

Introduction

The context of the inquiry

- 1.1 On 26 June 2002, the then Minister for Health and Ageing, the Hon Kevin Andrews MP, referred the terms of reference for the inquiry as follows:

...to inquire into the long-term strategies to address the ageing of the Australian population over the next 40 years.¹
- 1.2 Interest in the ageing of Australia's population has steadily increased since the early 1990s release of the Bureau of Immigration Research's *Australia's Ageing Population- Policy Options*, and the House of Representatives Committee for Long Term Strategies' report, *Expectations of Life: increasing the options for the 21st century*.²
- 1.3 In February 2002, the then Minister for Ageing, the Hon Kevin Andrews MP, released the *National Strategy for an Ageing Australia* following wide community consultation and expert advice.³ Each State and Territory now also has an ageing strategy in place.⁴

1 House of Representatives Standing Committee on Ageing, viewed 10/05/2004, <<http://www.aph.gov.au/house/committee/ageing/strategies/index.htm>>.

2 Young C, *Australia's ageing population – policy options*, Melbourne, Bureau of Immigration Research, 1990; House of Representatives Standing Committee for Long Term Strategies, *Expectations for life, increasing the options for the 21st century*, Canberra, 1992.

3 Department of Health and Aged Care, *National Strategy for an Ageing Australia: An Older Australia, Challenged and Opportunities for all*, Canberra, 2001, viewed 10/05/2004, <<http://www.ageing.health.gov.au/ofoa/agepolicy/nsaa/nsaa.htm>>.

4 ACT, viewed 11/05/2004, <<http://www.ageing.act.gov.au/documents/pdf/macastrat.pdf>>; NSW, viewed

- 1.4 The National Strategy was complemented by the release in the 2002-03 Budget context of the first *Intergenerational Report*. As required by the *Charter of Budget Honesty Act 1998*, the *Intergenerational Report* assesses 'the long term sustainability of current Government policies over the 40 years following the release of the report, including by taking account of the financial implications of demographic change'.⁵
- 1.5 During 2002 and 2003, the Senate Select Committee on Superannuation considered a wide range of matters relating to superannuation, including 'Superannuation and standards of living in retirement: the adequacy of the tax arrangements for superannuation and related policy to address the retirement income and aged and health care needs of Australians'.⁶
- 1.6 The Myer Foundation released *2020: A vision for aged care in Australia* in November 2002, and together with the Australian Housing and Research Institute supported a conference on 'Housing Futures in an Ageing Australia' to explore issues that need to be addressed if appropriate housing options are to be available in 2020.⁷
- 1.7 The National Review of Nurse Education coordinated by the Department of Education, Science and Training, included studies of the nursing workforce, including the critical issue of supply nurses for the care of the aged.⁸

6/05/2004, <<http://www.maca.nsw.gov.au/pdf/strategicplan2003-4-2005-6.pdf>>; NT, viewed 5/05/2004, <http://www.nt.gov.au/dcm/senior_territorians/strategy.shtml>; QLD, viewed 5/05/2004, <<http://www.communities.qld.gov.au/seniors/publications/index.html>>; TAS, viewed 5/05/2004, <<http://www.dpac.tas.gov.au/divisions/seniors/>>; VIC, viewed 6/05/04, <<http://www.seniors.vic.gov.au/council.htm>>; WA, viewed 5/05/2004, <<http://osi.wa.gov.au/index2.htm>>.

- 5 *Intergenerational Report 2002-03*, Budget Paper No 5, Department of the Treasury, Canberra, 2002, p iii.
- 6 For this report and other Senate superannuation reports see Senate Select Committee on Superannuation, viewed 10/05/2004, <http://www.aph.gov.au/senate/committee/superannuation_ctte/reports/index.htm>.
- 7 The Myer Foundation, *2020: A vision for aged care in Australia*, November 2002; Housing Futures in an Ageing Australia Conference, Melbourne, November 2002, both viewed 10/05/2004, <<http://www.myerfoundation.org.au/main.asp?PageId=238>>.
- 8 National Review of Nursing Education, jointly commissioned by the Minister for Health and Ageing and the Minister for Education, Science and Training, viewed 6/05/2004, <<http://www.dest.gov.au/highered/programmes/nursing/public.htm>>.

- 1.8 In June 2003, the Prime Minister's Science, Engineering and Innovation Council (PMSEIC) considered a paper on 'Promoting health ageing in Australia'.⁹
- 1.9 More recently, Emeritus Professor Warren Hogan has assessed whether the current arrangements for residential care will adequately support the Australian Government's commitment to its objectives for aged care in the future. The Australian Government responded to the *Hogan Report* in the context of the 2004-05 Budget with a \$2.6 billion dollar package targeting the concerns identified by Professor Hogan as requiring immediate action.¹⁰
- 1.10 Arrangements for community care were reviewed separately and the Australian Government. The review included wide community feedback on the Government's long term vision for community care as set out in *A new strategy for community care*.¹¹
- 1.11 In February 2004, the Treasurer, the Hon Peter Costello MP, released a discussion paper, *Australia's Demographic Challenges*, as the basis of community consultations. This paper proposes that improving productivity and labour force participation are key priorities in addressing ageing. It canvasses improvements in the capacity for work, through better education and health; better incentives for work; and improved flexibility in the workplace. The Treasurer also released a policy paper focussing on *A more flexible and adaptable retirement income system*.¹²
- 1.12 Drawing on the reports of the Senate Select Committee on Superannuation, the Investment and Financial Services Association (ISFA) and the Australian Securities and Investment Commission, the Minister for Revenue and Assistant Treasurer, Senator the Hon Helen Coonan, has established a high-level taskforce Consumer and Financial Literacy Taskforce. The Taskforce will coordinate a national approach

9 'Promoting healthy ageing in Australia' was prepared by an independent working group of PMSEIC, viewed 15/05/2004, <<http://www.dest.gov.au/science/pmseic/meetings/10thmeeting.htm>>.

10 Hogan WP, *Review of Pricing Arrangements in Residential Aged Care*, Summary report, February 2002, Final report, April 2004, Canberra, viewed 11/05/2004, <<http://www.health.gov.au/investinginagedcare/summary/index.htm>>.

11 Department of Health and Ageing, *New Strategy for Community Care Consultation Paper*, Canberra, March 2003, viewed 10/05/2004, <<http://www.health.gov.au/acc/research/commcare.htm>>.

12 Department of the Treasury, *Australia's Demographic Challenges*, 2004, Canberra; Department of the Treasury, *A More Flexible and Adaptable Retirement Income System*, 2004, Canberra, both viewed 10/05/2004, <<http://demographics.treasury.gov.au/content/default.asp>>.

to the provision of consumer and financial information and education, which will benefit aged Australians now and in the future with simple financial decisions.¹³

- 1.13 Of equal importance is the thinking and planning that many community, professional and other groups are doing to help position Australians and the nation to manage the challenges and opportunities of an ageing Australia. Evidence to the Committee highlighted these contributions.

Australia's ageing population

Ageing in Australia ... is going to be big between 2020 and 2040. Why does this happen? Primarily it is because of the difference between the number of births in the 1930s and the 1940s compared to the 1950s and 1960s. That is a hundred-year timeframe we are talking about. Ageing is a long-term issue.¹⁴

- 1.14 By international standards Australia's population is still relatively young, or at most, 'middle aged'. In 2002 almost 13% of the population was aged 65 years and over. By 2042, it is expected that the proportion of people aged 65 years and over will have almost doubled to around 25%.¹⁵
- 1.15 This ageing of the population is caused by two factors: decreasing birth rates and longer life expectancy. Australian families are having fewer children. During the 'baby boom' of the early 1960s the birth rate peaked at 3.6 babies per woman but decreased steadily to 1.73 in 2001. This is well below the world's average but similar to other developed countries. Australian mothers are now around 30 years at the birth of their children – five years older than in 1971, which 'stretches out' each generation and results in fewer children over time.¹⁶
- 1.16 Should a fall in fertility to a level of 1.3 occur and happen quickly over a ten year period, as has happened in some OECD countries (Austria, Iceland, Italy, Spain and Sweden all have fertility rates of

13 Minister for Revenue and the Assistant Treasurer, Press release, *Skilled People are the key to success*, February 2004, viewed 10/05/2004, <<http://assistant.treasurer.gov.au/atr/content/pressreleases/2004/007.asp>>.

14 McDonald P, transcript 7/02/2003, p 67.

15 Australian Bureau of Statistics, *2004 Year Book*, Canberra, p 87.

16 Department of Family and Community Services (FaCS), sub 90, p 18.

approximately 1.3 children per woman¹⁷⁾ there would be a profound effect on the rate of Australia's population ageing.

- 1.17 Australians are also living longer. Over the past century the average life expectancy of a new-born boy has increased from 55 to 77 years, and for girls from 59 to almost 83 years. By 2042 they are likely to live to around 83 and 88 years respectively.
- 1.18 This pattern of ageing does not apply to Indigenous Australians, nor does it apply evenly across Australia. In sharp contrast to the general population, only 3% of Indigenous people are aged 65 years and over and more than half (57%) are under 25 years of age, compared to 34% in the general population.
- 1.19 Within the next ten years, Tasmania will be the oldest state, replacing South Australia. One third of its population will be aged 65 years or more and the over 85 years population is likely to double by 2021 – and double again in the following 30 years.¹⁸
- 1.20 The Northern Territory, on the other hand, has a younger population, but the rate of ageing is faster with the number of people 65 and over increasing by nearly 5% in the 12 months to June 2002. Some 29% of the population is Aboriginal. Both the population as a whole and especially the Aboriginal population are highly dispersed, occupying only one-sixth of Australia's land mass.¹⁹
- 1.21 Within states, rates of ageing are influenced by the migration of certain are groups. In-migration of retirees from metropolitan or inland areas moving to coastal areas or major regional cities, from colder areas to follow the sun north, or from the mainland to Tasmania seeking lower cost housing. Out-migration of younger people and families seeking education and employment opportunities.²⁰

Why is population ageing important?

- 1.22 Australia's total population will continue to grow even though the rate of growth is expected to fall. There will be more older people with around 6.2 million aged 65 years and over in 2042 compared to 2.5 million in 2002. Growth in the number of Australians aged over 85 years will be even more rapid, increasing from around 300,000 in 2002 to 1.1 million in 2042.

17 Department of Immigration, Multicultural and Indigenous Affairs, sub 117, p 4.

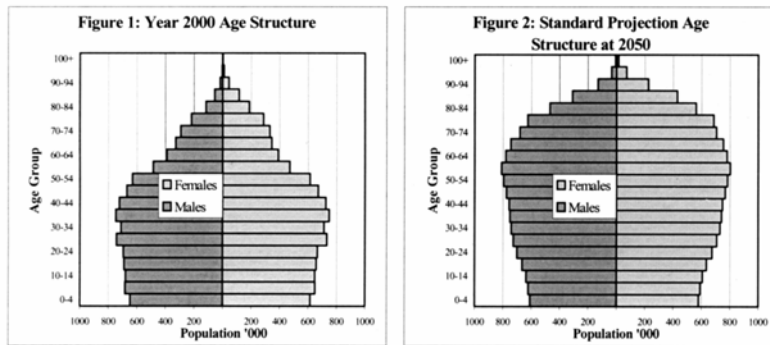
18 Tasmanian Department of Premier and Cabinet, sub 171, p 20.

19 Northern Territory Department of Health and Community Services, sub 177, p 1.

20 National Rural Health Alliance Inc, sub 131, pp 10-11.

- 1.23 Figure 1.1 shows the growth within respective age groups for Australia's population between 2000 and 2050. The increases in the age groups above 55 years are enormous, with some groups exhibiting more than a 200% increase over the fifty year period.

Figure 1.1: Australia's Population by Age Groups, 2000 and 2050



Source: Department of Employment and Workplace Relations, submission 164.

- 1.24 Traditionally, 65 has been regarded as the retirement age, the time when people shifting from earning incomes and paying taxes to living on retirement savings and/or taxpayer funded pensions. At present there are around five people of working age supporting each person aged over 65. Statistically, this is known as the 'potential support rate' and although there may be some debate around the validity of its underlying assumptions it provides a useful way of looking at the implications of an increasing number of older people.²¹ By 2042, the number of people of working age supporting each person over 65 will have dropped to around 2.5.
- 1.25 The vast majority of older people now live healthy active lives and it is expected that future older Australians will do so too. No all people aged 65 years and over have 'retired'. Further, in 2002-03, for example, only about 10.5% of people aged 70 years and over (184,095 people) were in permanent residential aged care. With the overall projected increase in the number of older Australians over 70 years this alone could mean a significant increase in the demand for residential aged care services.

21 The potential support rate assumes that people over 65 are not participating in the labour force and therefore require support. This assumption of dependency has been challenged: eg, McDonald P and Kippen R, 'Ageing: the social and demographic dimensions', in *Policy implication of the ageing of Australia's population*. Productivity Commission and Melbourne Institute of Applied Economic and Social Research, Melbourne, 1999, pp 47-50.

- 1.26 With more older people preferring to live at home with family and community support, more carers and care services will be needed. Informal care at home depends on the availability of carers: usually family members living in the same household or nearby. However, modelling by the National Centre for Social and Economic Modelling indicates that the ratio of primary carers compared with the number of older persons needing care is likely to fall significantly.²²
- 1.27 With the increasing number of older people, the costs to government for age related spending such as pensions and aged care will also increase. The *Intergenerational Report* concluded that by 2041-42 Australian Government spending could exceed the amount it raises in taxes by around 5%.²³ This assumes that no changes would be made to the policies in place in 2002.
- 1.28 Costs will also increase for other spheres of government but data on this is not readily available.²⁴

Can population ageing be changed?

- 1.29 Unless there is a very significant increase in the birth rate or drop in life expectancy the population will continue to age.
- 1.30 Increasing migration could also make a difference and, unlike the birth rate and life expectancy, immigration can be directly influenced by Government policy. However, the Committee is aware that there are differing views on the extent to which immigration can make a difference: immediate benefits to the workforce through young skilled migrants may be undercut by impacts on the environment and, in the longer run, further contribute to population ageing.²⁵
- 1.31 Current Australian Government policy supports annual net overseas migration of between 80,000 and 100,000 of largely skilled young migrants.²⁶ The Department of Immigration, and Multicultural and

22 National Centre for Social and Economic Modelling, *Who is going to care? Informal care and an ageing population*, Report prepared for Carers Australia, 2004, p 30. See further Chapter 2, Supporting carers in the community.

23 *Intergenerational report 2002-03*, Budget Paper No.5, 2002, pp 6-7; see also, *Australia's demographic challenges*, p 24.

24 Tune D, transcript 7/02/2003, p 39.

25 Department of Immigration, Multicultural and Indigenous Affairs (DIMIA), sub 117, p 4; Department of the Treasury, *Australia's Demographic Challenges*, p 20; McDonald P and Kippen R, *The impact of immigration on the ageing of Australia's population*, Discussion Paper, May 1999, p 3; Sustainable Population Australia (Canberra Region), sub 55, p 3; Catholic Health Australia, sub 94, p 19.

26 DIMIA, sub 117, p 4. Net overseas migration (NOM) equals permanent and long term arrivals minus permanent and long term departures.

Indigenous Affairs (DIMIA) referred to research showing that this level of net overseas migration makes a worthwhile impact on population ageing while higher levels are increasingly less effective.²⁷

Population ageing in other countries

- 1.32 Australia ranks well outside the world's top ten oldest countries in terms of the median age of their populations of which Japan and Italy are the most rapidly ageing. Projections of the oldest ten countries in 2050 indicate that Australia will still remain well below the median age of these countries.
- 1.33 The ways in which countries respond to population ageing varies widely as do the actual impacts. The Governor of the National Bank of Belgium, in an address to the European Network of Economic Policy Research Institutes, noted that any viable solution to the population ageing crisis will be blend of three ingredients: governments getting 'their fiscal houses in order'; economic policy being geared towards increasing productivity growth and the employment rate; and careful analysis of health care spending and individual pension entitlements, both public and private. At the same time he stressed that:
- ...it would be very easy, for instance, to offset the upward pressure on government spending coming from the rising number of elderly by simply reducing the average pension to a basic-needs level and to turn the health care system into a two-tier one, where public insurance is very limited and only the richest part of the population has access to new technologies via private schemes, but that would simply amount to a hollowing out of the welfare state, which our fellow citizens and myself do not wish.²⁸
- 1.34 A recent study has shown that population ageing does not necessarily result in straightened living conditions, as is shown in Table 1.1.²⁹

27 McDonald P and Kippen R, *The impact of immigration on the ageing of Australia's population*, Discussion Paper, May 1999, p 3.

28 Quaden G, Governor National Bank of Belgium, *Ageing and welfare systems: what have we learned?*, Introductory speech to the conference organised by CEPS in the Framework of the European Network of Economic Policy Research Institutes (ENEPRI), Brussels, 24 and 25 January 2003, viewed 14/05/2004, <
<http://www.enepri.org/PapersENEPRIfinalconference/speechbyGuyQuaden.pdf>>.

29 Healy J, *The Benefits of an ageing population*, The Australian Institute, Discussion Paper No 52, March 2004, viewed 14/05/2004, <
http://www.tai.org.au/Publications_Files/DP_Files/DP63%20summary.pdf>.

Table 1.1: Ten oldest countries, 2000 and 2050 (median variant)

2000			2050	
Country	GDP per capita US \$	Median age	Country	Median age
Japan	37.544	41.2	Spain	55.2
Italy	18.500	40.2	Slovenia	54.1
Switzerland	33.303	40.2	Italy	54.1
Germany	22.814	40.1	Austria	53.7
Sweden	25.822	39.7	Armenia	53.4
Finland	23.453	39.4	Japan	53.1
Bulgaria	-	39.1	Czech Republic	52.4
Belgium	22.225	39.1	Greece	52.3
Greece	10.722	39.1	Switzerland	52.0
Denmark	30.057	38.7	Macao China	51.9
Australia	20.225	35.2	Australia	43.7

Source: UN Population Division 2001 Tables 8.14; OECD Health data 2002 (2002a) as cited in The Australia Institute, *The benefits of an ageing population*, 2004, p7.

The conduct of the inquiry

- 1.35 The chair of the Committee issued a media release launching the inquiry on 26 June 2002. The inquiry was also advertised in *The Australian* on 26 June 2002 with the closing date for submissions promoted as 30 November 2002. In addition, letters were sent to approximately 180 individuals and peak bodies, including State and local council organisations inviting them to make a submission to the inquiry.
- 1.36 A total of 192 submissions were received (see Appendix A) and 88 exhibits were received (see Appendix B). Submissions came from a wide-ranging representation of the nation. Contributions came from many areas: health and aged care service providers, unions and professional bodies, employers and business groups, academics, individual researchers and research organisations, lobbyists, financial institutions and financial advisers, church and religious groups, cultural and Indigenous groups, human rights and war veteran advocates, and many private individuals. All State and Territory governments, 14 Commonwealth government departments and several local governments also contributed.
- 1.37 To further involve the people of Australia in the parliamentary inquiry, the Committee held 18 public hearings across the country (Adelaide, Alice Springs, Brisbane, Broken Hill, Canberra, Central Coast, Coffs Harbour, Darwin, Dubbo, Lake Macquarie, Melbourne, Perth, Sydney, and Western Sydney). Some six site inspections were undertaken to

- aged care facilities, a respite centre, the University of the Third Age and four organisations at Tullamore NSW involved in work with aged people (see Appendix C).
- 1.38 From the public hearing program, the Committee took evidence from 100 witnesses representing 88 organisations or themselves at 18 public hearings. The hearings were held between 7 February 2003 and 24 February 2004. Details of the public hearings program and the list of witnesses are at Appendix C.
- 1.39 Copies of the transcripts of the public hearings are available from the Committee's website or from the Secretariat.³⁰
- 1.40 As a special feature of the inquiry and to maximise community opportunities for contributions to the inquiry, the Committee also held a total of six community forums associated with five of the public hearings (Gold Coast, Norah Head, Charlestown, Coffs Harbour, Alice Springs, Broken Hill). This allowed 127 statements to be made by members of the public, some invited, and some people volunteered. Over the course of six community forum segments, a total of 127 statements were made.
- 1.41 The Committee also received 17 private briefings from various Commonwealth agencies, individuals and a number of academics working in relevant fields.
- 1.42 During the course of the inquiry, Committee members also attended two conferences relevant to the issues. These details, together with those for the public hearings, community forums and private briefings appear in Appendix C.

Scope and structure of the report

- 1.43 The terms of reference for this Inquiry are very broad. In view of this and the wide-ranging activity noted above, the Committee has considered ways to focus this Report while acknowledging the wealth of information and concerns put to it for consideration.
- 1.44 Evidence put to the Committee fell into two broad categories: discussion of strategies for the longer term and concerns about matters affecting older Australians now.

30 House of Representatives Standing Committee on Ageing,
<<http://www.aph.gov.au/house/committee/ageing/strategies/index.htm>>.

- 1.45 The Committee decided that it would be timely to focus the report on assessing whether individuals and communities are aware of the various long term strategies being promoted through such activities as those listed above, and whether more needs to be done before there are strategies that are widely owned and acted on.
- 1.46 The Committee appreciates that the problems identified as facing older individuals and communities here and now are real problems and greater efforts to address them must be made by all sectors of society.
- 1.47 The following chapters deal with the strategies put forward in evidence to the Committee and in other sources available to the Committee
- Age friendly communities
 - Ageing with dignity
 - Housing and transport
 - Healthy ageing
 - Workforce participation
 - Financial security in later life
 - Aged care and health services
 - Aged care and health services: looking to the future
- 1.48 Within these chapters, three additional themes are covered: Indigenous and rural and remote issues, and the need for research across the spectrum of issues relevant to the ageing of the Australian population.
- 1.49 Throughout the report the Committee has sought to emphasise that preparing for the challenges of the next forty years is a shared responsibility. Governments and communities have responsibilities to remove barriers to maximising the benefits of an ageing population, and to foster positive environments in which individuals and their families can continue to make a positive contribution. Each individual, too, must plan for their future as part of Australia's ageing population – planning that encompasses health ageing, continuing engagement in work and the community, and financial security in later life.

