The Economic Impacts of Ageism

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I begin by acknowledging that we meet today on the land of the Ngunnawal people, and pay respects to their elders past, present and emerging. This is, and always will be, Aboriginal land, land which was never ceded.

Thank you to COTA and the Benevolent Society for inviting me to speak to you today about the economic impacts of ageism. Per Capita has long standing and valued relationships with both of you, of course, and we, like all Australians, greatly value the work you do to advocate for older people and improve the lives of all our citizens.

It's a particular privilege for me to be a member of the steering committee for the "Every Age Counts" campaign, which is doing such important work combatting ageism in Australia. As has often been noted, Ageism seems to be the last remaining socially accepted form of prejudice, so the work being done by Kirsty, Marlene, Kerry, Sue and the team, and the leadership of Robert Tickner, is so important.

And Ageism is more than insulting; like all forms of entrenched and widespread prejudice, it has real and measurable effects on people's wellbeing – on their mental and physical health, their social connectedness and their economic security.

The economic impact of Ageism may be the least well understood of these effects, but in fact it influences all the other outcomes of the prejudice that older people experience in our society.

That is, it is in large part Ageism in our economic systems that leads to the negative health and social experiences of older people in Australia.

The root of the problem can be found in the dominant narrative in our political and social discourse that frames ageing as almost entirely a negative experience.

Western culture is one that celebrates youth. Ageing is seen as a decline, with little to recommend it. Of course, other cultures – not least that of our First Nations people – are much better at valuing and respecting elders, but white, European culture has almost completely lost the ability to recognise the positive aspects of ageing.

It's rare for us to hear stories in the national media or public debate about the benefits of ageing – the getting of wisdom, the accumulation of experience, the growth of resilience.

The sense of contentedness that comes with raising a family or ticking off career goals. The leaving behind of the race to prove oneself to people who really don't matter.

These are all things that people gain as they age, and – with the exception of a few enlightened social commentators – we don't hear much about these things at all.

Instead, we hear about the things people LOSE as they age: their looks; their agility; their memories; their independence; their productivity.

The fact is, we live in a political system that lauds economic productivity as the most important contribution humans can make to society.

So when a group of people is repeatedly dismissed as declining in productivity by virtue of the fact that they are getting older, we end up with a pervasive narrative that older people are an economic burden on the rest of us.

This infiltrates economic and social policy making. The entrenched assumption that older people take much more from our economy and our society than they give to it leads to the creation of policies and the entrenchment of social attitudes that reinforce the barriers to social and economic participation.

That is, the assumption that older people are a burden on society creates an economic system in which older people are, in many interrelated ways, forced into BEING a burden – prevented by systematic prejudices from contributing to their full capacity, from fully exercising their right to live a self-determined, self-reliant life – and from having the contributions they do make recognised and valued as they should be.

But let me step back and give you some statistics.

Every five years, the Department of Treasury and Finance releases the Intergenerational Report – that in itself shows that we frame ageing and intergenerational relationships through an economic lens.

With another report due next year, the 2015 report provides the most up-to-date data available for the projected demographic changes of the next forty years – out to 2055.

The report tells us that Australians will live longer and continue to have one of the longest life expectancies in the world.

There are projected to be around 40,000 people aged over 100. This is a dramatic increase, well over three hundred times the 122 Australians who marked their centenary in 1974.

There will be more than double the number of Australians aged over 65 than there are today, and nearly two million Australians, or 4.9 per cent of the population, will be aged 85 and over – I hope to be one of them!

This all sounds like very good news. But the report is focused on the economic impacts of this demographic change for Australia's federal budget, and sounds a warning that, on current policy settings, we face, quote, "an unequivocal deterioration in fiscal sustainability".

In other words, this many older people will send Australia broke unless we change our policy settings to adapt to an ageing population.

A big part of this challenge will be reframing how we view ageing, and removing Ageism and the concept of older people as a burden from the policy process and our economic systems.

So let's take an honest look at the cost and contribution of older people to Australia's society and economy.

It's true that, at just over 44 billion dollars annually, the age pension is the largest social security spending measure on the government's books.

Yes, it's a lot of money.

But consider this. The Australian Institute of Family Studies estimated the value of unpaid caring and other voluntary work by people aged over 65 at around ***39*** billion dollars each year – and those figures are 15 years old. The figure is likely to be significantly higher today.

There isn't nearly enough analysis of the value of unpaid work done in our society, but on those 15 year old figures alone, and assuming the likely increase in the years since, we can see that the cost of the age pension is easily offset by the unpaid work older people contribute to our economy.

Along with women, who undertake the vast majority of unpaid care work throughout their lives, older people, men included, make a disproportionate contribution to our society and economy by caring for grandchildren, caring for spouses and other relatives, and volunteering in their communities.

Of course, the costs of age pensions and aged care services are likely to rise in line with a greater proportion of people aged over 65, and especially over 85, in future.

Under current policy settings, Australian Government expenditure on Age and Service pensions is projected to rise as a per cent of Gross Domestic Product, or GDP, from 2.9 per cent in 2015 to 3.6 per cent in 2055 – that's 165 billion dollars annually in today's dollars.

But the Intergenerational Report also notes that, in the near future, not only will Australians live longer, but improvements in health mean they are more likely to remain active for longer.

So the overwhelming likelihood is that the voluntary contribution of older people will increase at least in line with, but probably in excess of, the costs of caring for older people.

I would note here that the government has committed to reintroducing the Time Use Survey from next year, and this will give us a much more accurate picture of the economic contribution made by older, so-called retired people.

This should furnish economists and policy makers with the data to help us to counter the negative narrative that older people are an economic burden on society, and quantify their contributions.

Per Capita will be undertaking economic modelling and policy work in this area through our Centre for Applied Policy In Positive Ageing which, like the Every Age Counts Campaign, is generously supported by the Wicking Trust.

Volunteering, and providing unpaid care, is one field of endeavour in which older people are less likely to encounter barriers based on ageism: our society depends on their unpaid work, so their contribution is rarely, if ever, refused.

When it comes to paid work, however, it's a very different story – as we have heard this morning.

The retirement age is between 65 and 67 years old, but for many people, that's no longer the age at which they stop working, but rather the age at which they can access the pension or their superannuation, or both.

65 simply isn't what it used to be. Of course, not all workers can continue working many years beyond the traditional retirement age – those engaged in physical labour, like nurses, construction workers, agricultural workers and workers in the resource sector find their ability to continue in their jobs is often limited by injury or wear and tear.

But many more people remain physically active, and mentally acute, well into older age than was true even a generation ago.

Our retirement age, and the underpinnings of our retirement income system, were set a century ago. The fact is, today, many older people want to keep working, but are shut out of the labour market due to ageism in the workforce.

A 2017 report by the University of South Australia found that more than a third of workers aged over 50 had experienced age discrimination in the workforce, and confirmed a strong perception across society that older workers were not suitable for employment.

This followed the 2016 report by the Australian Human Rights Commission, under then age discrimination commissioner Susan Ryan, that Australia is experiencing a significant rise in long term mature-age unemployment.

The AHRC report found that the average length of time spent looking for work for unemployed people aged over 55 was 68 weeks.

That's more than twice the length of time out of the workforce for those aged 15 – 24.

So while youth unemployment is comparably high in Australia, it tends to be a temporary experience.

For older workers thrown out of work, it can be permanent, or mean that so long is spent looking for a job that savings and assets built up over a lifetime are significantly depleted.

Particularly for women, who often take time out of the paid workforce to care for children and other relatives, getting back into work can prove almost impossible. ACOSS estimates that 49% of people living on Newstart are women aged over 45. Many of them are single mothers.

I would remind you all that the rate of Newstart is just under $40 a day.

This is a significant factor contributing to the reprehensible statistic that women over 55 are the fastest growing group of homeless people in Australia – a fact I will repeat in every speech I give on economic insecurity until it is no longer true.

Yet many older people want to work well beyond the age of 65 – and, often, they have to.

A report published just yesterday in The Conversation showed that, based on microdata from the Bureau of Statistics survey of income and housing, the number of older Australian's carrying mortgage debt into retirement is increasing at an alarming rate.

For home owners aged 55 to 64 years, the proportion owing money on mortgages has more than tripled in just 15 years – from 14 per cent in 1990 to 47 percent in 2015.

In the same age bracket, the mortgage debt-to-income ratio has almost doubled in the same period, from 72% to 132%.

This is an economic time bomb for Australia's retirement incomes system. The policy settings that underpin retirement incomes in Australia are predicated on the assumption that people own their houses outright.

Per Capita's 2016 research, with the Benevolent Society and the Longevity Hub, into the Adequacy of the Age Pension, found that the group most likely to live in poverty was comprised of single pensioners who rented in the private market.

There are many intersecting reasons why people are reaching retirement age while still owing money on their homes. Most obviously is the significant and unsustainable increase in house prices over the last two decades. This means not only that people are borrowing more to buy a home, but that they must save much longer for a deposit, delaying their entry into the housing market.

To leave the data for a moment and bring a personal perspective into this – I am one of those people. I met my partner when I was 39. I had a mortgage on a one bedroom apartment but he was renting. We married within a year, and bought our current, two-bedroom apartment, and just under two years later, we had our child.

When we reach 65, we'll still have four years to go on that mortgage. Our child will be 24 – so on current projections on the age at which middle-class kids move out of home, she'll still be with us for up to a decade!

Fortunately, I have a much better superannuation balance than most women my age – a function of having worked in universities, where the contribution rate is 15%, and of working full time right through my thirties. So I'll probably be able to pay the mortgage off with super.

But many older people, particularly in the next five to ten years, won't have that option. They haven't had compulsory super all their working lives, as I have, and if, like me, they are supporting kids at home well into their fifties, and working for an average or median wage, their ability to "salary sacrifice" into their super, or make extra repayments on their mortgage, is very limited.

So the ageism that keeps these older workers unemployed for long periods of time, particularly as traditional industries are disrupted by automation and skills sets are made obsolete by changing technologies, has real economic implications for their financial security in retirement.

It's impossible to pay off a mortgage on the age pension.

Many will have no choice but to sell their homes and downsize into unsuitable accommodation, often outside of the communities in which they live happily.

Recent research we have undertaken at Per Capita revealed that, contrary to popular understanding, older people aren't unreasonably insistent on staying in the family home as they age. It's not the actual house they are attached to, but their local community – but there is a dearth of appropriate housing for people to "right-size" into within those local communities.

In the recent election campaign, we heard a lot about relatively wealthy retirees potentially losing income from tax reform policies being proposed by the opposition.

While the facts of voting patterns seem to indicate that those people who were actually going to be affected by Labor's proposal to remove franking credit rebates for non-taxpayers

actually swung towards Labor – presumably because they could afford to – the fear of losing retirement incomes seems to have been a real factor in how some people voted at that election.

This points to the helplessness many older people feel in our society when it comes to having control over their incomes and financial security.

Because the fact is that too many older working people ***know*** they won't get another job if they lose theirs, and this is almost entirely due to ageism and the belief that older workers can't adapt to changing workplaces.

Following the release of the Deloitte report into employment yesterday, Tim Colebatch noted on social media that half of the growth in the full-time workforce since the Global Financial Crisis has been in people aged over 50. This sounds like a good thing, but too many of these older workers are stuck in jobs with often poor conditions and wages because they are too scared to move – they know if they lose their job because their boss finds out they are looking elsewhere, they won't get another one. Similarly, they are too frightened to ask for a pay rise in case they are let go for a younger, cheaper option. The fear of unemployment due to ageism is reducing their bargaining power. This is one of the causes of low wage growth in our economy

In fact, repeated studies, both here and overseas, have shown that older workers are more productive (they are less likely to spend time at work on Facebook!), more reliable, less likely to leave their jobs every two to five years, and bring experience and complex problem solving abilities to the workforce that have taken years to develop.

The economic benefits of hiring or retaining older workers have been quantified and demonstrated again and again, so it can only be an entrenched and unfounded prejudice that prevents employers from valuing them as they should.

So what are the economic policy shifts we need to enact to overcome the economic impacts of ageism and our inability to value the contribution of older people to society?

Firstly, we need to get the so-called "problem" in perspective. Yes, Australia's society is ageing – societies in all developed, wealthy nations are.

But we are not ageing as rapidly as some others – Japan, for example, is facing a real crisis with more than a third of its population estimated to be over the age of 65 by 2050. This will place an impossible taxation burden on people of working age.

Japan has now announced that it will revise its immigration policies to address this – and we know that works, because it is immigration that is keeping Australia's economy growing and keeping our population relatively young.

Secondly, we need to rethink the concept of being "old". While certain factors of biology are inescapable – women's fertility, for example, remains subject to the same age limits as it has for millennia – the fact is that people are able to live active lives into much older age than they were in my grandparents' day.

The shift to a healthier, older society is one of the biggest demographic changes in our history, yet we don't have a holistic approach to dealing with it.

Some years ago, Per Capita published a Blueprint for an Ageing Australia – we need to revisit that work and develop a whole-of-government architecture to addressing the challenges and taking advantage of the opportunities of an ageing population.

To turn to some specific policy solutions, we need to rethink our housing market. We need better options for housing for people as they age. As I mentioned earlier, older people would like to "down size" from the four-bedroom family home, but there aren't enough "right-size" properties in their local communities, where they have friends, children and grandchildren and social networks.

We need more medium-density development in our established suburbs, and planning laws need to change to encourage this. It shouldn't be about developers squeezing the most profit out of a quarter-acre block by cramming in three double-story townhouses with no gardens, when what people need are single-level, two and three bedroom homes with small, manageable gardens.

And we need to make it less expensive for people to leave the family home. Stamp duty is a huge barrier – state governments could consider waiving or discounting it for people over 70 – or better still, eliminating stamp duty altogether and moving gradually to a land tax, as is being done here in the ACT.

We also need to rethink our working structures. Older people should be able to transition out of full time work gradually, without losing access to age-related pensions and benefits, so that they are able to remain productive as long as they want to, need to or are able to.

Governments can do more to incentivize employers to ***retain*** older workers. While subsidized employment schemes often result in employers hiring older workers only for as long as the subsidies last, and are therefore inefficient, measures such as discounted payroll tax and other incentives should be considered to encourage employers to retain experienced older workers in favour of letting them go for younger workers on cheaper rates.

There is a role for business here too. Business should adopt "blind recruitment" policies, where CVs are submitted without gender, names (which often signal ethnicity) or ages. Studies have shown this practice significantly diversifies the candidates selected for interview.

And our tax and transfer system needs a thorough overhaul. It was good to hear, in the wake of the election campaign, the treasurer Josh Frydenberg indicate a willingness to consider implementing the recommendation of the Productivity Commission to undertake a review of retirement incomes. It is sorely needed.

The danger, following the scare campaigns around so-called "death taxes" and the mispresentation of Labor's dividend imputation policy as a retiree tax, is that any review launched by the government won't adequately consider all the possible options to improve people's economic security in older age.

We must advocate for a genuinely broad-ranging review, one that looks urgently at the rate of Newstart, on which too many people are trapped between their fifties and the pension access age of 65. Our employment services should recognise the reality that people in this situation are far less likely than younger job seekers to find work, and treat them accordingly. Older people out of work often fear applying for short term or casual employment, because their benefits are cut, or they are removed from the system, only to have to re-engage from the start again at the end of a short-term contract, meaning they go through waiting periods with no income, or may incur the dreaded "robodebt".

Employment Services in this country need a complete overhaul, and one important part is to introduce new requirements for older job seekers – allowing them to earn occasional income without reducing their benefits, for example. We are moving in the wrong direction on this – last year, the number of volunteer hours older job seekers could claim as recognised activity for income support payments was reduced. This is entirely the wrong approach.

Further, the settings of Commonwealth Rent Assistance, which should be pegged to the cost of housing; and we must reconsider the overly generous tax concessions on superannuation that disproportionately benefit the wealthy; and yes, even at dividend imputation, or franking credits.

The fact is, the cost of giving cash to people who don't pay income tax in the form of franking credit rebates costs the federal budget more than $6billion a year, and is predicted to rise to $11 billion over the next few years. That's will bring it to the same cost as Newstart.

One of the reasons I kept hearing for people's fear of that particularly controversial policy was that older people need to live off the income from their superannuation rather than draw down on the balance of their savings because they are fearful of needing the lump sum to pay for entry to an aged care home or significant health care needs in their older age.

This is a legitimate fear – once you are no longer earning, the need to protect the money you have becomes more acute.

But what if we were to invest the billions of dollars spent on giving people cash refunds into aged home care packages?

The waiting list for this much-preferred option of aged care is now around 18 months, and it's widely acknowledged that the program is woefully underfunded and cannot keep up with demand. If we were to invest those billions of dollars currently going as gifts to wealthy non-taxpayers into guaranteed home care packages for people when they become frail, I imagine that would give many older people peace of mind and allow them to spend more of their retirement savings when they are well enough to enjoy them.

A genuine review of retirement incomes would look at the best way to spend our common wealth on giving older people real choices – the choice to continue working as long as they would like to; the choice of suitable housing in the communities they want to live in; the choice to age in place at home with appropriate care; the choice to set aside some of our collective superannuation wealth into a levy to provide discrete funding for our aged care system; and the choice to contribute to their communities and their families and have that contribution valued by the wider society.

All of this begins with us rethinking how we view ageing in our society – to stop thinking of older people as an economic burden, and start recognizing the many and varied ways they have, and do, and can continue to live a good life in our wealthy and prosperous nation.

Thank you.

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