

# Building Ageing Research Capacity Colloquium

## Network Themes and BARC Strategic Areas Workshops

### Afternoon Workshop 1 – Productivity and Economic Security

Day 2 – 5 July

1:30 -3:00 PM

Presented by:



ARC/NHMRC Research  
Network in Ageing Well

#### Contributors to the background paper:

- Professor Sue Richardson, Director, National Institute of Labour Studies, Flinders University (Theme Convenor)
- Professor Peter Saunders, Director, Social Policy Research Centre, The University of New South Wales (Co-convenor)
- Professor David de Vaus, Sociology, La Trobe University
- Professor Linda Rosenman, Faculty of Social and Behavioural Sciences, University of Queensland
- Ms Anna Lane, Ageing Well Network Research Associate, Flinders University

#### Correspondence should be directed to:

Ms Anna Lane  
National Institute of Labour Studies  
Flinders University of SA  
GPO Box 2100  
Adelaide SA 5001  
Ph: 08 8201 2477  
Fax: 08 8276 9060  
Email: [anna.lane@flinders.edu.au](mailto:anna.lane@flinders.edu.au)

#### Disclaimer:

This is a background document that has been produced by the ARC/NHMRC Research Network in Ageing Well and is only to be used for the purpose of informing discussion at the workshop on 5 July 2006. The materials contained herein are not available for the purposes of quotation until the workshop discussion has been incorporated. An updated version will be sent to all workshop participants and will be made available on the Network website ([www.ageingwell.edu.au](http://www.ageingwell.edu.au)).

Any statements about proposed Network actions or directions are statements of possibility only. Directions will be determined at a later date after taking into consideration the discussion at the workshop.

Research Network  
Convened at



Major Partners



# Productivity and Economic Security Workshop

## Background

Australian policy makers and social scientists have now recognised that the ageing of the population is one of the great social and economic challenges of the 21st century. In Australia the release of the Treasury's Intergenerational Report (2002) and the Productivity Commission's (2005) report on Economic Implications of an Ageing Australia has underlined this challenge. By 2044-45, almost one in four Australians will be aged 65 years or older (Productivity Commission, 2005). While the demographic mechanisms driving this development – lower fertility rates and longer life spans – are well known, our knowledge about the consequences of population ageing is incomplete. Public policy clearly plays a key role here. Indeed, independence and self-provision, including employment for mature age workers, is a key theme in the Terms of Reference (p. 63) of the National Strategy for an Ageing Australia (2002).

The Strategic Ageing Research Themes contained in the Framework for an Australian Ageing Research Agenda (2003) that link most closely with the Network Productivity and Economic Security Theme are *maintaining economic growth in the face of an ageing workforce and reduction in the supply of younger workers* and *achieving adequate, sustainable retirement income over lengthening periods of retirement*.

“Australia, unlike several OECD countries, has a window of opportunity before pressures of demographic ageing reach their peak. This window must be used efficiently to put in place the changes in policy and institutional structures that are necessary to maintain and enhance the wellbeing of older Australians and the productivity and wellbeing of Australians generally” (Hugo, 2006)

## Key Issues

### **Issue 1: Retirement income security**

An adequate and reliable income is essential for accessing economic resources and is perhaps the most important single determinant and indicator of the wellbeing and quality of life of the old. Income available to older Australians in retirement generally comes from three sources: superannuation, Government provided pensions and private savings (from property and financial investments). Federal government reports and policy changes have put the responsibility for planning, saving and active financial management for and in old age squarely on the shoulders of individual Australians. This parallels international trends aimed at moving the responsibility for financial support from the government to the individual. An important question then, in relation to ageing in Australia, is whether people have sufficient economic resources and financial management capacity to maintain a satisfactory material standard of living as they retire from the labour market and grow older. In answering this question, consideration will need to be given to the diverse income support needs among the retired population.

We see the key research questions in this area as being:

- Who among the older population is most at risk of having inadequate capacity to save for retirement, including women and self employed and casual workers?
- What is the capacity of Australians to develop and combine income streams from employment, superannuation savings, government transfers and private savings to manage financial security?

- What knowledge and support do Australians need to facilitate their planning for financial security for old age, and to manage the risk that is inherent in reliance on the private market?
- What are the best policies and services to protect older Australians against abuse, misuse or mismanagement of their income and assets?

A second set of questions centres on the role of the home in providing financial security to retired people. Australia has very high (though declining) rates of home ownership and much of the wealth held by those aged over 55 is in mortgage-free home ownership that has appreciated in value.

Research is needed on the management of housing wealth in old age, and particularly the policy settings that maximise social and financial independence in old age.

This includes:

- What are the implications of the use of the home in creating income streams through home equity conversion schemes?
- What are the implications for families and older people of the use of the home as an asset to purchase entry to higher levels of care?
- What are the living and care options for older people who do not own a home and have limited wealth?

These questions are especially pertinent in the light of the declining rates of home ownership among younger cohorts.

## **Issue 2: Labour market participation of mature age workers: Unused capacity?**

Associated with population and workforce ageing is a concern about labour shortages. However two important trends are also occurring in tandem to population ageing-- an unprecedented increase in longevity and health, and a preference amongst many Australians for early retirement. Together, these suggest that there may be a large unused labour capacity that can help meet Australia's future labour demand. It is not surprising then that there have been calls to increase the labour force participation of older workers in Australia (OECD, 2005; the Productivity Commission, 2005).

The foremost challenge is how to do this in ways that improve (or at the least do not diminish) the wellbeing of the retirement cohort. We see the key research questions to be:

1. What are the major disincentives to older people continuing in paid work and what are the best ways of removing these disincentives?

Possible disincentives that require research include:

- Negative attitudes to the employment of older workers among both employers and younger co-workers
- The culture of long hours of work for fulltime employees;
- Burnout and stress;
- Obsolescence of skills arising from rapid technological and structural change;
- Expectations of willingness to move geographic location and/or to travel a lot.

A positive perspective on these impediments can be provided by imagining what the workplace would look like if it (and jobs) were designed to cater explicitly for older workers. In constructing such an image, it is essential to consult with older workers and their representative groups.

2. In what ways are health and employment interrelated among older workers?

This question includes:

- To what extent does poor health precipitate withdrawal from paid work, and how may jobs be adapted to fit workers who still have substantial, but constrained, capacity to work?
  - To what extent does paid work promote good mental and physical health and what are the characteristics of health-promoting jobs?
  - To what extent does paid work harm health, and what are the features of work that cause the harm (with attention to what may be altered to reduce such harm)?
  - Which retirement pathways promote and preserve mental and physical health?
3. What role does the productive but unpaid work of caring (for elderly parents, partners, and grandchildren) play in reducing paid work among the retirement cohort?
4. How do those who retire early compare with those who continue to work, and what implications do these different retirement patterns have for the level and quantity of skills that a cohort offers to the labour market as it progresses through retirement?

**Issue 3:** How will those now in their 40s and 50s differ from the current 55-70 year olds, in their employment, wealth, and retirement decisions?

*“Given the number of baby boomers, the attributes of this generation will most likely redefine old age. The baby boomers will enter older age with different aspirations and expectations and on average greater financial means than previous generations.”  
(National Strategy for an Ageing Australia, 2002, p.7)*

The younger cohort differs from the older cohort in two ways that are likely to be important for their retirement behaviours. One is that on average they have higher levels of education. The other is that the men who are now aged 55-70 have a higher lifetime participation in work than will the men now aged 40-55: while the reverse is true for women. These differences in both education and history of labour force participation will most likely mean that by the time they reach ‘retirement age’ the current 40-55 cohort will have a different propensity to retire, different skills, different levels of wealth, home ownership, superannuation, family structure than the current ‘retirement age’ cohort of 55-70 year olds. Anticipating the skills, behaviour and needs of this younger cohort will be critical in planning for the way in which this cohort contributes to the workforce and the way in which they will be able to provide for their own older age.

### **Possible Network Directions**

To conduct the research that is urgently needed to help tailor adequate public policy responses to the population and workforce ageing, national micro-data on the economic situation of older people in Australia is needed. Although, the HILDA and ABS surveys go some way to meeting our micro-data needs, they do not provide the coverage and level of detail that is contained in the U.S. Health and Retirement Survey (HRS) and the recently established Survey of Health, Ageing and Retirement in Europe (SHARE). All Theme areas in the network would benefit from an Australian equivalent. Such a survey would provide an infrastructure to help researchers and thus policy makers better understand the individual and population ageing process: where we are, where we are heading to, and how we can influence the quality of life as we age – both as individuals and as a society.

### **References**

ABS, 2006, Education and Training Experience, 2005, catalogue no. 6278.0

Andrews, K. (2002). *National Strategy for an Ageing Australia*. Canberra: Commonwealth of Australia.

OECD. (2005). *Aging and employment policies: Australia*, Paris.

Productivity Commission. (2005). *Economic Implications of an Ageing Australia*, Research Report, Canberra.

The Treasury, Intergenerational Report 2002-03. Budget Paper No. 5  
<http://www.budget.gov.au/2002-03/bp5/html/index.html>

## **Summary of the Theme and Activities to Date**

### **Productivity and Economic Security Theme**

- Labour markets for older workers
- Employment and the macro economy
- Retirement planning, income support, and asset management

The Productivity and Economic Security theme of the ARC/NHMRC Research Network in Ageing Well is convened by Professor Sue Richardson of Flinders University and co-convened by Professor Peter Saunders of the University of NSW. A working group comprising Sue Richardson, Peter Saunders, Professor Ann Harding of National Centre for Social and Economic Modelling (NATSEM), Professor David de Vaus of La Trobe University and Professor Linda Rosenman of the University of Queensland provides guidance in achieving our central aims. Anna Lane of Flinders University serves as the Theme's project officer.

The major activity of the Theme has been development of an NHMRC 'Ageing Well, Ageing Productively' (AWAP) research grant application, led by Professor Graeme Hugo of Adelaide University. The Theme worked collaboratively with Professor Hugo and seven other Chief Investigators who are Network Participants towards a full proposal entitled "Productive Retiring: The Interactions Between Health, Economic and Social Participation and Place". This project focuses on Program 2 of the Ageing Well, Ageing Productively Program - Maintaining Economic and Social Participation.

The application proposed a comprehensive research program which seeks to fully understand the nexus between economic and social participation of older people, on the one hand, and health and wellbeing on the other and to translate that understanding into clear policy and program outcomes. The team for this study includes Australia's leading researchers in labour economics, gerontology, demography, health, sociology, geography, psychology and social modelling of the older population.

A planning workshop with key Network Participants and Commonwealth policymakers was convened in Canberra in 2005 to explore priority research topics for proposals and for developing collaborations involving financial and other support from Government departments and other interested groups.

The Theme will also hold an annual seminar and workshop, the first of which we are planning to hold in November 2006. This annual event is intended to bring together researchers and other stakeholders that may otherwise not have the opportunity to meet.