

## Submission

# The House of Representatives Committee on Ageing

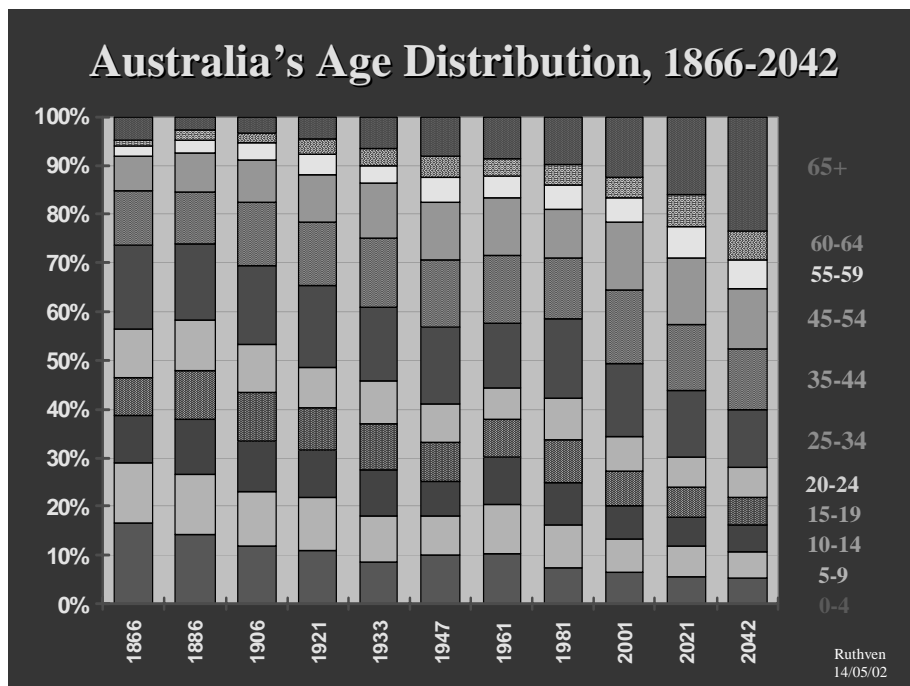
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By the end of 2002 there were 5.5 million men and women in Australia who are over 50 years old. Although they represent only 25.4% of the population, they controlled over two-thirds of the total net worth of Australian households, some \$1.9 trillion. They:

- Own over three-quarters percent of all financial assets in Australia;
- Have around 50 percent of all discretionary income;
- Account for over 60 percent of all healthcare spending;
- Consume three-quarters of all prescription drugs;
- Purchase around 40 percent of all new cars and nearly half all luxury cars;
- Spend more than any other age group on travel and recreation;
- Account for nearly 50 percent of total consumer demand.

These numbers are destined to rise dramatically for decades as the 4.7 million baby boomers advance into maturity.

In traditional terms, Australian is an ageing society as the exhibit below suggests:



But what is “old”? At 65 years of age:

- In 1800 you were dead 27 years ago;
- In 1900 you were dead 12 years ago;
- In 2000 you will have 12-15 years to go;
- In 2100 you will be only half-way through your life!

We need to be very careful about what an “aging society” or the “greying of Australia” really means:

- We cannot assume all “ancients and oldies” are in retirements villages or nursing homes (<5% are);
- We could assume they are probably still working (albeit part-time) and most are probably reasonably fit and healthy.

Ageing can be usefully examined in terms of generational cohorts as well as the traditional age brackets.

<b>Today’s Many Generation</b>				
(Now six generations alive due to rising life expectancy, but there used to be just three!)				
<b>Description</b>	<b>Birth</b>	<b>Age</b> (Year 2002)	<b>Number</b> (million)	<b>Share</b> (%)
<b>Federation</b> “golden oldies”	<b>before 1925</b>	<b>&gt; 77</b>	<b>0.82</b>	<b>4%</b>
<b>Depression</b> “conservatives”	<b>1925 - 1942</b>	<b>77 - 60</b>	<b>2.23</b>	<b>12%</b>
<b>Baby-Boomers</b> “spoilt-rotten”	<b>1943 - 1960</b>	<b>59 - 42</b>	<b>4.70</b>	<b>24%</b>
<b>Generation X</b> “angoras”	<b>1961 - 1980</b>	<b>41 - 22</b>	<b>5.88</b>	<b>30%</b>
<b>Net Generation</b> “ferals” <sup>1</sup>	<b>1981 - 2000</b>	<b>21 - 2</b>	<b>5.36</b>	<b>27%</b>
<b>New Millennials</b> “darling newbies”	<b>2001- 2020</b>	<b>&lt; 2</b>	<b>0.65</b>	<b>3%</b>
<b>Total</b>		<b>35.5 ave.</b>	<b>19.75</b>	<b>100%</b>

Note: <sup>1</sup> “feral” as in unconstrained by time, space and distance due to the Internet, mobile phones etc.

The characteristics of each type of generation have been well analysed in *Generations* (Strauss & Howe)<sup>1</sup> and confirmed by IBISWorld in a study of Australian generations since 1788.

<sup>1</sup> This book examined generations (c. 20 year age cohorts) from 1776 to the early 1900s, finding repetitive patterns of attitudes and behaviours.

# The Four Types of Generations

## Civics

The wealth creators and nation builders.

Square shouldered. The can-do generation, pragmatic and rationalist. Currently the Federation Generation or “golden oldies” (born from Federation to 1924) who drove the post WWII golden age . . . . and the Net Generation or “ferals”<sup>1</sup> (1981-2000) who will begin to create the next golden age later in this decade as their numbers swell into adulthood and a power base.

## Silents

Adaptive but generally silent/obedient generation.

Continue the wealth building, but less frenetic. Currently the Depression Generation or “conservatives” (1925-1942) . . . and the New Millennials or “darling newies” (2001-2020).

## Idealists

Social visionary and idealistic generation.

Want to change the world *now*. Humanists and social re-engineers. Currently the Baby-Boomers or “spoilt rottens” (born 1943-1960). Next idealist generation >2021.

## Conciliators

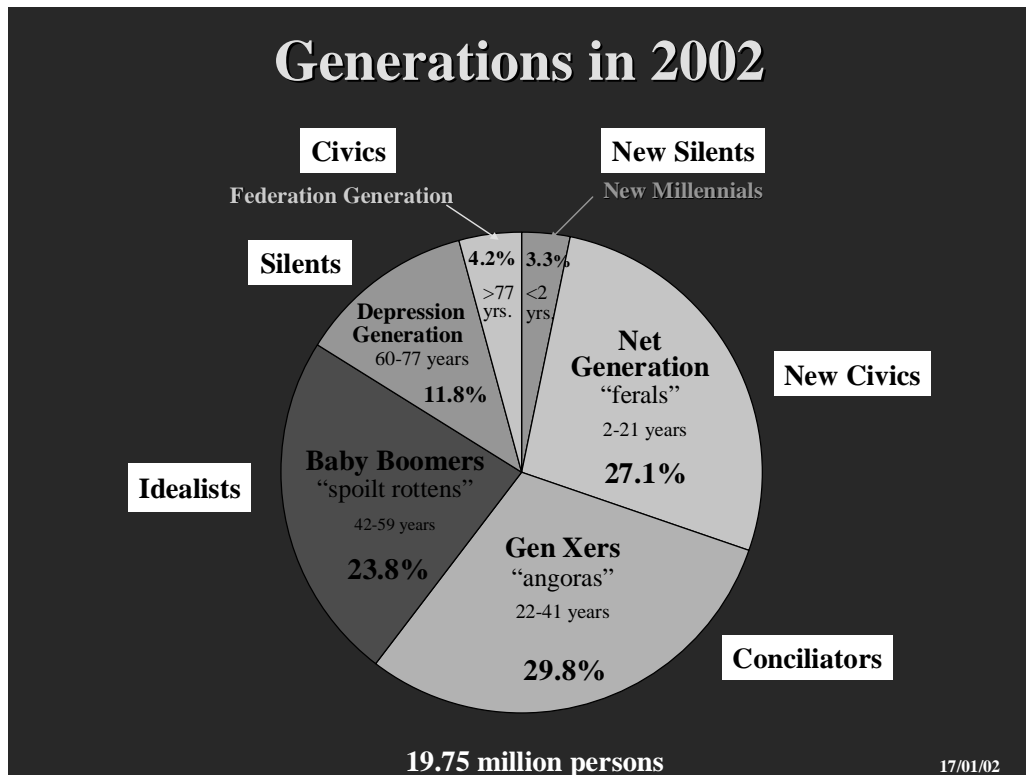
Reactive and conciliatory generation.

Consolidators of change and peace-seekers. Currently the Gen. Xers or “angoras” (born 1961-1980)..

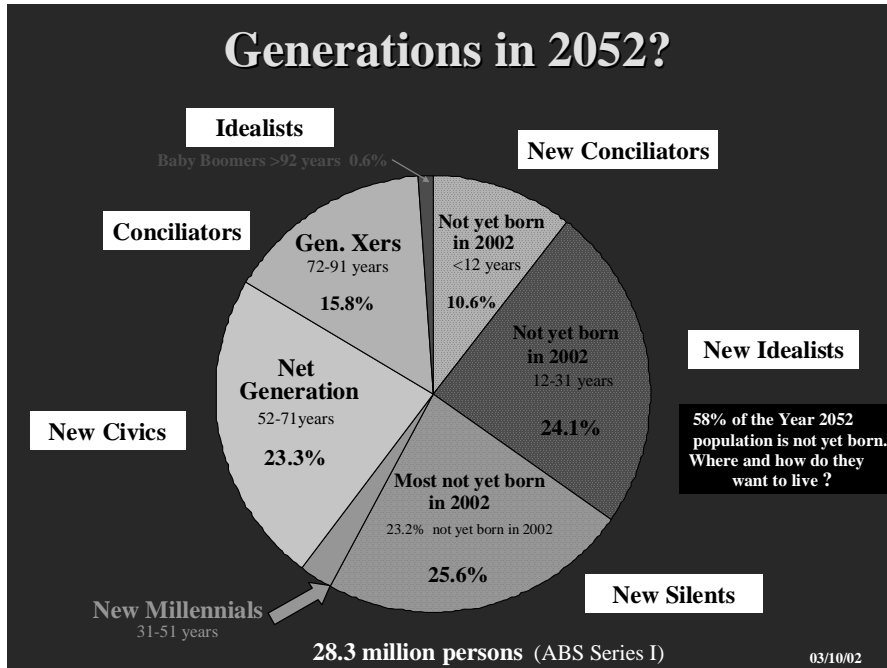
Source: “Generations” (Strauss & Howe) and IBISWorld

Note: <sup>1</sup> “feral” as in unconstrained by time, space and distance due to the Internet, mobile phones etc.

In proportionate terms these convert to the following in 2002 and 2051.



# Generations in 2052?

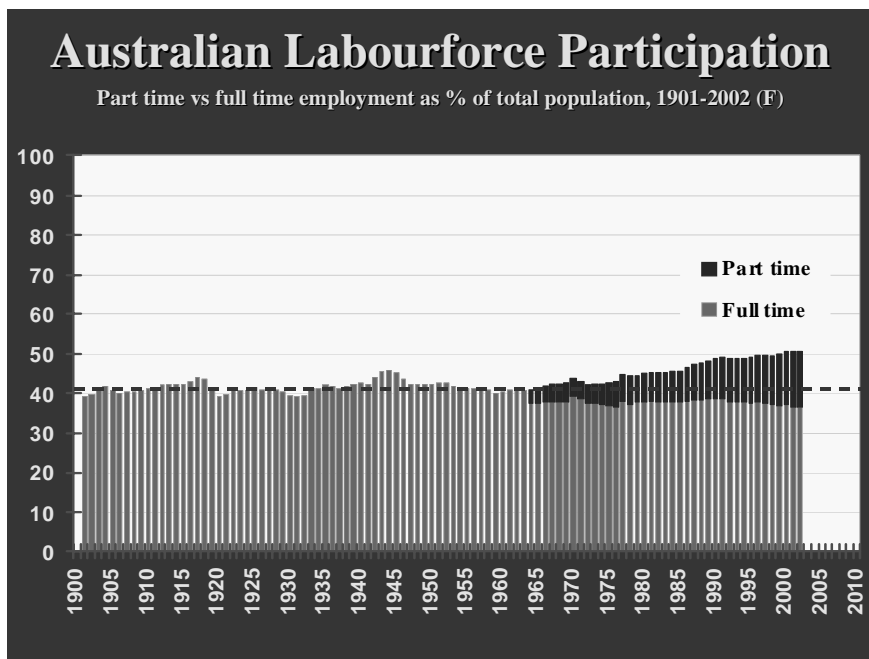


The implication is that it will be the “civics” and the “silents” – both wealth-creating types – that will dominate the Australian society and economy from late in this decade to the middle of the 21<sup>st</sup> Century. The nation would expect a new golden age of prosperity akin to the 1945-1975 period after 2006-07 for some 25-30 years.

This augurs well for the economic benefit of society at large.

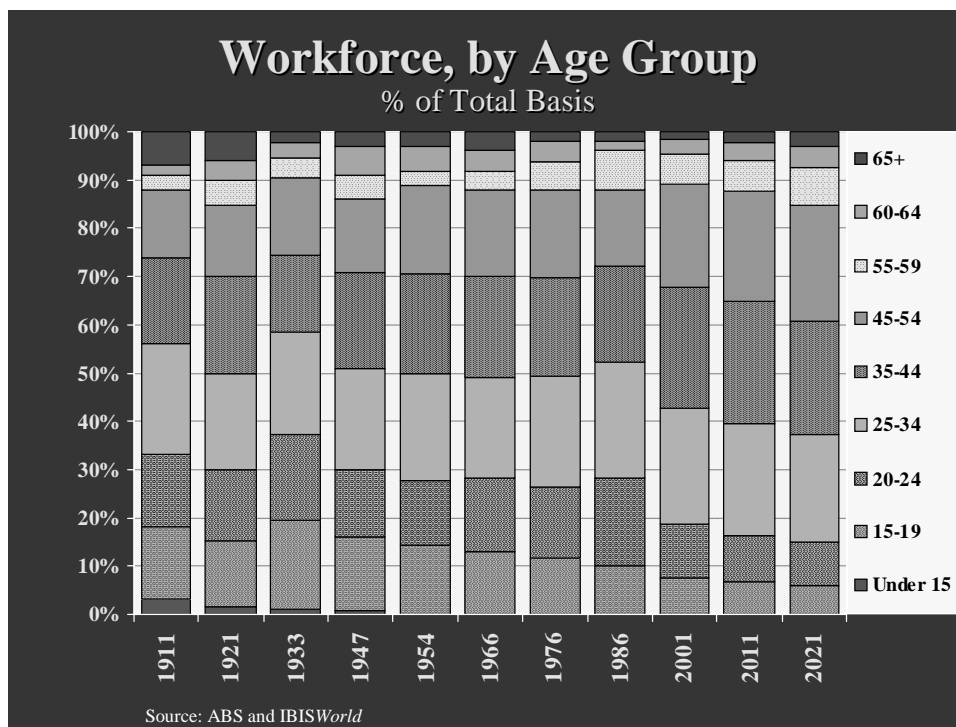
Both participation rates in the labourforce at large *and* the changing age structure of the employed workforce are encouraging for our ageing society.

Participation rates are now at record levels since the end of the convict era in the middle of the 19<sup>th</sup> Century. Around 50% of the total population nominate to be in the labourforce, with 47% of this 50 having employment (6% employed).



However, if this participation rate is converted back to full-time equivalent labourforce participation, then the level is closer to 45% of the total population. This level is still higher than the long term average in the 20<sup>th</sup> Century of 41%; and equal to the WWII level.

History suggests that a modern society needs around 39-40% of the total population to be in paid work to support itself. We seem to have no difficulty in achieving this level. However, in the early part of the 20<sup>th</sup> Century, the achievement of this level was the result of employing some under-15 year olds (now outlawed) and a significant proportion of over-65 years olds. Indeed, most men worked up until their death in those days.



In the first half of the 21<sup>st</sup> Century it is likely that the maintenance of at least 39-40% of the population in work (full-time equivalent) will be achieved by people working beyond 65 years of age – albeit part-time and casual for the most part – yet still having a retirement period; just later than was traditional in the late 20<sup>th</sup> Century.

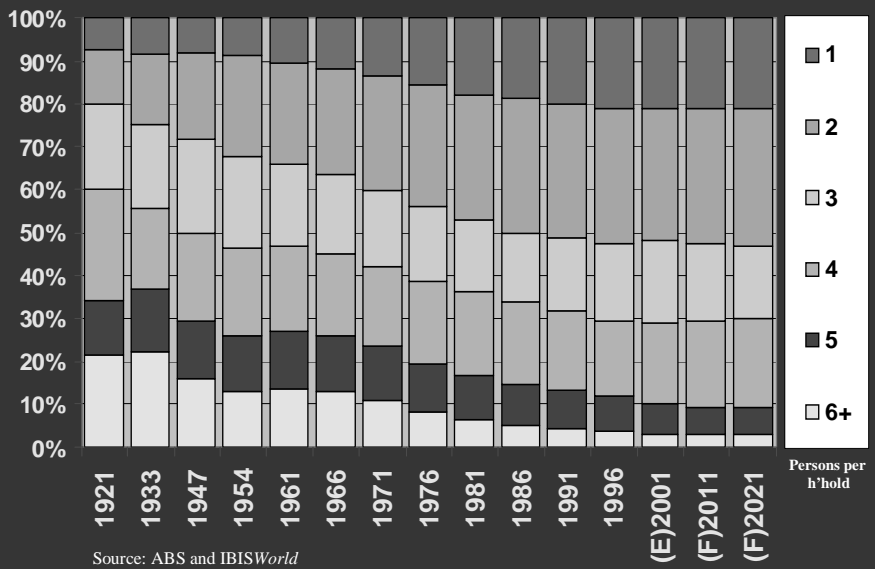
The new civic generation (the Net Generation) will be aged 52-71 years in 2052, as previously shown, and this generation and the one following will have no qualms about working into their seventies.

So, having enough workers to support themselves and society at large is not considered to be a problem or challenge in the 21<sup>st</sup> Century.

However, there are other challenges arising from our ageing society. One of these centres on “economic” households. The trend to ever-rising single person households points to this challenge.

# Composition of Households in Australia

By household size, census years 1921-1996 and forecast to 2021



Of course, it could be argued that this challenge is not greater than that of a century ago when there was a very significant proportion of households with five or more occupants. Such households often had one parent only working, supplemented by at least one of their offspring at work (and sometimes under the age of 15 years). Education beyond Grade 9 (“intermediate”) was a luxury for large households.

At the same time, the need of better and more adequate superannuation – both compulsory and voluntary contributions - will rise through this new Century.

Health is of course a major challenge. Longer life expectancy has revealed the genetic challenges of heart disease, cancer (including prostate cancer in males) Alzheimer’s disease, etc. Over and above these condition (which modern medicine may well conquer) is the growing demand for well-being and pain-free lives at any age. Both challenges come with cost implications and the never-ending questions as to who pays: the state or the individual/household (via health insurance and discretionary spending).