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Retirement Income Review Secretariat  
The Treasury.

Dear Secretariat

The following is a Submission to the Australian Government Retirement Income Review, in response to the Consultation Paper November 2019.

The Sustainable Australia Party believes that retirees and older people, far from being a burden on society, continue to make active contributions to their families financially and through child care, and active contributions to society as volunteers, community leaders and activists.

The Sustainable Australia Party believes that workforce ageing, far from being a social problem, has significant potential to solve unemployment, underemployment, and low wage growth.

The Sustainable Australia Party urges the Australian Government to promote a positive, rather than negative view, view of population ageing, and to counter negative stereotypes of retirees and older people.

While the Government's Consultation Paper largely avoids fuelling the "ageing population scare", it does say at page 17 that "Australia's ageing population means there will be a declining number of workers for every retiree. It is therefore important the retirement income system does not place an undue fiscal burden on future generations".

This statement has the unfortunate potential to be used as a Trojan Horse for the cutting or reducing of government support for retirees. It is not consistent with the research done for the Sustainable Australia Party on this question last year by Dr Cameron Murray and Leith Van Onselen of Macrobusiness Consulting in a report titled "Three Economic Myths About Ageing: Participation, Immigration and Infrastructure".

Furthermore it is inconsistent with the Consultation Paper's own findings about Labour Market Participation, set out at pages 10 and 11 of the Paper. These findings are that "The trend has been towards more working age Australians participating in the labour market. Rates of workforce participation have grown from an average of 60.7% in 1979 to 66.0% in October 2019".

**POPULATION AGEING - DON'T WORRY, BE HAPPY!**

Fear about the economic cost of ageing is extraordinarily widespread. Politicians, economists and bureaucrats are convinced that population ageing will give us a declining proportion of workers struggling to pay for an ever increasing cohort of unproductive older people. Their incessant promotion of this view has led to it being widely held within the broader community.

It is a myth, and it is a damaging one. It leads to policy solutions that are unsustainable and extremely harmful for the environment. It leads to attempts to reduce the support society gives to its retirees, which is a poor acknowledgement of the contribution they have made to society during their working lives. And it leads to negative stereotyping of retirees as a burden on society, which fails to acknowledge their ongoing contribution.

An ageing population is not a less productive one, although many people assume that it is. Countries with older populations maintain high workforce participation, are more productive, and grow faster economically. Although ageing means more retirement-age people, retirement ages are not fixed. There is also a countervailing effect of fewer children who are also dependants, a point almost universally ignored.

A key element of the ageing population scare is the claim that an older population will lead to a reduction in the labour force participation rate, that is, the number of working people compared to the total population. This is thought to be an economic problem because it means that the output of each worker must be shared with more non-workers in the population.

The first problem with this scenario is that it hasn't been happening. Pre 2000 there were on average 44 people in the Australian formal workforce out of every 100 people in the population. This increased to around 50 in the 2000s. This pattern is also true elsewhere. Canada, New Zealand, the United Kingdom and the United States have all seen increasing total participation rates since 2000, with their current workforce making up approximately 50% of the population. (Three Economic Myths About Ageing: Participation, Immigration and Infrastructure, Dr Cameron Murray and Leith Van Onselen, Macrobusiness Consulting, April 2019, p.5).

Secondly, there is a longer term trend in the way people contribute to economic activity throughout their lifetimes. As people live longer, and are healthier at older ages, they remain more economically active at these older ages. There is now higher workforce participation of the over 65s in the workforce. The trend is global and indeed has been acknowledged by Reserve Bank of Australia researchers.

The labour force participation rate of men aged 60 to 64 increased from 45% to 60% in the 15 years between 1996 and 2011. The participation rate for all persons over 65 has nearly tripled in the last 20 years to be nearly 15% at the end of 2018. (Dr Cameron Murray and Leith van Onselen, op. cit, p.6). This shift towards working later is unlikely to be temporary, and needs to be expressly acknowledged in any serious analysis of the long term economic effects of ageing. It is typically ignored.

Third, concerns about the effects of ageing at the top of the population pyramid usually ignore the counterbalancing effect on dependency at the bottom of the pyramid. Children are the other major cohort of dependents in a nation, requiring many resources to be devoted to their care, health, and education. More children necessarily reallocate more workers into caring roles, whether it is parental care in the home, or formal child care. Parental care removes one parent from the potential workforce while they dedicate their time to child rearing.

A relative decline in the care needs of children will offset much of the increased care needs of the elderly in an ageing population. Any discussion about population ageing must take into account the offsetting effects of a lower youth dependency ratio, and incorporate all economic

and budgetary consequences.

Fourth, any discussion about workforce ageing needs to look more closely at its practical consequences. Government attempts to stop workforce ageing involve increasing the size of the workforce through migrant worker programs. The flowering of these programs in Australia in the last 15 years has seen stagnation in the real wages for Australian workers.

Workforce ageing would boost wages, since employers would be required to compete harder for available workers. This view was confirmed recently by the Reserve Bank of Australia, which noted that “subdued trend growth in labour supply” would “tighten the labour market” and “put upward pressure on wages” (Brown, A. and Guttman, R., Ageing and Labour Supply in Advanced Economies, RBA Bulletin, December Quarter, 2017).

Governments and policy makers say they want to see real wages rise, but they pursue policies that head in exactly the opposite direction. They should let workforce ageing do the things it is perfectly capable of - putting an end to unemployment, putting an end to underemployment, and letting wages rise, and along with rising wages the prospect of higher interest rates and returns for people who have retired from the workforce as well as higher returns for people who are in it.

Finally, and critically, the “ageing population” scare fails to take into account the informal contributions of retired Australians to their families, particularly caring for and mentoring grandchildren, their volunteer involvement in community groups, and their support for friends and neighbours. Organisations like Neighbourhood Watch and public open space “Friends of” groups depend on them. Typically grandparents continue to make larger financial contributions to their children and grandchildren than they receive from them. More financial support goes down the family tree than up it.

Worrying about population and workforce ageing devalues older people and retirees and the significant contributions they continue to make to our society. It also treats leisure time as if it has no value at all, which is nonsense. If someone retires because they are financially secure and able to, their retirement should not be seen as a problem.

Ageing is a sign of success, both individually and for a society. The message about an ageing population is clear - don't worry, be happy!

Further information about the Sustainable Australia Party's position on ageing can be found at <https://www.sustainableaustralia.org.au/ageing/>

Yours sincerely

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**Sustainable Australia Party**

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