Reading 2

Our ageing population

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See the Australian Bureau of Statistics web site www.abs.gov.au

As the youngest of the baby-boom generation turns 65 in 2031, the median age of the population is projected to reach 42–43 years, and the proportion of the population aged 65 and over is projected to reach between 21% and 22%.

Population ageing is a major focus of social and economic planners and policy makers in Australia, as it is throughout the more developed regions of the world. Of particular concern is the anticipated increase in costs associated with the care and income support of a rapidly growing aged population, and how much Australians will be willing and/or able to pay. Much of recent government policy has focused on cost reduction as well as shifting costs and responsibility from the public sector to individuals, families, community groups and private business.

AGE COMPOSITION OF THE POPULATION, ESTIMATES AND PROJECTIONS
(a)

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<tbody>
<tr>
<td>Proportion aged</td>
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<tr>
<td>Under 15</td>
<td>24.5</td>
<td>30.3</td>
<td>28.7</td>
<td>21.2</td>
<td>20.3</td>
<td>18.3</td>
<td>16.5</td>
<td>15.6</td>
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<td>15–64</td>
<td>67.6</td>
<td>61.2</td>
<td>63.0</td>
<td>66.7</td>
<td>67.3</td>
<td>67.7</td>
<td>62.2</td>
<td>60.2</td>
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<td>65 and over</td>
<td>8.0</td>
<td>8.5</td>
<td>8.3</td>
<td>12.1</td>
<td>12.4</td>
<td>14.0</td>
<td>21.3</td>
<td>24.2</td>
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<tr>
<td>Baby boom age cohort(b)</td>
<td>. .</td>
<td>30.3</td>
<td>36.5</td>
<td>30.0</td>
<td>29.0</td>
<td>26.3</td>
<td>18.7</td>
<td>4.5</td>
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<tr>
<td>Median age</td>
<td>years</td>
<td>30.8</td>
<td>years</td>
<td>29.3</td>
<td>years</td>
<td>27.5</td>
<td>years</td>
<td>34.3</td>
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<tr>
<td>Total population</td>
<td>million</td>
<td>7.5</td>
<td>million</td>
<td>10.5</td>
<td>million</td>
<td>13.1</td>
<td>million</td>
<td>18.5</td>
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(a)
Australia's population has aged steadily throughout this century, apart from a temporary reversal due to the post-war baby boom. During the 25 years after World War II the median age declined, reaching a low of 27.5 years in 1971 as the first of the baby boomers began to have children of their own. Since then it has risen to 34.3 years in 1997 and is projected to reach between 42 and 43 years in 2031 (as the youngest baby boomers turn 65). The proportion of the population aged 65 years or older (12% in 1997) is projected to increase to between 21% and 22% by 2031.1

(b)
**Why is the population ageing?**
Structural ageing in Australia (that is, the declining proportion of the population to be found in younger age groups and the consequent increase in the proportion found in older age groups)2 is mainly due to the sustained decline in fertility which followed the post-war baby boom. In 1961, at the height of the baby boom, the total fertility rate peaked at 3.6 babies per woman. By the late 1970s, it had fallen to around half that level and has continued to decline (at a much slower rate) throughout the eighties and nineties.4 Based on assumptions of continued low fertility, and continued small declines in mortality, Australia's population is projected to continue ageing into the next half-century.

**The baby boom**

The period from the end of World War II until around the mid 1960s, has come to be known as the baby boom in Australia and in several other countries such as New Zealand, Canada and the United States. After the war, these were all relatively prosperous, industrially advanced countries with rapidly expanding economies, rising living standards and serious labour shortages. These countries welcomed high levels of immigration, and a rapidly growing population was seen as essential to continued economic progress.3

While the end of the baby boom is not as exactly defined as its beginning, it is clear that a change began to take place in the 1960s. With the introduction of oral contraceptives, changing perceptions of desired family size, and growing acceptance of women's participation in paid employment, birth rates declined. In Australia, the fertility rate peaked in 1961 and by 1965 had dropped back to just below the 1946 level.4

In this review, **baby boomers** refers to Australian residents who were born in Australia or overseas during the years 1946 to 1965. This group includes people in the baby-boom age cohort who immigrated to Australia from countries which did not experience a post-war baby boom.
**Baby boomers and ageing**

The baby-boom generation, the result of a period of high fertility and high levels of immigration that followed the Second World War, is significantly larger than preceding cohorts. Because of this, it has made, and will continue to make, a large impact on the absolute size of a range of population groups of specific policy interest as it progresses through the age structure. For example, in 1961, baby boomers formed a prominent bulge at the younger end of the age distribution (all children under 15). At the other end of the spectrum, between 2011 and 2031, baby boomers will make a significant contribution to the numbers of people aged 65 years and over. During this period, the population aged 65 and over is projected to grow from 3 to 5 million. By 2031, all surviving baby boomers will be 65–84 years of age. Between 2031 and 2051, baby boomers are projected to swell the population aged 85 and over from 612 000 to 1.1 million.

**Supporting a growing aged population**

Australia's changing age structure has implications both for the level of social expenditure that might be required in future, and the level of resources that might be available to fund it. For example, as the population aged 65 and over increases in size, associated social expenditures on income support, care and health services can be expected to increase. However, since the potential labour force (roughly represented by the population aged 15–64) is projected to grow at a slower rate after 2011, it may be more difficult to generate the level of resources and public support needed to maintain a large aged population with an acceptable standard of living and quality of life. The most rapid change in the relative size of these two age groups is projected to occur between 2011 and 2031 as the baby-boom generation moves out of the labour force and into retirement. During this period, the population aged 0–14 is projected to remain fairly stable so there is unlikely to be a compensating decline in demand for social expenditures associated with this group.

In addition to the changing age structure of the population, there are many other factors, social and economic, which could also have an important bearing on future levels of social expenditure and how it is distributed. For example, future rates of economic growth, productivity improvements and taxation levels will affect the level of resources potentially available. At the same time, the circumstances of future older generations (for example, labour force participation, level of private income and asset holdings, health status, availability of family/community support networks) will influence the level of resources that will be needed for aged care, health, housing and income support. On the other hand, future trends in education, labour force participation, unemployment rates and income distribution among the younger age groups will influence the level and nature of competing demands (for example, university funding, employment programs, unemployment benefits, support for low-income families) on available resources.

Changes in social values, attitudes and government policy will also influence the level of support provided for older people (and other groups such as children, unemployed people and people with disabilities) as well as the respective roles of government, private business, community groups, families and individuals in providing it.
Baby boomers in retirement

It appears likely that many, though not all, baby boomers will be in a better position than the current older generation to provide for a financially secure retirement without relying on the age pension for most of their income. This is particularly so for those individuals and households who have been able to benefit from the relatively favourable economic conditions and low unemployment rates during the seventies and eighties to accumulate significant assets such as superannuation, the family home, investment property, stocks, shares and so on. Higher rates of labour force participation among women baby boomers, and the consequent high rates of two-income families, have put this group in a better position than previous generations to accumulate such assets.

However, not all baby boomers have had these opportunities, and it will take at least 20 years of contributions under the Superannuation Guarantee Charge arrangements for these funds to mature into a significant retirement income for most employees. Those with lower incomes and/or discontinuous employment may never be able to accumulate enough superannuation to replace the age pension as the primary source of retirement income. It is possible that the recent trend towards early retirement will be offset to some extent in the future as some baby boomers choose to extend their working lives beyond the current expected retirement ages. Compulsory retirement has been abolished in all Australian States (except Tasmania) and Territories.

However, if recent trends in economic restructuring, technological change and rapidly changing skill requirements in the workplace continue, job opportunities for older people could be limited. On the other hand, large numbers of older people wishing to update their skills, or to acquire new qualifications which would enable them to compete in the labour market for longer, could have significant implications for the future education market.

Not only are baby boomers expected to live longer than the current older generation but to remain healthier for longer. The period of life for which older people make the most intensive use of health care resources (that is, the two years preceding death) is not expected to widen significantly in the future. A combination of better health, higher incomes, and government policy designed to reduce costs associated with institutional care of the aged, could see baby boomers remaining in their own homes and living relatively independent lives with the aid of family, paid help, and community support programs. They may also have access to a broader range of supported housing options between fully independent living and full nursing home care.

A largely healthy, active older population could make a valuable contribution, either as private individuals or through voluntary organisations, to the care and support of the very old or infirm (and to the welfare sector in general). Currently, about 17% of people aged 65 years and over donate time to voluntary organisations. Older volunteers work more hours, on average, than their younger counterparts and are much more likely to be involved in the welfare and community fields. In addition to formal volunteer work, older people provide a range of unpaid services to family, friends and neighbours. The 1998 Survey of Disability, Ageing and Carers estimated that people aged 65 and over accounted for 21% of all people who were the primary providers of informal care to someone needing help with self-care, mobility or verbal communication. The majority of older primary carers were providing care to another older person – 75% were caring for their partner and 10% were caring for a parent.
While much of the current research and policy on ageing tends to focus on the potential 'burden' to society of a large older population, the potential economic stimulus created by a growing demand for services (such as home help, specialised housing, financial and personal services) has been largely overlooked. Better educated and more affluent than their parents' generation, baby boomers are currently a large and influential market sector and could remain so well into their retirement years. Also, as the population ages, it is to be expected that public debate and government policy on ageing will be increasingly influenced by the views of older people. By 2031, over a quarter (27%) of all Australians of voting age (18 years and over) will be aged 65 or older.

Endnotes


