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Individuals, Families and the State: Changing Responsibilities in an Ageing Australia.

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Individuals, Families, and the State: Changing Responsibilities in an Ageing Australia

by

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Abstract

Social change in Australia over the post WW II era –including increasing prosperity, massive immigration, and increasing public support - has brought overall improvements in intergenerational relationships and outcomes for older people. The future, however, is more problematic, especially for vulnerable individuals and families over the life course, in the context of rapid societal ageing, uncertain economic prospects, and changing political ideologies. The vast majority of older Australians choose to live independently and have the means to do so while informal family support networks generally are strong, with support

flows both up and down the generations. Governments have increased complementary public support to older people who wish to stay in their own homes, to stay in the workforce, and to save for retirement. New policy directions have reasonable prospects for increasing the well-being of older people and intergenerational sustainability through an increasing focus on human capital, facilitating contributions over the life course, and fundamentally changing attitudes towards ageing.

Key words: Australia, intergenerational support, human rights, retirement

Introduction

This paper provides an overview of the changing balance of individual, family, and state responsibilities in the support of older Australians and intergenerational relations. It begins with a profile of Australia in terms of diversity and change in the older population, and recent economic and social developments. It then turns to the main patterns of intergenerational relations and interprets the impacts of current policies on older people and successive cohorts. Australia is shifting responsibilities to address what are seen to be the major future challenges of population ageing, including increasing longevity, national income and standards of living. Innovations are being developed concerning the productivity and contributions of older people, the support and care of frail older people, human rights and age discrimination.

The outline presented here of intergenerational relations and support in Australia draws on earlier works prepared for Asian audiences (Kendig, 2000; Kendig & Quine, 2006). A summary of current policy directions can be found in the Australian government submission to the ESCAP review of action on the Madrid Action Plan (United Nations, 2011) as well as additional references cited in the text. The paper concludes by presenting ways in which Australian social sciences are contributing critical thinking and knowledge to further constructive responses to an ageing Australia.

The Australian Context

Australia is growing older as a country with a Western heritage and an increasingly Asian future. The small population is approaching 24 million. Although the overall population density is quite low, at 2.9 per sq km, it is much higher in the large coastal cities of Sydney, Melbourne, Brisbane, and Perth, where most of the population lives. Few people live in the sparsely populated 'outback'. A relatively small Indigenous population (2-3%) experiences severe disadvantage and has very low life expectancy. Population growth has been driven by

successive waves of immigration initially from Britain during the 19th century, and then more from Central and Southern Europe following WWII and more recently from Asia. From the late 1940s to the mid 1960s Australia had a major, sustained baby boom.

Population ageing has, until recently, been modest in Australia relative to some other countries notwithstanding decades of low fertility rates. Those aged 60 years and older were 9% of the population in 1976, increasing only to 12% in 1997, by which time the first wave of post-WWII migrants were entering older ages. Demographic ageing has accelerated in recent years as the large babyboom cohort of the 1950s and 1960s began to enter later life and life-expectancy at older ages extended. Life expectancy at age 60 years is now more than 25 years, and it is projected to rise further. As of 2012 20% of the population was aged over 60 and this is projected to increase to 29% by 2050 (United Nations, 2012). The proportion aged over 80 years has been increasing and it will again rise with ageing of the baby boom cohort (United Nations, 2012).

In 1998, 91% of older Australians lived in private households while only 6% lived in healthcare establishments (such as nursing homes) and 3% lived elsewhere. Even among older people with a substantial disability, only a minority reside in long-term care accommodation such as hospitals or nursing homes. Widows and never-married men are the mostly likely groups to be in residential care, reflecting the strength of family care networks for older Australians. Overall, most people continue to live in the community through a long period of later life. Only a third of older women and a quarter of older men are projected to ever live in residential care before death.

Sustained economic growth has underpinned substantial rises in real incomes, and the country has been affected less than other developed countries by global financial crises. A substantial majority of Australians enjoy a high standard of living in single family housing in

suburban areas. Personal wealth has increased along with high home ownership rates and rising property values, although the latter are worrisome for younger cohorts now aspiring to buy homes. The unemployment rate has been relatively stable at between 4 and 6% since 2004 (Trading Economics, 2012).

There are considerable and increasing socio-economic inequalities including significant pockets of disadvantage. Many of the vulnerabilities of older Australians – seen most starkly among older Aboriginal people - arise earlier in life while others arise with health transitions, widowhood, and other adversity in later life. Long-term renters are likely to have insecure housing and high housing costs relative to income. There is increasing recognition that young and middle-aged people – notably those who are unemployed and/or single parents and their children – are among the groups who are most likely to be impoverished.

As with much of the world, there is considerable uncertainty regarding Australia's future. A significant factor will be the Chinese demand for raw resources that has underpinned favourable economic conditions. While employment opportunities are a concern for younger and less skilled workers, workforce shortages are anticipated over the long term as the large baby boom cohort begins to leave the labour force. Public concern about immigration has centred mainly around competition for jobs but also for the environmental consequences of population growth in large cities. The resolution of many issues in Australian federalism - including aged care and health care – is complicated by divided policy and fiscal responsibilities between national and state governments.

Intergenerational support

Intergenerational relations in Australia are diverse but they generally remain strong in the social and expressive domains with deep emotional commitments. Few older Australians live with an adult child because they value their independence and have the necessary financial

resources; frequent visits and phone calls are the norm. After retiring from paid work people are likely to be 'asset rich but income poor', with most owning their own home and thereby having minimal housing costs. Co-residence between the generations is rare except when precipitated by financial necessity, widowhood, disability or cultural distance from the Australian norm. Older Australians show a marked resistance to entering a nursing home, reflecting a fear of dependency, as well as negative views of conditions in nursing homes.

Adult children are more likely to receive support from their ageing parents than to provide it, with the flow of support primarily down the generations. Modest amounts of financial assistance from older parents to their adult children are common, as is assistance with transportation and care of grandchildren; larger amounts of assistance are provided to children and grandchildren in buying a home as the cost of housing has risen significantly over recent decades. Unmarried or divorced adult children are especially likely to live in the homes of their ageing parents, and those who never marry are most likely to provide substantial caring support. Adult children are typically the beneficiaries of tax-free inheritances from their parents' estates.

Intergenerational support generally reflects family values notable for the older members' deep 'generational stakes' in the futures of their children and grandchildren. The generations strive for balance between competing cultural ideals of autonomy, emotional closeness and practical support. Tensions can arise between frail older people who wish to remain independent and concerned adult children who wish to ensure good care. Far from 'abandoning' their ageing parents, the more common situation is that adult children can be the initiators and main advocates for higher levels of community care or (more problematically) unwanted moves to residential care to ensure adequacy of care. Middle-aged Australian women can face stark 'choices' between full time work (and paying off home mortgages) or leaving paid work to care for a frail older parent. Self care and mutual

support among spouses, supplemented by some family assistance and paid or community services, are preferred and they are common ways of managing limitations when needed in later life.

Australian policies

Growth of the welfare state since WWII, fuelled by economic growth and led by progressive government action, has substantially improved the material well-being of Australians including older people. Overall, Australian public support continues for older people who are viewed as a 'needy and deserving' group. Concerns arise for intergenerational equity, however, particularly for younger generations in terms of access to home ownership, competition for employment, and what are perceived to be high tax burdens. For the first time in Australian history it seems possible that the life prospects of later cohorts (now younger) could be worse overall than those of earlier cohorts (now older).

A series of 'Intergenerational Reports' (IGRs) have served as focal points for Australian policies concerning population ageing since the mid-1990s. The IGRs have marked a social policy turning point in which government has invoked population ageing as a reason for restraining health and welfare expenditure growth. There has been increasing public resistance to taxation increases and moves towards less public provision and more privatisation. There is growing recognition that many of the most disadvantaged individuals are in the younger age groups while increasing numbers are economically well-off through later life.

Retirement incomes

The capacity for older people to retain their independence has risen over recent decades as a result of rising real incomes as well as government-funded programs and policies. Foremost

among these is the Age Pension, which grew from a small supplement for a minority of older people in the 1960s to an indexed payment providing the majority of income for three-quarters of the older population today. The full pension is paid at a level of approximately 25% of average weekly earnings, which is enough for a modest standard of living if combined with the low housing outlays afforded by outright home ownership. Means-tests are set at levels aimed to encourage self-provision as well as public provision. Relatively small (and decreasing) proportions of older people live in subsidised public housing while rent assistance augments income for private tenants on a mean tested basis.

Since the late 1980s the retirement income system has been improved by compulsory employer-funded contributions to employee's superannuation savings (Chomik and Piggott, 2012). Contributions are encouraged through taxation concessions that disproportionately benefit those on higher incomes. A broad aim of the policy is to encourage more self-provision by the current cohort of workers and hence increase their retirement incomes and limit future growth of pension outlays. However, these schemes require 30 or more years of contributions before they are fully effective. They will have only partial impacts on the retirement incomes and pension demands of people retiring over the next decade. There is ongoing contention as to whether the benefits of the schemes justify their public costs and the minimal benefits for workers on low incomes. The strategy is nonetheless viewed as a way for successive cohorts to self-finance more of their own retirement and limit public costs for future generations.

As in most countries, financial difficulties continue to be faced by a number of groups of Australians in later life. Older women living alone in private rental properties can have high rates of poverty. Living with health difficulties and low income imposes financial hardships that limit participation in everyday life. Ageing workers in blue collar jobs are at risk of disability and unemployment before reaching pension age. Many Aboriginal families face

economic privation across the entire life course and have limited resources for any of the generations.

Health and aged care

Australia has well-developed health services including public and private hospitals, extensive general practitioner services, state geriatric services, and a range of community health services including home nursing and professional allied health care. Universal health care coverage is provided through Medicare, funded in part through a mean-tested levy on income taxes. Supplementary private insurance can meet the costs of a wider range of services as well as less waiting time and more choice for specialists. Other programs for older people aim to prevent falls, provide health assessments, assist with the transition to residential care and improve access to allied health services (United Nations, 2012). While current policies have a strong emphasis on chronic disease and prevention, few initiatives have as yet focussed on the older people for whom self-management and prevention programs can have major benefits (Kendig and Browning, 2011).

Since the 1950s the support and care of frail older people has become more of a shared responsibility between self-provision, families, and services. Aged care originated from voluntary organisations with modest public subsidies for poor people without family. In the 1960s national funding for nursing homes was introduced as a strategy to limit the inappropriate and expensive use of public hospitals. This funding established what became the large nursing home industry with many private for profit providers. More modest funding for hostels and community services also increased through this period. By the early 1980s, nursing home expenditure was rising rapidly – by 20% or more per year – and this was perceived as a crisis by government. A series of reviews and program reforms were

introduced to limit expenditure growth and improve the provision of hitherto fragmented and inadequate community services.

The Home and Community Care (HACC) was established in 1985 to 'support frail older people and their carers and limit inappropriate or premature use of residential care'. HACC provides services such as domestic assistance; personal care; access to professional allied health care; nursing services; social support; home modifications; and transport. Residential Care programs continued to expand, albeit at a slower rate, with inappropriate use limited by aged care assessment prior to entry. Since the 1990s carer support and respite services in the community have expanded as have programs specifically for older people with dementia. Access to low level residential care for people of modest means has been limited, however, by supply restrictions and by increasing requirements for substantial capital donations or payments by older people or their families. Approvals for public funding of new aged care services are directed to areas where population data indicates that they are most needed. A range of quality assurance programs have been introduced for residential and increasingly community care.

New Directions: Shifting Responsibilities for Individuals, Families, and Governments

Economic uncertainty and population ageing are increasing policy concerns for the future.

The 2010 Intergenerational Report recommended expenditure restraint along with the '3 Ps' of population growth, (workforce) participation increases, and increased productivity. Fiscal deficits are projected if existing programs and taxation rates were to remain unchanged as demographic ageing impacts on national budgets over the next ten years. In contrast to many developed countries, serious workforce shortages are projected for the coming decades.

There is mixed evidence on health trends for older people in the future. The availability of family caregivers is projected to decline.

Current policy directions aim to maintain quality of life for the increasing number of older people while ensuring the sustainability of government expenditure programs. The recent ESCAP review summarises government progress in terms of the UN's Vienna and Madrid International Plans of Action on Ageing (MIPPA) (United Nations, 2012). The following areas of innovation aim to better position Australia for future demographic change by improving the capacities of and outcomes for people across the age groups.

Productivity and Contributions

Under the MIPPA priority area *Older Persons and Development*, Australia has important objectives in terms of the IGR's goals of increasing productivity and workforce participation but there is considerable controversy over population growth targets. Workforce participation rates at ages 50 to 69 years have been rising over recent years but they are still lower than in New Zealand and most other OECD countries. Treasury estimates that increasing the participation rate of this age group from 62% in 2012 to 67% in 2050 would increase GDP by 2.75% (Chomik and Piggott, 2012). This amount would come close to meeting the 'fiscal gap' projected as result of population ageing during this time frame.

A number of government actions are in place to raise workforce participation rates of older workers. In 2010 the Department of Education, Employment and Workplace Relations implemented 'Experience+', a suite of programs providing career advice, training grants, job seeker assistance and on-the-job support for older people, as well as cash and other incentives to employers who hire workers aged over 50 (deewr.gov.au/experience). Government has also encouraged continued workforce participation of older people by increasing the age to which employers must make superannuation contributions on their employees behalf, from 70 to 74 years (effective from July 2013), and progressively increasing the eligibility age for the Age Pension to age 67 years. Compulsory superannuation contributions are being

increased from 9 to 12%; this increases labour costs for employers but it works to increase individual and cohort self-sufficiency in future retirement incomes.

The Government's response to the *Final Report of the Economic Potential of Senior Australians* (2012) recommended a number of actions to encourage active ageing, volunteering, and other forms of productive ageing beyond participation in the formal workforce. A 10 year plan is now being developed to enable older people to have more opportunities to participate fully in social and economic life. A life span approach recognises that investment in human capital such as education and health can yield substantial returns across a range of productive activities (Loh and Kendig, 2013). Many of the contributions by older people are made in the context of the family including child care and caregiving valued conservatively at 7 billion dollars in 2009 (National Seniors Australia, 2009).

Living Longer, Living Better Reforms

In April 2012, after a thorough review by the Productivity Commission, the Australian government outlined major directions in *Caring for Older People* and set a ten year plan for implementation (<http://www.livinglongerlivingbetter.gov.au/>). The Plan strengthens commitments to enabling people to remain in their own homes with combinations of family support and community services. It outlines new emphases in the ongoing balance of support including:

- A primary focus on quality in terms of the well-being of older people and carers, promoting independence, enabling choice and maintaining community engagement.
- New 'consumer-directed' programs which place decision-making power increasingly into the hands of older people themselves and their carers, including the designation of individual budgets.

- Increased options for provision through supportive environments and flexible assistance rather than rigidly set services delivered on a uniform basis irrespective of individual preference.
- A new language of ‘consumer entitlements’ in contrast to rationing by service providers.
- Significant user payments on the basis of capacity to pay and new means tests, recognising that a need for care is distinct from a need for financial resources.
- A stronger focus on prevention as well as re-enablement when people have lost capacities.
- More recognition of the needs of Culturally and Linguistically Diverse (CALD) groups as well as Gay and Lesbian groups.

These aged care reforms have received widespread support in principle from consumers and providers. Even with foreshadowed increases of user charges, however, the adequacy of resource commitments for implementation remains clear. The government did not accept the Commission’s recommendations that would have enabled older people to draw more on their home assets through reverse annuity mortgages. These were considered to be too contentious as the increased resources for care would have been at the expense of inheritances and would have attracted considerable political opposition.

Human Rights and Discrimination

Australia is increasingly moving toward a human rights approach to ageing, following movement within the UN toward a new human rights convention for older people (social.un.org/ageing-working-group). The Australian *Age Discrimination Act 2004* prohibits age discrimination in many areas of public life, including employment and the provision of goods, services and facilities (United Nations, 2011). A dedicated Age Discrimination

Commissioner, Susan Ryan, was appointed in August 2011 to tackle discrimination in workplaces and in the community, promote respect and fairness and address the attitudes and stereotypes that can contribute to age discrimination (United Nations, 2011).

Under the leadership of Commissioner Ryan, the Australian Human Rights Commission has released several publications outlining a human rights approach to ageing-related policy. In the area of workforce participation, the report *Working past our 60s: Reforming laws and policies for the older worker* (Australian Human Rights Commission 2012a) highlighted the need for workplaces to be flexible in order to accommodate sickness, disability or caring responsibilities. It also highlighted the need to remove age-related limits on worker's compensation, income insurance and superannuation policies which can act as barriers to continued workforce participation. Another AHRC report *Economic impact of increased participation among older workers* (Deloitte Access Economics, 2012), outlined the economic benefits of a human rights approach for national productivity as well as the economic wellbeing of ageing individuals.

The Commission also released a report outlining a human rights approach to ageing and health (Australian Human Right Commission, 2012b). This report argues that a human rights approach allows a better understanding of how health services can be delivered effectively and fairly, and highlights specific areas of aged care which could be strengthened by such an approach. Among the recommendations were the development of disaggregated indicators to allow monitoring of human rights; human rights training for health workers; indicators to determine the accessibility and quality of services, particularly how they relate to human rights and; national programs to increase the health literacy and internet competencies of older Australians.

Finally, the Commission has actively promoted the rights of older people by (among other things) releasing a plain-language summary of the *Age Discrimination Act 2004*. This report *Know your rights: Age discrimination* (Australian Human Rights Commission, 2012c) explains types of age discrimination, how the Act protects individuals against age discrimination in a range of areas such as employment, education, accommodation and services, and outlines complaint procedures. It.

Conclusion

This paper has provided an overview of population ageing and changing intergenerational relations in Australia. Family relations have generally continued to be strong in the affective and social domains, with family assistance in support and care provided down the generations as well as up to older people. Rising real incomes and wealth have increased the independence of older people while rising workforce participation, particularly among married women, has decreased the availability of informal care. Older people have shared in increasing national prosperity but significant minorities face financial health, social, and hardships through later life.

Since the mid 1980s Australian governments have substantially increased support for older people by increasing access to pensions and community care programs. The overall trend has been towards improvement particularly in addressing higher levels of need in the community and in making provision for diversity among older people. Massive investment in employer-funded superannuation over recent and coming decades will increase retirement incomes and ease tax pressure on the next generations. However, there is increasing concern for the future, on behalf of younger as well as older generation, as a result of the economic and fiscal pressures of an ageing population as the large babyboom cohort reaches later life.

Increasing workforce participation rates among older workers can partially offset the risks and costs of increasing longevity for individuals and governments. Investments in human capital, promoting healthy lifestyles, and supporting self-care with chronic disease have the potential to maintain or increase capacities and independence as people grow older. Positive attitudes towards older people – as promulgated effectively by the Age Discrimination Commissioner - will be important as will investment in maintaining capacities among people vulnerable to economic and social disadvantage over the life course. While Australia has made substantial progress over recent decades, significant challenges lie ahead for governments in working with individuals and families to achieve outcomes that are both sufficient and equitable in years to come.

Postnote:

Australia is developing a research base that aims to bring new ways of thinking and evidence to inform constructive approaches to ageing and enable constructive societal change (Kendig and Browning, 2011). In setting National Research Priorities in 2003, the Academy of Social Sciences in Australia (ASSA) played an important part by leading consultations for the then Minister of Science leading to a decision by Cabinet to establish the 'Ageing Well, Ageing Productively' research priority goal, (Australian Government, 2002). ASSA also had a representative on the Prime Minister's PMSEIC Report on Healthy Ageing (2003) which set a national vision for '... another ten years of healthy and productive living by 2050.' In the international arena, Australia has contributed to the UN International Research Agenda on Ageing and related actions led by international agencies and Non Government Organisations (Kendig, Lucas & Anstey, in press). Our current research is being carried out as part of the multi-disciplinary Centre of Research Excellence in Population Ageing Research (CEPAR) funded by the Australian Research Council (www.cepar.edu.au)

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