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**DAWNING OF A NEW AGE?
THE EXTENT, CAUSES AND
CONSEQUENCES OF
AGEING IN AUSTRALIA**

by Peter Saunders

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Tony Eardley
Editor

Abstract

This paper provides an overview of the extent of the ageing of the population in Australia and reviews the evidence and debates that have emerged over the extent of ageing and its consequences for social policy. After a brief historical account of ageing in Australia, the methods used by the Australian Bureau of Statistics (ABS) to project future population movements are described and the latest series of ABS projections are summarised. Particular attention is devoted to the debate over the impact of immigration on ageing and it is argued that the attention devoted to this contrasts with the relative neglect of several other important aspects of the issue. The paper then discusses in some depth the debate over the implications of ageing for social expenditure, drawing on recent work undertaken by the Economic Planning Advisory Commission (EPAC) and the National Commission of Audit. It is argued that the expenditure projections underlying this work are simplistic and fail to take account of the dynamic aspects of ageing and what these imply for the overall economic and social fabric of an ageing society. After providing a few illustrations of how Australian social policy has been responding to ageing, the paper finishes by providing some case study evidence which illustrates the kinds of difficulties encountered by those Australians who are trying to cope with the problems of old age.

1 Introduction

Changes in population size and structure have been taking place ever since the human race first occupied the planet. Thomas Malthus was one of the first to highlight how important it is to understand the forces which determine population growth, because only then is it possible for public policies to influence that growth in order to improve overall welfare. The issue of population growth remains important today, although the emphasis has shifted towards focusing on achieving a rate of population expansion which is optimal, not only in economic terms, but also because of its long-run implications for natural resource availability and the related issues of environmental sustainability. In Australia, there currently exists no formal population policy as such, although the government has recently been recommended to adopt an explicit population policy (House of Representatives Standing Committee for Long Term Strategies, 1994).

Although it can thus be argued that the issue of *population size* has been somewhat neglected as a policy issue in Australia, the same cannot be said about the amount of attention directed at *population structure*, specifically the question of the ageing of the population. Within the last ten years, ageing has been the focus of a number of official and semi-official government reports and the academic literature on the topic has expanded enormously. It is worth observing at the outset that although population ageing is an important dimension of demographic change in contemporary Australia, it is not the only one. Other important trends include changes in ethnic and racial structure, in the geographic location of the population and in the nature and form of family and household structures, each of which is adding to the pressures perceived to be associated with ageing itself.

Much of the literature on ageing has addressed issues associated with the implications for public programs - specifically for their cost to government - with relatively little attention focusing on some of the broader economic and social consequences of ageing at both the individual and societal level. Attention has thus been directed primarily to establishing whether the country can *afford* to age, and if not what needs to be done about it, with rather little discussion of what ageing will mean for the nature of Australian

society itself. The issue of population ageing has thus become a focus of attention in Australia as in many other countries around the world, not so much as a trend which should be studied and understood, but more as an issue about which something needs to be done.

This approach to the issue has been highlighted in a recent analysis of the impact of ageing on government budgets undertaken by the Organisation for Economic Cooperation and Development (OECD, 1995) and in the report *Averting the Old Age Crisis* released by the World Bank (1994). In the foreword to that report, the issue is described in the following terms:

Rapid demographic transitions caused by rising life expectancy and declining fertility mean that the proportion of old people in the general population is growing rapidly. Extended families and other traditional ways of supporting the old are weakening. Meanwhile, formal systems, such as government-backed pensions, have proved both unsustainable and very difficult to reform ... The result is a looming old age crisis that threatens not only the very old but also their children and grandchildren, who must shoulder, directly or indirectly, much of the increasingly heavy burden of providing for the aged. (World Bank, 1994: xiii)

Whatever one thinks of this particular diagnosis of the issue, or of the language in which it is couched, it is difficult to deny that it captures a perception that is very widely shared - and not only in the marbled halls of institutions like the World Bank.

Nor is it difficult to understand why international agencies like the World Bank, part of whose role is to ensure that the conditions for financial stability in world markets is maintained, should regard population ageing with some alarm. This reflects the fact that many of the social programs developed over the latter half of the twentieth century, and in some cases earlier now absorb large proportions of national income and are seen as having been built upon a set of assumptions about demographic structure

which are proving to be increasingly invalid. With so much at stake in economic terms relating to the financial viability of these programs and so much resting on their continued political viability, their positioning at centre stage of the public policy debate should come as no surprise.

This paper addresses several aspects of the debate in Australia over the ageing of the population. First, in Section 2 the nature of past and projected demographic change in Australia is described and the main factors underlying it identified. This is followed in Section 3 by a review of studies undertaken to investigate the implications of ageing for social expenditures and the broad policy debate to which they have given rise. Section 4 then addresses some of the implications of ageing that have to date been given inadequate attention in the literature, specifically those aspects which do not impinge directly on the budget of the government. This part of the discussion is conducted within the context of the current Australian economic and social policy framework, which will itself be described briefly at relevant points in the analysis. Section 5 summarises key elements of the Australian policy response to ageing, and then draws on research conducted in recent years at the Social Policy Research Centre which has been investigating how community support services have been meeting the needs of the elderly, in order to illustrate some of the everyday problems confronting older Australians living at home. The main conclusions of the paper are summarised briefly in Section 6.

2 Ageing in Australia

Historical Overview

Australia is a vast island continent with a population which seems small in relation to its land area. However, much of the inland terrain is hostile and uninhabitable with the consequence that the great majority of the population resides in the coastal fringe, mainly in the south-eastern corner. Thus, although Australia is lightly populated in terms of its overall size, it is also one of the most heavily urbanised nations.

The Australian population has been growing and ageing steadily since the turn of the century. In 1911, when the first national census was conducted, total population size was around 3.8 million, only four per cent of whom were aged 65 or over. By 1933, the population had increased to 6.6 million and the proportion over 65 had also risen to 6.5 per cent. In 1961, the corresponding figures had increased further, to 10.5 million and 8.5 per cent, respectively, while the 1991 census recorded a total population of 17.3 million of whom 11.2 per cent were aged over 65 (Office of the Economic Planning Advisory Council (EPAC), 1988; Clare and Tulpule, 1994). Over the period, the median population age rose from 22.5 years in 1901, to 30.7 in 1947. Thereafter, median age declined up until about 1971, since when it has climbed steadily to reach 32 years by 1995, still only slightly above its value half a century earlier (Bureau of Immigration Research, 1992).

Throughout this period, Australia has had a population structure which has been relatively young compared with other OECD countries. Two main reasons account for this. First, Australia experienced a stronger post-war 'baby boom' in the 1950s and 1960s than many other countries. Second, and more significant as a feature of Australian demographics, was the impact of net immigration which had the initial (but lasting) effect of lowering the age structure of the population. As noted in a report released by the Bureau of Immigration Research:

Immigration is a major component of Australia's population growth and plays an important role in shaping the nation's age profile. Historically, large intakes of young, working-age immigrants were reflected in a more youthful population profile than would otherwise have been the case. Because of selectivity of immigrants, new arrivals tend to be relatively young and, therefore, have a relatively low death rate. Thus, the usual short-term effect of immigration is to reduce the proportion of aged persons in the population. However, the impact of immigration in the longer term may be quite different because these

immigrants will age in the future. (Bureau of Immigration Research, 1992: 64-5)

Net immigration has been a major determinant of population growth over the longer term in Australia. As noted in a recent report by the Australian Bureau of Statistics (ABS), net overseas migration contributed 67 per cent to total population growth between 1901 and 1994 (ABS, 1996a). However, the impact of immigration has also exhibited considerable short-run variation as the government has varied its annual immigrant visa quota, particularly in recessionary periods when quotas have been revised sharply downwards. Between the mid-1970s and 1992-93, for example, the annual net migration level fluctuated from a low of 20 000 in the mid-1970s and 35 000 in 1992-93 to a high of 160 000 in 1988-89 (ABS, 1994a). The impact of immigration on population growth is projected to continue, although the population is expected to grow solely as a result of natural increase until about 2041, the result of an 'echo effect' as the large number of the grandchildren of the 'baby boom' generation born in the 1940s and 1950s have their own children.

As noted by the Bureau of Immigration Research in the above quotation, while immigration has tended to slow the ageing of the population in the short term, its longer-run impact is less certain. Given the traditional role of immigration in Australia, it is not surprising to discover that its impact on ageing has received a good deal of attention. This aspect of the debate will be taken up in a little more detail later.

Recent Developments

It has already been observed that the ageing of the Australian population has been occurring steadily throughout this century. It is only recently, however, that ageing has captured public attention. In part, this probably reflects the fact that the ageing process was concealed by the large scale post-war immigration and the prolonged 'baby boom' referred to earlier, although the increased attention now directed to ageing also reflects the important structural changes which are taking place in fertility and

mortality, as well as the emergence of concern over the size of government and the alleged undesirable effects of social programs.

The Australian fertility rate, which has been declining steadily since the 1960s, declined rapidly between 1971 and 1981 when the number of births per 1,000 women fell from 2,866 to 1,938 (ABS, 1994a: 22). The rate of decline then slowed until 1988, since when fertility has risen slightly as a result of increased births among women in their late 20s and early 30s who had presumably chosen to defer their child-bearing. There is evidence that many women are continuing to defer commencement of child-bearing and that there is some 'catching up' among women aged 30 and over (ABS, 1994a, Table 3.3). This latter trend suggests that some part of the earlier decline in fertility may not have been permanent and that there will be some reversal of past trends as this process unwinds in the future.

By 1991, the total fertility rate in Australia was 1.89, slightly above that in Canada and the United Kingdom, but slightly below that in New Zealand and the United States. Comparable rates for selected other countries in the region at that time range from 1.57 in Japan and 1.70 in (South) Korea, to 2.45 in China, 3.38 in Indonesia, 4.00 in Malaysia and 5.25 in Papua New Guinea (United Nations, 1991).

Over the kinds of periods for which it is possible to have any degree of confidence in population projections, changes in mortality play only a relatively small part in the overall ageing of the population. In fact, Australian mortality has been declining steadily for some time and according to a reasonably predictable pattern (ABS, 1994a: 30). Although the longer-term decline in mortality has been gradual, there were large short-term improvements between 1979 and 1988 (ABS, 1994a: 30). As a result of these changes, between 1971 and 1991, average life expectancy rose from 71 to 74 years for men and from 78 to 80 years for women. These figures are below those for Japan, but well above those prevailing around 1990 in countries such as China, Indonesia, Korea, Malaysia and (particularly) Papua New Guinea.

Population Projections

Projections of the future size and structure of the Australian population have been produced and published regularly in recent years by the Australian Bureau of Statistics. The ABS population projections are based upon the standard demographic technique of cohort component projections which involve applying a set of age-specific fertility and mortality rates, combined with an assumed rate, structure and profile of overseas immigration, to a given age-sex population structure in the initial base year (Young, 1994). Such projections, described by Young (1994: 53) as 'neutral and value-free', can then be varied by varying the assumptions (and by updating the base year) in order to test their sensitivity to changes in fertility, mortality and immigration.

Other government agencies and academic researchers have either tended to use the ABS projections or produce their own based on minor variations to the ABS methodology and assumptions. For this reason, the following discussion focuses solely on the ABS projections, which have in recent years been produced on a four-year cycle with the base year updated accordingly and the projection period extending out for between four and five decades. The latest projection series were released in 1994 and use 1993 as the base year on which to make projections to the year 2041 (ABS, 1994a).

Given the length of the projection period, a good deal of caution has to apply to any specific set of estimates based on them. As a study undertaken within the Economic Planning Advisory Council (EPAC) has put it:

... projections should not be regarded as predictions or forecasts. Rather, they illustrate what will happen to the population if certain specified assumptions are realised. While these assumptions are specified in the light of current and past demographic trends, there is no guarantee that trends will not alter themselves unexpectedly. Few demographers would have been able to pick in advance the turning points and magnitudes of

past major demographic developments in Australia.
(Clare and Tulpule, 1994: 10)

Partly in acknowledgment of these uncertainties, the ABS publishes projections for a range of underlying assumptions regarding fertility and net migration (though not mortality because, as noted earlier, this has proved to be far easier to predict accurately from recent statistics). Although a range of projections are published, some of them contain variations in the projections only at the State/Territory level and are thus not of interest here. Of those which are, the three main series differ in the following ways:

- **Series A/B:** Fertility rate in the base year remains unchanged (at 1.88 children per woman) throughout the projection period, combined with annual net overseas migration rising from 40 000 in 1993-94 to 70 000 in 1999-2000 and then remaining unchanged;
- **Series C:** Fertility rate rises from 1.92 children per woman in 1993 to 2.10 in 2002 and then remains unchanged, with net overseas migration as above; and
- **Series D:** Profile of the fertility rate as in Series A/B above, combined with annual net overseas migration rising from 40 000 in 1993-94 to 100 000 in 2000-01 and then remaining unchanged.

Comparisons between the three series allows the impact of changing the fertility and overseas migration assumptions to be assessed. The impact of moving to a higher fertility rate can be assessed by comparing the projections from Series C with those from Series A/B, while the impact of higher immigration can be assessed by comparing Series D projections with those from Series A/B. In addition, in its latest projections, ABS has produced a set of projections based on the Series C fertility combined with the assumption of no overseas migration over the entire projection period (see Table 3 below).

Before investigating the sensitivity of the ABS projections to variations in the assumptions, it is worth summarising their main features. For this purpose, the Series A/B projections are used, because the assumptions of

medium fertility and low overseas migration which underlie them ‘most closely reflect prevailing trends’ (ABS, 1996a: 17). The main features of these projections are summarised in Table 1. They indicate that total population size will increase from 17.7 million in the base year (1993) to almost 24.9 million in the year 2041. However, the population growth rate is projected to decline steadily over the period, from close to one per cent a year in the 1990s to 0.4 per cent a year in the 2030s.

Table 1: Series A/B Projections of the Australian Population: 1993 to 2041

Year	Total Population ('000)	Growth rate (% per annum)	Age 0-14 ('000)	Age 15-64 ('000)	Age 65+ ('000)	Age 80+ ('000)	Age 65+ (%)	Age 80+ (%)
1993	17661.5	-	3831.1	11769.4	2061.0	426.3	11.67	2.41
2001	19169.5	1.03	3972.6	12837.7	2359.3	571.7	12.31	2.98
2011	20952.4	0.90	4040.9	14022.3	2889.3	760.0	13.79	3.63
2021	22521.0	0.86	4086.1	14554.3	3887.5	879.6	17.26	3.91
2031	23874.0	0.59	4226.4	14803.7	4843.9	1308.2	20.29	5.48
2041	24858.4	0.40	4304.3	15076.5	5477.6	1722.6	22.04	6.93

Source: ABS (1994), *Projections of the Populations of Australia, States and Territories 1993 to 2041*, ABS Catalogue No. 3222.0.

The extent of population ageing can be gauged from the increase in the percentage of the population aged over 65. This percentage rises steadily up until 2011 and then accelerates over the next two decades as the ‘baby boom’ generation reaches age 65. After that, the percentage aged over 65 continues to rise, though at a somewhat reduced rate. Over the whole period, the proportion of the population aged over 65 will almost double from 11.7 per cent in 1993 to 22 per cent in 2041, corresponding to a projected increase in the number of older people from just over two million to almost 5.5 million. The percentage of the ‘very old’ - defined as those over 80 years - rises even more rapidly than the older group as a whole, from 0.43 million (2.4 per cent) in 1993 to over 1.7 million (6.9 per cent) in

2041. The size of the very old is thus projected to increase at almost three times the rate of the population as a whole.

The extent of the ageing of the population can be illustrated in a number of different ways. The first, and most familiar, is reflected in the changing shape of the population profile from the traditional pyramid to something more akin to the rectangular shape of a tall apartment or office tower block. It can also be represented in quantitative terms by the change in the dependency ratios shown in the final two columns of Table 1.

It has to be acknowledged, however, that dependency ratios have been criticised in the social policy literature on ageing for being overly normative and for conveying the impression that old age is always and only a period of dependency on others, rather than a period in which it is possible to make a continued positive contribution to many aspects of economic and social life. In recognition of the validity of these concerns, the term 'statistical dependency ratio' is preferred because of its more explicitly technical meaning. In addition, the entire discussion of population ageing is often described as if it were a purely objective phenomenon, when in fact the concepts of 'ageing' and 'old age' on which it rests are highly contested constructs. The fact that both are the result of social forces and interactions implies that any purely quantitative formulation will be of only limited value. These issues are left to one side for the moment, but are taken up in more detail later.

The increase in the statistical age dependency ratio shown in Table 1 is offset to a certain extent by the decline in the corresponding ratio for children. If the combined numbers under 15 and over 65 are expressed as a percentage of those aged between 15 and 65, the resulting ratio remains steady (at about 50 per cent) up until 2011, but then begins to rise sharply, reaching almost 55 per cent by 2021 and 65 per cent by 2041. The median age of the population rises from 33 years in 1993 to 38 years in 2011 and to almost 42 years in 2041, while the total number of aged persons will exceed the total number of children by the year 2026.

Overall, Table 1 indicates that although the Australian population will age over the next half century, the rate at which it will do so is not greatly out of line with past trends. As noted earlier, the percentage of the population over 65 almost doubled over the last 60 years, from 6.5 per cent in 1933 to 11.7 per cent in 1993. It would seem, therefore, that the projected future pace of ageing in Australia is not new. However, although the *rate* of ageing may not be new, the overall *extent* to which those over 65 are represented in the total population will be, and this will have implications for the economy and for the society as a whole which need to be identified and analysed.

Sensitivity Analysis

Whenever the assumptions which underlie a piece of analysis are controversial and not independently verifiable, it is desirable to undertake some form of sensitivity analysis to check what difference varying the assumptions makes to the conclusions reached. With this in mind, attention now focuses on the sensitivity of the projections to variations in the underlying fertility and immigration assumptions.

Table 2 shows projections of the percentage of the population over 65 according to the three main series described earlier plus a fourth series which assumes a zero rate of (net) overseas migration. Under all four scenarios, the absolute numbers aged over 65 remains fairly constant. For the four projection series shown in Table 2, the population over 65 in 2041 is 5.48 million, 5.48 million, 5.68 million and 4.99 million, respectively. The differences in projected population structure thus arise from the change in total population size associated with the change in fertility or immigration, rather than from variations in the size of the older population itself.

As compared with the Series A/B projections, both a higher fertility rate or a higher immigration flow cause the percentage of the population aged over 65 to be somewhat lower, with the fertility rate having a slightly larger impact. The Series C projections reveal that although rapid ageing is again experienced between 2011 and 2031 (due to the 'baby boom' effect) it slows down considerably after that (due to the assumed higher fertility rate), so

that the percentage over 65 by 2041 is similar to that a decade earlier. Table 2 also indicates that although a higher rate of overseas migration causes the absolute number of people over 65 to increase, the ageing of the population occurs at a slower rate the higher the immigration rate. This point is further reinforced by the results shown in the final column of Table 2, which show that ageing will proceed even more rapidly if immigration were to be stopped entirely.

Table 2: Alternative Projections of the Population Aged 65+: 1993 to 2041
(Percentages of total population)

Year	Series A/B	Series C	Series D	Series C with no Overseas Migration
1993	11.67	11.67	11.67	11.67
2001	12.31	12.23	12.24	12.46
2011	13.79	13.52	13.55	14.19
2021	17.26	16.70	16.76	18.07
2031	20.29	19.30	19.57	21.29
2041	22.04	20.53	21.28	22.76

Source: See Table 1.

Immigration and Ageing

Given the important role which overseas migration has played in the economic and social development of Australia, combined with the fact that the rate of immigration has shown considerable short-run variability, its role in the ageing of the population has received considerable attention. Many of the claims made in the early and mid-1980s by government agencies and politicians regarding the impact of immigration on directly reducing or retarding the ageing of the population have been shown to be either an 'exaggeration, misleading or wrong' (Young, 1994: 53).

Since around 1989, however, these claims have generally been replaced by a more informed discourse, drawing on the work of Young herself (e.g.

Young, 1988) and other academic demographers (e.g. Kelley, 1988) and supported by the ABS demographic projections and the analysis undertaken by economists working in the Economic Planning Advisory Council (Clare and Tulpule, 1994), which has demonstrated that, within feasible limits, variations in the rate of immigration have a relatively limited impact on the ageing of the population.

The role of immigration has been highlighted in the sensitivity analysis conducted by Clare and Tulpule (1994) which uses the standard ABS mortality assumptions and an assumed rate of fertility very similar to that underlying the ABS Series C (see above), but varies the assumed annual net overseas immigration level from 80 000 to 125 000 and then to 0.54 per cent of the total population (the level actually experienced in recent years) and to 1.00 per cent of the population (a level consistent with the historically high levels experienced in the 1940s and 1950s and reached briefly during the 1980s).

Using 1991 as the base year, Clare and Tulpule show that the four alternative immigration scenarios make a great difference to the total size of the population by the year 2051. By then, the population is projected to reach 26.3 million if immigration is at the low level of 80 000 a year, but would be 42.6 million on an assumed immigration rate equal to one per cent of the population in each year (Clare and Tulpule, 1994, Table 2.1). However, the impact on population ageing is much smaller. For example, the total statistical dependency ratio - the percentage of the population aged 0 to 14 and 65 and over - varies from a high of 39.1 per cent under the low immigration scenario to 36.8 per cent under the high immigration scenario (Clare and Tulpule, 1994, Table 2.3). This muted effect on the total statistical dependency ratio arises because while a higher immigration rate lowers the old-age dependency ratio, it simultaneously increases the young-age ratio a little.

On the basis of these results, the EPAC analysis concludes:

While these scenarios have lower dependency ratios at the end of the projection period, the reduction achieved

is not large relative to the overall increase in population.....even a 55 per cent increase in overall population would have only a relatively small effect on lowering dependency ratios, perhaps only by 5 or 6 percentage points. The overall dependency rate is still projected to be around 9 percentage points higher than now. Even the most ambitious migration program, by historical standards, would not eliminate a substantial increase in age dependency ratios. the ageing of the population structure must therefore be addressed directly through effective retirement income policies, health care reform, (and) support of the disabled. (Clare and Tulpule, 1994: 17)

In summary, it seems clear that, whatever its other merits, increasing the rate of immigration does not, at least within historically feasible limits (both from the point of view of Australia and from the perspective of those countries from which the immigrants would most likely come), offer a viable way of reducing the ageing of the Australian population.

Other Aspects of Ageing

As noted earlier, the emphasis given to exploring the role of immigration in affecting ageing in Australia can be explained by the important role which immigration has played in the nation's economic and social development. However, this emphasis on the ageing of the national population has led to a relative neglect of other dimensions of the ageing of the population. One such aspect relates to the changing age structure within particular geographical areas of the country. The ABS population projections described above are also undertaken at the State/Territory level, although these are quite sensitive to variations in inter-state population movements. Nevertheless, State level projections (based on Series A) indicate that the percentage of the population over 65 will vary in 2041 from 25 per cent in South Australia and Tasmania, to 21 per cent in Queensland and less than 19 per cent in the Australian Capital Territory (ABS, 1994b: 29).

Even within these totals, there are local areas where the concentration of aged people is higher still. In 1991, for example, several areas (Census Statistical Divisions) had concentrations of people aged over 65 of over 15 per cent, in one case 17 per cent (ABS, 1994b: 22), the projected national percentage aged over 65 which will not be reached until 2021. Given the marked trend which is already apparent for older people to move to the warmer climate in Queensland, the role of ageing in creating differences between geographical regions and how these should be responded to is an issue requiring further thought.

Related to regional differences in ageing is the whole question of the impact of ageing on housing needs and development of the urban environment. Australia has a long tradition of home ownership, with 71 per cent of people over 65 living in their own home at the time of the 1991 Census, of whom 90 per cent owned their home outright. Many of these people are still living in homes that were purchased many years earlier when they were raising a family and are thus larger than the current needs of their owners. However, research reported by the Australian Urban and Regional Development Review (1994) shows that older people wish to continue to live close to their friends and relatives, in part so that they can both offer and receive support across the generations as they age.

Allowing this to occur whilst gaining maximum use of an overall housing stock which grows rather slowly presents a challenge which will accelerate with the ageing of the population. As in many other countries, average household size is declining in Australia and this, in combination with the slow growth in the housing stock, means that, in terms of size, the current housing stock is not suited to the needs of the ageing population. More thought thus needs to be given to the development of housing options which will better meet these needs through encouraging greater diversity of housing forms *within* localities, particularly through increased provision of smaller and medium density housing, linked to improvements in urban services including transport, shopping and more specialised support and care services (Australian Urban and Regional Development Review, 1994: 15-18).

Finally, to return to a theme raised earlier, the whole discussion and analysis of population ageing has been conducted and described here within a limited and mechanistic framework which fails to address the notion that ageing is a dynamic process which occurs through time and is thus influenced by, as well as exerting an influence upon, the economic, social and political context within which it evolves. From this perspective, population projections which explore the implications of a set of specific trends, no matter how sophisticated the mathematical modelling which underlies them, can do no more than open up a debate over the causes and consequences of ageing, not as definitive quantification of likely outcomes.

A sobering qualification to the value of population projections is that even the best of them can turn out to be wrong. As Saunders (1996) has observed, the projections produced in the early 1970s by the National Population Inquiry indicated that the percentage of the population aged over 65 would be just under nine per cent in 1996 (National Population Inquiry, 1975). In fact, the actual figure is currently slightly over 12 per cent - more than a third as big again. In pointing to the size of this discrepancy, the intention is not to be critical of the excellent work undertaken by the Inquiry, but rather to highlight the fact that even the best population projections can turn out to be well off the mark - a lesson which is worth holding on to.

3 Ageing and Social Expenditure

It should already be clear that much of the interest in the ageing of the Australian population has been generated by, and discussed within, government. One of the main reasons for this is the concern that changing demographic structure has important implications for the financing of those social programs which provide benefits to segments of the population differentiated on the basis of their age. Identifying the extent of these effects is an important task for government, particularly if they imply a need to introduce policy reforms to deal with the matter.

It is well known that many people plan their lives and make economic decisions over very extended time periods and base these plans on the continuation of current policies - at least in approximate terms. With this in mind, it is incumbent upon the government to announce any changes in policy with a sufficiently long lead time so that people's longer-term plans are not disrupted unduly in ways which are likely to have undesirable economic (and political) consequences.

Australia is no exception to this rule, and a large amount of research has been undertaken over the last decade or so focusing on the impact of projected changes in population structure on the cost of government social programs. Rather than attempt a comprehensive review of this literature, the following discussion highlights some of its main features and points to areas of continuing controversy. The basic methodology employed in this body of work has been developed for Australia in the two reports undertaken within EPAC which have already been referred to (Office of EPAC, 1988; Clare and Tulpule, 1994).

The method used in these studies mirrors that used by the leading international agencies like the World Bank, the International Monetary Fund and the OECD, each of which has explored the implications of population ageing for social expenditures in industrial countries. The method involves three separate stages: first, a detailed analysis is undertaken designed to allocate the benefits of social programs to different age groups in the population. For this purpose, benefits are assumed to be equal to the costs of providing each program, while the sole beneficiaries are assumed to be those who actually use the services (or receive the incomes) provided by each program. Second, once the age profile of benefits in the base year is known, the demographic projections are applied to these over the projection period after assuming that the per capita benefits under each program follow a pre-determined time profile (usually set on the basis of past experience). Finally, a set of projections of the development of the economy is used in order to derive an estimate of projected social benefits (and thus costs and expenditures) expressed as a percentage of gross domestic product (GDP), from which the implications for the projected tax burden can be derived.

Each stage in the process involves making a series of detailed assumptions which are open to question. Is it reasonable, for example, to equate the benefits of social programs with the cost of providing them, and to ignore the benefits associated with externalities? Does it make sense to assume that the per capita benefits will remain unchanged, or that they will continue to grow at the same rate as in the recent past? How much confidence can be placed in projections of GDP growth over the next 50 years given the magnitude of the errors which routinely apply to economic forecasts made less than 50 months ahead? Furthermore, to the extent that any one of these assumptions proves to be even marginally incorrect, the error induced over a projection horizon of 50 years will be cumulative so that what starts out small can end up becoming huge.

While there is some truth in all of these questions, the aim of the exercise is not to produce a set of conventional expenditure forecasts, but rather to generate a series of scenarios which will set broad parameters around the magnitude of the likely effects in order to stimulate debate on the underlying assumptions and their policy consequences. Furthermore, it is always possible to vary the assumptions and conduct a sensitivity analysis to explore some of the issues from a different perspective and in more depth. Again, while there is truth in these responses, the points made earlier about the neglect of social factors becomes even more significant in the context of projecting expenditure trends.

The social expenditure projections produced by Clare and Tulpule using the above methodology are summarised in Table 3. The economic scenario underlying the projections is one in which economic growth averages two per cent a year over the projection period, the population and the labour force are both assumed to grow by one per cent a year, as does labour productivity. This latter assumption is regarded as conservative and, if it were to be exceeded, would provide greater scope for funding the future demands on government associated with population ageing.

The projections in Table 3 indicate that social expenditures are projected to rise from just over \$72 billion in 1989-90 to \$269 billion by 2051, or from

Table 3: Projections of Social Expenditures in Australia: 1989-90 to 2051
(AUS\$ 1989-90 billions)

Expenditure Category	1990	2001	2011	2021	2031	2041	2051
Education	19.60	23.56	27.67	32.22	37.81	44.51	52.19
Employment	0.55	0.66	0.77	0.90	1.06	1.25	1.46
Health ^(a)	28.66	39.90	51.00	66.20	85.90	106.10	126.00
SSW ^(b) - without SGC ^(c)	23.44	31.85	42.17	56.46	73.01	89.22	105.05
SSW ^(b) - with SGC ^(c)	23.44	31.83	42.12	55.04	67.88	80.74	89.44
Total (A\$b) - without SGC^(c)	72.24	95.95	121.65	155.77	197.79	241.10	284.66
Total (A\$b) - with SGC^(c)	72.24	95.92	121.58	154.35	192.65	232.62	269.05
Total(%GDP) - without SGC^(c)	21.3	19.9	20.6	22.3	24.3	25.1	25.2
Total (%GDP) - with SGC^(c)	21.3	19.9	20.6	22.1	23.6	24.3	23.8
• low migration	21.3	-	-	-	25.7	-	27.1
• medium migration	21.3	-	-	-	23.6	-	23.8
• high migration	21.3	-	-	-	24.1	-	24.2

- Notes:**
- Health expenditure includes a private component, amounting in 1989-90 to around 2.5 per cent of GDP. The published health expenditures for 2001, 2011, 2021 and 2031 are incorrect and have been corrected as indicated by Goss (1994).
 - SSW = Social Security and Welfare.
 - SGC = Superannuation Guarantee Charge.

Source: Clare and Tulpule, 1994, Table 3.16 and Appendix A.

21.3 per cent of GDP to 23.8 per cent. Of course, by no means all of this increase is due to the ageing of the population, as both the growth in total population size and the assumed increase in benefits also drive up expenditure. Indeed, in the health area where much of the concern over population ageing has been focused, Goss (1994) has calculated that 40 per cent of the increase in health expenditure projected by Clare and Tulpule is due to total population growth and a further 41 per cent to the assumed increase in health expenditures at all ages, leaving only 19 per cent arising from the ageing of the population alone.

In overall terms, Table 3 indicates that the social budget is projected to rise by an amount equivalent to around 2.5 per cent of GDP in 1990. An increase of this magnitude would imply a rise in taxation of around eight per cent, an increase which Clare and Tulpule note has been sustained in earlier periods and would still leave the overall tax level in Australia quite low compared to other OECD countries. On this basis, the conclusion which Clare and Tulpule draw from the projections in Table 3 is that while there are no grounds for complacency, particularly if the underlying productivity assumptions prove to be optimistic, the social expenditure implications of population ageing in Australia are manageable, even if they may require some adjustment in social policy settings.

Before leaving Table 3, it is worth noting that the projections illustrate the impact of reforms to the system of retirement income support which have already been introduced in the form of the Superannuation Guarantee Charge (SGC). This reform, introduced in 1991 but since extended on several occasions, involves the introduction of mandatory occupational superannuation coverage of all employees. Initially a superannuation contribution equivalent to three per cent of salary was imposed on employers, with the rate scheduled to rise to nine per cent by 2002-03. In addition, an employee contribution of one per cent will be introduced in 1997, rising to three per cent by 1999-2000.

Over time under the SGC arrangements, more and more workers will accumulate increasing amounts of their own employment-related retirement pensions. This in turn will ease the pressures on the public pension system, which in Australia operates on a means-tested basis. The impact, as can be seen in Table 3, will be very small for the next 20 years or so, but will then begin to increase steadily beyond about 2021, and by 2051 will result in expenditures being around 1.4 per cent of GDP lower than otherwise: a not insubstantial reduction given the projected size of the overall effects of ageing.

The other feature of Table 3 worth drawing attention to relates to the sensitivity of the expenditure projections to variations on the rate of overseas immigration. These are shown in the final three rows, which

explore the implications of varying the level of annual migration from 85 000 (the then current level) to 0.54 per cent and then to one per cent of the total population. By 2051, total population size under these three scenarios is projected to be 26.2 million, 30.4 million and 42.6 million, respectively. However, the impact on the projected level of social expenditure, when viewed against these large differences in total population size, confirm the earlier discussion by showing that the social expenditure projections are relatively insensitive even to large variations in the rate of immigration. In fact, if migration were *either* lower or higher than the medium rate used in the projections, social expenditure in 2051 would be *larger* than otherwise relative to GDP. The sensitivity on the downside is, however, much greater than that on the upside, due to both a smaller growth in GDP per capita and slightly higher projected expenditures in the health and social security and welfare areas.

Although most analysts appear to agree with the conclusion that the social expenditure implications of population ageing, whilst positive overall, do not give rise to cause for alarm, some have argued that the scenario painted by Clare and Tulpule is in fact overly pessimistic, at least in some areas. Thus, Goss (1994) argues that the main determinant of health expenditure on the aged is not their chronological age, but rather their time to death. The very high average health expenditures on the over 65 group arises because of the very high expenditures on those over 65 who are within two years of death. Yet Goss estimates that the proportion of those over 65 who are within two years of death is actually projected to *decline* (at least up to 2031) and that once account is taken of this, the health expenditure projections up to 2031 are some \$2 billion dollars less than is estimated using the conventional methodology (which makes no allowance for such effects).

Goss also notes that the projected increase in the health budget to 2051 estimated by Clare and Tulpule is in fact smaller than the *actual* increase experienced in the 15 years prior to 1991 (Goss, 1994: 3). The fact that the increase actually experienced was managed without any sign of widespread distress or social upheaval suggests, according to Goss, that the projected

increases in the health budget through to 2051 can also be accommodated without causing further social and political dislocation.

However, an alternative interpretation of such trends is that they suggest that the assumptions on which the projections are based are optimistic. This view has been taken by Creedy and Taylor (1993) who have projected that the ratio of social expenditure to GDP will rise from 20.4 per cent in 1988 to 27.4 per cent in 2031, or by significantly more than was projected five years earlier by Kelley (1988). More importantly, Creedy and Taylor show that their projections are extremely sensitive to the economic assumptions on which they are based. If, for example, the assumed rate of productivity growth is raised by 10 per cent (from two per cent a year to 2.2 per cent), while the growth rate of social benefits is lowered by the same degree, the social spending to GDP ratio in 2031 declines from 27.4 per cent to 23.1 per cent. In contrast, if productivity growth is 10 per cent lower and social benefit growth 10 per cent higher, the projected social expenditure ratio in 2031 rises to 32.0 per cent. These two alternatives thus imply levels of projected social expenditure in 2031 which differ by an amount equivalent to nine percentage points of GDP: a very substantial difference.

This is an important result, but again the question which needs to be asked is what impact the ageing of the population itself - and the effects to which it gives rise - will have on the future course of the economy and on those social benefits whose determination is the outcome of political choices. To ignore these links between the demographics and the political determinants of social benefits is to misunderstand one of the most important lessons of past social policy development throughout the world.

A more pessimistic view of the impact of ageing on social expenditure has also been forcefully expressed in the report of the National Commission of Audit which was presented to the new Commonwealth Government shortly after it took office earlier this year (National Commission of Audit, NCA, 1996). The Commission argues that the impression of manageability conveyed by projections like those summarised in Table 3 is misleading for two reasons: first, each new projection suggests that the aged population is larger than was implied by previous projections; and second, that the

assumptions underlying the work of Clare and Tulpule in particular underestimate the growth in health costs due to increased use of health services and technological advance in health care equipment (NCA, 1996: 133).

Although the NCA report provides little supporting evidence for its claims, it utilises updated projections prepared within the Australian Treasury by the Retirement Income Modelling (RIM) Task Force. The RIM Task Force was established in 1992 in order to enhance the government's capacity to model retirement income developments over the longer-term. (It is perhaps worth noting that the RIM Task Force also provided the projections of future pension expenditures used by Clare and Tulpule). These updated projections suggested that the increase in Commonwealth costs by the year 2031 would be not the 2.3 per cent of GDP estimated by Clare and Tulpule, but 7.2 per cent of GDP - more than three times as much.

On the basis of these updated and revised projections, the NCA argued that previous claims about the manageability of the budgetary impact of population ageing were misleading, and that urgent action was required to address the problems without raising the level of taxation. One of the key findings of the NCA report was that:

To address emerging social and budgetary pressures, urgent action is needed to moderate community expectations of government assistance, increase incentives for self reliance in old age and more equitably share the cost of age related services funded by government. Unless present expectations are moderated, they will weaken individual perceptions of the need to provide for their own retirement. (NCA, 1996: 121)

It is clear from this that the debate over the budgetary consequences of ageing in Australia is by no means over. A good deal more work is needed to assess the sensitivity of projections to the economic and behavioural assumptions which underlie them. In particular, more effort is required to

model the development of social benefit levels and to link these explicitly to the changing population structure itself.

Overall, it appears that the consensus which seemed to have emerged in Australia in the mid-1990s has begun to dissipate. This partly reflects the fact that the debate has moved beyond a largely objective assessment of the evidence based on projecting recent trends towards a more ideologically-driven exercise motivated by a desire to analyse ageing within the context of broader moves to restructure the role of government. This is perhaps not surprising given the nature of the topic itself, and its relevance to broader issues associated with the development of the welfare state, but it is also important to recognise this aspect of the debate and to try and disentangle the various threads which comprise it.

4 A Broader Perspective

Whatever position is taken on the relative merits of the alternative studies of the impact of ageing, it is clear that each adopts a rather narrow and technocratic approach to the whole issue. There are two separate senses in which this is the case. The first relates to the emphasis given to the *budgetary* consequences of ageing while simultaneously failing to come to grips with the *political* dimension of public policy formulation. It is as if the ageing of the population and the emergence and evolution of public pension and other budget entitlements were entirely independent events, not part of the same canvas on which the politics of the welfare state have been played out. The second sense in which the 'burden of ageing' view is narrow and misplaced is that the ageing of the population has consequences which in any case extend far beyond the confines of the government budget.

Unless a broader understanding of the ageing process is embraced, the focus on budgetary consequences will fail to come to identify, and thus come to grips with, the wider issues. Johnson (1996) has recently described the elements of this perspective in the following way:

Societal ageing is a continuous and dynamic process, mediated through the experiences of individuals born

into different cohorts but living in a world of complex multigenerational relationships, both within the family and the broader community. In the past these family and community relationships have shown themselves sufficiently flexible to adapt to major and rapid changes in fertility, migration and employment, and there is no *a priori* reason why they should be incapable of adapting in the future to an upward shift in the age structure. (Johnson, 1996: 7)

From this position, Johnson proceeds to argue that the 'ageing crisis' revealed in studies of the type described above and reviewed and analysed by the World Bank (1994) is in fact not a demographic or economic crisis, but rather a political crisis centred on the presumed inability of governments to adjust public programs (pension systems in particular) in the light of changes in the demographic and economic environment. The crisis is thus more of a 'crisis of governance' than a 'crisis of ageing' *per se*.

In Australia, as elsewhere there are a number of features of demographic change other than ageing, some of which have already been alluded to, which will also require a public policy response. Fundamental changes are taking place in the nature of the Australian economy which are influencing work patterns in ways which are impacting directly and indirectly on family life, yet these are rarely given much attention in the economic literature on ageing. These changes are the focus of attention in many Asian countries, where there is widespread concern that they are eroding family values and practices in ways which are challenging traditional forms of social cohesion and value formation which provide the platform on which public programs can build. The need to develop policies which provide families with more choice over alternative demands on their time and which allow parents in particular to combine work with family responsibilities is now a common demand in virtually all countries.

Although both the level of real household income and total employment are higher in Australia than ever before, the last two decades of economic growth have been accompanied by increasing economic insecurity and many

more people are finding themselves the actual (or potential) victims of economic change. This uncertainty is having a damaging impact on social values, as well as on community attitudes and patterns of behaviour. Uninterrupted lifelong career employment is becoming a thing of the past, at least (for the time being) outside of the public sector. In these circumstances, it is understandable that a divergence will arise between what the objective economic indicators imply for the actual trends in living standards and how people actually perceive the changes in their well-being.

Just as the combinations of work and family arrangements are becoming more complex and diverse, so is the way in which family incomes are put together. Families are now far more likely to rely on at least two labour market incomes, with more and more of these supplemented by family payments funded by government. Overlaying these trends is the decline in average household size already referred to: a decline which transcends the impact of ageing itself (ABS, 1996b). In the longer term, it is likely that these changes will have more important consequences for the role and nature of public programs than those assumed to be associated directly with the ageing of the population.

The Australian welfare state has traditionally relied upon a series of highly targeted and hence relatively low-cost public programs underpinned by a complex network of private and informal welfare-enhancing activities. These are reflected in the existence of a large voluntary welfare sector and various forms of private welfare provision, including widespread home ownership and the protection of minimum wages through centralised bargaining. As these welfare mechanisms are modified in the light of economic and fiscal imperatives, it is implausible to think that they will not give rise to flow-on effects which will test the viability of the whole welfare apparatus. The nature of, and responses to population ageing are part, but only part, of this broader picture, even though it can provide a focus for consideration of the impact of some of these wider developments.

On a more immediate level, changes in demographic structure will give rise to their own economic impacts because of the different economic behaviours of those of different ages, or at different stages of the life course.

The most obvious of these concerns labour force participation, although this is part of the broader issue of time use and how this varies across groups in the community differentiated by age and other characteristics. Other important differences relate to the impact of age on the structure (as opposed to the level) of income and on the pattern of household expenditure. Some of these three dimensions are summarised for Australia in Tables 4, 5 and 6, respectively.

Table 4: Average Time Use by Persons of Different Age: 1992 (Percentages)

Activity	Age 25-34	Age 45-54	Age 65 and over
Labour force	17.3	17.8	1.0
Domestic	17.1	16.2	18.4
Personal	41.7	42.4	46.5
Education	1.1	0.3	0.1
Community	1.5	1.7	2.2
Social and leisure	21.5	21.4	31.9
Total	100.0	100.0	100.0

Source: ABS (1994c), *How Australians Use Their Time*, ABS Catalogue No. 4153.0, Table 15.

Without going into the details of these figures, they reveal that the current generation of older Australians allocate their time differently, receive their incomes in different forms and spend their money on different commodities than those below pension age. Older Australians also have considerably lower overall levels of both income and expenditure and these differences contribute to and reflect the different patterns of time use. If these differences were to persist, the process of demographic ageing would clearly have several fundamental consequences, not only for the government's budget or for the nature of Australian society, but also for the Australian economy as a whole.

Table 5: Composition of Household Income by Age: 1993-94^(a) (Percentages)

Source of Income	Age 25-34	Age 45-54	Age 65 and over
Employee income	81.4	81.2	14.3
Income from own business	8.3	7.6	3.0
Government transfer income	8.7	5.9	54.4
Income from other sources	1.6	5.2	28.3
Total	100.0	100.0	100.0
Average weekly household income	\$790.0	\$956.6	\$348.7

Note: a) Age refers to the age of the reference person in the household.

Source: ABS (1996c), *1993-94 Household Expenditure Survey, Australia. Household Characteristics*, ABS Catalogue No. 6531.0, Table 9.

Table 6: Composition of Household Expenditure by Age: 1993-94 (Percentages)

	Age 25-34	Age 45-54	Age 65 and over
Housing and housing-related expenditures	34.4	25.0	28.5
Food, alcohol and tobacco	21.6	22.6	25.6
Clothing and footwear	5.1	6.4	5.3
Medical care and health expenses	3.5	4.9	6.2
Transport	15.1	16.7	13.3
Recreation, personal care and miscellaneous	20.4	24.4	21.1
Total	100.0	100.0	100.0
Average weekly household commodity and service expenditure	\$654.9	\$734.3	\$335.8

Note and Source: See Table 5.

The switch from reliance on private market incomes to public transfer incomes is one aspect of this, but there are also likely to be important changes in the structure of expenditure and hence demand in the economy, reflecting the age-related patterns of asset ownership, consumption needs and time-absorbing activities. How, for example, will the changes in time use, income and consumption implied by population ageing impact upon the structure of demand in the Australian economy and hence in the labour market? How will these changes affect the revenue generated by the tax system and what will this imply for the need for tax reform? What will the consequences be for the balance of trade and hence the balance of payments? What do the changes imply for the total demand for public services and its breakdown into Commonwealth and State/Territory provisions, and how will these changes affect the evolution of the Australian federal system? Finally, and perhaps most important of all, what do they imply for overall community attitudes and values and how will these impact on the politics of the welfare state?

The increased emphasis given over the last two decades to the economic consequences of social programs has highlighted the fact that social programs cause individuals to adjust their behaviour, often in unanticipated and sometimes in undesirable ways. However, the increased emphasis which has been given to the *economics* of welfare has occurred whilst the attention paid to the *political* dimension of social policy has been declining. Yet without understanding the forces which drive the formation of political interest groups and the power that they are able to exert, the economics of welfare is deprived of the dynamic which shapes the evolution of policy. In the area of ageing in particular, any analysis which fails to incorporate a role for the increasing political influence of a growing segment of the electorate will ultimately prove to be sterile. Identifying the possible financial consequences of ageing is thus only the first stage in what has to be a more comprehensive analysis of how the forces of demographic change are likely to influence the evolution of social policy.

While the implications of the consequences of the ageing of the population just described warrant a good deal more attention, investigation of them will require a far broader methodological framework than has been employed to

date. It will also require a different theoretical approach, one which has a more interdisciplinary focus and is less likely to produce quantitative estimates of likely effects. Any such apparent loss will, however, be more than compensated by the increased richness and insight provided by the more comprehensive approach to the whole issue of ageing. Overall, there needs to be greater acceptance of the view that adjusting to the ageing of the population will have to be managed by government if it is to be successful. This cannot and will not happen if the process of adjustment is left entirely to the market.

5 Adjusting to an Ageing Society

The Policy Response

In providing a brief overview of the Australian policy response to ageing, attention will focus on reforms in the areas of income support and long-term care. A third area affected by ageing is health care, although the issues raised here have a broader application and are not addressed. In relation to income support, the introduction of mandatory occupational superannuation for the entire workforce has already been noted. This process, which began in 1985, has been accompanied by measures which have tightened the means test on the age pension through the introduction (also in 1985) of an assets test in addition to the pension income test. The government has also announced that pension age for women will be raised progressively from 60 to 65 (the current pension age for men) by the year 2015.

The reforms already introduced have seen some decline in the proportion of those above pension age who are eligible to receive an age pension and this decline will probably continue. Furthermore, the spread of occupational superannuation has already resulted in a large increase in coverage amongst the workforce, from around 40 per cent in 1983 to 92 per cent currently (NCA, 1996: 323).

Over time, the impact of these reforms to retirement income support will increase as more workers will retire having accumulated significant occupational pension entitlements. Long-term projections reported by Clare

and Tulpule (1994) show that, by 2041, average income replacement levels for retirees will be significantly above those currently prevailing and reliance on the age pension will also decline considerably, leading to reduced pressures on public pension outlays. This will have the positive effect of raising the total incomes of those aged over 65 and thus contribute to a lowering of poverty among the aged which research indicates is quite high currently, particularly for single aged people (Saunders, 1994). Also on the positive side is the potential impact of superannuation fund accumulations on Australia's savings rate, although the size of the *net* effect on national saving remains in dispute.

On the negative side, the superannuation reforms have been criticised for lowering the current disposable incomes of many low-paid workers who are being forced to save at a higher rate than they can afford, whilst others have pointed to the inequities associated with the granting of generous superannuation-related tax concessions to those on high incomes. In 1994-95, the superannuation tax concessions implied a loss to revenue of \$7.3 billion, a figure which is fast approaching expenditure on the age pension, currently around \$11 billion. Despite these criticisms, the move towards self-provision of income in retirement through what is in effect the partial privatisation of the public pension system looks set to determine the direction of income support for older Australians well into the next century.

Turning to reform in the area of long-term care, the last decade has seen a considerable move away from reliance on institutional forms of care, specifically nursing homes, towards the encouragement of networks of community care or what is now called community support. The Australian system has traditionally relied upon privately-operated nursing homes to provide the bulk of care for the frail aged. Most of the cost has been met by the Commonwealth Government, either directly through grants or indirectly through that portion (currently 87.5 per cent) of the basic pension which can be charged to pensioner residents.

Beginning in the mid-1980s, a range of policy reforms have capped the growth in the number of nursing home beds, partly by establishing planning targets based on objective assessment of need, and partly by establishing

clear eligibility criteria and assessment procedures which have reduced the rates of nursing home admission (Fine, 1992a). Some (e.g. Saunders, 1995) have argued for the introduction of some form of long-term care insurance funded through an income-related surcharge much like the Medicare levy which currently funds part of the health care system. A similar proposal has also been recommended by the NCA, although their preference is for a form of private insurance along the lines of a life policy (NCA, 1996: 140).

The reforms already introduced have been accompanied by encouraging an expanded number of hostel places designed to meet the needs of less dependent people and, more significantly, through the introduction in 1985 of the Home and Community Care (HACC) Program, a joint Commonwealth-State/Territory cost-shared program designed to provide increased funding for an expanded range of support services for people who require such services in order to remain living an independent life in their own homes. These reforms have seen a marked switch in the 'balance of care' in Australia as can be seen from the trends in expenditure on the three programs.

Between 1985-86 and 1993-94, after taking account of movements in prices, expenditure on nursing homes, hostels and HACC rose by 22.4 per cent, 283.8 per cent and 133.9 per cent, respectively (Australian Institute of Health and Welfare, 1996, Table 5.18). It is anticipated that this shift will lead to a decline in average overall expenditure because the unit cost for the users of HACC services (\$2421 in 1991) is well below the unit cost of hostel (\$4427) and nursing home (\$22 573) places (Department of Health, Housing and Community Services, 1991).

Although there is general support for these reforms, concerns remain over whether the appropriate 'balance of care' has yet been achieved, over the fragmented nature of service provision, over the pervasive role which fiscal restraint has played in the move to community care, and over the choice between the many alternative models for funding, organising and delivering community support services (Fine, 1995; Gibson, 1996). On the question of service fragmentation, for example, a recent report by the Industry Commission (1995) estimated that there were just over 2000 separate

HACC service providers in 1992-93, of which 1264 or 63 per cent were community non-profit organisations. In this situation, it is inevitable that concern will arise over the lack of standardisation of services and the potential for unacceptable inequities in the quality of care provided in different localities to people with identical needs.

Individual Experiences

Given the nature of the reforms in long-term care described above, it is not surprising to discover that they have had a considerable impact on the lives of many Australians. This applies not only to those who are in direct need of care, but also to those informal caregivers who would otherwise have to provide it themselves. Of course, the aim of the HACC Program has not been to substitute formal support for informal caregiving, but rather to provide greater support to primary caregivers so that they can continue to provide care, generally on a voluntary basis. For this reason, caregivers are themselves included as one of the target groups eligible to receive assistance (e.g. in the form of respite care) under HACC.

Studying how the HACC Program actually works in practice can thus provide insight not only into the strengths and weaknesses of various models of service organisation and operation, but also shed light on the lives and experiences of those for whom the services are provided. In order to explore these issues, in 1989 the Social Policy Research Centre (SPRC) began a three year study which looked in great detail at how community support services functioned and affected the lives of a small cohort of elderly people in one urban locality in New South Wales.

The project itself has generated two major research reports published by the SPRC (Fine, 1992b; Fine and Thomson, 1995) as well as providing the impetus for the research team to undertake a range of related evaluative studies of policy innovations in community support (e.g. Fine, Graham and Webb, 1991). The following account draws heavily on the latter of the two SPRC reports, in which the scope and purpose of the research is described as follows:

The introduction of community support policies has undoubtedly already changed the lives of tens of thousands of people who only a decade ago would have spent the remainder of their lives in residential care settings such as nursing homes. This change in policy also has implications for many others, including family members and friends (now referred to as 'carers' or 'caregivers'), service providers and those employed in the field of long-term care.....the study examines the need for help at home among a group of predominantly older people(and).....considers the outcomes of the support provided to these people over a three year period. It also looks at the nature and amount of assistance provided, from both formal services and unpaid family and friends. (Fine and Thomson, 1995: 1)

Rather than describing the research findings in detail and attempting to identify what they imply for how policy is achieving its goal of facilitating older people to continue to live an independent life at home, the following case studies describe how three of the people included in the study are coping with the difficulties associated with living at home once frailty begins to set in. Hopefully, these accounts will provide an indication of what kind of lives these people are able to lead in Australia today, what kinds of difficulties they encounter and how they are able to cope (or not cope) with them. (The accounts themselves draw very heavily on material produced by my colleagues Michael Fine and Cathy Thomson, for which I am grateful but on whom no responsibility rests for the use I have made of the material provided).

The first case study concerns Mrs Olive Osborne (fictional names have been used for reasons of confidentiality). Mrs Osborne turned 75 in 1990 and is very frail, suffering from many health problems including diabetes, hearing loss, sleep disorder, osteoporosis and mobility problems. Inside her home, she required two walking sticks and even then could

only move with difficulty. Apart from visiting the local RSL (social) club once a week, her only other outings were to visit the doctor every fortnight. Over the next two and a half years, her health declined markedly. She returned home from her third stay in hospital in December 1992 having been in hospital for nine weeks in total. At that time, although she reported that her appetite and sleeping patterns had improved, her walking had deteriorated and she now needed a walking frame. She had divorced twenty years ago and had lived much of the time since then with a friend, Charlie, in a rented ground floor flat close to a large shopping centre. Charlie was a fit and energetic man in his early 70s, although he had had a blackout in the week before one of the interviews and had postponed a neck operation until he knew that Olive would be okay. Charlie was helping Olive with several aspects of her personal care and did most of the cooking, cleaning and laundry, organised Olive's money and medication, took care of the household maintenance and always accompanied Olive when she went out. Although Olive has two children, her only contact was with her daughter who visited twice a week, phoned daily and generally 'helped out with odds and ends'. Charlie described the daughter as his mainstay. Olive described her life as 'boring' and the only highlight of her life was when she visited the local club three nights a week, including one night when she played cards.

*The second case study concerns **Miss Fiona Price** who turned 79 in January 1990 and lived alone except for her cat in a groundfloor flat. She had never married and had worked most of her life, including as a volunteer for meals on wheels after she retired. Her neighbours rang the local hospital after her memory*

started to deteriorate. Her main problem was diagnosed at the time as Alzheimer's disease, and although she could still shower, dress and cook for herself, she needed help with shopping. Although visited regularly by her doctor, the only assistance she received was from two neighbours, John and Barry, who helped with the shopping and generally kept an eye on her. However, John and Barry were planning to travel overseas together and so some regular help for Miss Price was organised so that she could remain at home. Her condition began to worsen and she became confused, woke the neighbours, left the gas on and became difficult to speak with. She started refusing to wash or change her clothes, asked constantly about her cat as well as her (recently deceased) brother. She abused the home help who refused to attend, leaving her totally dependent on her neighbours for assistance. John and Barry reported that she then became very aggressive and exhibited confused behaviour, including waking them up at night. They said they were at their wits end and found the services provided of little assistance. The assistance was finally withdrawn when Miss Price failed to recognise her helper, abused her and said she did not want her coming to her home anymore.

*The third case study concerns **Mr George Hatley**, a widower aged 72 in December 1992. When Mr Hatley's wife died from cancer about 15 years previously, he said that his life fell to bits. He lived in a unit for the aged on a large public housing estate and although he was approved entry to a hostel some time ago, he turned down the offer in order to remain on his own. His main health problems were his back and his weight, which meant that he could walk only short*

distances and needed a walking rack to move around the house. His son Nigel helped with the shopping and meals at the weekend. In mid-1992, Mr Hatley fell over a radiator at home and received serious burns to his leg. The wounds were painful and required constant attention and significantly affected his ability to remain independent. Although he started experiencing difficulties showering and dressing, he wished to preserve his independence and remain living at home. He claimed that, by and large, he could look after himself and did not need much help. Each weekday, he caught a taxi to the local club where he talked with friends and ordered lunch which he brought home to eat. In addition to the help provided by Nigel, Mr Hatley's other son lived nearby and maintained regular contact. A local resident called in regularly to see if milk or bread was needed, a newspaper was delivered daily and the local chemist had a delivery service which Mr Hatley relied upon.

Although the three case study accounts provide no more than a flavour of the kinds of lives these people are leading, they reveal several important insights which are worth emphasising. Before considering these, it is important to emphasise that the case studies refer to only a very small number of frail elderly Australians. Because of this, it is not appropriate to draw conclusions from this small sample about the circumstances and lives of all older Australians. Indeed, the available evidence reveals that many Australians over 65 continue to participate in the labour market, while even more perform a caregiving role from which other family members and elderly people benefit (Clare and Tulpule, 1994: 3 and 71).

Perhaps the point which comes through most clearly is the determination of all three individuals to continue living independent lives at home, even when alternative options were offered to them. A second feature relates to the extreme vulnerability each of them experienced and the frailty of the support arrangements they relied upon. A simple accident or a change in

support arrangements, no matter how temporary, could be enough to threaten their ability to live independently. All three case studies also illustrate the vital support and caregiving roles played by relatives and neighbours, as well as by local community networks. Finally, although each of the three relied heavily upon medical and hospital care when needed, formal community support services played a rather minor, and sometimes resented, role in their lives.

These aspects serve to highlight some of the broader issues which have been raised in the earlier discussion of population ageing. In particular, they point to the importance of having relatives living close by, not only to provide on-going support with the tasks of daily living, but also to be available to help out in a crisis. Neighbours too can, and are often prepared to fulfil this role but this can only work effectively if there exists a strong network of community support. This does not just involve the provision of formal medical and other services, but depends as well on access to such apparently mundane features of modern life as the local club, a reliable and affordable taxi service and the regular home delivery of milk and newspapers.

To the extent that new lifestyle patterns among younger generations threaten the continued viability of such local services, the ability of frail older people to continue to live at home will itself become more problematic, possibly even no longer viable. This kind of threat is implicit in the demands made by those who call for lower taxation, smaller government and a more competitive environment designed to enhance incentives and enterprise and generally encourage individualism. The new economic liberalism may serve well those who can take advantage of the new opportunities which open up, but many others will find their choices curtailed as the collectivist values and supports on which they rely are swept away. The cross-generation tensions to which this situation may give rise are likely to be brought more sharply into focus as the ageing of the population evolves over the coming decades.

6 Summary

This paper has reviewed the available evidence on the extent of ageing in Australia and provided an overview of the debate that has developed on the causes and consequences of ageing. It has also touched upon some of the key policy responses to ageing which have already been introduced in the areas of income support and support services.

It is clear that much of the debate has been conducted within a rather narrow perspective focusing on the financial consequences of ageing, specifically in relation to the impact on the budget of the government. Yet even here there has been relatively few attempts to explore the broader economic implications of ageing for the structure of the economy and the changing nature of the entire socio-economic apparatus. In addition, the impact of ageing on changing the nature of power relations within a democratic system has received almost no attention in this literature, despite the existence of a vast literature showing how the evolution of the welfare state in countries like Australia has been heavily shaped by such political forces.

In short, far too much attention has been directed at exploring the potential implications of ageing for social expenditures by the use of mechanistic and generally simplistic projection methodologies, with far too little consideration being given to the less easily quantifiable but no less important implications of ageing for the nature of society itself.

Within the countries that currently belong to the OECD, the age structure of the Australian population is relatively young and it will age relatively slowly. It will take several decades for the ageing of the Australian population to reach the level currently existing in several European countries. The fact that those countries have aged without any signs of social unrest suggests that population ageing has been managed there, and can thus be managed in Australia also. What is needed is more discussion of how best to manage the ageing of the population in the interests of all groups and further consideration of what role the state should play in these processes.

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