future depends on whether further changes are made to pension eligibility rules (like the assets test) and the extent to which superannuation cover replaces pensions as a source of retirement income.

4.26 The figures for pension uptake are greater if war service pensions are included. The total number of all age and service pensioners, plus war widows, as a percentage of the eligible population, are shown in this table.

Table 4.5: Age and service pensioners as a percentage of eligible population, 1981-1991

1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
86.2	85.3	85.6	83.0	80.6	79.0	77.7	78.0	76.9	75.8	75.6

Source: *ibid*, Table 2.

4.27 Note the very large difference that the inclusion of service pensioners makes. The figures are declining, however, and should decline further. So long as Australia stays out of wars in the coming decades, there should be a fairly rapid decline in this category over the next twenty years or so, since World War II veterans are now reaching the end of their life expectancy, and the number of Vietnam veterans is hardly large enough to make a significant difference.¹⁰

4.28 The lesson from the two preceding sets of figures is that the best ways to contain and to pay for aged dependency are:

- . to maintain full employment;
- . to stay out of wars.

4.29 Although it is a separate question from specifically aged dependency, unemployment will have its indirect effects in lost income to carers' families, lost taxation receipts to the government and increased expenditure on unemployment relief and job training. Early retirement was originally justified as a means of reducing unemployment by making room for younger workers, and in recent times it has been used by employers, especially governments, as a means of cutting running costs by reducing staff numbers. If the recession worsens, the nation will of course find it harder to pay for everything, not just the aged; but, equally, any problem there may be in looking after the latter will become correspondingly more serious. The EPAC estimate quoted earlier assumed no growth in GDP and no rise in unemployment from 1985; with falling GDP and rising

¹⁰ See reply from Minister for Veterans' Affairs, given by Senator Tate to Senate Question No. 1428, Monday 9 December 1991 (Daily Senate Hansard, p 4448).

unemployment, its figures might not be so optimistic. The point to remember is that Australia's capacity to care properly for its aged depends less on their numbers than on the general prosperity of the nation.

Ageing Not the Main Issue

4.30 Despite media alarmism about the increasing burden of the aged on health and social security expenditure, there is a consensus among academic researchers and voluntary agencies that ageing in itself will not be a problem (that is, that the aged will not impose an intolerable social security and health care burden on the fiscal system) so long as demographic change is not confused with the very real problems caused by the recession and poor performance in the economy generally. Demographic change may expose inadequacies in economic and social institutions and practices, but the former is not in itself the problem.

4.31 There is clear evidence, for example, that demographic change has not been the major factor in the increase in health and social security costs in recent years. While older people are major users of health systems, the ageing of the population is at best a minor factor in historical cost increases. Technological changes, inappropriate or poorly directed policies, and generally increasing usage rates have all played a part, and in recent years have begun to target health and community services expenditures towards more appropriate goals. Further rationing of publicly provided nursing home beds and home and community services will occur as the increasing numbers of "old old" create increased demand. One important development will be the expansion of support to informal carers and the co-ordination of formal, public services with those provided by family, friends and neighbours.

4.32 None of this is to argue that population growth will cause no cost pressure at all, but moderate increases in economic growth can cover age related increases in costs of health and welfare for older people.¹¹ There is no evidence of a budgetary crisis arising from population ageing, though costs will of course rise. Taking expenditures on hospitals, nursing homes, medical services and pharmaceuticals, there was a 7.3 per cent increase in costs per person between 1975 and 1985. Projecting the patterns of expenditure in 1985-86 shows that there is a substantial expected increase to 2005 of 14.8 per cent and to 2025 of 18.2 per cent due to population growth alone.¹²

4.33 As John McCallum argues in relation to health expenditure, the nature of government policies rather than demographic ageing underlie the increasing costs of providing services for older people. Between 1976-77 and 1981-82 Commonwealth recurrent expenditures on nursing homes increased 144 per cent (an average annual increase of 19.5 per cent), and became the subject of inquiries and concerted policy development. Between 1985-86 and 1990-91 the rate of increase was constrained to 59

¹¹ EPAC, *Economic Effects of an Ageing Population*.

¹² McCallum, AIH, p 238.

per cent (an average annual increase of 9.7 per cent), about the rate of increase of age pension expenditures (Table 4.6). At the same time the growth in the population aged 70 years and over was much less than the rate of cost increase: 18 per cent for the second half of the 1970s and 13 per cent for the second half of the 1980s.¹³

Table 4.6: Changes in Commonwealth expenditure on aged persons, 1976-77 to 1981-82 and 1985-86 to 1990-91

	Percentage change 1976-77 to 1981-82	Expenditure (\$m)		Percentage change 1985-86 to 1990-91
		1985-86	1990-91	
Geriatric assessment	-	4.0	26.0	550
Nursing homes (a)				
Hostels (a)	144	1 010.0	1 607.5	59
HACC (b)	118	59.4	337.8	468
DNCB (c)	70	115.0	282.9	146
Age pensions	162	25.4	33.5	32
	82	5 897.2	9 088.3	54
Population 70+			(000)	
	18	1 148.4	1 292.6	13

(a) Recurrent expenditure

(b) Home and community care program

(c) Domiciliary nursing care benefit

Source: McCallum, AIH, p 230.

4.34 As the then Department of Community Services and Health points out, "changes in population numbers are not, on their own, adequate indicators of the likely extent of cost changes".¹⁴ In relation to pension outlays it has been calculated that between 1959-60 and 1985-86, demographic change contributed 40 per cent of the increase, expanded coverage 24 per cent, and increased real payment levels 35 per cent. It is the entire economic and social context that matters, not just the number of the elderly.

4.35 Indeed, Schulz et al argue that, in the overall context of global social and economic developments over the next thirty years, age is not a key issue:

Not only is most of the "burden of the elderly" literature over-simplistic, it encourages us to look for solutions in the wrong places. Today, as in the past, the most important determinants of the future economic welfare of people (of all ages) are the longstanding factors discussed by economists and others as influencing growth: labour force participation, saving, investment in human and business capital, technological change, entrepreneurial initiatives, managerial skills, government provision of

¹³ McCallum, AIH, p 230.

¹⁴ DCSH, Policy Development Division, *The Impact of Population Ageing on Commonwealth and State Social Outlays* (1990), p 12.

*infrastructure, and so on. Thus the debate over how best to run an economic system is not primarily an ageing discussion. In fact, the ageing of populations may have little to do with the outcome.*¹⁵

4.36 As one of the submissions to the inquiry pointed out in simple language, a decreasing proportion of the working population may still be able to support an increasing proportion of the retired, because, first, new technology etc allows a smaller workforce to produce more goods and services (indeed, one of the problems is that automation and restructuring have permanently reduced the demand for labour, with the consequence that full employment, as we knew it in the 1950s and 60s, will probably not be seen again.); secondly, superannuation and savings will support a growing number of retired people; thirdly, older people no longer feel that retirement is a time to do nothing; fourthly, the growing numbers of retirees are improving their own lifestyle by their own efforts and contributing to community welfare as volunteers; and fifthly, more retirees are mentally alert and physically healthy and thus capable of looking after themselves and others.¹⁶

4.37 Demographic change will create pressure for change in social institutions and practices, but it is important to recognise this fact and not to misread the signs, for example, by assuming that the social arrangements are satisfactory and it is the demographic realities (ageing) that constitute the problem which must (somehow) be changed. As John McCallum argues:

*We must begin to reach some consensus on where we would like to be heading in terms of lifestyle of our ageing population. The Australian tendency to leave politics and social change to somebody else, mostly to happen by default, may be a problem here. While lifestyle matters like diet and exercise can be dealt with by public and private promotions in the privacy of ones home, social change cannot. It is far easier to talk about the costs of an ageing society than about the lifestyle implications that flow from it. Particularly the socio-cultural components of lifestyle involve matters of social ethics and politics about which agreement is difficult to reach and in which we have shown little sustained conviction for change in the recent past.*¹⁷

Who is dependent on whom?

4.38 Finally it must be asked whether dependence is a fair or accurate way in which to characterise the position the elderly at all. There is abundant evidence that, far from being dependent on their children or society, older people help and support others in a

¹⁵ Schulz et al, p 341.

¹⁶ Mr R E Taplin, Submission.

¹⁷ McCallum, "Lifestyle implications of Australian retirement patterns", p 11.

variety of ways. In this, allowing for differences of wealth and period and between life and fiction, they might be seen as resembling one of the great female characters in Australian literature: Alice Langton, the grandmother of the narrator in Martin Boyd's novel, *The Cardboard Crown*. Because of her unrelenting generosity to other members of the family, Alice was known as the "onion woman", after an old Italian myth. The latter was, as Boyd writes,

A woman who had lived a life of unrelieved wickedness, except that once she gave an onion to a beggar. She died and went to Hell. As the mercy of God is infinite, an angel let down an onion and told the woman in torment to grab it, which she did, and was pulled up towards Heaven. But a lot of other damned souls hung on to her skirts. This is the only part that is applicable to Grannie. She always had this weight on her skirts. The onion woman kicked them off, so the angel let go the onion and they all flopped back into Hell. But Grannie never kicked them off, and it's the remains of her fortune, divided up, that still keeps us more or less out of the gutter. Her life might make a novel.¹⁸

4.39 And many such make a report from a parliamentary committee!

4.40 As Dr Don Edgar has written, elders are centrally involved in supporting family life. In Hal Kendig's 1983 study of the aged, it was found that older people were more likely to be providers than recipients of many kinds of support. Many grown offspring, especially separated sons, return to live with their parents. The aged are twice as likely to give money to their families than the reverse. Close to half the Sydney sample of old people had given practical help to others, from child-minding to transport assistance. A quarter of old people serve as volunteers and serve longer hours in the social services.

4.41 Edgar adds that researchers have found that, with increasing age, the net transfer of resources to the young increases. The Family Formation project, a longitudinal study by the Institute of Family Studies, found that there was a significant volume of reciprocal inter-generational help being received and given by grandparents, parents and children. In describing the flow from the elders to the young, the study notes:

- . 76 per cent offered emotional support at times of crisis;
- . 61 per cent provided care in sickness;
- . 38 per cent provided assistance with home renovations;
- . 37 per cent helped with major purchases;
- . 27 per cent helped with tertiary education expenses;
- . 33 per cent assisted with the deposit for house or flat;

¹⁸ Martin Boyd, *The Cardboard Crown* (1952), Cresset Press edn, p 12.

14 per cent provided money for travel; and

12 per cent provided bond money.

4.42 As Dr Edgar asks, just who is dependent on whom?¹⁹

Is there an Ageing Problem?

4.43 There are naturally differing views on the extent to which the ageing of the Australian population, as outlined above, constitutes a problem. Demographers and gerontologists seem to be the least alarmed and the most concerned to explain why panic is unnecessary, while policy analysts and generalist sociologists seem anxious to ring the alarm bells. The distinguished demographer, Dr Christabel Young, has written:

*The ageing of Australia's population is not as serious as some alarmists claim since: Australia has one of the youngest populations among all Western countries and this is still likely to be the case during the next 40 years; the ageing of the population will proceed slowly until 2011; and the ageing will be accompanied by an increase in the proportion of persons at the working ages. During the next thirty years Australia will have a higher proportion at the working ages than at any time since the Second World War. Moreover, the labour force dependency ratio is expected to remain considerably lower than the levels observed in the 1950s and 1960s until at least 2021, even with a low level of net migration.*²⁰

4.44 In the most recent edition of his sociology textbook, however, Dr Michael Jones refers several times to an "aged dependency crisis". Surveying the statistics on aged dependency and the extent of government spending on the aged (in pension and health payments), he writes that "the growth in the aged population dependent on government pensions is a central problem in Australia and other western societies". The crisis arises not simply from the increase in the proportion of the aged, but from the high proportion of the aged who rely on the Commonwealth Government pension for their income, a problem aggravated by the current recession and likelihood of slow economic growth in the foreseeable future. Dr Jones hardly justifies his use of a word like "crisis", and some of the figures on which he bases his alarm are the same as those which EPAC cites as a reason to remain calm, but such awareness that the broader economic situation is relevant to the dependency issue.²¹ While the increasing number of the aged might not in itself be a serious problem, the combination of this trend with a severe recession, as in the 1890s, could tell a different story.

¹⁹ Don Edgar, "Ageing - Everybody's Future", *Family Matters*, No. 29 (December 1991).

²⁰ Christabel Young, *Australia's Ageing Population: Policy Options*, p xiii.

²¹ Jones, *The Australian Welfare State*, p 114-5.

4.45 Much of the fear of an aged dependency burden is really fear about the burden of the unemployed - who are, of course, serviced by the same government department. Yet it is strange that objection is made to "dependent" old people when so much effort for the past twenty years has been directed at getting them out of the workforce. The obvious solution to such a problem is to allow and encourage them to remain in the workforce, but this is not an easy course of action when there are already a million workers surplus to the requirements of the economic system. In such a circumstance there is reluctance to increase the number of older people with jobs because of fear that this could only increase unemployment among those of "natural" working age (25-55). These fears would not exist if Australia did not already have a million unemployed, the effect of which is greatly to reduce the scope for improving the lives of the elderly by:

- . provoking fears about capacity of the tax system to cope;
- . discouraging attempts to keep older people in the workforce;
- . creating a mental disposition to regard anybody on Social Security benefits as a welfare bludger and a drain on the productive.

4.46 An expanding economy obviously offers greater scope to improve quality of life, for the young as much as the elderly, than a stagnant or contracting one, as the following table illustrates:

Table 4.7: Potential of the economy to absorb increased expenditures on dependents

	Average Economic Growth Rates (1950-2020) (% per year average)				
	1.0	2.0	3.0	4.0	5.0
Country					
Australia	0.82	1.65	3.27	6.42	12.55
Japan	1.32	2.62	5.19	10.21	19.95
United States	1.08	2.15	4.26	8.38	16.38

Amount by which real expenditure could rise without reducing workers' living standards.

Source: Schulz et al, p 106.

4.47 From this table it appears that Australia has less potential to increase expenditure on dependents than Japan or the United States, but that there is still considerable room for manoeuvre.

4.48 Denying that Australia faces an age dependency crisis, Dr Edgar reminds us that

*What Australia does face, however, is a system riddled with outmoded structures, outmoded work regulations, outmoded retirement and superannuation provisions, inadequate community-based family support, and a media archaic in its social understanding, stuck in the cult of youth and pushing an image of "the aged" that denies their status as elders where resources can and should be drawn upon.*²²

4.49 It is somewhat hypocritical for society to call the aged unproductive when we compel them to stop working at 60 or 65 and when major employers, both government and private, have forced older employees to take "early retirement" as a means of reducing the payroll and, as the moral sweetener would have it, making room for the young. It will not be the smallest benefit they have to offer if the coming demographic changes force us to rethink these and many other policies.

"Economic Rationalism" : A brief note

4.50 Speaking at the Committee's seminar, the South Australian Commissioner for the Ageing, Mr Lange Powell, reported the case of a meeting of health and social welfare ministers at which one state submitted a paper on strategies for financing aged and health care services which stated, "The ageing of the population is exacerbated by increasing life expectancy through improvements in health care techniques and medical technology". As Powell commented, "If increased longevity and quality of life are not the end product of advances in medical science and health care, why pursue them at all?"²³ The idea of "the aged as burden" is consistent with an extreme economic rationalist view of the world, in which only those of direct value to the economy deserve to exist.

4.51 Economic rationalism is a still influential but increasingly questioned theory which holds that the less governments do the better. In particular, in the words of a supporter,²⁴ it asserts that the market can achieve economic and social goals better than governments, whose attempts to regulate such matters amount to an interference which prevents the market from performing at its best. The economic rationalist viewpoint has become deeply entrenched in the Treasury and other key policy areas of the Australian Public Service over the past decade, though it has recently come under scrutiny, particularly in Professor Michael Pusey's study²⁵, and under attack from a variety of public figures.²⁶

²² Edgar, "Ageing - Everybody's Future".

²³ Seminar Transcript, p 137-8.

²⁴ John Stone, *Background Briefing*, Sunday 1 September 1991, p 3 of MICAH transcript.

²⁵ *Economic Rationalism in Canberra* (Melbourne, Cambridge University Press, 1991).

²⁶ Hugh Stretton, Malcolm Fraser & Ian MacPhee, among others.

4.52 A detailed exposition of the tenets of economic rationalism is beyond the scope of this inquiry, as is an account of the arguments of its critics, but the matter deserves brief attention here because of the implications of economic rationalism for age care services and thus the quality of life of the elderly. Unless they have economic clout (i.e. purchasing power, which means significant discretionary income), the aged may lose out disastrously if the trend towards a more market-oriented society continues. All areas of life are affected (for example housing, entertainment, transport, communications, banking, health). Since the effect of market forces is to ensure that those with the most purchasing power do best, those with the least do worst.

4.53 The spectre of economic rationalism lies behind much of the current debate about age care services and, in particular, the supposed cost of the aged, and it came up repeatedly in the course of the Committee's seminar. Ms Kathy Sanders first raised the issue of economism when discussing contrasting approaches to welfare. On the one hand there was humanism, which entailed a compassionate concern for welfare of humanity, and the belief that society is (morally) obliged to do whatever is possible to ensure that the last years of life are full and satisfying. Its problem is that it advocates life at all costs, a position which leads to conflict with high-tech medicine and an open-ended financial commitment. On the other hand there was economism, which demanded justification by economic utility and reliance on the market to allocate social resources. With the rise of economism, arguments for (eg) the Home and Community Care program have changed from the argument that it would provide better care to the proposition that it would provide cheaper care. The problem with economism is that not all "buyers" in the marketplace are equally informed or have equal purchasing power.²⁷

4.54 Lange Powell defined economism as the policy of allowing public sector finance constraints and private market forces to be the prime movers in social policy decisions. In his view this policy swamps the values placed on discourse with older people in developing the kind of services etc they need and want, and distorts consumer demand (be responding most to those with most resources - as in real estate). It is a "blunt instrument" for designing the services and facilities we need.²⁸

4.55 Hal Kendig pointed to a contradiction between the values of the economic rationalists and the "addictive" nature of education. The rationalists will ask why such "soft" (i.e. non-vocational) stuff is being funded. He suggested three possible types of response: an argument based on rights (philosophical-legal justification); and argument on based on demand (politicians keeping constituents happy); and an argument based on cost-benefit analysis (participants are going to be happier, healthier and more useful members of society).²⁹

²⁷ Seminar Transcript, p 8-9.

²⁸ Seminar Transcript, p 35-6.

²⁹ Seminar Transcript, p 86-87.

4.56 The problem in education is that education is now increasingly seen in utilitarian terms - as training to improve economic performance. Yet lifelong education as discussed at the seminar is seen as having different objectives: you learn what you want, how you want and when you want it for reasons of personal satisfaction.

4.57 One of the present dilemmas was whether we are looking towards a more efficient kind of society ("Show me where the financial return is or you go down the gurgler"), or whether we are looking for a society which is really based on different kinds of criteria and which is more co-operative.

4.58 The Committee also encountered considerable concern among writers of submissions and other material drawn to its attention that the continued advance of economic rationalist policies would probably harm the interests of elderly people. The University of the Third Age, Victoria wrote:

Whilst it may be general opinion that the retired person has become redundant as far as employment is concerned, and consequently a liability to society, one should not lose sight of the fact that the retired people are those who have laboured for many years to create a better future for subsequent generations. The least the government of the country can do is to provide facilities whereby senior citizens can experience the realisation that their labour and sacrifice have not been in vain and that in retirement they can still form part of an active society and enjoy the pleasures and privileges that go with it.³⁰

4.59 Dr Don Edgar, Director of the Institute of Family Studies, also expressed concern:

The danger with a prevailing philosophy of individualism are, first, that it ignores the crucial interdependence of groups and individuals and, secondly, for those who do not have the resources to back up that inner sense of control, it is the individual that is regarded as being at fault, not society. Combined with a narrow philosophy of utilitarianism, where only the "useful" is "good", the cultural view of ageing becomes either a psychological scrapheap or a frenetic scramble by the aged to prove that they are still fit, active and able to contribute.³¹

4.60 The consensus of the seminar and the submissions made to the inquiry was that economic rationalist policies could not be relied upon to ensure quality of life for the ageing population.

³⁰ U3A Victoria, Submission, p 1.

³¹ Edgar, "Ageing - Everybody's Future", p 8.

COMMITTEE RECOMMENDATIONS - THE AGED IN SOCIETY

14 That the Commonwealth Government recognise -

- . that the changing demographic structure of the population requires reassessment of the value and importance, both socially and economically, of life outside traditional work. The capacity of people to confer value (that is, value without a dollar equivalent) on their own "labour time-use" will be increasingly significant when expectation of far longer active life coincides with a likely reduction in the length of the paid work life, especially physical work;
- . that the increasing absolute and relative numbers of the aged in Australian society do not impose a burden on the economy or threaten the viability of the health and welfare system; and
- . that such demographic changes raise questions about social practices and institutions that need to be solved in a rational and consensual manner.

CHAPTER 5

THE FUTURE OF WORK AND LEISURE¹

5.1 Australia is a "post industrial society", using the term as a neutral description of an economy where the majority of the labour force is no longer employed in agriculture, mining, manufacturing, construction and directly related industrial services such as retailing, storage and transport. About 76 per cent of the Australian labour force is employed in services, as conventionally defined. Manufacturing reached a plateau as a proportion of the labour force in Australia in 1945, stayed there for two decades, then started to fall, a 40 per cent contraction over 21 years (27.6 per cent in 1965, 16.5 per cent in 1986).

5.2 This "post industrial" phenomenon also occurred in the United States, the United Kingdom, Canada, Sweden, Japan, West Germany, France, Italy, New Zealand, and other countries over roughly the same period. In each case industrial employment reached a peak, and then began to fall rapidly. That trend line is unlikely to change. It is essential that we do not confuse the size of an economic sector and its strength: in agriculture, mining and manufacturing there is often an *inverse* relation between percentage of the labour force and sectoral strength.

5.3 Governments have been extraordinarily slow to grasp the significance of the growth of the Information labour force, which is now so large and homogenous as to require recognition as a separate element in labour force statistics; it cannot be aggregated as part of the general "Services" category. By 1981, the Information sector, broadly defined, accounted for between 30 and 56 per cent of the economically active in the United States, Japan, West Germany, the United Kingdom, Canada, Australia, Sweden, New Zealand, Denmark and Finland. This growth was very largely unexpected, and certainly not the result of long term labour force planning, market projections and visionary approaches by politicians, bureaucrats, educators and economists.

5.4 It may be an heroic misconception to assume that major economic and technological revolutions can be managed, any more than we can manage the seasons, natural phenomena generally or long term alterations in patterns of demand. Instead of claiming to manage, the more modest goals of observing, anticipating, and responding might be more useful. We don't seek to manage the climate, but we know how to respond to cyclones, floods or drought. Managing also has a somewhat authoritarian ring about it, and it is hard to justify by pointing to past successes in this area.

5.5 Australia, like the United Kingdom, Canada and New Zealand, was slow to recognise the significance of two factors: the growth of the international economy and the pervasive influence of the new technologies, especially computers and telecommunications. Our record in recognition has been poor and in managing even

¹ This chapter is based on a speech by the Hon. Barry O Jones, MP to the Duke of Edinburgh's Sixth Commonwealth Study Conference, "Managing change in an industrial society", Monash University, May 1986.

worse. It took the Swiss some years to manage a response to the electronic digital watch, which swamped the traditional market at lower cost and greater precision. The problems of managing are far more acute in single crop economies in which falling world prices for sugar, cocoa or copper are beyond the capacity of individual nations to change. Australia and Canada have been adversely affected by falls in world metal prices.

5.6 Western society is currently passing through one of the two most rapid periods of technological change in history. The other was the era of *la belle époque*, the 35 years which ended with the outbreak of World War I. The French philosopher Charles Peguy argued that "in the period 1880 to 1913, the world changed more than in the time since Jesus Christ". When Winston Churchill first went to war in 1899 the fighting would have been comprehensible to Homer: he died in the thermonuclear age.

5.7 When we examine the history of our century it becomes increasingly difficult to find if and how the processes of change were consciously managed. The phenomenon of technological adaptation seems to have had a life of its own. Science and technology have changed the quality, length and direction of life in the past century far more than politics, education, ideology or religion. Ford and Edison shaped human experience more broadly and enduringly than Lenin and Hitler. Modern war would have been impossible without modern technological capacity. Nevertheless, the sheer pervasiveness of scientific and technological development and its impact on how people live, and their capacity to make appropriate individual or collective choices, has been either ignored or considered too late to influence outcomes significantly.

Technology and Employment Trends

5.8 What Australia is experiencing today is not an industrial society in decline which needs temporary support - tariffs, quotas, bounties - for restoration, but a new type of society with different economic bases. Knowledge and skill have replaced raw materials and muscle-power or the traditional willingness to work harder; we have a post-industrial or information society which is operating pretty much as one would expect, but which needs the shock of recognition to enable it to fulfil its productive capacity. It must be recognised as the economic paradigm for economies like ours.

5.9 The study *Sleepers, Wake!* proposed eight laws, of which 1, 2 and 6 are central to this chapter:

1. Employment levels are culturally determined. (The questions of whether women work, whether people enter the labour force early or late, whether they do the same work as their parents, have striking national, regional, class and ethnic variations).
2. Technological innovation tends to reduce aggregate employment in the large-scale production of goods and services, relative to total market size, after reaching maturation and to increase employment at lower wage rates in areas complementary to those technologically affected. (Mechanised farming created a labour surplus in the cities, the automation of telephone exchanges led to rapid growth in quasi-domestic service employment, such as fast food).

6. Rising levels of employment depend on increased demands for a diversity of services, many stimulated by education. Over-specialisation and economic dependence in particular regions on a single employment base inhibits the development of service activity. (Simple societies reduce the range of jobs available, complex societies enlarge them).

5.10 The historic shifts in labour force trends since the Industrial Revolution have occurred in three stages.

5.11 First is a society where most people spend most of their time, effort and income in producing or consuming necessities (for example, food, water, shelter and fuel).

5.12 Second is a society with a rapid increase in the numbers of people producing consumer durables and tangible services (e.g. houses, public infrastructures, railways, cars).

5.13 Third is a society in which employment is dominated by the production of increasingly marginal, discretionary and inter-dependent services (e.g. information, eating out, entertainment, leisure activities, tourism, beauty care, bureaucracy *a la Parkinson*) reflecting a greater variety of artificially stimulated demands designed to improve the quality of life and a decline in self-sufficiency due to division of labour being taken to extremes. Fewer people *make* things; far more now perform services.

5.14 This order follows the 'hierarchy of needs' proposed in Abraham Maslow's theory of human motivation. Simple societies, or primitive individuals like babies, begin with physiological needs (hunger, thirst, shelter); then come safety needs (security, stability, protection, building up communities). Next are psychological needs (esteem, respect, recognition, rank, office, living in Mayfair, Westmount or Toorak, driving a BMW or Jaguar). The next level is the need for self-actualisation, developing individuality and personal achievement. Finally, there are aesthetic (or cognitive) needs such as involvement in information, reading, writing, travel, collecting, music, painting. The growing diversity and sophistication of our needs, away from water out of a stream towards Perrier water out of a bottle, are reflected in changing patterns in employment and spending.

5.15 In Australia barely 15 per cent of the active population is currently employed in the production of necessities, while the remaining 85 per cent work in producing services and commodities which we *choose* to have to improve the amenity of life but which we could provide for ourselves if we wished (home care for invalids and the aged, household and vehicle maintenance, clothing and shoe repairs, vegetables, flowers and eggs), go without (fashion, cosmetics, tobacco, liquor and gambling), or postpone acquiring (cars, boats, holidays and entertainment).

5.16 Many of these 85 per cent who produce non-necessities are performing what Ivan Illich calls "shadow work", activity that does not contribute to subsistence but which we have come to accept as an inevitable complement to the production of marketable goods and services.

5.17 In the next generation, a decreasing proportion of family and national income will be devoted to the purchase of hardware, while far more will be spent on beauty care, fitness (a \$35 billion per annum industry in the United States at its height), sport, gambling, travel, education, fashion, eating out, collecting antiques and paintings, music (also a multibillion dollar industry), entertainment (both live and electronically delivered), information, and increasingly esoteric health and psychiatric treatment.

5.18 More leisure will in turn create a demand for specific leisure products or the adaptation of products towards leisure use, such as television, videos, boats, caravans, stereos, musical instruments, sporting gear and car hire. Already much of the expansion of the tertiary (tangible economic services) and quaternary (information) economic sectors is in response to demands for leisure services and information, such as tourist travel services, concerts, sports clubs, theatre, keep fit classes, restaurants and hotels, gardening and do-it-yourself activities. Technology has influenced and will continue to greatly influence all of these areas, e.g. introduction of the lawn mower in the latter part of the 19th Century made possible the modern lawn. As consumer knowledge increases and standards rise, demand for more technologically intensive goods may increase. On the other hand demand for more "back-to-nature" experiences and their associated products may also increase.

5.19 Leisure industry itself will act as a generator of wealth. For many people the leisure industry itself already provides opportunities for employment, i.e. for them, other peoples' leisure is their work. Labour intensive industry employs musicians, tour guides, caterers, caravan park attendants, waiters, waitresses and barmen. Increased activity in these areas will stimulate employment, offsetting some of the displacement of workers in the more capital intensive industries, e.g. the manufacturing sector. The leisure industry also has a strong export component. Tourism in Australia is an increasingly marketable product which attracts international visitors and is also the product of technological advances in communications and air travel.

Changing Patterns in Work and Time-Use

5.20 It is often assumed that increased productivity resulting from technological change expresses itself in both increases in income and leisure, and that further technological advances will lead to a dramatic reduction in the quantity of labour required. The latter development is by no means certain.

5.21 Labour statistics indicate striking national variations. Australia has the shortest working year, 229 days, compared with 234 in Sweden, 250 in the United States and 275 in Japan. We also have the most generous long-service leave provisions. Japan has the shortest working lifetime, usually 37 to 40 years, compared to 43 years in the United States and 50 among Australian working class males, less for the bourgeoisie.

5.22 Australia has had the 40-hour week, in theory, since 1947, and the period since then is the longest in our industrial history without major change. This was accompanied by an unusually high participation rate as more women entered or remained in work. If we go back 40 years from 1947, we arrive at 1908, when the average working week was

52 hours. The period 1908 to 1947, an era of generally low productivity growth, resulted in a 12 hour decrease in hours worked, while the 1947 to 1986 period has - taking overtime and moonlighting into account - produced scarcely any reduction at all. This suggests that fears of an imminent collapse of work are premature.

5.23 The lengthening distance between work and home and the obsession with urban commuting in private cars, surely the most wasteful form of moving people ever devised, is an enormous waste of scarce resources and time. It is also a major employer. But it means that the working day for many people really begins at 7.30 am, when they drive from home, and ends 11 hours later when they return. They may be spending more time going to and from work and on the job than their great-grandfather did when he walked to work. The perverse attraction of commuting may have a psychological explanation. If your job and home life are dull, repetitive and subordinate, three hours of driving time may provide you with more opportunities for exercising judgment, control and independence, or demonstrating style, aggression and self defence skills than is possible in the remaining 21 hours of the day.

5.24 Much urban neurosis results from a feeling of purposelessness when we are not working. A significant proportion of recreation is goal oriented and guilt ridden; unless there is sweat and pain we feel it is not worth doing: witness the jogging mania and aerobics, not to mention tennis and golf each morning at the highest political level in Australia. Sport is important to millions of people because it encourages them to feel, for a few hours each week, as if they were alive. Domestic labour saving devices have not reduced the amount of work required: people clean the house more often or go on to work in other ways. Much leisure occupation parallels paid work: building, carpentry, landscaping and hobby farming, for instance.

5.25 Successful people who are creative and fulfilled in their working and professional lives seem to have the most active leisure involvement. Those who have the least fulfilment in their working lives also have the least fulfilment in leisure.

5.26 The Canadian psychologist, William Lambert Gardner, argued that modern society conditions people to overvalue "extrinsic worth" - measured by employment and the acquisition of material possessions - and to undervalue "intrinsic worth".

We are confronted with our own emptiness. A disproportionate number of people die shortly after retirement. They are so conditioned to see themselves as an interchangeable part of a system that, when declared obsolete, they self-destruct. You can't use your spare time to gain intrinsic worth but you can use your spare money to gain extrinsic worth. You are compensated for your lifetime with money and you use that money in a vain effort to buy it back.

5.27 Many young people have lost a sense of direction. They do not see where they fit into the big picture. Their instinctive reactions are physical not intellectual, with group rather than individual responses. This situation reflects a deep and growing sense of isolation, alienation and impotent rage at a time when they are at their strongest, with enormous energy which cannot be channelled and used effectively, constructively or legally.

5.28 Many Australians are afflicted by boredom and an uneasy sense of not knowing what to do with free, that is undirected, time. We still hear people talking about killing time and absorption in the tobacco, alcohol or analgesic cultures, to speak only of officially approved drugs of addiction, helps to desensitise people about the passage of time. The cultural significance of smoking is as a boredom concealer or activity substitute: it can hide the fact that many people cannot find anything to say to each other and that life is fundamentally empty for many people. The greatest significance of television lies in its roles as part of the environment and as a time absorber; its ubiquity and pervasiveness, as Marshall McLuhan pointed out, are far more important than program content.

5.29 One of the greatest non-economic problems in Australia is boredom. Heretical though the proposition sounds, life in Australia is pretty boring for most people, even if they conceal their boredom by work, physical activity and social habits which essentially involve just mucking about, thus postponing or avoiding need to face up to fundamental questions about human and personal destiny.

Work ethic or leisure ethic?

5.30 Work appears to be economically, socially, psychologically and perhaps even physiologically necessary for most people; withdrawal from work, while welcomed by many, is dreaded by most. Yet, while recognising this, we should abandon the masochistic doctrine of work for work's sake. There is nothing inherently life-enhancing in carrying out dull and exhausting work year after year unless you actively prefer to do so. If the use of bulldozers and traffic lights were banned in times of unemployment, many jobs in pick and shovel work and in traffic direction could be created, though the work would benefit neither society nor the individual. We ought to welcome the loosening, if not the breaking, of the chains that bind people to work against their wills.

5.31 For most people involuntary unemployment has disastrous personal implications. Unemployment and leisure are opposite sides of the same coin, but psychologically their impact is totally different: one is feared, the other is eagerly sought. Unemployment means rejection, uselessness, dependence on others, poverty, deprivation, a feeling that the value of one's own time falls towards zero, and the elimination of the power to make significant personal choices. Leisure is sought and enjoyed because it implies economic self-sufficiency and the power to make choices. Work and leisure, are intertwined, and each loses significance in the absence of the other. It is work that makes leisure meaningful, and vice versa. The need to work is analogous to the need to have a home, an essential element in self-definition: like the unemployed, homeless people suffer a disabling loss of identity.

5.32 Dennis Gabor, inventor of holography and a Nobel Prizewinner in Physics, wrote a wise book called *Inventing the Future* (1963). In it he argued that many people saw the prospect of an age of leisure as a psychological threat.

The present sum of working hours in the West, especially in the United States, is in no way in conformity with the level of our technology. It is kept

up artificially, in the first place by enormous defence expenditures, and in the second place by waste. This is only partly a waste of products; to a much larger extent it is waste in unproductive man hours. The last is summed up in Parkinson's Law... Symptoms such as material waste, and irrational armaments can be interpreted in this sense as defence mechanisms of the social organism to stave off a danger - the danger of the Age of Leisure... It is not the symptoms which we must cure but their underlying cause - by bringing the fear out in the open and replacing it by hope in a worth-while future.

5.33 Bertrand Russell anticipated Parkinson's Law in his important essay *In Praise of Idleness* (1935), in which he asked:

What is work? Work is of two kinds: first, altering the position of matter at or near the earth's surface relative to other such matter; second, telling other people to do so. The first kind is unpleasant and ill paid; the second is pleasant and highly paid. The second kind is capable of infinite extension: there are not only those who give orders, but those who give advice as to what orders should be given. Usually two opposite kinds of advice are given simultaneously by two organised bodies of men; this is called politics. The skill required for this kind of work is not knowledge of the subjects as to which advice is given, but knowledge of the art of persuasive speaking and writing, i.e. advertising.

Work less and live more? Developing a philosophy of time use value

5.34 In the traditional world of work, whether agricultural or industrial, employment has been the major factor in shaping identity. It has determined self-definition, time use, income, where we live, our patterns of movement and social interaction, and even the way in which we spend leisure time. Employment has also been the major implicit factor in determining educational options. It shapes our attitudes to order, authority, discipline, and life by the clock and has also conditioned us to overvalue security and order and to undervalue freedom and experience. For most of us the nature of employment for is predicated on the creation of more employers: more masters will mean more servants. The strong psychological appeal of 20th Century feudalism is self-evident. We find it difficult to impute value to our own time use: this is almost always conferred by somebody else, generally an employer, a situation that leads inevitably to willing acceptance of externally imposed goals and anxiety about internally generated ones.

5.35 We live by timetables: the whole social framework of order, discipline and authority depends on the *external* organisation of time, not on self-management. Many social problems - vandalism, violence, alcoholism, drug dependence, loneliness, suicide - are closely related to boredom and inability to cope with the self-management of time. The prospect of major reductions in time spent at work therefore threatens many people, since work is the major factor in determining who they are. If it was a good thing in the 19th Century for weekly working hours to be reduced from 80 to 60, and in the first half of the 20th Century from 60 to 40, would it be good or bad for them to be reduced to 20 in the last quarter of the 20th Century? To many, perhaps most, people the answer

would be "bad", because if the next step were a reduction to 10 or 5 hours, then the whole structure of order, discipline and authority starts to look ridiculous, and "chronocracy" is subverted.

5.36 The bigger the tools, the fewer the workers. Technology is essentially subversive of the work ethic. Can we have both?

5.37 Moving into a post-industrial society means breaking the nexus between the value of labour inputs and the total value of outputs. We shall have to evolve new attitudes to time use and ways of conferring value on it. The usefulness of traditional modes of industrial organisation will come increasingly under question.

5.38 It is difficult to teach "leisure" as though leisure were a thing in itself. We ought to be persuading people that life is really much more exciting than most are prepared to accept. It is curious that education, which ought to be a very stimulating experience for people, is actually a major area of boredom for so many, including educators. Few teachers even show curiosity, let alone possess the capacity to impart it to their pupils. We need to evolve a new concept of time and its value and rethink what we mean by human worth.

5.39 Two hundred years ago John Adams, later to be the second President of the United States, penned these words to his wife:

I must study politics and war that my sons may have liberty to study mathematics and philosophy. My sons ought to study mathematics and philosophy, geography, natural history, naval architecture, navigation, commerce and agriculture, in order to give their children a right to study painting, poetry, music, architecture, statuary, tapestry and porcelain.

5.40 Many would think Adams' view was audacious. Even more would think it frivolous. Others see it as unusually far-sighted. When Adams wrote in 1780, the Industrial Revolution was at its very dawn, horses and water power were the main sources of energy, and most people toiled on farms to keep themselves alive. The idea of a society in which necessary work, repetitive drudgery for subsistence, would fall to a very small proportion of total time use must have seemed a piece of visionary raving to Adams' contemporaries. Today we have the technological capacity to reduce necessary work towards vanishing point. We could then do all the things that Adams desired for his grandchildren. We can transform our work society into an activity society. We have very little idea about the potential of which human beings are capable. It is high time we found out.