12   Household projections

As part of its report into the *Economic Implications of an Ageing Australia*, the Commission developed projections of future household numbers for each jurisdiction to 2044-45.

The Commission's projections of households are based on the 'propensity' methodology developed by McDonald and Kippen (1998). This method is also employed by the ABS (2004) in its more short-run projections. The ABS (2004) provides a detailed description of the methodology used.

The methodology, based on data collected from the Census of Population and Housing, identifies the propensity of people of different ages to belong to 15 different living arrangement types, such as lone person households and couple families with children.

Trends observed in the propensities over the last four censuses for each five-year age group are then projected forward and applied to the projected population — the accompanying household projections are based on the Commission's 'median' population series (PC-M).

The Commission's projections of households are based on the assumption that there is a 'low rate of change' in propensities over time. Specifically, it is assumed that the trends observed over the period 1986 to 2001 continue at the full rate of change to 2006, half the rate of change to 2011, one quarter the rate of change to 2016 and then remains constant to 2045.[1]

Propensities were produced for Australia as well as each State and Territory and applied to the respective population projections. As propensities were applied independently at each geographical level, the sum of living arrangement distributions for the states and territories differs slightly from those derived from applying nationally observed propensities to the projected population of Australia as a whole. Both versions are reported in the accompanying spreadsheet.

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[1] These assumptions are based on the assumptions underlying the ABS Series II projections of households, with the exception that the ABS estimates only cover the period to 2026.

Since the 15 living arrangements encompass both families and households, several adjustments were required. These are outlined in detail in ABS 2004 (pp. 117-118). In brief:

- the number of couple families (with or without children) were calculated as half the number of partners in couple families;

- the number of one parent families were calculated as the sum of male and female lone parents. Similarly, the number of lone person households were calculated as the sum of male and female lone persons;

- the number of 'other families' were calculated by dividing the number of related individuals by the average size of this family type;

- since family households can contain more than one family, families were converted to households using the 'family households to families ratios' recorded in the 2001 Census;

- the number of group households were calculated by dividing the number of persons in group households by the average size of group households as recorded in the 2001 Census; and

- family and non-family households were added to produce the total number of households.

The accompanying spreadsheet can accommodate changes in population projections as well as the average family sizes and ratios outlined above.

References

ABS (Australian Bureau of Statistics) 2004, *Household and Family Projections 2001 to 2026*, Cat. No. 3236.0.

McDonald, P. and Kippen, R 1998, *Household Trends and Projections: Victoria 1986-2011*, Victorian Department of Infrastructure, Melbourne.