Economic implications for an ageing Australia

Submission to the Productivity Commission

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Submission from

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The Brotherhood of St Laurence

The Brotherhood of St Laurence is a Melbourne-based community organisation that has been working to reduce poverty in Australia since the 1930s. Our vision is 'an Australia free of poverty'. Our work includes direct service provision to people in need, the development of social enterprises to address inequality, research to better understand the causes and effects of poverty in Australia and the development of policy solutions at both national and local levels. We aim to work with others to create:

- an inclusive society in which everyone is treated with dignity and respect
- a compassionate and just society which challenges inequity
- connected communities in which we share responsibility for each other
- a sustainable society for our generation and future generations.

Our services, generally targeted to people on low incomes, include employment services, family and children's programs, community building initiatives, research and advocacy, and aged and community care services.

The Brotherhood has a significant focus on older Australians in both service delivery and research and policy development. Programs providing services to older Australians include residential aged care, community care, independent living units and employment services. Specifically, Brotherhood aged services include:

- 4 residential aged care facilities (165 beds)
- 2 day centres (200 clients)
- a broad range of respite services (130 clients)
- a social program for older people with disabilities (50 clients)
- Community Aged Care and Linkages packages (484 clients)
- 175 independent living units
- rooming house accommodation (15 people).

The Brotherhood of St Laurence has had a longstanding research and policy interest in labour market dynamics, particularly in regard to unemployment, and labour market programs. Brotherhood employment programs include:

- STEP Inc (Scheme for Educating and Training People), a group training company which recruits young people (and others) to take on traineeships with 'host' employers
- Furniture Works Training Centre, which assists unemployed young people by delivering a 16-week woodwork-related course in a workshop environment
- Job Network services run as part of the Job Futures consortium
- Personal Support Programme which works with people with substantial barriers to employment (such as mental health problems, drug and alcohol problems or homelessness)
- the Jobs Placement, Employment and Training (JPET) program, which provides one-to-one support for disadvantaged young people aged 15 to 21 years, who are homeless or at risk of becoming homeless
- 'Given the Chance', a targeted labour market program which develops employment and education pathways for young refugees.
- Green Corps programs in North East Victoria and the Mornington Peninsula which provide work experience on environmental projects.

Potential economic implications of future demographic trends for labour supply

The effective labour supply

The Issues Paper points out that the effective labour supply is a major determinant of future economic growth. The paper echoes the view that as the population ages, the effective labour supply will grow more slowly and hence act as a restriction on economic growth.

While not disagreeing with the broad thrust of this argument, we believe that the labour supply shortages have been overstated for two reasons: not taking into account the current *oversupply* of labour and lack of attention to the possibility of increasing participation among those sectors of the working age population which are currently excluded from employment.

The current oversupply of labour is well documented. Australian Bureau of Statistics (ABS) figures show that there are approximately 1.2 million Australians working less hours than they would like, either because they are unemployed or because they can find only part-time work but would like more hours (ABS 2004). This means that some 12 per cent of the labour force is underutilised.

The second limitation of current debates about population ageing is that is has generally been argued that the labour force can only be increased by raising the retirement age in order to keep older workers employed. However, there are many other groups with reduced participation in employment which could be targeted.

As part of another project, the BSL has investigated the key determinants of participation in paid employment (measured as spending 50 per cent or more of the previous year in paid employment) using data from the Household, Income and Labour Dynamics of Australia (HILDA) survey (Watson & Wooden 2002). In the results below we refer to people being 'excluded' from paid work if they worked *less* than 50 per cent of the year (since the majority of this group did not work at all). Only people below pension age and those in the labour market or marginally attached to the labour market were included in the analysis (more details are available from the BSL).

We investigated the impact of the following variables on exclusion from paid employment using logistic regression:

- age
- age squared
- sex (female versus male)
- marital status (divorced, widowed or separated; never married; comparison group is married people)
- level of education (less than Year 12; Year 12 but less than a degree; comparison group is people with tertiary degrees or higher levels of education)
- English proficiency (poor English versus other)
- Aboriginal or Torres Strait Islander status (Indigenous versus other)
- dependent children (children under 5 versus other)
- choice in participation (involuntary exit from employment in last 10 years versus other)
- region (major urban area; regional area; comparison group is rural and remote areas)

The results showed that the strongest predictors of exclusion were:

- being involuntarily retrenched in the last 10 years (five times greater risk)
- having less than year 12 education; long-term health problems; or poor English proficiency (each was associated with three times greater risk of exclusion)
- having children under five years of age; being female; being an Indigenous Australian (each was associated with two and a half times greater risk of exclusion)
- being divorced, widowed or separated (76 per cent higher risk) or never married (64 per cent higher risk).

We also examined risk factors for unemployment at the second wave of data collection for those who were in the labour market (or marginally attached) in wave 1 (2001). Two additional variables were included: working in wave 1 but wished to reduce their hours, and unemployed at wave 1. The outcome variable was being unemployed or not at wave 2. The most significant factors affecting the likelihood of unemployment were:

- retrenchment in the past 10 years or being unemployed in wave 1 (sixfold greater risk)
- being separated; being of Indigenous background; or having less than Year 12 education (each of these doubled the risk of unemployment)
- having a long-term health problem
- never having married.

For those who were unemployed in 2001, the main predictors of exclusion for the following year (working less than fifty per cent of the year) were:

- the presence of long-term health problems (two and a half times greater risk)
- being separated or never married (double risk)
- being female (70 per cent greater risk)
- Indigenous background (two and a half times greater risk but not statistically significant, probably because of the small number of Indigenous people in the sample).

Policy implications

It is possible, especially in the current situation of a large supply of underutilised labour, that some of these determinants represent the result of screening practices by employers rather than a lack of capacity to undertake employment. However, some factors also represent continued barriers to employment even if labour demand increases: for example, migrants with poor English would probably be unable to undertake a wide range of jobs.

This analysis suggests that policies to overcome the barriers faced by the groups described above could increase the effective labour supply, and hence contribute to continued strong economic growth during a period of population ageing. Such policies would include:

- retraining/placement policies for retrenched workers (since previous retrenchment appears to have a long-term scarring effect)
- better labour market programs for long-term unemployed people, probably linked to work experience and training leading to formal qualifications (e.g. apprenticeships and traineeships)
- better funding for disability/chronic health services and better links to labour market programs
- youth transitions policies to ensure that a greater proportion of young people successfully complete Year 12 or a vocational equivalent
- more resources for improving English skills for migrants
- better access to and affordability of child-care for parents with young children
- affirmative action policies for indigenous people.

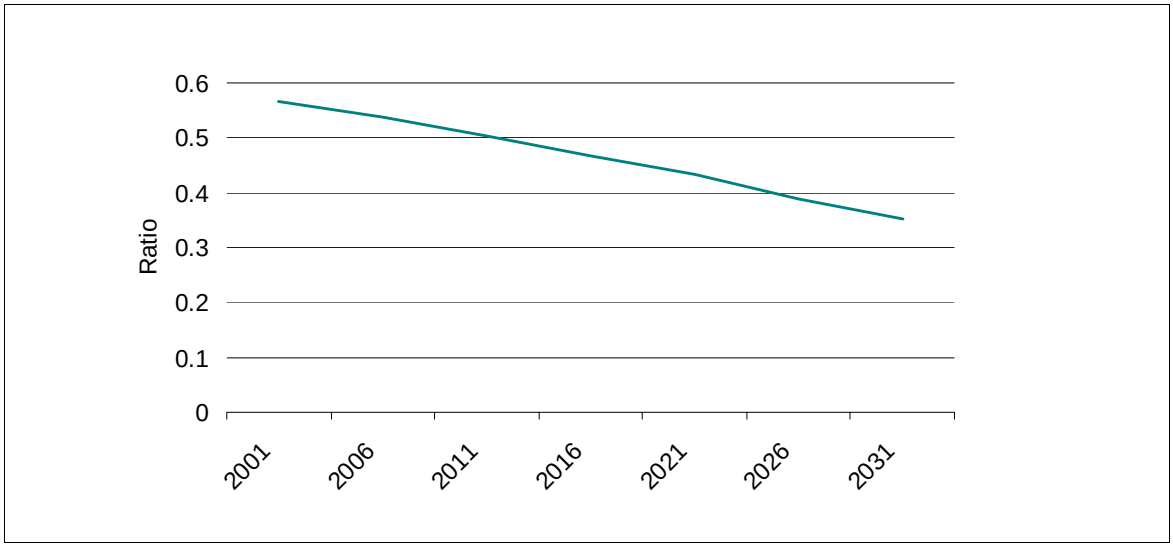
A specific issue: future supply of informal care for older Australians

Over the past two decades the provision of community care for older Australians and for people with a disability has grown enormously, fuelled by both the cost effectiveness of this form of care and also by the dominant preference of people to remain living in their community wherever possible. This community care system, however, relies on a very significant contribution of care by informal carers, largely family and friends. Carers Australia, with funding from The Myer Foundation and the Brotherhood, commissioned the National Centre for Social and Economic Modelling to project the future demand for care and supply of primary (informal) carers of older persons aged 65 yeas and over in Australia. A copy of the report accompanies this submission.

Drawing on ABS population and household projections, and the ABS Disability, Ageing and Carers' Survey (1998), the study (NATSEM 2004) projected that the number of older people who need assistance because of a severe or profound disability is likely to rise by approximately 160 per cent (from 539,000 to 1,390,000) between 2001 and 2031. Of these, some 573,000 people could be living in the community without a primary carer by 2031 (up from 152,000 in 2001). The number of people likely to provide informal unpaid care is projected to increase by only 57 per cent.

The ageing population is the main driver behind the increase in the number of older persons needing care and the smaller increase in the number of people likely to be their carers. As their share of the total population aged over 65 increases, the net effect is a growing shortfall of carers. The modelling projected this effect as a ratio between the number of older people needing care and the number of primary carers (see Figure 1). In 2001, the ratio was estimated to be 57 primary carers for every 100 people needing informal care in private dwellings. By 2031, this is projected to fall by almost 40 per cent to only 35 carers for every 100 persons needing informal care.

Figure 1 **Projected ratio of carers to persons aged 65 and over with a severe or profound disability and living in private dwellings, Australia 2001–31**



Data source: NATSEM simulated projections

Policy implications

These findings raise important issues for policy makers and the community. Older people are likely to want to remain living in their own home wherever possible, but will have fewer family and friends available to provide support. More paid carers will be necessary; and that in turn will require additional funding.

Fiscal implications for government services

Effects on health costs

With increasing life expectancy, there is a debate about the extent to which additional years will be free from ill health and disability. One view is that as the incidence of disease is delayed to older ages, morbidity will be compressed into a shorter period of life. An opposite view is that increasing life spans may also be accompanied by the increase in chronic illness and disability, resulting in increased morbidity.

Longitudinal studies have suggested that health costs are largely determined not by age but by time until death (AIHW 1998). From this it has been concluded that population ageing has minor cost implications because it shifts the high-cost period to later ages without increasing the years over which high costs occur. An Australian study (Cooper & Hagan 1999) supports the expectation that the growth in health costs associated with population ageing will be manageable. Future health costs due to population ageing were projected using data on visits to medical practitioners, use of pharmaceuticals and admissions to hospital.

However, in considering the ageing of the population we also need to factor in the knowledge that the likelihood of needing residential and community care increases as people get older. With a greater number of people living until they are very old, the number of people living with major diseases and high levels of frailty will increase, necessitating an increase in residential care beds and community care services. Dementia will be a significant contributor to this increased need for services, as its incidence increases with age: it is estimated that 5 per cent of people over 65 have some form of dementia, a rate which rises to 20 per cent of people over the age of 80. In 2002, there were over 162,000 people with dementia in Australia and this is predicted to rise to 500,000 by 2040 (Access Economics 2003).

Other factors which can negatively impact on the health of older Australians are inadequate income, lack of suitable secure housing, poor access to health services, limited access to reliable transport, social isolation and poor nutrition. The Brotherhood's service experience with disadvantaged older people confirms the impact these factors have on general health and well-being, and importantly, on mental health.

Therefore the question of health costs for ageing Australians should focus not on what stage of the ageing process these affect, but on how health issues are managed. Health promotion—targeting all age groups—must be a priority, together with addressing the living conditions listed above, to minimise the incidence of many diseases. Better hospital discharge planning—such as the Hospital Admissions Risk Program (HARP) in Victoria—and appropriate use of community care and allied health services must be encouraged.

Of particular interest to the Brotherhood is how inclusive our communities are of older people and people with a disability and the impact this has on a person's well-being. This is the focus of a current project being run by the Brotherhood, looking to increase the social engagement of its clients. It is postulated that through the positive engagement of clients in their community—socialisation programs, volunteering, participation in recreation—there will be a reduced need for medical visits, medication and hospitalisation.

Implications of greater levels of 'at home' care

Providing care in the community, a major growth area since the 1980s, is a critical component in containing aged care costs, and fortunately also meets the preference of most older Australians to remain in their own home and be cared for there if required. As it is currently organised, however, it does have a number of shortcomings.

The community care system relies on a very significant contribution of care by informal carers, largely family and friends. The reason for this is obvious. A Community Aged Care Package, designed to support an older person with the care needs equivalent to living in a low care residential facility, is currently worth $11,694.60 per annum. This allows for approximately 5 hours per week of care and assistance, which falls far short of what many people require (particularly when these packages are supporting people with care needs equivalent to those living in a high care residential facility). Informal carers, where they are present, are providing care that cannot be met through the formal care system. The projected declining supply of informal carers over the coming decades will compromise the care and well-being of these frail older Australians, unless the value of a Care Package is markedly increased.

Of particular concern to the Brotherhood are the older people living in poor quality or insecure accommodation, as caring for them becomes increasingly difficult as they become frailer. Premature admission to residential care can result unless suitable accommodation is provided. This marginalised group of older people often do not have family or friends to call upon to assist them remain living in the community. Additional formal community care support is required.

The Brotherhood is also concerned about the very limited information or research that has been undertaken into the quality of life associated with community or 'at home' care. Our experience in the delivery of Care Packages has alerted us to the significant extent of social isolation that exists among the recipients of these Packages. This is not surprising when you consider that the current value of a Care Package often only allows for physical care needs to be addressed. Social and transport needs are relegated to the bottom of the list of concerns, and funding limitations result in them being ignored. Social exclusion and isolation can be the result.

Effects on future housing needs of older Australians on low incomes

Over the past two years the Brotherhood has been engaged in a major campaign to address the shortage of affordable rental housing across Australia. A report prepared by Allen Consulting, *Better housing futures: Stimulating private sector investment in affordable housing*, accompanies this submission.

Of particular concern for the Brotherhood are the older people who live in insecure, and sometimes sub-standard, accommodation in rooming houses, Supported Residential Services, private hotels, caravan parks and assorted other arrangements. These people are particularly vulnerable to poor health, often have limited access to health and support services and are at increased risk of early entry to residential aged care facilities. In Melbourne, rooming houses and Supported Residential Services are reducing in number, increasing the risk of homelessness for this already vulnerable section of low-income older people.

The other group of older Australians of concern to the Brotherhood are those on low incomes who rent privately. It is estimated that older renters make up between 10 and 15 per cent of the population aged 65 and over living in rental housing (ABS 2000). Of these, slightly more than half rent from private landlords, with most of the rest renting from State and Territory housing authorities (Jones et al 2004). Current private rental prices—particularly, but not exclusively, in capital cities—are forcing many older people into housing stress.

While the present level of home ownership in Australia is high, this may not continue as increased longevity and the longer post-earning phase of the life course can be expected to place a greater demand on the private assets of older people (Olsberg et al. 2004). What is also unclear is whether future generations will have similar rates of home ownership as experienced now.

Population ageing is likely to result in an increase in the absolute numbers of people entering old age as renters, with an associated increase in the numbers renting privately. These older people must have access to affordable, well located and suitably designed housing which maximises

independence and autonomy. Ageing in their community is the choice of most older Australians but it is only possible if suitable and affordable housing is available. And it will undoubtedly cost less to subsidise the development of such housing than to fund residential aged care places for people who are forced into early admission. Encouraging investment in affordable housing for this group must become a government priority.

Effects on future transport costs

Transport is critical for maintaining independence and quality of life for older Australians: lack of access can lead to social isolation, depression and deterioration in general health and well-being. It is also critical to the ability to access health care services and even to purchase nutritional foods. Governments need to respond to this by taking a 'universal' approach to the provision of public transport services; they must be able to be used by all.

An ageing population will result in a greater number of older people seeking access to public transport services, including taxis. The location of public transport routes will be critical, as they need to be within walking distance of people's homes. The interchange between forms of transport will also need to be well coordinated, and again be within walking distance. Services will need to be frequent enough to meet people's needs. Outer suburban, rural and regional areas, currently very poorly serviced, will require high levels of expenditure to bring them to a reasonable level.

The design of public transport also needs modification for older people—railway station ramps are often too steep, gaps between trains and platforms can be too great, steps onto buses are often too high, stops are often poorly lit and may not provide seating. Addressing these issues, currently underway in many areas, needs to be greatly accelerated. Similarly, measures to make older people feel safer when using public transport will need to be introduced, giving people sufficient time to sit down before the transport moves on, staffing more services and stations, improving lighting. A greater number of older people will be reliant on the public transport system in coming decades, and the system must be adjusted to meet their needs.

Taxis provide transport to many older people, especially those who are frail or have a disability. The cost of using them, however, can be prohibitive. With the projected large increase in the number of older people, many of whom will cease to drive in their later years, governments should investigate how they can assist in making taxis affordable for those who need them. Unfortunately recent changes by the Victorian Government to the Multi-Purpose Taxi program (the subsidised taxi scheme) will have a negative impact on some people for whom they are the only accessible form of transport.

Frail older people often rely on community transport (provided by community groups, local government and volunteers). Support for the providers of these services must be increased as requests for their assistance are expected to grow significantly, particularly as more frail people receive support to remain living in their own home. Community care should never be just about care in the home: frail older people need to interact with their community and with their friends if they are going to enjoy a high quality of life.

Different fiscal implications of ageing for different levels of government: Australian, State and Territory, and Local

Currently, the planning, policy development, allocation of resources, quality management and accountability for the plethora of aged care services and programs are undertaken by all levels of government, to varying degrees. This has the unfortunate consequence of some parts of the country having much greater levels of service provision than others. Greater coordination of the work done by the various levels of government would result in a simpler and more equitable system of aged care services across the country and would minimise the tendency to engage in cost shifting across the levels of government.

Improved coordination has the potential to reduce the confusion and difficulties experienced by many older people and their families when they seek access to aged and community care services. It would also greatly reduce the potential for lack of coordination between service providers and would minimise the onerous administrative effort they currently experience.

The Myer 2020 Vision Report discussed the significant negative impact on the aged and community care services system of having state and federal governments having overlapping roles in the system. The Report identifies that with the current framework the 'complexity of the system is increasing' without solving the 'fundamental problem of two systems operating independently with little focus on the often complex and changing needs and preferences of individuals'. This dual system must be overhauled.

Within the care system, there is inadequate coordination between residential and community care. According to the Myer Report (2002), this results in a high degree of fragmentation, often with rigid boundaries at the edges of particular types of care, a consequent lack of flexibility and effective choice of care for individuals, and high administrative costs for providers.

One recommendation of the Myer Report is that the State Government would be best placed to plan aged care services, with region or local communities organising to provide them. The role of the Commonwealth would be to work with the states to establish a national framework for aged care, which would include setting benchmarking standards. The Report suggests that these administrative reforms should be underpinned by financial reforms that would see the introduction of a consolidated system for residential and community care.

The Brotherhood would be supportive of one level of government, either state or federal, to have major responsibility for most of the functions of aged care—both residential and community care—but believes that planning for the services should be a coordinated effort involving all three levels of government.

In a recently released paper, *The Way Forward* (Department of Health and Ageing 2004), a gradual move towards a framework for community care and residential care is proposed. The aim would be to achieve consistency in a range of areas such as assessment, quality assurance, planning and accountability. A move in this direction would simplify the system for both users and for providers.

Local government authorities, whilst less involved in the planning and policy development of aged and community care services than their state and federal counterparts, still have a major role to play in supporting older Australians. Of particular importance is the role they have in providing an environment that is user-friendly to older people, such as how streets and footpaths are designed, the provision of buildings for social groups, the provision of community transport services and the running of exercise and well-being groups.

Funding of residential aged and community care

The crucial issue of the financial sustainability of residential care services has been well documented (Hogan Report 2004, National Aged Care Alliance Report 2003). It is now time to engage the broader community in discussions about the most equitable ways of funding both residential and community care services into the future. Central to these discussions is whether people who are in a position to contribute more towards their care should do so, including those who are asset rich and income poor.

The Myer Report (2003) promotes the separation of funding for the accommodation and care components of residential aged care services. They suggest the government should be responsible for the care component and the individual responsible for accommodation, an approach consistent with policy directions in Great Britain. This proposal has the potential to address the inequities that currently exist in the funding and financial contributions in residential and community care.

In any discussion about funding services the Brotherhood is particularly concerned about how people on low income fare—being unable to pay a bond or lump sum must not limit a person's access to the care they need. A key target group for the Brotherhood's residential aged care services is older people on low incomes, who may also be socially isolated and have complex care needs and challenging behaviours that result from mental health problems, substance abuse or cognitive impairment. Providing care for this group of older people can be more costly than for other residents as extra staff may be required to help them adjust to community living, and to develop acceptable social and personal hygiene behaviours. Residential care facilities that accommodate these people must receive adequate compensation to do so—there must not be financial disincentives to providing care for this marginalised group.

Workforce issues

An adequately skilled and available workforce to meet the future requirements of both residential and primary community care and acute and sub-acute services is essential. Unfortunately, staff shortages and a relatively old workforce are already evident in both residential care and community care and will become worse unless measures are taken to attract and retain quality staff.

Addressing salary inequities between aged care Division 1 nurses and their counterparts in the hospital sector is critical if the sector is to attract nurses into the future. This will help attract younger staff into the sector also.

There are also issues for personal care workers, who form the majority of the residential and community workforce, which must be addressed. Organisations are experiencing difficulty attracting and retaining skilled staff, which impacts on the quality of care provided. Low wage rates have been identified as one of the causes of this problem. Within the community care sector, other issues identified as contributing to the recruitment and retention difficulties are limited training and support, few full time work opportunities and heavy reliance on casual employment relationships (Angley & Newman 2002).

Plans must be put in place to ensure that there is a flexible and growing workforce able to deliver residential and community care into the future. Coordination of the efforts of state governments, federal government and the industry, leading to the development of an industry-wide workforce plan, is urgently required.

Research

Increased funding for research into ageing and illness prevention should be a priority for all levels of government. This research should include clinical treatment, disease management and service delivery issues but must also cover the social and emotional aspects of ageing, housing and employment issues.

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