

Economic Implications of an Ageing Australia  
The Productivity Commission

Submission from The Australasian Centre on Ageing, The  
University of Queensland

September 2004

Prepared by:  
Dr Jeni Warburton  
Senior Research Fellow  
Australasian Centre on Ageing  
The University of Queensland  
Tel: (07) 3346 9698  
Fax: (07) 3365 7503  
Email: [J.Warburton@social.uq.edu.au](mailto:J.Warburton@social.uq.edu.au)

Prof Helen Bartlett  
Director  
Australasian Centre on Ageing  
The University of Queensland  
Tel: (07) 3346 9084  
Fax: (07) 3365 7503  
Email: [h.bartlett@uq.edu.au](mailto:h.bartlett@uq.edu.au)

## Overview

This submission is in response to the research study currently being conducted by The Productivity Commission into the productivity, labour supply and fiscal implications of likely demographic trends over the next 40 years. This submission is in response to the following terms of reference:

1. The likely impact of an ageing population on Australia's overall productivity and economic growth
2. The potential economic implications of future demographic trends for labour supply and retirement age, and the implications for unpaid work such as caring and volunteering.
3. The potential fiscal impact of the above factors on Commonwealth, State and Territory, and, to the extent practicable, local governments.

In particular, this submission makes the following points:

1. Population ageing is too often defined as a problem rather than an opportunity;
2. Older people contribute to society in a range of ways, and these include volunteering, caring and providing informal help to families and communities;
3. These activities provide substantial value to the economy;
4. They are also essential to civil society; and form an important component of social capital;
5. Thus, any debates about productive ageing, including concerns about a declining workforce, need to be seen in the light of the many positive contributions made by older Australians outside paid work.

This submission was prepared by Dr Jeni Warburton and Professor Helen Bartlett from The Australasian Centre on Ageing at The University of Queensland. The Australasian Centre on Ageing ([www.uq.edu.au/aca](http://www.uq.edu.au/aca)) was established as a multidisciplinary centre to increase understanding and knowledge about ageing issues through research and education. At the Centre, we undertake research across a wide range of priority issues in ageing with the intention of influencing public policy at local, state and national levels. Both Dr Warburton and Professor Bartlett are currently researching ageing and social capital; and Dr Warburton has written quite extensively about older people as volunteers.

## **The “ageing problem”**

Along with most western countries, Australia is currently facing a range of challenges associated with population ageing<sup>1</sup>. These challenges are all too often defined as a social and economic crisis that will burden future generations<sup>2</sup>. Ageing is seen as a problem because of economic pressures associated with declining labour market participation, and social concerns about intergenerational equity. Recent policy initiatives have focused on the increased costs to health budgets, and on declining numbers in the overall workforce. Also, a number of recent media stories have focused on the potential burden on families associated with increased longevity.

However, in contrast with this rather negative approach to ageing, it may be that instead there are opportunities associated with an ageing population. As Healy suggests, there may be “a silver lining to the fog of pessimism currently clouding the perceptions of policy makers and governments”<sup>3</sup>. Ageing offers a range of opportunities as well as challenges to society. We need to balance the current debate of economic crisis with some of the benefits associated with population ageing.

This submission proposes that there are benefits associated with an ageing society, and that these benefits need to be considered in the debate about demographic change. Recent Australian research is suggesting that older people actively contribute to society, although in ways that are often neglected. These studies help challenge the notion that activities outside the labour market, and particularly those performed by older people, are not economically valuable. They also help to counter some of the negativity associated with ageing, which impacts on the attitudes and behaviour of people towards those who are older as well as older people themselves. It is thus important that these activities are central to any debate about the productivity of older people.

---

<sup>1</sup> Australia’s Demographic Challenges 2004

<sup>2</sup> eg World Bank 1994; Intergenerational Report 2002;

<sup>3</sup> Healy 2004, p. vii; see also Kendig 2004

## **The contribution of older people to society**

Older people contribute to society in a range of ways – as paid workers, as family members, as volunteers, as carers, and in their general contributions to social capital and community. Research studies have begun to focus on the contributions older people make outside paid work in order to highlight the valuable roles undertaken by many older Australians. These studies are beginning to look at both the social and the economic value of activities outside the paid labour market.

Volunteering, for example, is increasingly being recognised as a productive activity that can be ascribed an economic value<sup>4</sup>. The Australian Bureau of Statistics (ABS) estimated the value of national volunteer activity overall as between \$24 billion and \$31 billion<sup>5</sup>. Duncan Ironmonger's work, in particular, has provided economic estimates of the value of unpaid labour. Using ABS Time Use data, he has suggested that volunteering in both formal and informal settings can be quantified. By giving it a fairly minimal dollar value based on transferable replacement costs, he suggests that 2,200 million hours of volunteering is worth \$42 billion a year<sup>6</sup>. Given the problems associated with measuring informal community helping, this is still a modest estimation.

Researchers have also measured the economic value associated with volunteering in different states. In South Australia, for example, Ironmonger proposed that volunteering is worth \$4.98 billion, which was equivalent to 11.5% of Gross State Domestic Product<sup>7</sup>. A Victorian study<sup>8</sup> estimated that formal volunteering, informal caring activities and travel time together was worth \$10 billion to the Victorian economy. These are substantial sums, and volunteering activities – both through an organisation and informal caring – are clearly worth much to the economy.

In addition to these general studies, there are a number of recent studies which have attempted to provide an economic value to older people's contributions to society

---

<sup>4</sup> ABS 2000; Ironmonger 2000

<sup>5</sup> ABS 2000

<sup>6</sup> Ironmonger 2000

<sup>7</sup> Ironmonger 2002

<sup>8</sup> Soupourmas & Ironmonger 2002

more specifically<sup>9</sup>. A recent study by de Vaus and his colleagues (2003) demonstrated that older people make valuable economic contributions to Australia. They estimated that Australians aged over 65 years contribute almost \$39 billion per year in unpaid caring and voluntary work, and that if those aged 55-64 are included, then this contribution increases to \$74.5 billion per annum.

These studies all show that volunteering and caring activities are clearly valuable to the economy, and that older people make a substantial contribution as volunteers and carers outside paid work. The economic benefits of high levels of social capital are noted in a report undertaken by the Productivity Commission itself<sup>10</sup>. The economic benefits of volunteering and caring are substantial, but also have value beyond their immediate output benefits.

### **Older people and their contributions to civil society**

As well as the economic benefits of volunteer type activities, considering these activities as part of the concept of social capital<sup>11</sup> also highlights other benefits that older people bring to society. Volunteering adds value to society beyond the economic dimension and outweighs the replacement costs of delivering services. It is the “process” benefits associated with volunteering that are hard to quantify but demonstrate that volunteering in all its forms is a value adding activity<sup>12</sup>. These aspects concern the benefits that accrue to society by those who give their time to strangers<sup>13</sup>.

High levels of social capital are associated with cohesive and stable societies<sup>14</sup>. Cross-national research studies are attempting to demonstrate and measure the broad, indirect effects associated with social cohesiveness, such as lower rates of crime,

---

<sup>9</sup> de Vaus, Gray and Stanton, 2003; Ranzijn, Harford & Andrews, 2002.

<sup>10</sup> Productivity Commission 2003

<sup>11</sup> Putnam (1993) defined social capital as the dense networks of civic engagement, and their capacity to produce elements such as trust, reciprocity and cooperation

<sup>12</sup> Ironmonger 2000; Warburton 2004

<sup>13</sup> Titmuss 1970

<sup>14</sup> Wilkinson & Bittman 2002

improved health and education levels<sup>15</sup>. These studies begin to measure economically some of the indirect benefits associated with volunteer and community activities.

It is important to consider the role older people play in generating social capital and helping to build and maintain communities. The research evidence suggests that older people contribute to community in myriad ways. They contribute to their families, to their friends, to their neighbourhoods and the community. Recent research<sup>16</sup> is showing that older people are often active in their local communities, often based on a long-term sense of place. They support each other to live in the community, are often carers of partners, family members with disabilities, or even parents or siblings. Many older people also actively contribute to strong intergenerational relations through their activities with their own grandchildren or acting as surrogate grandparents within local communities.

Many older people also volunteer for non-profit organisations. There are over half a million volunteers among those aged over 65 years<sup>17</sup>. While there are generally less older volunteers than those in the middle age range, older people are more likely to be highly committed volunteers by giving more time to their volunteering and staying with organisations longer<sup>18</sup>. This makes older people a valuable resource for many organisations.

Emerging evidence on the babyboomer generation suggests that this cohort will have different needs, motivations and expectations in their approach to later life<sup>19</sup>. These studies suggest that this will affect their volunteer and community activities, and lead to different choices and patterns of behaviour. It may be that more people may wish to combine paid work with their volunteer and community activities, and that more flexible options are needed for people as they approach later life. These different needs must be considered in any study of the ageing population.

---

<sup>15</sup> eg Knack & Keefer 1997; Mayer 2003

<sup>16</sup> Warburton 2004

<sup>17</sup> ABS 2001

<sup>18</sup> Lyons & Hocking, 2000

<sup>19</sup> Harvard School of Public Health Metlife Foundation 2004; Heartbeat Trends 2001

## **Why are these activities important to consider?**

Older people contribute to a healthy and thriving civil society. Research has shown that these activities provide economic value, but they also provide important social benefits. Both of these aspects need to be considered in relation to the productivity of older people. The concept of productive ageing is one that has some merit as it draws attention towards these broader contributions made by older adults outside paid work<sup>20</sup>. This is undoubtedly positive. However, we need to be aware that a narrow focus on economics or on the term “productive”<sup>21</sup> can lead to a neglect of the broader social capital contributions made by many older people.

There are a number of reasons why it is important that older people’s unpaid contributions are considered in research into ageing. First, focusing on what older people do *not* do (ie tend not to be in paid work) rather than what they do reinforces negative stereotypes around ageing. These lead to ageist policies and practices which paradoxically then result, among other things, in even less paid employment opportunities for older workers. It may also result in older people adopting these negative stereotypes which then act to restrict their choices in later life. For example, a large study of older volunteers showed that older people are sensitive to a negative social context, and may be less willing to volunteer if ageing is viewed negatively<sup>22</sup>. These are important considerations for an ageing Australia.

Second, if policies are implemented that are aimed at retaining people in paid work, then consideration needs to be given to ensuring that older people still have the capacity to be involved with their families and their communities. There are some indications that the babyboomer cohort, in particular, may be seeking a more diverse balance of opportunities in later life. Unless flexible work options are available, older people may simply not have the time to volunteer or certainly the time to be highly

---

<sup>20</sup> Hinterlong, Morrow-Howell & Sheraden 2001

<sup>21</sup> The term productive is classically associated with economics, yet many older people are not productive in the sense of producing goods and services which can then be traded for money (Ranzijn et al., 2002)

<sup>22</sup> Warburton et al., 2001

committed volunteers. There are important implications here for service delivery, as well as for the quality of Australian civil society more generally.

## Conclusion

In general, this submission proposes that the community activities of older people need to be considered in debates about their productivity. Unpaid work, which includes caring and community activities as well as more formal volunteer work, is essential to our social structure. The worth of these activities can be measured in economic terms. Also, using a social capital framework, their worth to society can be more broadly demonstrated. Overall, a smoothly functioning and caring society is important for the quality of life of all Australians.

Recent research is demonstrating that older people have an important role here. They contribute to society in ways that are little recognised, but are nevertheless very important. An emphasis on these positive contributions would help us move towards a less problem-based approach to ageing, and one that identifies the opportunities that an ageing population offers. This move needs to be reflected in a more positive policy framework around ageing that highlights the contribution made by older people to social capital and civil society.

## References

- Australian Bureau of Statistics (ABS) 2001. *Voluntary Work Australia*. Catalogue No. 4441.0. Canberra, Australian Bureau of Statistics.
- Australian Bureau of Statistics (ABS) 2000. *Unpaid work and the Australian economy, 1997*. Catalogue No. 4441.0. Canberra, Australian Bureau of Statistics.
- Australian Government, Treasurer 2002. *The intergenerational report*. Budget Paper No. 5.
- Australian Government, Treasury 2004. *Australia's demographic challenges*.
- de Vaus, D., Gray, M. and Stanton, D. 2003. *Measuring the value of unpaid household, caring and voluntary work of older Australians*. Australian Institute of Family Studies Research Paper No. 34, October.  
[www.aifs.org.au/institute/pubs/respaper/rp34.html](http://www.aifs.org.au/institute/pubs/respaper/rp34.html)
- Harvard School of Public Health Metlife Foundation 2004. *Reinventing aging: Babyboomers and civic engagement*. Available at  
<http://www.hsph.harvard.edu/chc/reinventingaging/Report.pdf>
- Healy, J. 2004. *The benefits of an ageing population*. Discussion Paper No. 63, Australia Institute, March.
- Heartbeat Trends 2001. Research into older people and volunteering for the 2001 Premier's Forum on Ageing. Available at  
<http://www.communitybuilders.nsw.gov.au/download/DADHC.pdf>
- Hinterlong, J., Morrow-Howell, N., and Sherraden, M. 2001. Productive aging: Principles and perspectives. In Morrow-Howell, N., Hinterlong, J. and Sherraden, M. (eds), *Productive aging: Concepts and challenges*. Baltimore, John Hopkins University Press, 3-18.



Ironmonger, D. 2000. Measuring volunteering in economic terms. In Warburton, J. and Oppenheimer, M. (eds). *Volunteers and Volunteering*. Sydney, Federation Press, 56-72.

Kendig, H. 2004. *The ageing of Australian society: Economic, fiscal and societal implications*. Task Force Report, Future Summit Australia 2004.

Knack, S. and Keefer, P. 1997. Does social capital have an economic payoff? A cross country investigation. *Quarterly Journal of Economics*, 112, 4, 1251-89.

Lyons, M. and S. Hocking. 2000. Australia's Highly Committed Volunteers. In Warburton, J. and Oppenheimer, M. (eds). *Volunteers and Volunteering*. Sydney, Federation Press, 44-55.

Mayer, P. 2003. *The wider economic value of social capital and volunteering in South Australia*, Report to Office for Volunteers, Government of South Australia, November.

Productivity Commission 2003. *Social capital: Reviewing the concept and its policy implications*. Commission Research Paper. Canberra, Australia, Ausinfo.

Ranzijn, R., Harford, J. and Andrews, G. 2002. Ageing and the economy: Costs and benefits. *Australasian Journal on Ageing*, 21, 3, 148-153.

Soupourmas, F. and Ironmonger, D. 2002. *Giving time: The economic and social value of volunteering in Victoria*. Victoria, Department of Human Services.

Titmuss, R. M. 1970. *The gift relationship: From human blood to social policy*. London, Allen and Unwin.

Warburton, J. 2004. Lots of little kindnesses: Valuing the role of older people in building community. Paper presented to *National Conference on Volunteering*, Melbourne, June 2004 (article submitted to *Ageing and Society*).

Warburton, J., Terry, D.J., Rosenman, L. and Shapiro, M. 2001. Differences between Older Volunteers and Non-volunteers: Attitudinal, Normative and Control Beliefs. *Research on Aging* 23, 5, 586-605.

Warburton, J., Le Brocque, R. and Rosenman, L. 1998. Older People, A Reserve Army of Volunteers? An analysis of volunteerism among older Australians. *International Journal of Ageing and Human Development*, 46, 3, 229-245.

Wilkinson, J. and Bittman, M. 2002. Neighbourly acts – volunteering, social capital and democracy. *Australian Journal on Volunteering*, 7, 2, 32-44.

World Bank 1994. *Averting the old age crisis: Policies to protect the old and promote growth*. New York, World Bank.