Still Putting In

Measuring the Economic and Social Contributions of Older Australians

May 2009
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FOREWORD

Following on from its landmark report – AdvantAGE Australia: Maximising the potential of an ageing population [August 2008] – National Seniors Australia sought to further examine what older Australians do with their time.

We wanted to know how much older Australians contributed to the nation, both socially and economically. We also wanted to know about any barriers which might stop older people from contributing, and how we could encourage older Australians to keep participating, either in paid work or voluntarily.

To that end, the Eidos Institute, an independent think tank and research hub, was commissioned to investigate this topic and provide a better understanding of the enormous – and mostly unknown – contribution the over 55s make to Australian society.

This summary report sets out selected highlights from the full Eidos study* and indicates how the over 55s are ‘Still Putting In’ in a host of impressive ways.

Would you be shocked to find out that if all older Australians decided to retire overnight from full-time work it would cost the nation $59.6 billion a year?

Or that currently, the Australian economy is losing $10.8 billion a year by not utilising the skills and experience of those aged 55 and over?

These findings and others revealed in this report confirm that older Australians are productive – they are an undeniable and proven asset.

The challenge now is for government, business and the community to recognise this capacity and remove any barriers which could stifle the invaluable contributions of future generations of older Australians.

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May 2009

* The full report of this investigation can be accessed at www.productiveageing.com.au.
ACKNOWLEDGEMENTS

The project team included Dr Sandra Haukka and Walter Robb from the Eidos Institute, and Dr Khorshed Alam from the University of Southern Queensland. We would like to acknowledge the input provided by members of National Seniors Australia who participated in the workshops in Canberra and Brisbane.
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WHY DOES IT MATTER?

Why do we need a greater understanding of the economic and social contributions older Australians make to the nation?

Put simply, it matters because of the ageing population. Between 2009 and 2032, the number of people aged over 65 is projected to double. In the same time, those aged 90 and older will increase almost three-fold (Australian Bureau of Statistics, 2006c).

Older Australians already make an enormous economic and social contribution to Australia. But how do we keep this contribution going as the population ages? What can governments, business and the community do to maximise this potential as the number of older Australians increases?

Fully understanding the economic and social contributions of seniors brings a range of important benefits. Firstly, it widens our understanding of the economic value of volunteering and unpaid care. It also paints a more detailed picture of the social contributions which keep our communities running smoothly and sustainably. Plus it provides an important insight into the crucial role older Australians play in the paid workforce. In short, it can change the nation’s thinking about older Australians, from the prevailing view of ‘burden’, to the more accurate view of ‘asset’.

SOME DEFINITIONS OF CONTRIBUTIONS

What is meant by an ‘economic’ contribution?

Older Australians contribute to the economy through participation in paid or voluntary work. These contributions include:

- Economic contributions through paid work as an employee, self-employed or ‘contributing family member’ (when they work for one or more hour a week without pay in a family business or farm). Older Australians in paid work are part of the labour supply that is available for producing economic goods and services;

- Economic contributions through unpaid work in the form of household work and volunteer and community work. This study considered
unpaid work by older Australians which is an 'economic' contribution, such as voluntary work through an organisation or group; unpaid care of children; and unpaid care of people with a disability, long-term illness or problems related to old age. Time spent on unpaid domestic duties for the household was not included;

Input approaches used to place a value on unpaid work are based on wage rates for males and females:

- Market replacement cost is the cost to a household to hire someone to provide the service concerned;
- Opportunity cost is the amount that an unpaid worker would have earned had he or she spent the same time on paid work.

What is meant by a 'social' contribution?

- Older Australians make social contributions through participation in community support groups, civic and political groups.

The line between a social contribution and an economic contribution is often blurred. For example, unpaid care has an economic value in the cost it would take to replace it with paid care. It is also a social contribution in that it can improve the health, well-being and social connectedness of the person under care.

National Seniors Australia (NSA) was interested in measuring how older Australians contribute to local communities by getting involved in planning and managing economic, social and environmental sustainability. Although our study treats voluntary work as unpaid work that benefits the economy, voluntary participation by older Australians in the form of lobbying, advocacy, policy research, management or committee work are examples of activities which directly influence community decision-making.

Therefore, we used indicators of participation in civil and community life to determine the value of social (or civic) contributions of older Australians.

Measuring contributions

This study investigates the contributions of older Australians to the economy through participation in paid work, unpaid work, and social contributions. Because of the limited availability of measures to indicate the value of contributions of older Australians, the project team formulated proxy measures to determine the value of contributions and losses. The value of paid work was estimated using March 2009 ABS labour market statistics and GDP per capita. GDP per capita represents the value of goods and services provided by an individual in Australia.

In the case of unpaid work, information on older adults’ participation in unpaid activities was taken from the 2006 Census (the most recent data source); the economic value of this work was estimated using an hourly rate for volunteer and caring work developed by the Australian Institute of Family Studies (de Vaus, Gray and Stanton, 2003). The value of civic participation was similarly estimated using data from the ABS (2007) General Social Survey, and the hourly rate for volunteer work (de Vaus, Gray, and Stanton, 2003).

ECONOMIC CONTRIBUTIONS THROUGH PAID WORK

The '55 years and over' labour force plays a big role in Australia’s economy.

As at March 2009 (ABS, 2009), there were 1,731,791 older Australians (aged 55 and over) who were contributing to the production of economic goods and services in Australia. Some industries rely heavily on older workers. For example, over 55s accounted for about one-third of all people employed in agriculture, forestry and fishing. The education and health care sectors also rely heavily on older workers.
Increasing population, increasing participation, delaying retirement

More people over 55 are participating in the labour force than in the previous decade (Figure 1). This is due to the general increase in those aged over 55, but more specifically due to the increase in the number of people aged 55-64 years, and the increase in women’s labour force participation rates. As at March 2009, 41.3% of men and 26.3% of women aged 55 and over were working.

In March 2009, ABS data revealed the participation rate of people aged 55-59 years (71%) was the highest on record since 1978. The participation rate of older Australians will continue to grow as more people retire later.

Untapped potential

In March 2009, 3,564,838 people aged 55 years and over were not in the labour force (ABS, 2008e). Almost 1.5 million people were retired or voluntarily inactive.

The main reasons for retiring from the labour force were either reaching retirement age or becoming eligible for a pension or superannuation. Some older Australians are unlikely to do paid work in the future due to health reasons or family responsibilities. Others are concerned about not being employable due to their age. ABS data suggests that in 2009, 161,800 older Australians wanted to work but were not looking for work. Around 30% of these people believed that employers considered them too old. Currently there are nearly two million older Australians who are willing to work, could be encouraged to work, or are unemployed and looking for work.

Quantifying the value of paid work by older Australians

How do we put a value on paid work by older Australians?

A proxy measure of the value of their economic contributions is the number of older Australians who work full-time (i.e. 1,114,076 people as at March 2009) multiplied by Gross Domestic Product (GDP) per capita ($53,523 in 2007/2008). This measure indicates:

An economic contribution of $59.6 billion a year to Australia’s GDP by 1,114,076 older Australians who were working full-time as at March 2009. This does not include the significant contribution made by 617,712 older Australians who were working part-time as at March 2009.

We can also use a proxy measure to indicate the economic ‘loss’ of not making use of the skills and experience of older Australians. This is done...
by multiplying the number of people who wanted to work but were not looking for work in September 2008 (161,800), or who were unemployed and looking for full-time work as at March 2009 (39,331), also multiplied by GDP per capita. This measure indicates:

**An economic loss of $10.8 billion a year to the Australian economy for not utilising the skills and experience of older Australians. This comprises:**

- **A loss of $8.7 billion a year for not utilising the skills and experience of older Australians who want to work but were not looking for work as at September 2008 (161,800 in total).**

- **A loss of $2.1 billion a year for not utilising the skills and experience of 39,331 who were unemployed and looking for full-time work as at March 2009; which doesn’t include the loss for not utilising the skills and experience of 17,073 unemployed older Australians looking for part-time work.**

**ECONOMIC CONTRIBUTIONS THROUGH UNPAID WORK**

Older Australians do unpaid work in the form of household, volunteer and community work.

**Volunteers and carers**

Older Australians make a huge contribution as volunteers and carers.

In 2006, 1,416,800 older Australians (or 29.7% of the total population in this age group) did voluntary work, defined as willingly giving unpaid help in the form of time, service or skills to an organisation or group. The volunteer rate (defined as the number of volunteers in an age group expressed as a percentage of the total population in that age group) for older Australians has increased steadily over the past decade [see Figure 2].

Older Australians volunteer in many organisations, particularly sport and recreation, education, training, community and welfare groups. Popular volunteer activities include fundraising, repair and maintenance work, and food preparation and service, often performed informally to help others.

A significant number of older Australians work as unpaid carers. They do this either as volunteers (through an organisation or group) or non-volunteers (not through an organisation or group). As the ABS Census data for 2006 shows:

- 587,794 people aged 55 and over provided unpaid help to a person with a disability;
- 637,962 people aged 55 and over provided unpaid child care, with 36.4% of these people working in paid employment at the same time, while 87.1% cared for children who were not their own.

“**The cost to the economy of replacing older Australians who provide unpaid child care and unpaid help to people with a disability with paid workers would be $4.8 billion a year.”**
Quantifying the value of unpaid work by older Australians

The study attempted to quantify the value of unpaid work by older Australians by providing estimates of the value of volunteering, unpaid care of a person with a disability, and those providing unpaid childcare. This approach does not include all the unpaid help or care that older Australians provide to others, so the estimates of the value of unpaid work are conservative. Drawing on previous research by others, we calculated the value of unpaid contributions using typical hourly pay rates, the hours usually spent in volunteer or unpaid work, and market replacement costs. The results were dramatic.

Multiplying the number of older Australians who volunteered in 2006 (1,416,800) by 104 hours a year (2 hours a week) by $13.73 indicates:

An economic contribution of $2 billion a year by older Australians who were working as volunteers in 2006.

Multiplying the number of older Australians who provided unpaid care to a person with a disability in 2006 (587,794) by 470 hours a year (9 hours a week) by $14.04 indicates:

A cost to the economy of $3.9 billion a year if 587,794 older Australians providing unpaid assistance to people with a disability were replaced with paid workers.

Multiplying the number of older Australians who provided unpaid childcare in 2006 (637,962) by 104 hours a year (2 hours a week) by $13.73 indicates:

A cost to the economy of $911 million a year if 637,962 older Australians providing unpaid childcare were replaced with paid workers.

SOCIAL CONTRIBUTIONS THROUGH CIVIC PARTICIPATION

The beneficial work that older Australians do in their community also brings personal rewards, through social interactions and staying mentally and physically active. A recent report noted that “older Australians who are actively engaged in their community and have purpose and meaning in their life are healthier on average and may be less at risk of entering residential aged care” (Commonwealth Government, 2005).

The previous section highlighted the huge economic contribution older Australians make to the nation through unpaid work. Much of this work can also be seen as social contributions to the community. Our research also focused on the civic participation aspect of social contributions, as defined earlier. Many older Australians involved in civic participation have relatively high levels of skills and knowledge.

In 2006, there were 844,068 older Australians participating in civic and political groups (ABS, 2007h). They accounted for 29.6% of all people aged 18 years and over who participated in civic and political groups. Table 1 shows that people aged 55 to 64 years participate in civic and political groups at a much higher rate than other age groups, although participation declines sharply after the age of 65.

<table>
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<th>Age bracket</th>
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<th>As a % of all participants in civil &amp; political groups</th>
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</table>

Quantifying the value of civic participation by older Australians

Similar to the calculation of the value of volunteer work, we used the rate of $13.73 per hour and ABS’ median number of volunteer hours of 104 hours a year (or 2 hours a week) to determine the value of civic participation by older Australians. This calculation indicates:

A social contribution of $1.2 billion a year by 844,068 older Australians who participated in civic and political groups in 2006.

Barriers to workforce and volunteer participation

Our research confirms the huge economic and social contributions of older Australians. Alarmingly, the study also confirmed that there are still barriers to older Australians working. Many of these involve employers’ and policy makers’ negative perceptions – about the capabilities of older workers, the labour costs relative to their productivity, plus a view that their skills are outdated. Other barriers faced by older employees include the financial incentives for older workers to retire.

Members of NSA who participated in workshops for this study commented on the barriers affecting their ability to contribute further. They spoke about the ‘ageism’ of younger employers and workers, which they described as firstly, a lack of recognition of the skills and knowledge older workers bring to the workplace and secondly a lack of interest among the younger generation in gaining these skills and knowledge from older workers.

Others said they do not want paid work because they have to deal with Centrelink each time their income changes, while changes to their income can complicate their financial planning arrangements. Some participants spoke about their reluctance to volunteer because of the requirements of voluntary organisations. Examples of these requirements were meeting selection criteria, completing a minimum number of shifts, and having to pay out-of-pocket expenses such as travel costs.

Workshop participants identified some incentives which could encourage older Australians to return to the labour force. They included skills training, a skills register for those without networks, flexible work arrangements, and more positive public perceptions of older people.
IN SUMMARY

At the beginning of this document we asked the question: what do older Australians do with their days? More specifically, we wanted to determine the extent and value of their contributions to Australian society. Our findings suggest they were ‘still putting in’ in a host of ways. We found:

- An economic contribution of $59.6 billion a year to Australia’s GDP by 1,114,076 older Australians working full-time;
- An economic loss of $10.8 billion a year to the Australian economy for not using the skills and experience of older Australians who wanted to work;
- An economic contribution of $2 billion a year by older Australians working as volunteers;
- A cost to the economy of $3.9 billion a year if 587,794 older Australians providing unpaid help to people with a disability were replaced with paid workers;
- A cost to the economy of $911 million a year if 637,962 older Australians providing unpaid child care were replaced with paid workers;
- A social contribution of $1.2 billion a year by 844,068 older Australians who participated in civic and political groups;
- Nearly 2 million older Australians who are willing to work, could be encouraged to work or are unemployed and looking for work;
- There are still significant barriers to older Australians wanting to work or volunteer.

NEXT STEPS

Now that we have quantified the contributions of older Australians, what should we do with this information? There are four key actions that are required at a national level.

1. We need to recognise and celebrate the significant contributions older Australians make to the nation’s economic and social wellbeing. The findings in this study are a good starting point, and deserve to be widely known.

2. A better understanding of these contributions should lead to older Australians being viewed in a much more positive light. The findings show that older Australians are an often undervalued and underused asset, rather than a burden. This vast resource of skills, experience and wisdom can be harnessed for the national good. This reality should inform policy development at all levels.

3. More work needs to be done to encourage older Australians’ participation in paid work. The Commonwealth Government has made important reforms to encourage greater labour force participation by older Australians. These include reforms to superannuation intended to encourage older Australians to work longer, changed tax arrangements and welfare reform.

This requires a big-picture ageing policy approach. This approach must:

- Integrate government supports such as health, transport and social security;
- Allow for new, flexible models of work that consider retirement lifestyles and health status;
- Support the retraining of older workers; and
- Protect older people from discrimination.

4. The study identified areas of further research relevant to ageing policy, including:

- Finding ways to evaluate the success of ageing policy in Australia, including indicators which track the country’s progress in addressing negative perceptions about older workers and creating suitable work options.
- Further investigation into the reasons why older Australians return to the labour force and the strategies used to accomplish that.
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ABOUT THE NATIONAL SENIORS PRODUCTIVE AGEING CENTRE

The National Seniors Productive Ageing Centre is an initiative of National Seniors Australia and the Department of Health and Ageing. The Centre’s aim is to advance knowledge and understanding of all aspects of productive ageing to improve the quality of life of people aged 50 and over.

The Centre’s key objectives are to:
- Support quality consumer oriented research informed by the experience of people aged 50 years and over;
- Inform Government, business and the community on productive ageing across the life-course;
- Raise awareness of research findings which are useful for older people; and
- Be a leading centre for research, education and information on productive ageing in Australia.

For more information about the Productive Ageing Centre, visit www.productiveageing.com.au or call 02 6230 4588.

National Seniors Australia and the National Seniors Productive Ageing Centre gratefully acknowledge the financial and other support provided by the Australian Government to the National Seniors Productive Ageing Centre project.