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Media release

Ageing Crisis A Myth

A major new report challenges the popular belief that Australia faces a crisis because the nation can no longer afford its ageing population.

Population Ageing – Crisis or Transition by Dr Pamela Kinnear was released today by Institute Executive Director Dr Clive Hamilton.

The paper shows that the expected costs of retirement incomes and health for the elderly have been exaggerated, and that popular solutions to the perceived problem of ageing, such as slashing public expenditure and increasing immigration, are misplaced.

“Dr Kinnear’s detailed examination of population and health data shows that an ageing population will not create an unsustainable burden on a shrinking workforce,” Dr Hamilton said.

“She has presented a very convincing argument to demonstrate that alarm over the ‘ageing crisis’ is not justified by the evidence.”

Dr Kinnear found that the three main assumptions on which the ‘ageing crisis’ is based are largely flawed. The paper shows that:

✳ Older people are not a social and economic burden. The vast majority of older Australians enjoy healthy, active and independent lives, with 93 per cent living in private homes and only 7 per cent in residential care. Many make significant financial contributions to their families and participate in voluntary community activities.

✳ Concern about a future ‘dependency ratio’ imbalance forms the basis of the crisis rhetoric. But the dependency ratio is a misleading measure and falsely equates dependency with age. It ignores the significant contributions of older people as well as the dependency of many working age people.

✳ Cross-country comparisons reveal that the size of the aged population does not necessarily impose a disproportionate burden on taxpayers. Although there is a clear relationship between ageing and costs of pensions, analysis does not show a corresponding relationship between ageing and total social costs.

The new paper challenges the belief that an older population will see health costs rise to unsustainable levels. Rising health costs are caused mainly by factors other than ageing such as the growth of medical technology, rising consumer demand and escalating prices.

“Over the period 1983 to 1995, Australia’s expenditure on health grew by 2.8 per cent but only 0.6 per cent of this growth was attributable to ageing,” she said. “Focusing on population ageing as the cause of rising health costs diverts attention from factors that are more important.”

She found Australia well placed to cope with future pressure on pensions and that while present immigration levels would slow population ageing, higher levels would have very little impact.

Commenting on the report, National Executive Director of the Council on the Ageing, Denys Correll said, “By challenging the myths that have been built up around the negative impact of older people, Pamela Kinnear’s paper contributes to the mounting evidence that the prophets of doom have miscalculated.”

Media representatives may obtain a copy of the paper by emailing a request to mail@tai.org.au during business hours, or chjh@ozemail.com.au after hours.

www.tai.org.au