

COTA NATIONAL SENIORS
WORKING IN PARTNERSHIP

RESPONSE TO THE PRODUCTIVITY
COMMISSION DRAFT REPORT '*ECONOMIC
IMPLICATIONS OF AN AGEING AUSTRALIA*',
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Attachment : About COTA National Seniors

1 Introduction

COTA National Seniors welcomes this inquiry into the implications arising from Australia's ageing population. In particular, we support the Productivity Commission's finding that the demographic trends involved do not constitute a 'crisis' as is too often presented in the mass media and by analysts who should know better.

We also support the finding that instead, significant policy challenges must be met, and that these can be addressed with appropriate models of intervention, supported by continuing high levels of productivity. We need to implement positive strategies and policies now to ensure that the health and well-being of senior Australians is maintained. Some of the changes needed, for example, in relation to retaining mature workers in the paid labour force, require a long lead time because of the attitudinal and structural changes involved. We are looking at policy with a long-term future focus, and this of course, demands an agreed approach that transcends political party boundaries.

2 Population ageing is not a crisis

COTA National Seniors endorses the Commission's view that the ageing of Australia's population does not constitute a 'crisis', and welcomes the improved policy advice this represents in comparison with the direction of the *Intergenerational Report 2002-03*.¹ There is significant evidence that indicates it is productivity growth, rather than the ratio between the number of people in paid work and those who have retired, that determines our capacity to support our older citizens.

The projected dependency ratio (i.e. the proportion of dependent persons to those in the workforce) over the next 50 years in Australia has already been exceeded overseas, without disastrous social consequences or economic failure. As the population ages, youth dependency declines. Total dependency ratios in 2051 will be approximately the same as they were in 1970 in Australia. The number of dependents that each worker had to support in 1947 was greater than it is projected to be in 2040.² International evidence from comparable OECD countries is also pertinent. Total dependency ratios in Sweden, Japan, Canada and the United Kingdom, for example, as projected by the Population Division of the United Nations (current website) all exceed those of Australia, as does that of the USA for most of the coming years.

Despite the potential fiscal pressures projected, the Commission takes the view that this does not constitute a crisis because the pressures are off set against a

¹ Dept of Treasury *Intergenerational Report* (2002-03 Budget Paper No 5, Commonwealth of Australia

²Kinnear, P (2001) *Population Ageing: Crisis or Transition?* The Australia Institute, Sydney, page vi

number of positive outcomes. The Commission identifies seven benefits, all of which are strongly endorsed by COTA National Seniors -

1. An ageing population is a reflection of Australia's success in achieving greater life expectancy.
2. One of the benefits of this change has been increased female participation in the paid workforce, and increased female education levels. Education is one of the factors promoting productivity, and two of the factors needed for economic growth are productivity and participation.
3. Labour force participation is currently at its highest since prior to World War I and even with the projected decline in participation, the ratio of employees to population will be higher in 2050 than at any time in the century preceding 1990.
4. Unfunded pension liabilities, while significant, will not exert the same degree of pressure on government budgets as they will in many other OECD countries.
5. While the substantial growth in health expenditure is a concern, provided it is well directed it will promote community well-being and may reduce the need for other age-related expenditure such as residential nursing home care.
6. Australia will be a wealthier country when the impact of the ageing population is felt – with average per capita incomes in 2044-45 projected to be about 90% greater than today.
7. Senior Australians contribute to their society in more ways than through their paid labour (which itself is likely to increase in future), particularly as carers, volunteers and community members. (COTA National Seniors also notes that seniors contribute significantly through intergenerational support of various kinds within families.)

3 Population ageing and tax revenue

COTA National Seniors agrees with the Productivity Commission finding that ageing will have modest effects on the tax revenue shares of GDP, and that expenditure, rather than revenue, is the most significant feature of ageing-related fiscal pressure.

Many of those writing of the 'burden' created by an ageing population with insufficient tax payers to support retired people overlook the tax paid by retirees. Consumption taxes mean that seniors continue to contribute as consumers of goods and services, with the only change for them being in patterns of consumption. Many seniors also pay income tax on their investments and other earnings. Increased leisure brings an increased use and

purchase of many goods and services. Increasing retention of mature aged people in the workforce will also increase tax revenue.

COTA National Seniors agrees that the fiscal gap requires a significant policy response, and that this will include a specific focus on health care and aged care which will represent the major areas of future expenditure growth. However there are other areas that should be included in the policy focus. We believe that a three tier forward plan should be adopted, having these three levels of intervention –

1. economic, social and environmental level (a sound economy, a stable and harmonious society, quality of life)
2. community level (effective urban planning, transport, housing and social and cultural services)
3. program level (focusing on retirement incomes, health, residential aged care, community care, housing, education and training).

One of the most critical gaps in current policy relates to the workforce participation of seniors, which will affect the Commission's projected productivity for Australia. This is addressed further in Section 4 of our submission.

The strength for future policy affecting seniors will lie in the ability of organisations and sectors to collaborate in order to provide a holistic approach and to ensure that resources are used effectively. The importance of whole of government policy is critical.

4 Population ageing and labour productivity

The Productivity Commission's analysis of current and projected labour market trends is welcomed by COTA National Seniors. It concludes that the current employment-to-population ratio is the highest on record, and while ageing will shift the ratio down from this peak, this is not anticipated to reach levels that are deemed to be very low using previous benchmarks. By viewing these trends historically, the impact of ageing is put into its correct perspective.

Workforce participation has changed significantly this century, particularly because of the involvement of women in paid work, and because of changes in life expectancy, health and retirement living. This means that people now have a longer period of not working in their adult lives and this is a reflection of improved health, quality of life and economic productivity. As the Commission points out, the ageing of our population is an indicator of Australia's positive economic, technological and social development, and it is important that Australia's seniors are regarded as a symbol of our success as a nation.

There is a trend that will gather strength over time for retirement to occur in a phased way, with many seniors wanting to continue working but with reduced hours and greater flexibility. Apart from the economic benefits of their participation, it is important that younger workers can benefit from their

experience and that employers do not lose their expertise. At the same time, intergenerational exchange in the workforce provides the means for older people to keep pace with changing technology and to have the opportunity for ongoing learning and skill development.

COTA National Seniors, through our own consumer networks, is constantly made aware of significant barriers faced many mature age people in returning to work or remaining in work. These involve –

- o Age-based discrimination in relation to recruitment and retrenchment
- o Lack of appropriate skills and training for current economic demand
- o Lack of availability of jobs in some locations
- o The effects of long term unemployment on returning to work
- o Social security, and tax disincentives
- o Superannuation scheme incentives to leave, disincentives to stay.

Each of these needs to be addressed if increased participation of seniors in the labour market is to be realised (even maintenance of participation). This needs to occur now, rather than in the longer term, because of the large cohort of people who face retirement without sufficient savings due to early retrenchment and long-term unemployment.

Of all of the above factors, age-based discrimination is the most significant and tends to intertwine with and compound other causes. In addition, mature age people point out that if they take a second job they are taxed for that job at the highest marginal rate. While they are reimbursed at the end of the financial year for any excess tax paid, these arrangements act as a disincentive to taking a second job. Yet the casualisation of the labour market now often means that a single job is not sufficient to meet income needs.

Workforce participation also depends on family friendly workplaces. We have been successful in providing facilities for younger mothers and children – we now need to look at the other end of the age spectrum and provide seniors with the opportunity to provide care to seniors in a flexible way that does not preclude carers continued participation in the workforce.

A significant number of mature age workers are looking for phased retirement, but discrimination and poor interface between social security, taxation and superannuation policies make this difficult. It is likely that phased retirement will become a norm in the future and government needs to facilitate this by addressing all these issues. It will be important to provide skills training that might provide mature age workers with a completely different career/work opportunity, and workplace reforms that provide “mini” trades skills that allow people to work in certain trades but in less complex areas – e.g. electricians who undertake domestic work only.

COTA National Seniors has been concerned for time with ageist assumptions about reduced capacity to work among seniors, and have been working to alter employer and community expectations that regard people over a certain age as being unproductive, unwilling to learn and unable to be retrained. We therefore

welcome the Commission's conclusion that age is a poor predictor of capacity to work. We would add that this would be even more the case if employers did not assume it was a predictor.

It is essential that opportunities are created for continued participation in paid employment. These include providing adequate skills training, enhancing lifelong learning programs and increasing the flexibility of working conditions. There is also a significant need for education programs that target employers so that they are informed about the benefits of an 'age - balanced' workforce.

5 Policy responses to population ageing

COTA National Seniors agrees with the Commission that the most appropriate policy response to the ageing of our population lies in maintaining productivity gain. The Productivity Commission concludes that there are three possible areas of required policy focus –

- 1 population policy (regarded as having little impact without a huge and rising migrant intake)
- 2 economic growth through increasing labour supply and productivity so that the costs of population ageing are more affordable
- 3 increasing the cost-effectiveness of government-provided services, particularly health and aged care.

While we agree that immigration policy will have minimal impact at current levels of migrant intake, the benefits to Australia of cultural diversity should continue to be pursued. There is significant scope to improve policies focused on increasing labour supply. For older workers, the importance of the factors identified by the Commission (such as, facilitating age and family friendly workplaces and increasing the scope and willingness for employers to hire and retain older workers) are of immense significance and we welcome the call for increased policy focus in this area. Productivity is also dependent on a healthy workforce – promoting physical activity for seniors and mature age workers will enhance their capacity to continue to work.

We also agree that there is significant scope to improve efficiencies in the health system, particularly in relation to lack of coordination between services, across sectors and levels of government. However, this needs to extend beyond the health system (as traditionally understood), as part of the delivery of 'joined-up' services.

It is also important that government policy support health promotion, early intervention and prevention of ill health so that healthy ageing is ensured. This will critically affect the capacity of seniors to remain in the paid workforce as well as their reliance on health services and income support. Our work with seniors has identified the need for more information and education about prescribed medicines and the use of non-drug methods of maintaining health and preventing illness, better communication between consumers and health professionals about the use and management of medicines and greater controls

on the advertising and promotion of pharmaceuticals. Again, this is part of health promoting interventions that currently represent only 1.6% of the Federal health budget. We believe that this is a poor level of investment for the future well-being of all age groups.

There is a significant gap in current health policy and this concerns dental care of seniors. Oral health is a central, not a marginal concern, but there is no assistance for low-income people to maintain oral health. Many seniors lack basic dental care and face long delays for publicly funded treatment. Yet poor dental health can contribute to deterioration in overall health and can lead to premature admission to residential aged care. Early intervention is critical, as is health-promoting support to encourage preventive dental health care. A national dental health policy is needed.

There is also a need to examine the nexus between good health and good housing. Ensuring that seniors have the opportunity to live in appropriate accommodation – adaptable, accessible, affordable and energy efficient will promote good health and ongoing participation.

6 Health policy

COTA National Seniors supports the Productivity Commission's analysis of the interrelationship between population ageing, new medical technology and rising health expenditure. The Commission expects that ageing, ***in combination with demand and new technology***, will place significant additional pressure on future health expenditure. Real health expenditure has been rising because of demand, changing technology and growth in prices in the health sector relative to the economy generally. Although people are living longer, and may be healthier, in many cases better health is the result of ongoing (and costly) treatment. For this reason, any costs in health care need to be assessed against their benefits. The introduction of new medical technology is viewed by many experts as the major driver of the rapid increase in health expenditure in developed countries.

The Commission concludes that the rising share of seniors will **compound** the underlying growth in health expenditure arising from technology and demand. COTA National Seniors believes that seniors are too often 'blamed' for these costs, when other factors, such as poor interface between the acute care and community care sectors, are of more relevance than the actual numbers of seniors needing health care. A number of innovative pilot services are being developed to address interface issues, and these are supported by COTA National Seniors because of their potentially positive impact on seniors. For example, some pilots involve hospital avoidance which is beneficial for the consumer (especially if they are older) as well as for the system as a whole. Critical to the success of such pilot programs is the continuing education of GPs about community-based health delivery alternatives.

It is also important to acknowledge the strong correlation between economic well-being and health status for all age groups. An important foundation for 'healthy ageing' is an adequate income and a strong asset base for retirement. In addition, healthy ageing requires an increased investment by governments in health promotion, prevention of illness and early intervention (as opposed to crisis intervention). Not only are these three factors essential for individual well-being, they are also essential for effective cost control in the health system. In other words, expenditure on health promotion is a front-end cost that represents a long-term investment. For this reason, we believe that health promotion should have a dedicated budget.

A priority for health promotion initiatives is the workplace because much of the significant proportion of job loss among mature age people is due to ill health or injury. In turn, this affects reliance on disability pension (which the Commission projects to increase with an ageing population).

7 Aged care policy

The Productivity Commission identifies future increases in aged care expenditure as the numbers of people aged over 80 are projected to treble from 3.3% of the population to 9.7% of the population by 2044-45. The level of government expenditure on future aged care services is seen by the Commission as being influenced by four main factors – growth in the number of seniors, disability levels within the older population, any change in the care mix from residential to community care and changes in the average cost of care per person.

Change in the Care Mix

COTA National Seniors agrees that community-based care is the growth trend, because it reflects the preferences of most older people, but that it will be potentially limited by the reducing availability of informal carers. It will also be limited by under-supply of "age friendly" accommodation. Greater availability of accessible/adaptable housing would mean that more people are able to care for themselves longer than in conventional accommodation, and we discuss the need for this in Section 9.

Residential aged care provision faces issues of supply not being able to meet demand. For these reasons, and as part of a healthy ageing approach, it is essential that resources are directed to **early intervention and prevention** – again, this involves an investment, not only a cost. There are many services that are not funded because they do not respond to crisis, for example, social support services, yet many older people who are isolated and lonely develop a range of physical and mental health needs that lead to a dependence on formal care services. Most of the aged care service system, facing significant demand that cannot be met by existing resources, gives priority to those with high level or complex need, creating a self-perpetuating cycle that excludes preventive and early intervention. There are too many people with short term needs that

would respond to a short term, rehabilitative program from which they could exit, who are left without this support and go on to develop conditions that require long term service support.

8 Local government's role in developing appropriate policy responses

Because the role of local government has expanded beyond property-related services to include human services provision, population ageing is likely to place increasing demands on local government resources. In addition, there will be growing pressure to upgrade or modify infrastructure to meet the needs of frail older citizens.

Local Government can influence significantly the quality of life of seniors by creating age friendly environments, as well as by the services it provides. The provision of land for housing in strategic locations close to facilities is important – this reduces the need for services to be dispersed or for complex transport arrangements to be implemented in order to bring the seniors to the facilities.

The Productivity Commission estimates that the number of people in low and high residential aged care is likely to increase by 66% by 2024-25 and by 178% by 2044-45. On the assumption that people will want this care in the region where they live, local government will be challenged in designating sufficient land for new developments in a timely fashion, and in ensuring that new facilities are integrated with existing service delivery.

The proportion of seniors in residential care (about 6% of those over 70) is unlikely to increase although the absolute numbers will, as will their degree of frailty. It should not be too difficult for local governments to fairly accurately estimate future demand for residential care and to plan now, and make provision for future need.

9 Impact of population ageing on other government expenditure

The Productivity Commission analyses the impact of population ageing on a number of portfolios, and COTA National Seniors offers comment on those concerning education, housing and transport.

Impact on Education Expenditure

The Productivity Commission projects government expenditure on education will decline with population ageing, partially offsetting other budget areas where ageing will create the demand for increased expenditure.

Although front-end education costs will be reduced, it will also be important to ensure that lifelong learning opportunities are encouraged, even though this is

not part of current national education policy. COTA National Seniors believe that lifelong learning is essential in order to be able to respond to ongoing change, and in order to ensure that mature people can contribute to meeting future workforce requirements. Investment in education and training is crucial to future productivity but should be formulated in the broader frame of reference of lifelong learning. Lifelong learning provides opportunities throughout the life course whereas employment-related learning is much narrower in scope, and is founded on adult learning principles and as such, is more appropriate to the needs of mature learners.

Impact on Housing Expenditure

While seniors have on average higher levels of home ownership than the population as a whole, population ageing is likely to increase the demand for housing assistance for seniors who do not own their own homes, and who typically have low incomes. COTA National Seniors, together with many public and community housing advocates, is looking for governments to plan an effective response to the projected increase in demand for housing assistance, and this includes the provision of public housing.

In addition, we are looking to governments to produce nationally consistent standards in home design for seniors (as has been initiated by the NSW government). Innovation in home design can have a significant impact on a persons' ability to continue to live independently. We need to encourage public sector and private builders to build accessible and adaptable homes that can change as needs vary.

Impact on Public Transport Expenditure

There will be increased growth in demand for community transport and transport for people with a disability but the Commission concludes that public transport concessions to pensioners and other seniors are unlikely to place significant strain on revenue because their share of usage of rail and bus transport is less than other population groups. School age children are the most intensive users of services. Seniors would be higher users if transport services were more appropriate to their needs.

COTA National Seniors believes that State transport authorities do not design public transport with the needs of seniors in mind, despite the fact that they are an important user group, and one that is very reliant on this transport. Systems are designed with the needs of the paid workforce and school children in mind. This is compounded by the variability in local government provision for older citizens, yet local government can play a crucial role in meeting their transport needs. Such transport can make a profound difference to determining access to services and social networks, and as such, to overall well-being.

It is COTA National Seniors' view that Australia has the opportunity to create an age friendly community which recognises the value and contribution of its seniors. This can be achieved without disadvantage to younger members of the community - a society for all ages.

However, there is a need for whole of government intervention to address ageism, and while 'positive ageing' policies exist across the country, at national and state levels, they are usually located within the portfolio of the Minister with responsibility for aged care. Apart from the fact that aged care services are used by a minority of seniors, the absence of total government policy initiatives for an ageing society does little to reduce prevalent ageist assumptions.

As the Commission correctly observes, the ageing of our population is an indicator of our social and economic success as a nation, and this fact needs to be recognised widely.

ATTACHMENT: ABOUT COTA NATIONAL SENIORS

COTA National Seniors Partnership is the largest seniors' organisation in Australia with more than 270,000 individual members and over 800 seniors organisations under its umbrella. It offers members a vast range of services and benefits and is an influential vehicle for contributing to policy debates affecting seniors in parts of Australia.

The Partnership, effective from 11 December 2002, joined the State and Territory COTAs and Council on the Ageing (Australia) with National Seniors into a joint national organisation. COTA National Seniors develops policy positions and advice through a variety of channels, including membership Branches, which provide input to elected Policy Councils at both State/Territory and national levels.

With its combined individual and organisational membership representing all aspects of Australian seniors interests, COTA National Seniors Partnership has a pre-eminent role in representing, advocating for and serving seniors throughout Australia. In terms of policy, it adheres to four principles:

Policy Principle 1: maximising the social and economic participation of older Australians.

The Partnership seeks to maximise opportunities for social and economic participation by older Australians, including promoting positive approaches to the contribution of seniors and the ageing of the Australian population, and by breaking down age discrimination in all areas of social and economic life.

Policy Principle 2: promoting sustainable, fair and responsible policies

The Partnership is committed to the development of fair and sustainable policies for seniors that take account of the needs of the entire community in the short and long term. It develops policies which are fiscally and economically responsible and which fairly balance the competing needs and interests of diverse groups amongst the senior population and other sectors of the community.

Policy Principle 3: protecting and extending services and programs that are used and valued by older Australians

The Partnership develops policies and provides advice on maintaining and improving services and programs which seniors use and value. These include primary health care, hospitals, pharmaceuticals, employment services, utilities, public transport, residential care, housing and community care. It will seek to ensure that there is an adequate "safety net" of services and income support which all seniors can access according to fair and equitable criteria in order to maintain a reasonable quality of life.

Policy Principle 4: focus on protecting against and redressing disadvantage

The Partnership believes that all seniors have the right to security, dignity, respect, safety, high standards of treatment and care and to equal participation in the community regardless of income, status, background, location, frailty or any other social or economic factor. As a result we will have a strong focus on seniors who are most vulnerable or disadvantaged in terms of these criteria.