

The intergenerational challenges

Abstract: **Phil Ruthven** says we need not fear a population of 35 million or more by 2050 because this growth will be easier to manage than it was after World War II.

In 2050, as in 2010, there are likely to be 10 or more cities around the world with a population greater than Australia's total population of 35 to 38 million people. We will still have three layers of government, while those cities will have a mayor and some councillors (albeit assisted by national and state or provincial layers of government). So to suggest we face near superhuman challenges on issues such as infrastructure and health and pension costs for an ageing population is patently ridiculous in a nation as rich as Australia in our educated society, unique intellectual property and valuable natural resources sought by our neighbours. Even when mineral prices fall, as they always do, our fast-growing inbound tourism will more than take up the slack.

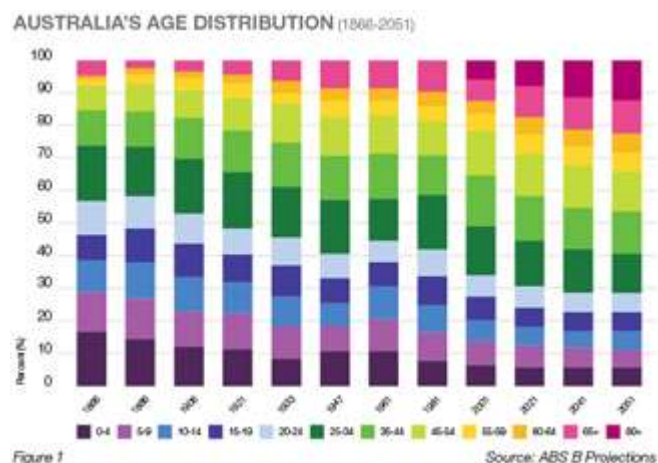
Our population is forecast to grow at a very modest 1.25 per cent per year to 35 million in 2050, or as IBISWorld expects, a 1.3 per cent per year growth to 38 million.

Either growth rate is below our current 1.5 per cent per year for the first decade of the 21st century, let alone the near two per cent per year average of the early post World War II decades of high birthrates and immigration.

So it is not a particularly difficult challenge.

The ageing challenge is also a manageable task. The population has been getting older for the entire 222 years of the European history of Australia. Life expectancy was 38 years in 1800 (men and women), 53 in 1900 and 77 in 2000 (83 for women). One in four now being born is expected to live to 100 years.

Figure 1 shows this evolution over the past century and a half and the Australian Bureau of Statistics forecasts to the middle of this century.



What is important, of course, is to ask the question: What is old?

So, What is old?

- At 65 years of age:
 - In 1800, you were dead 27 years ago;
 - In 1900, you were dead 12 years ago;
 - In 2000, you had 12 to 15 years to go; and
 - In 2100, you may be two-thirds through your life.
- We need to be very careful about what an “ageing society” or the “greying of Australia” really means.
- Even at 70 years of age many will still be working, probably part-time, and will be fit and healthy.

We need to keep raising the age definition of “old”.

We are told people will have to work for longer, but what we aren't told is that the total number of hours of paid work in our lives will stay at around 80,000, as it has done for centuries.

WORK ACROSS GENERATIONS

Share of total life hours shown
for selected activities

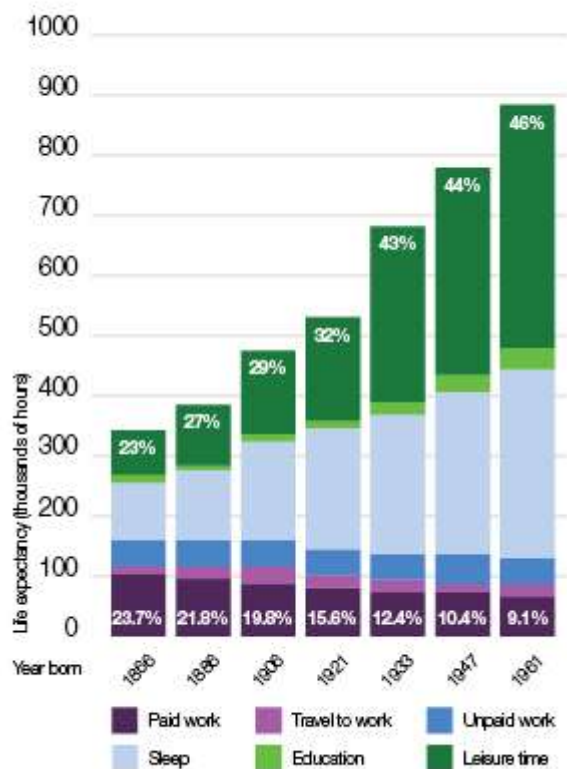


Figure 2

The fact is that we are simply working fewer and fewer hours each year, but for more years; and the percentage it takes of our lives keeps shrinking. See Figure 3 and 4.

The average working hours in Figure 3 are the average of full- and part-time workers, but are still misleading. After all, we nowadays have two months a year off (holiday leave, public holidays and sick leave), so even those average hours per week can be reduced by a sixth to get an annualised weekly average.

We are not working harder at all and indeed, given that less than a 10th of the workforce is in hard physical work these days, we are getting it easier than any generation in history.

PAID WORKING HOURS

Total average hours per week and real wages per week (2006 prices)

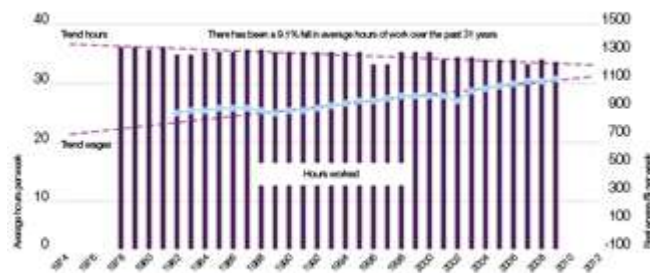


Figure 3

Source: ABS

Yes, many will be working 50 years of their life in the first half of this century but will have started work much later than the 13 years of the early 1800s, be living much, much longer, be doing fewer than half the annual hours of work of our founding fathers, be healthier and still will not do more than 80,000 hours of work like the last 10 generations of our society.

Nations have always needed four out of 10 citizens (men, women and children) to work to support themselves. The other six have been dependants. Figure 4 shows how this has been maintained over the past century or more in Australia, on a full-time equivalent basis. Yes, we have less than four out of 10 full-time workers, but this is balanced by an increasing proportion of part-time workers.

AUSTRALIAN LABOURFORCE PARTICIPATION

Part-time versus full-time workforce as % of total population (1901-2010)

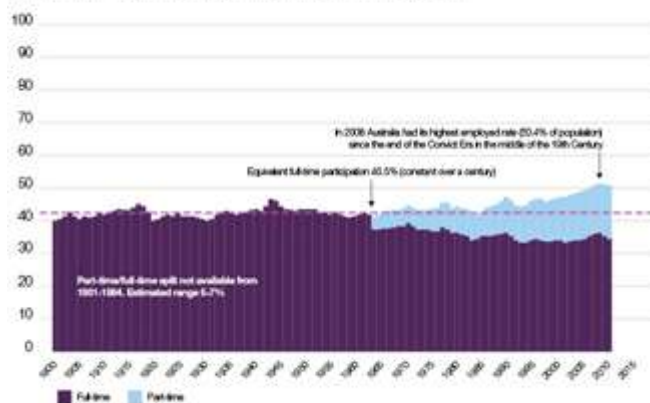


Figure 4

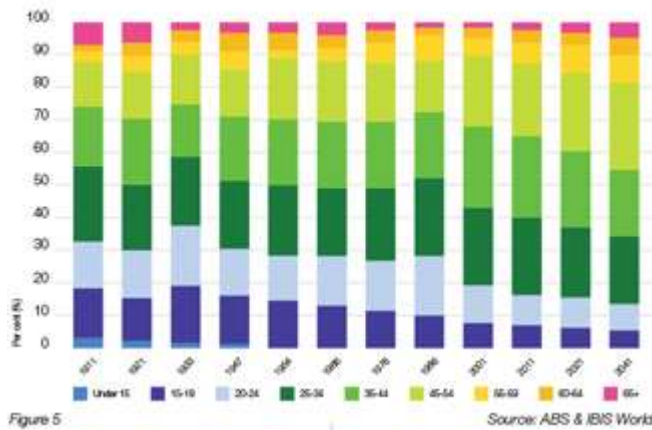
And yes, we will have a growing proportion of older workers – most only too happy to do different and mostly part-time work beyond 65 years of age – but fewer younger people or children as we had in the 19th century, as Figure 5 reminds us.

We will have very little difficulty maintaining the equivalent of four full-time workers per 10 citizens all the way through the 21st century.

Some suggest the pension load is going to be horrific. Not so. Indeed, pensions may well disappear before the end of this century as superannuation levees (raised to 15 per cent of wages from the current nine per cent) and voluntary savings prove more than adequate for a comfortable retirement.

Then there is the health-cost scare. Our costs have doubled as a share of GDP over the past half century to nine per cent but are not yet near the frightening 15 per cent of GDP in the US. Both countries, and others, have a number of problems. The first is that citizens of all ages want to be healthy and free of pain all their lives, not just the older generation. This is costly. Second, productivity is woefully low in health industries; way less than half the normal long-term average of two per cent per year for the economy at large. And third, we have been slow to emphasise preventative health regimes over curative ones, although better progress is now under way.

WORKFORCE, BY AGE GROUP
Percentage of total basis



But we do continue to abuse the privileges of good food, ample sport and exercise facilities, health education and longer life expectancy. Our obesity record is but one glaring manifestation of this recalcitrant attitude and behaviour.

With some foresight, as well as leadership, overdue productivity, willpower and self-discipline, the intergenerational challenges will be very manageable.

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