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Health, economic, and policy implications of an ageing Australia.

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## Introduction

Lifespan, generational relationships, and the context of social change are key issues for policy on ageing in Australia. This chapter will examine how ageing has been addressed as a social policy issue in Australia as well as exploring, to some extent, how older people are constructed as a group for research and policy development in Australian society. First, the specific characteristics of the Australian context will be discussed. Second, key areas of ageing policy will be examined, including costs and economic futures, health and care futures. Third, some issues concerning attitudes towards ageing and ageing policy in Australia will be raised.

## Australia in context

Australia is a comparatively stable society and population ageing has been relatively moderate, with the most notable change being the recent rapid increase in the number of people in Australia of 80 years of age and over (Kendig, 2000: 107–111). For example, the number of Australians over 85 years of age increased by 114 per cent over the past two decades, from under one per cent in 1984 to 1.5 per cent in 2004 (ABS, 2006d). As noted by McDonald in Chapter 2 in this book, the rate of population ageing in Australia will increase. This shift in Australia’s demography has resulted in a growth in both social policy responses and services development. However, many of Australia’s ageing policies are bound up in conflict and tensions between the national Commonwealth government and the various state governments over the implementation of policies. Negotiations between the Commonwealth and State

governments are at the centre of many of Australia's ageing policy issues. As argued by Phillips in Chapter 1, a further and very important contextual point is that while many countries in Asia are building up their welfare states, arguably Australia's welfare state is contracting under the current Howard government that has been in power for more than a decade.

At the societal level, Australian family values and family relationships are generally characterised by a strongly suburban culture. This is an important contrast to many Asian social contexts. Family relations in Australian society are also dominated by the idea of 'intimacy at a distance', in which generations within families live in separate households while maintaining strong emotional and social bonds. This is related to a culture of dispersed families spread across low-density urban areas and also to the material capacity of families to stay apart but keep in touch. As a basic standard of living, most Australians have access to sufficient financial resources, transport and telephone services necessary for this form of family relationship (Kendig, 2000:111). Despite this factor of distance, older Australians enjoy strong social networks and strong family bonds and draw heavily on (and contribute to) kinship-based intergenerational bonds; these relationships are often highly gendered with women more likely to hold together such links and relationships (Kendig, 2000: 112). This is strongly evident amongst divorced older men who tend break family ties and men who never marry who are likely to become socially isolated (Kendig, 2000:113).

Australia is a settler nation and continues to be a nation of immigrants, with one in every four Australians born overseas (ABS, 2006c), along with a small, socially disadvantaged and disproportionately young Indigenous population. This has led to complex cultural and language groupings, which means it is impossible to generalise the social experience of ageing across the entire Australian population.

## **The significance of Australia's ageing population**

Ageing is becoming recognised as a social and economic issue of major national significance for Australia. This issue is linked to new expectations of longevity that have wide-ranging implications for social and economic policy in Australia (Borowski et al, 2007). The large baby boom cohort is entering later life at a time of a persistent low fertility rate as discussed by McDonald in Chapter 2. Based on 2006 statistics, people over the age of 65 comprised 13 per cent of the overall Australian population (ABS, 2006a) and current (2002–04) life expectancy for males, currently aged 50 years, is a further 31 years on average to age 81 years, which is an increase of 7.8 years since 1970–72 data was collected (ABS, 2006b). Female life expectancy at 50 years of age (2002–04) increased by 6.5 years over the same period and they can now expect to live an extra 35 years to almost 85 years of age (ABS, 2006b). These changes are largely attributable to a large decrease in mortality caused by cardiovascular disease as a result of lifestyle changes and improvements in medical care (AIHW, 2004: 357).

Indigenous Australians do not share in the increasing longevity and on the whole can expect to live 20 years less than their non-Indigenous counterparts due to the extremely high social, economic and health disadvantage they experience as a group in Australian society (Steering Committee for the Review of Government Service Provision, 2003).

The majority of older Australians report being in good to excellent health, as reflected in findings from the 2001 National Health Survey. Even in the 85 year and over group 72 per cent of males and 60 per cent of females believed they had good, very good or excellent health (AIHW, 2004: 359). This report goes hand in hand with the high number of older people living independently in their own homes and the large number of older Australians involved in volunteer work (AIHW, 2004: 361). However, due to increasing numbers of very old people, in 2002 Australia was home to around 162,000 people with dementia

(0.8 per cent of the population) and these numbers will increase greatly to 2040 (Access Economics, 2003: 31).

The prospects for such long lives have wide-ranging implications because older age has become a major part of contemporary Australian healthy life. The OECD (2006) report *Live Longer, Work Longer* noted that from 1970 to 2004 the expected duration of retirement in Australia increased from 10.9 to 18.9 years for men, and from 12.4 to 21.2 years for women. As estimated by Khoo and McDonald (2003), people over the age of 65 are going to comprise a quarter of the Australian population by the middle of the century. The Prime Minister's PMSEIC Committee (2003), on the basis of present scientific evidence, set a national goal to be achieved by mid-century for a further 10 years of healthy and productive life, not just another ten years of life per se.

Indeed, the World Health Organization (WHO) has recently published 'HALE at birth'<sup>1</sup> data at 60 years of age for all member states for 2002. Based on their findings, at 60 years of age, Australian males and females could expect an average additional 16.9 and 19.5 years of life, free of poor health respectively (ABS, 2006b). The Australian life expectancies are close to those countries ranked highest in the world for healthy ageing.

These healthy productive years over 60 are known as the 'third age' (Laslett, 1996: 4). The term 'third age' emerged in the 1970s after the emergence of the first 'university of the third age' was established in France and entered the broad English lexicon as an alternative way of describing active older people (Laslett, 1996: 3). The 'third age' is a way of making a distinction between active older age and the 'fourth age', a period of relative dependency now regarded as only a few years at the end of life or 'the age of decline' (Laslett, 1996: 5). This view of the ageing population is a departure from earlier theories and foci on a group of people who, rather than 'disengaging' or falling

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<sup>1</sup> "HALE" – Healthy Adjusted Life Expectancy

victim to a society that excludes them, 'finds itself in a position of greater potential agency' (Gilleard & Higgs, 2002: 370). Although the focus of Laslett's (1996) recognition of this group is based on a newly found freedom as pensioners (not working) and a level of moral individualism that has spawned a huge market for a specific cohort of active aged consumers, this is clearly not the case for everyone. A number of Australians are retiring to find themselves with insufficient incomes to live well. Indeed, a key pressure of an ageing population is the capacity of the diminishing younger population to sustain at least partial financial support for the majority of older people who have not accumulated sufficient superannuation or retirement savings to pay for their own support through old age (Kelly & Harding, 2006). It is projected that the government funded Age Pension expenditure will reach 4.6 per cent of gross domestic product by 2050 (ABS, 2005b).

An important contributing factor to the 'cost of an ageing population' in Australia is that labour force participation of people in the third age currently is relatively low, with only around half of men and about a quarter of women between 60 and 64 years of age (ABS, 2004) working in paid employment. Of this group 21 per cent work part-time and 57 per cent of that group are women, reflecting the greater overall *part-time* participation rate of mature aged women in the workforce (ABS, 2004). Low workforce participation for third age Australians is a crucial factor in key social policy areas and governments are taking action to encourage longer labour force participation for mature age workers, as discussed further below.

Home ownership is the mainstay of personal autonomy and financial security for the vast majority of older Australians. Multi-generational households are relatively rare in Australia and, in many cases, involve the adult children coming home to their parents, rather than the parents moving in with their children for support. The latter arrangement is declining due to older people's preferences to live independently and their economic capacity to do so (Kendig, 2000: 110). The overwhelming

preference amongst older Australians and their adult children is to live in their own homes. In Australia in 2002–03, 83 per cent of older people lived in their own home, and 13 per cent lived independently in rented accommodation (ABS, 2005a).

It is important to emphasise that ageing in Australia involves diverse individuals as well as populations. Older Australians, like many older people around the world, generally feel that they are the person they have always been, and part of the ageing process is the struggle or challenge to maintain identity in adapting to ageing changes, and to adapt to a changing world. Current ways of looking at ageing emphasise individual agency and rely on the understanding of the importance of each older person's life course. For example, a generalised construction of old age as dependency is countered by the fact that only a small percentage (7 per cent) of older Australians, often only in their fourth age, are in need of high-level care or supported care outside of their own dwelling (ABS, 2005a).

As older people live longer, they have more possibilities to become more different from each other or as Settersten points out:

We now have more, and healthier, years to spend in various roles and activities. As a result roles and activities may become more varied and their structure may become more complex. The result may be a more flexible life course in which age is less important in determining social roles and life experiences (2002: 62).

Understanding cohort differences is critical to appreciating individual and population ageing particularly during periods of social change. Cohort experiences are shared by members of a society born around the same time and this approach allows for unique ways of understanding ageing as it draws on historical knowledge of the opportunities and expectations embedded in the history of differing periods of time (Settersten, 2002: 60–61). At present those in advanced old age in Australia are typified by

the stoicism and austerity arising from experiencing their formative childhood years during the era from WWI to WWII including the Depression.

The very large 'baby boomers' cohort of Australians (the more than four million Australians who were born between 1946 and 1961) began to turn 60 years of age in 2005. Some notable points have been made about this cohort, as they appear to have higher expectations than other age groups; the boomers have always been at the centre of Australian society at each stage throughout their lives. Baby boomers generally are bringing good health to later life, although the prevalence of chronic disease in midlife now presents a worrisome outlook for the future. Relatively few are expected to attain the 70 per cent replacement income set as the goal for maintaining standards of living after retirement (Kelly & Harding, 2006).

How baby boomers can achieve a retirement income that meets their expectations is a key policy question in Australia. In part, this situation has created an imperative for baby boomers to work longer, postponing retirement. However, the potential to work longer will depend upon future economic conditions, changed social attitudes and questions about inter-generational equity. This is recognised by the Australian Government and was well-articulated by the then Minister for Ageing in reference to the 'baby boomer' generation:

We need to redefine 'retirement'. Our focus should not be on retirement age and when that begins, but on what can we do and what activities can be accommodated in our lives beyond traditional retirement age.

The challenge for employers is to better tailor or customise the final years of working life, at whatever age that might be. Work and retirement should merge into a transition phase with flexible hours, different work patterns, different jobs or levels of responsibility.

We need to put in place a more structured winding down phase, a gradual withdrawal. Work and retirement should be regarded as a continuum (Bishop, 2005).

The views expressed by the Minister are at odds, to some extent, with a view reflected in recent research. Qualitative research shows that baby boomers foresee no alternative but to adjust their lifestyles in future to fit incomes reduced to the low old age pension in retirement (Quine, et al, 2006: 148). They feel that the government expects baby boomers to provide more for their own old age while they are still working, but many resent the fact that they do not have enough time to save very much before retirement (Hamilton & Hamilton, 2006).

Importantly, Australia does not have a strong record for enabling older people to stay in the workforce. The OECD (2006) reports that the average effective age of retirement in Australia is 63 years for men and 61 years for women. While there is generally not a mandated retirement age, most people retire thus well before 65 years, which had become a socially expected workforce exit point. This is the age when men become eligible for the means-tested Age Pension (for women it is now 62 years). Employers' negative perceptions of older workers also add to the difficulties of remaining in the workforce (Encel, 1997: 140–142).

In a discussion about generational change, it is important to emphasise that the future is uncertain. Many things will happen that we do not know about yet. Projections discussed here are based on assumptions that may not eventuate. However, it is a fact that currently in Australia there are approximately 125,000 people who enter the working age group *each year*; in the 2020s it is expected that this will be the number of people entering working age *over the entire decade*. On the one hand that can be seen as a problem. Where is Australia going to find the workers to keep the economy going? On the other hand it is saying that attitudes to older workers and opportunities for

enabling older people to stay at work beyond current 'retirement' age will have to change for economic reasons. There is already some evidence of this trend with 6.1 per cent of men and 7.4 per cent of women among Age Pensioners supplementing their income through paid work in 2004. This compares favourably with earlier figures from 2000 which were 5.1 per cent for men and 6.2 per cent for women (Lim-Applegate et al, 2005: 14). In the overall population the proportions of people over 65 years who were in the paid workforce increased from 12.8 per cent in 2000 to 16.2 per cent in 2004 (Lim-Applegate et al, 2005: 14). Clearly this trend could lead to a greater proportion of older Australians funding their own retirement and a smaller number reliant fully on the Age Pension.

### **The 'costs' of the ageing population in Australia**

In Australia most social and economic policy debates about the ageing population are framed in terms of costs to government. The costs are substantial but they are often overblown in political rhetoric. Political responses to the ageing population can be shrouded in a panic about how the cost of older people's dependency cannot be afforded by a diminishing younger population. There can be the implicit blaming or scapegoating of older people themselves for the demographic changes that other countries in Europe are already managing quite well. While an ageing society demands close social and policy attention, the facts show generally Australian society is well placed to adjust, in relative terms, to managing the fiscal impact of an ageing population (Jackson & Howe, 2003: 19; Productivity Commission, 2005). It needs to be appreciated that real incomes are projected to increase substantially in the years ahead. There is a case for some of this additional income to be directed to the support of the older cohorts who have had less advantageous economic prospects over the course of their lives.

The three key areas of cost associated with the ageing population are post-retirement income support, the health

and medical needs of older Australians and the cost of care for the frail aged. Addressing these key social policy demands will require economic strategies, social adjustments and changes in attitudes about work and work participation and flexibility and innovation in social policy.

### The age pension and post-retirement income

A major cost of an ageing population is the Australian Government funding of the Age Pension. In the 2005–06 Budget the Australian Government spent more than \$A21 billion on support for the aged and approximately \$20.8 billion of that was spent on direct transfers in the means-tested Age Pensions (FaCSIA, 2005: 123). The number of people to be supported through the Age Pension is projected to reach 5.1 million by 2051.

At present approximately 70 per cent of Australians aged 65 years and older have at least a part pension and this proportion has declined slightly over recent decades (Kendig et al, 2004). The ageing population has caused government concern about the cost of this level of support into the future as it is funded through direct transfers of taxation revenue. Specifically, in 2004, 1.9 million older Australians (72 per cent) were in receipt of old age pensions (Daniels, 2004). The age requirement to receive the old age pension for men currently remains at 65 years, and for women is being progressively raised to 65 years by 2014 (ABS, 2005b). This suggests that by 2051 spending on the aged pension would be more than double its present level. However, to put this means-tested expenditure into perspective, taxation concessions on superannuation cost the government foregone revenue far greater than the outlays on the pension.

Currently an individual living on the means-tested Age Pension, is receiving, on average, \$A280 per fortnight and a couple \$A360 (FaCSIA, 2005: 141). The Age Pension is based on a maximum payment of 25 per cent of average male weekly earnings, reflecting the disadvantage of a person who depends entirely on

this austere allowance, particularly if they do not have the low costs of outright home ownership. In recognition of the low-income status of those reliant entirely on the Age Pension the Australian and state governments also provide a number of concessions and allowances. These include travel concessions, health costs concessions, telephone allowances and a utilities allowance (FaCSIA, 2005: 143). The total expenditure on these concessions reached \$A143.9 million in the 2005–2006 Federal Budget (FaCSIA, 2005:143).

The main alternative to a state pension funded retirement that has evolved slowly over the last eighty years or so in Australia, is self-funded retirement, through superannuation. This took a great leap forward in 1983: as part of a deal with unions to improve the social wage for Australian workers, the then new Labor government supported the introduction of the Superannuation Guarantee which ensured that workers covered by awards were provided with contributions to superannuation by employers as a 3 per cent wage equivalent (Borowski, 2005: 51). In 1992 the Superannuation Guarantee became a compulsory employer superannuation scheme in an attempt to force Australians to save for more of their own later life. The current requirement is that all employers make a nine per cent of wages/salary contribution to each employee's superannuation fund. Prior to this it was only government employees who benefited from a state mandated retirement savings scheme (Drew & Stanford, 2003: 2).

As of July 2007, the Australian Government had implemented radical changes in the taxation of superannuation in order to encourage further savings to retirement and longer workforce participation after 60 years of age. Key features of the new legislation are large income tax concessions for contributions to superannuation; provision for transition to retirement allowing income from both pensions and wages from age 55 years onwards, and tax free receipt of superannuation payments after age 60 years. The life-long benefits of these tax concessions for middle and high-income earners far exceeds the value of the

means tested pension for those on lower incomes. The benefits are designed to encourage more mature workers to continue working to at least to age 60 years and preferably later.

In an international study of 12 OECD countries, Australia was ranked first in its capacity to meet the challenges of the costs of an ageing population (Jackson & Howe, 2003: 19). The authors found that Australia showed the least vulnerability to the cost of retirement income, for example, because it had a relatively low cost pension scheme and it was shifting its emphasis from public to private retirement income insurance. It is important to note, however, that these findings on Australia are based on two important assumptions. First, they assume a steady fertility rate of 1.8 babies per woman in Australia. Second, they assume a trend towards reducing the relative size of government, mainly by shifting the cost of the ageing population away from state responsibilities towards more private sector solutions (notably self-funded retirement) and by sharply limiting health expenditure. These assumptions, based on a conservative ideology, underpin Jackson and Howe's optimism about the Australian Government's capacities to manage the costs of an ageing population. Their predictions assume a strong economic rationalist approach to policy continuing far into the future – a scenario that may or may not be the case.

### **Health and care costs**

Health and medical services, aged care, and pharmaceutical benefits are policy areas where costs are likely to rise with Australia's ageing population. As more Australians become older, they will place more pressure on government expenditure by increasing demands for residential and other supported care and medical services.

#### Care of older people

As reported by the Australian Institute of Health and Welfare (AIHW), the total Australian, state and territory recurrent

government expenditure on aged care services increased from around \$A5 billion in 2000–01 to around \$7 billion in 2003–04 (2005: 185). Consistently the largest area of expenditure in aged care is at the high need end of care which is residential aged care, representing 73 per cent of expenditure in 2003–04 (AIHW, 2005: 185). The second largest area of expenditure on care for older people is in the Home and Community Care Program (HACC) which cost around \$1.2 billion in 2003–04 for capital and services (AIHW, 2005: 185). In the HACC program approximately \$A900 million was spent on delivering services to people aged 65 and over (13 per cent of recurrent aged care expenditure) (AIHW, 2005: 185). Community care places and packages are the third main area of aged care expenditure, and in 2003–04 they accounted for 4.4 per cent of government expenditure on aged care services (AIHW, 2005: 185). In addition \$326.9 million was spent on the Carer Allowance, with 4.5 per cent of that amount provided to carers who themselves were aged 65 and over (AIHW, 2005: 185). The National Respite for Carers program accounted for \$101.5 million, and Veterans' Home Care including in-home respite accounted for \$91.1 million of community care expenditure (AIHW, 2005: 185).

As discussed by Brennan in Chapter 6, many older people manage on their own at home, or with help from relatives and friends, while others rely on a range of care services or a combination of services and informal help. Government funded community care is the mainstay of aged care in Australia and the vast majority of older people will never enter residential care. In 1998 nearly 347,000 people aged 65 and over were living at home using informal unpaid care only and 507,000 were living at home with the support of formal care services; 72 per cent of the latter group of service users also were assisted by unpaid carers (AIHW, 2003a: 294). Five years later in 2003 there was virtually no change in the number of older people at home with only unpaid care (345,500) but the number with formal care service users had increased by 20 per cent to 607,100 (AIHW, 2003a: 294). Overall, the figures suggest that the use of

community services was increasing at least as fast as the numbers of older people having severe or profound limitations in their daily lives living in the community. The greater policy emphasis on 'ageing in place' resulted in relatively fewer people remaining at home with only unpaid care.

In 2004, the government released 'A New Strategy for Community Care – The Way Forward' (DoHA, 2004). This strategy arose from the Review of Community Care Programs and was intended to ensure more consistency and coordination of program operations. Further, in response to an area of growing concern in aged care, dementia, the 2005 Australian Government Budget announced the creation of 2000 new dementia-specific 'Extended Aged Care at Home' places over the next four years (DoHA, 2004). A further response was to declare dementia as a National Health Priority given its increasing prevalence as the population ages and the effects it has on care needs.

## Health

Government provides 90 per cent of health funding in Australia, with the remaining 10 per cent provided through private health insurers (AIHW, 2004: 228). Health expenditure is principally the responsibility of state governments (primarily for hospitals) with a considerable proportion of the expenditure being derived from direct transfers from the Australian Government (AIHW, 2004: 228). Even though it provokes much public debate, medical services are quite a small part of the overall costs of the ageing population. Total national expenditure on health in Australia was equivalent to 9.3 per cent of the GDP in 2000–2001, amounting to around \$A67 billion (AIHW, 2004: 228). Australia spent around \$3397 per person in 2001 compared to other members of the OECD such as the USA at \$6548 at the highest end and Japan with \$2291 at the lowest end of expenditure (AIHW, 2004: 241).

The other large area of health expenditure in Australia is in pharmaceuticals. Australians spent more than \$A10 billion on pharmaceuticals in 2000–01, a significant increase from 9.9 per cent of the overall health expenditure in 1991–92 to 14.1 per cent in 2000–01 (AIHW, 2004: 237).

Overall health costs of older Australians are higher than those for the general population. Older Australians see doctors more often and longer, have higher rates of symptoms, medical and chronic conditions and were prescribed more medications, particularly in the over-75 age group (AIHW, 2004: 373). Older Australians stay in hospitals at twice the rate of the average population and utilise more than twice as much financial subsidies under Medicare (Australian Government health insurance) than the rest of the population (AIHW, 2004: 377). The average health expenditure per person in 2000–01 was \$A5509 for 65–74 year olds and \$15,690 for people aged over 85 compared to \$1807 for persons aged under 65 years (AIHW, 2004: 377). While this kind of data raises concerns for the costs of an ageing population, Australia in relative terms still does not spend a particularly large percentage of its overall GDP on health care for the older population (Productivity Commission, 2005). Further, there are reasonable prospects for health promotion that can maintain good health well into advanced old age (PMSEIC, 2002).

People with dementia are high end users of health care services (Access Economics, 2003). They go to the doctor more frequently than other Australians, and more often than others their own age. On average people with dementia stay in hospital twice as long as the general population. They incur emergency department costs two and a half times more than the general population along with a 50 per cent greater overall cost for hospital, medical and pharmaceutical needs. The greatest cost for people with dementia is in residential care, comprising 88 per cent of the overall health costs of dementia in Australia – more than \$A4 billion in 2003. Access Economics (2003)



projects that this cost will double by 2011, leading to a need for stronger support within community care.

### **Future costs**

The cost of the ageing population has informed a significant policy statement by the current Australian Government on this issue. The Intergenerational Report (IGR), prepared by the Treasurer as part of the 2002–03 Budget papers, provided projections on the fiscal costs to government of demographic change to the year 2045. This analysis makes basic assumptions that underpin the neo-liberal governance of the Howard government. Its focus was on cost, revenue, economic growth and reduction in the growth in government spending. Underlying the report are contested strategies of low government debt, maintaining an efficient and effective medical health system, widespread participation in private health insurance, containing growth in the Pharmaceutical Benefits Scheme, affordable and effective residential aged care system, preserving a well-targeted social safety net that encourages working-age people to find jobs and remain employed, encouraging mature age participation in the labour force and maintaining a retirement incomes policy that encourages private saving for retirement, and reduces future demand for the Age Pension (Treasurer, 2002). The most recent Intergenerational Report from the Australian Treasurer (2007) suggests that the fiscal impact of population ageing will be significant but less than had been anticipated in 2002.

When the first Intergenerational Report was released it heightened public concern about the ageing population and did not take much account of the many alternatives ahead for more constructive responses to population ageing. In particular, the IGR failed to consider the productivity and potential improvements in productivity among older Australians. It also did not discuss fully its own expectations for substantial increases in real incomes for Australians over the decades ahead. In 2005, a less politically driven government research report conducted

by the Productivity Commission, while coming from a similar economic point of view, observed that “while the potential fiscal and economic consequences are great, population ageing does not currently represent a crisis” (Productivity Commission, 2005). The Commission concluded that the greatest risks ahead are to individuals having few financial resources on retirement. They recognised that the impact of the change in demographics is indeed slow and that there is capacity for the Australia economy and society to adjust to an ageing population.

### **Future policy implications**

In examining the social policy options for addressing an ageing Australia, key areas will continue to arise. Concerns about income support and retirement income dominate policy analysis of this issue. These will be addressed in a number of ways. The rapid rise of privately funded superannuation – paid for primarily by employers and employees with generous taxation concessions – will see more self provision for old age by the more advantaged groups among the baby boomer cohort. However, the current compulsory rate of 9 per cent under the Superannuation Guarantee would have to be raised to around 15 per cent and made over 30 or 40 years of participation in the workforce for it to become a comprehensive alternative for all workers. This means that reliance on the Age Pension as a main source of income is set to continue for a considerable time into the future and the government is clearly planning for that cost. It should be noted, however, that Australia has yet to become a fully demographically mature society and it contributes relatively little towards the overall cost of its older population. In 2000, Australian Government expenditure on benefits for older people was around nine per cent, a low figure compared to the United Kingdom at 12 per cent or France at nearly 19 per cent (Jackson & Howe, 2003: 7).

Another important policy emphasis is on enabling older people to work longer. There are a variety of policies that are emerging incrementally. For example, under new transition to retirement

provisions, people who would have otherwise retired are now able to draw from their superannuation benefits and continue to do paid work at the same time without being penalised. This reflects a harmonisation of work with income support. As older people are increasingly able to draw on their wealth in various ways, as they will in the future, there will be a number of consequences, particularly if their savings and investments are dwindled in early retirement and completely diminished by the time they have 'frail age' needs.

The future of addressing the ageing of Australia are likely to see a mix of more public expenditure, increased self-provision and increased user charges. Questions about inter-generational equity will, however, continue. On the one hand the baby boomers cohort has been tremendously advantaged with its full exposure to benefits from the post-war era and they will carry those benefits through into old age in ways their parents never had. On the other hand, economic projections and recent experience in Australia point towards continued increasing productivity and a continuing rise in standards of living. Based on this scenario there appears to be no reason to exclude an older age cohort from Australia's future economic benefits and increasingly, key social policy issues will relate to individual economic status and economic security rather than age. In terms of social equity, the main concern is to draw on taxes and provide public benefits on the basis of need irrespective of the age of individuals.

In regards to the health outlook, there are some contrary trends. On the one hand there are trends towards improvements in health, especially in old age. However on the other hand, the chronic disease burden is building up to almost epidemic proportions in the baby boomer cohort through obesity and diabetes. There are notable increases in mental health difficulties with the rising burden of depression at younger ages and dementia at older ages. This means that in the mid-term future there are going to be major challenges. Rising health care costs in Australia, have so far been attributable more to higher

utilisation of services, more use of technology and the costs of pharmaceuticals than to population ageing. It is of course important to accept that there are major demands in the multiple complex health and care difficulties particularly in the last few years of life. At very advanced old age there is a strong argument for a more balanced approach to care with a strong focus on quality of life and high quality palliative care as well as treatment and cure.

There is evidence of strong individual and public responses to these health challenges, along with increasing recognition of the value and great potential for healthy and active living. This includes the reduction in the number of older people smoking in Australia, due to a high quitting rate at younger ages and because many smokers die before they reach old age. Pharmaceutical expenditure has been a major area of cost increases over recent years, including considerable supply-driven demand, making it a major challenge to reduce expenditure on medication. In regard to rising health care costs it is important to ensure high-level access by older people to health care. Even though older people are major users of health care services, the major problem is the appropriateness of care and whether there is equity in access to care. A further, critical issue for Australia is the imperative to drastically address premature disease and death for Indigenous people. The health profile of Indigenous people in Australia is broadly similar to that in the most underdeveloped countries in the world.

Care in later life is expected to continue to focus on issues such as 'ageing in place', supporting older people in their own home with services that come to them rather than people going into residential care. The provision of residential care has been restrained over the past two decades while community care has increased significantly. This system relies heavily on informal carers and their willingness and capacity to care, as most care of frail older people is provided through self-care and by spouses, daughters and other family members. There is also a rise in consciousness of the issue of consumer rights for the older

population, with an increasing assertiveness, particularly in response to strong moves by government to user pays services. The increasing wealth of advantaged groups of older people will require new policy responses. However, as some recent research has shown most currently retiring Australians are not planning for the costs and needs of their frail age despite the promise of living longer; they still hold the view that the government should support their old age health and income needs (Quine, et al, 2006: 149). If this attitude drives political and government responses, the state will be required to commit more funds to pay for future frail age care needs.

### **Attitudes and directions**

In conclusion, it is important to consider some of the bigger societal issues around an ageing population for Australia and for most other countries. It is very important to have a constructive approach to an ageing Australia and to critically analyse the 'ageing problem'. A great deal of research in this field is affected by attitudes and this is often reflected in the outcomes of that research. For example, ageism is particularly destructive to the potential of older people, and to the potential of an ageing society. Although a comparatively under-researched area compared to racism or sexism (Nelson, 2005: 208), there has been important international research that shows a very high level of ageism amongst younger people, reflecting global values of the valorisation of youth over age. Research also shows that the elderly stereotype is pervasive, crossing national and cultural boundaries (Cuddy et al, 2005) and as such is costly, constraining appropriate and effective policy responses in most countries. In Australia, qualitative research has shown that older people can be deeply affected by ageist attitudes, particularly among health professionals, that make them 'feel old' rather than normal ageing (Minichiello et al, 2000).

Research has shown that across cultures the mainstream society stereotype of older people is that they are warm but also incompetent – this is a mixed stereotype – both positive and

negative. Research has also found that elderly people are viewed as possessing far fewer competence traits than warmth traits. Compared to younger people, elderly people have been rated as warmer and friendlier, but also as less ambitious, less responsible and less intellectually competent. In some recent USA research, regardless of gender, older people were rated as more feminine and less masculine than younger people and that young people are more likely to feel pity toward older people than admiration (Cuddy et al, 2005: 270). This has serious implications for maintaining older people's participation in the workforce and tapping into the rich resources of experience and knowledge that older people hold.

Ageism has been found to be all-pervasive across Eastern as well as Western cultures, including Confucian-based Asian cultures where respect for elders and filial piety are social norms (Cuddy et al, 2005: 273). As part of a large-scale international study, university students in Belgium, Costa Rica, Hong Kong, Japan, Israel (one Jewish sample and one Arabic sample), and South Korea rated elderly people and other groups on items measuring warmth and competence, status and competition. In all samples, participants viewed elderly people as significantly more warm than competent. Most interestingly, in the three most collectivist Asian samples – Hong Kong, Japan, and South Korea – this pattern held up (Cuddy et al, 2005: 273). In all samples, elderly warmth scores were significantly higher than views of people in the wider population and significantly lower than the overall view of competence in the wider population (Cuddy et al, 2005: 273). Researchers were surprised to find that East Asian participants reported broadly negative evaluations of elderly people (Cuddy et al, 2005: 274). In other cross-cultural investigations, participants in China, Japan, Taiwan and Thailand reported even more negative attitudes toward older people than their American counterparts. Widespread or global ageism is seen as a shift attributable to modernisation and the essential nature of capitalism that operates on individualist social views rather than traditional collectivist social views where older

people have had equal or superior status in all types of groups or communities (Cuddy et al, 2005: 274). It is a core challenge to future policy makers to see older people as “individuals having their own preferences and their particular circumstances including their cultural and linguistic diversity” (Kendig et al, 2004: 19). Australian social policy will have to resist the globalised ageist trend and work toward improving regard for older people if it is to respect and utilise older people’s capacities more effectively in the future.

The area of adequate income and work opportunities has little intrinsically to do with age but more with how age is interpreted in social policy and in labour markets. This should be where the policy is focussed. To address other key issues of ageing Australia will have to focus on improving general health over the entire life span, supporting independence in older age, and ensuring high quality care. This is an important, proactive approach for Australia, where ideas such as independence in old age and self-care continue to present challenges at personal and policy levels.

To seriously address the challenges of a change to a fully mature population – with many more older than younger people – it is important to enable social participation, and value all contributions in an aged friendly society. This means we should continually aim for ‘a society for all ages’ as emphasised by the United Nations in the International Year of Older Persons, 1999, where the key principles are that ‘all age groups are equally worthy’ and ‘no age group should be discriminated against or especially favoured by society’ (UN, 2000). The young of today are the old of tomorrow – those who are old now have a great generational stake in the future of the younger members of their families and communities. This provides an imperative to be inclusive in the way that we look at issues for ageing individuals and to ensure more appropriate social policy.

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## The health, economic, and policy implications of the ageing Korean society

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### Introduction

The Korean population is changing rapidly in two respects. First, as the ‘baby boomers’ grow older, Korean society is ageing faster than any other country. Korea is expected to turn into an ‘aged society’ only 18 years after it became an ‘ageing society’. In addition, rapid ageing in Korea is coupled with an unprecedented low fertility rate. Until two decades ago, Korea had propagated policies for lowering the fertility rate however now increasing the fertility rate is on top of the national policy agenda.

From a health perspective, rapid ageing means that the population’s health is likely to get worse than in the past, as older people tend to spend a greater proportion on health care than other sectors of the population, and will continue to be high spending for their health care needs This implies that the Korean health care system needs to be reformed to provide sufficient care for the elderly.

In this chapter the dynamic changes in Korea’s population as well as some of the efforts the government is making to deal with these changes will be addressed. It is hoped that this chapter will lead to active open discussions between Australia and Korea on the shared challenge of an ageing population.