

Mapping Behavioural Trends of the Baby Boomers

Demographic destiny

Addressing the challenges of an ageing population

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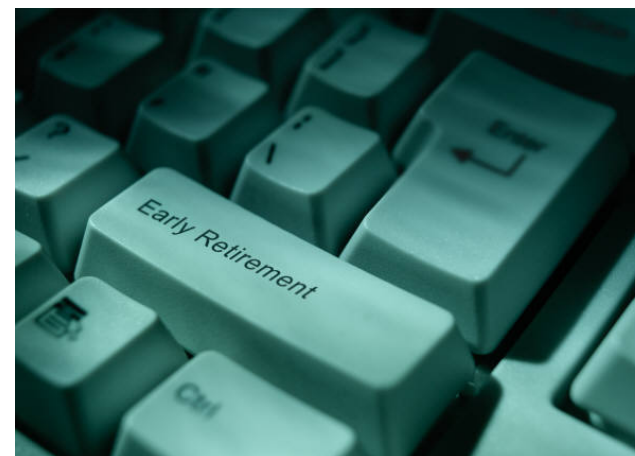


Baby Boomers

- Born 1946-1961
 - Currently aged 45 – 60
- In 52% in full-time employment (59% in 2002)
- 78% married or de-facto (79% in 2002)
- 32% member of couple with dependent children (51% in 2002)
 - 46% couple only (27% in 2002)
 - 3% sole parents
 - 19% lone person



Ageing in Australia and Labour Force Trends

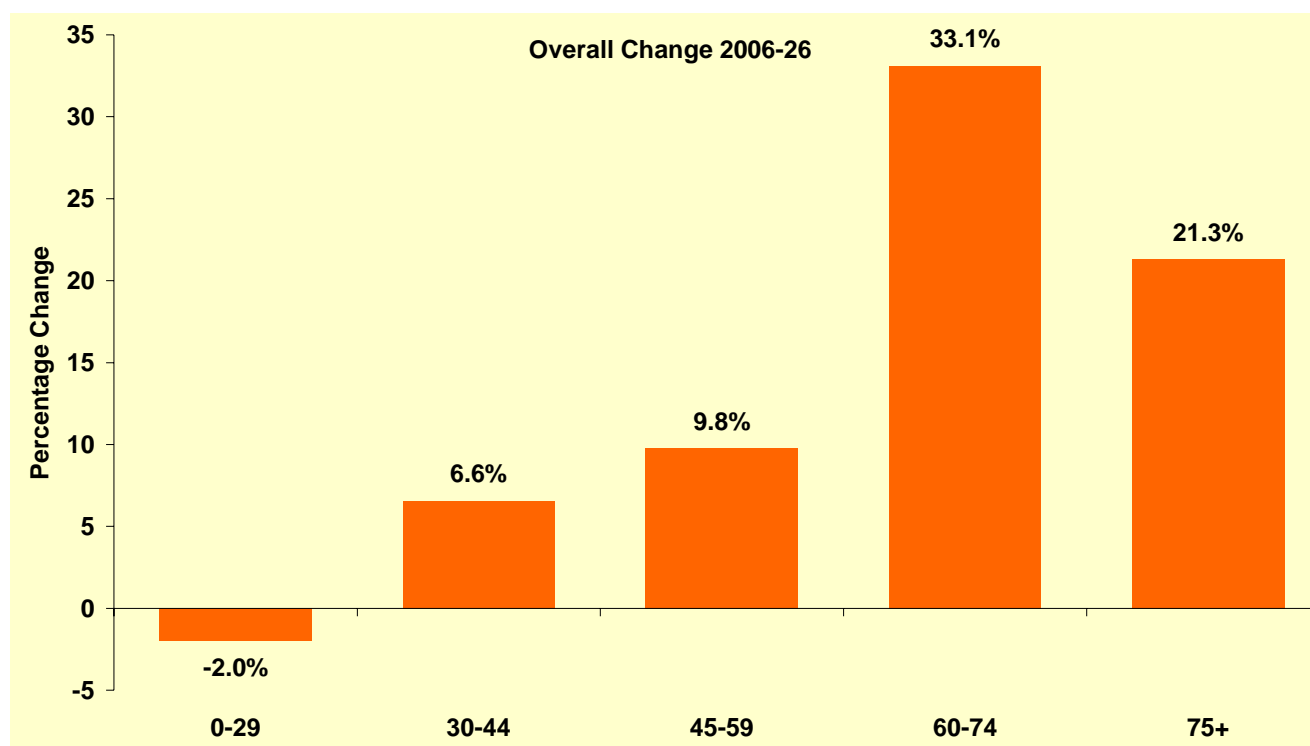


Population growth over the next 20 years

65+ from 13% → 21%; 85+ from 1.6% → 2.8%



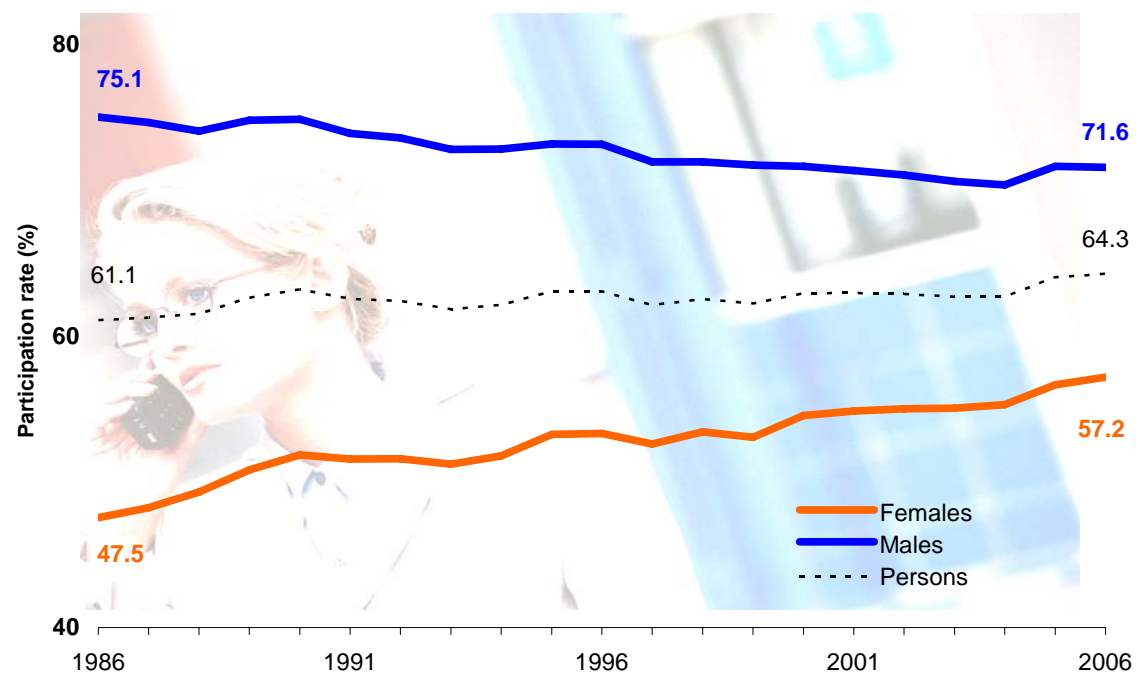
Differential growth rates by age



Changing Nature of the Labour Market

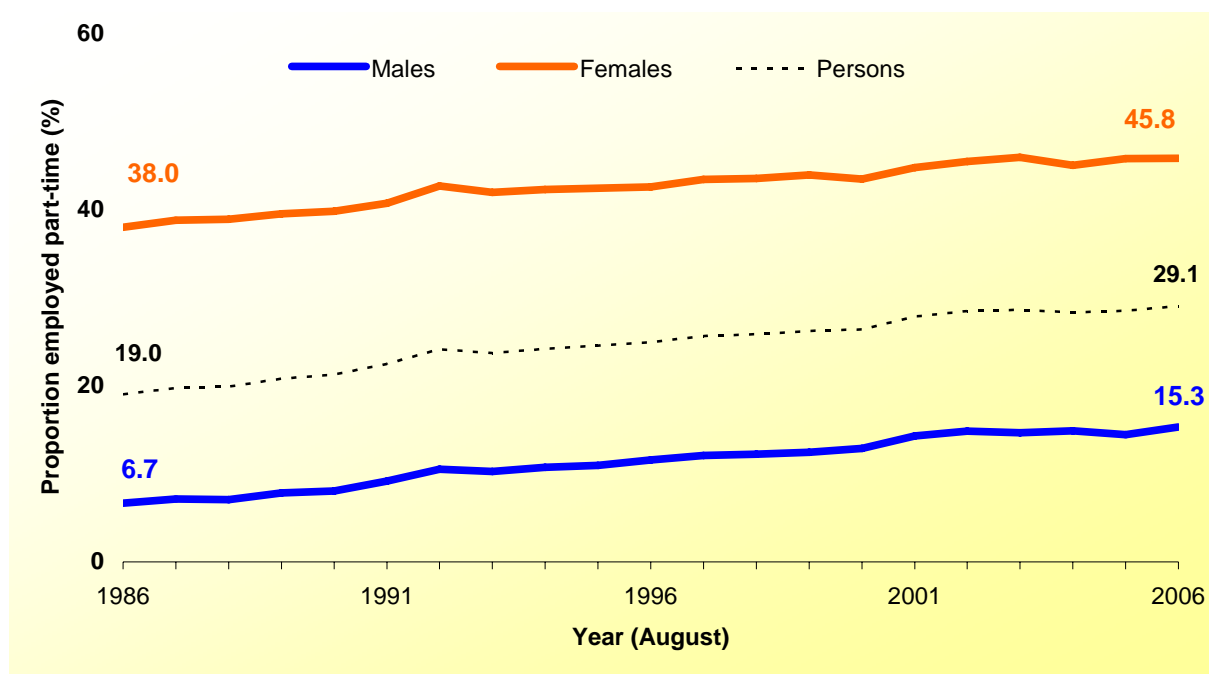


... women joining the workforce but proportion of men declining ...

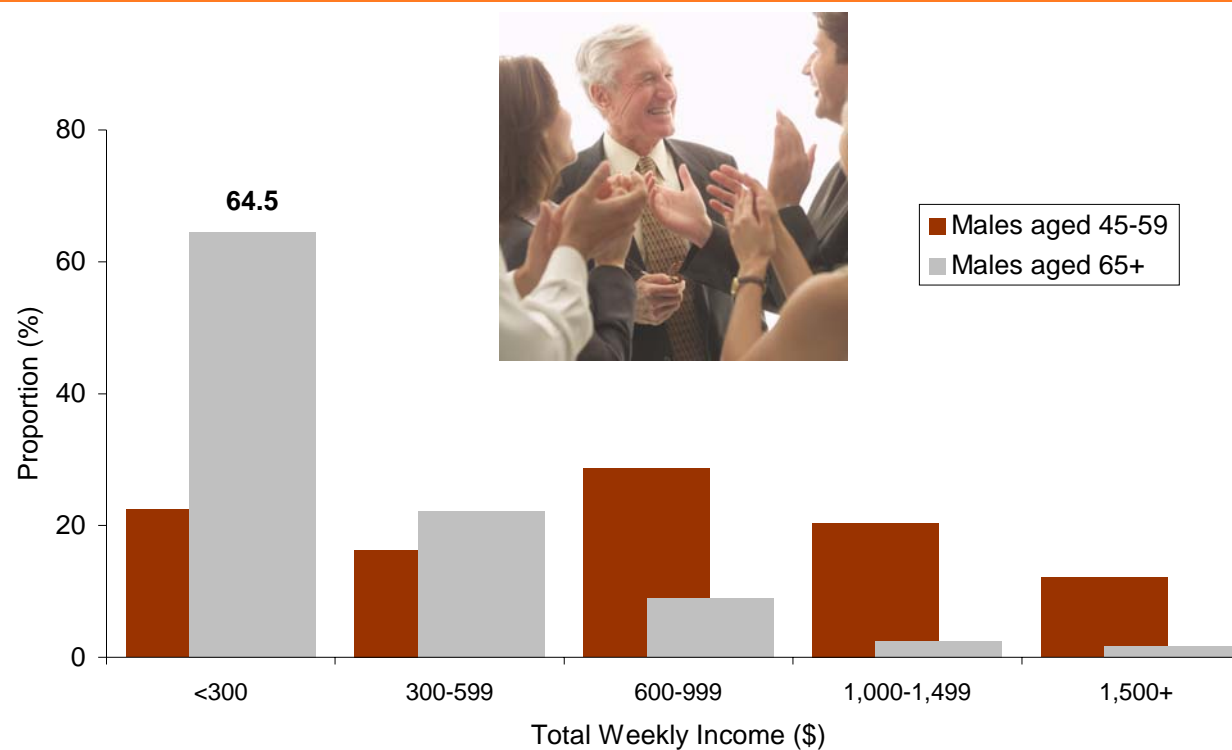


Source: ABS *Labour Force Australia*, Cat no. 6202.0, August each year

... the proportion working part-time is increasing ...

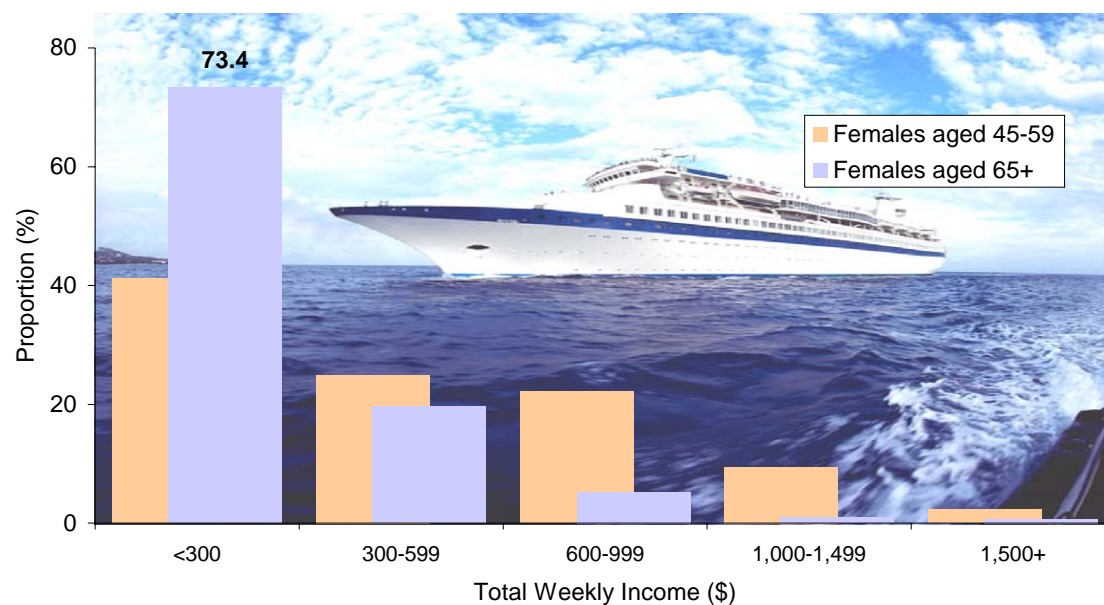


Large drop in income for men in retirement



Source: NATSEM calculations from ABS 2003-04 *Survey of Income and Housing* confidentialised data files

Women continue with low incomes



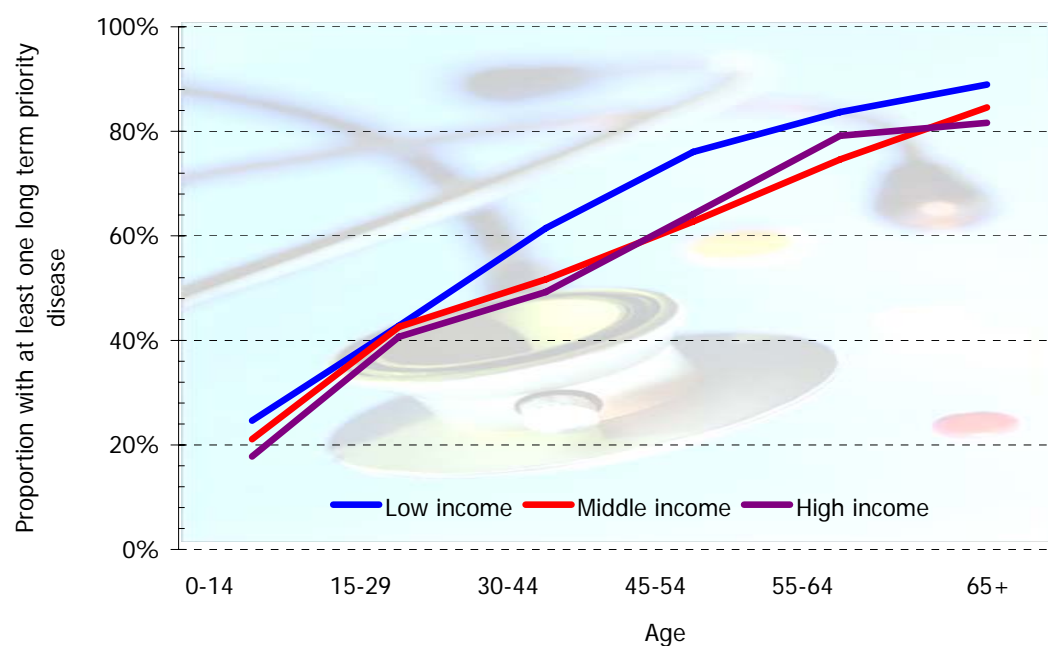
Source: NATSEM calculations from ABS 2003-04 *Survey of Income and Housing* confidentialised data files

As Baby Boomers start to retire...

They are relatively wealthy on average but ...

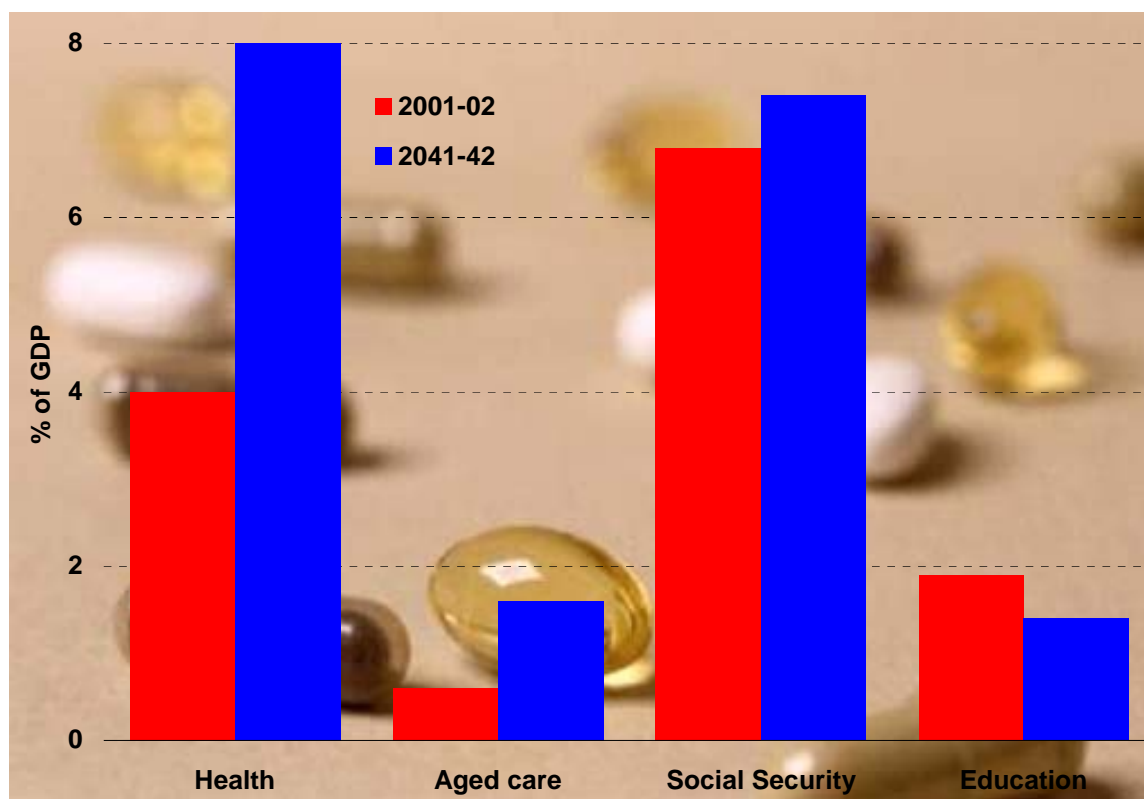
- Wealth has come through purchase of the family home
 - Most wealth still in the family home
- Distribution of wealth is very skewed
- Female baby boomers in particular have low retirement savings
 - Average Baby Boomer superannuation in 2004*
 - **Male \$87,100 (median \$30,700)**
 - **Female \$35,000 (median \$8,000)**
- Superannuation unlikely to make significant impact
- Primary source of retirement income will be the Age Pension
- Expectations exceed resources

% with one or more long term priority diseases



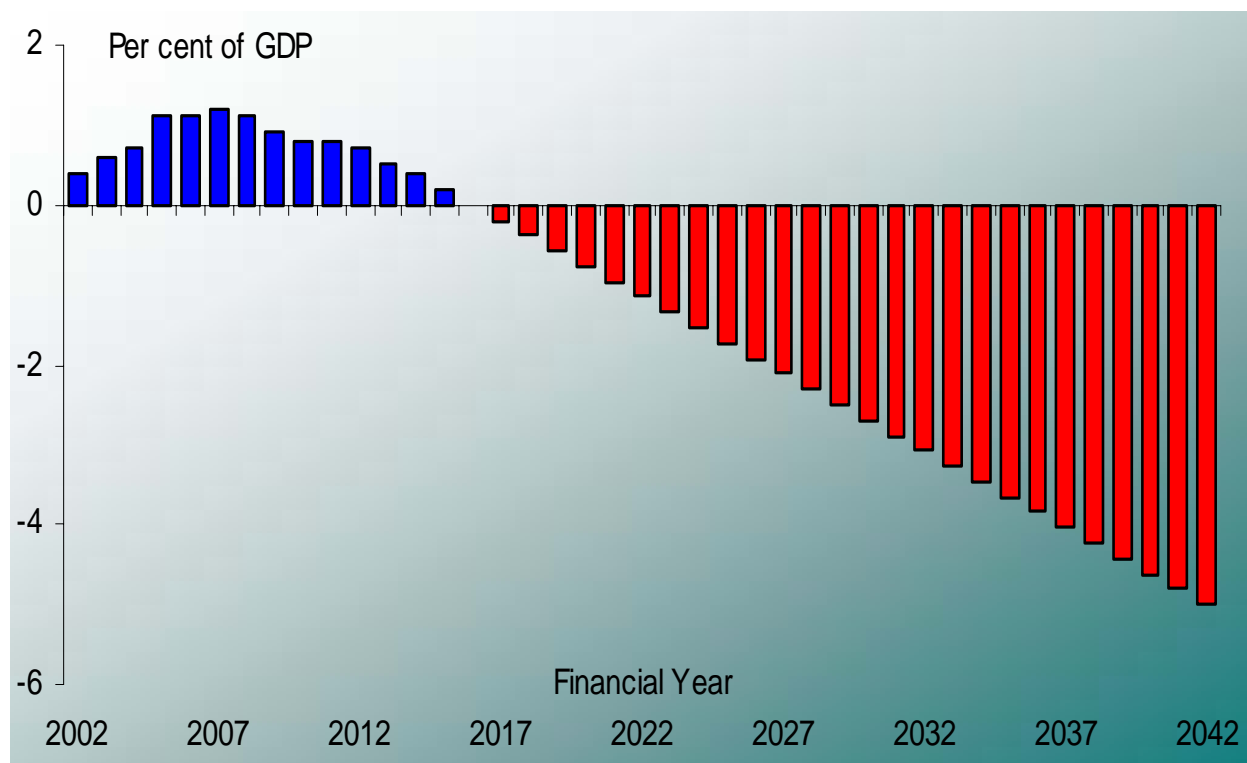
- Asthma
- Cancer
- Cardiovascular health
- Diabetes
- Injury prevention
- Mental health
- Arthritis
- Musculoskeletal conditions

Doubling of spending on health by 2042



Source: Australian Treasury, *Intergenerational Report*, Budget Paper No. 5, 2002-03

Projected revenue and spending under current policy



Source: Australian Treasury, *Intergenerational Report*, Budget Paper No. 5, 2002-03

What are the policy options?

- Increase retirement savings
 - Greater labour force participation
 - Increase the SG contribution rate
 - Reduce superannuation taxes
 - Reduce superannuation fees and charges
- Increase government revenue
 - Unpopular, but Australian taxes are low by international standards
- Decrease outlays
 - Better targeting of the Age Pension

**Australia needs to develop
models to look at the policy options**

The Australian Population and Policy Simulator (APPSIM)

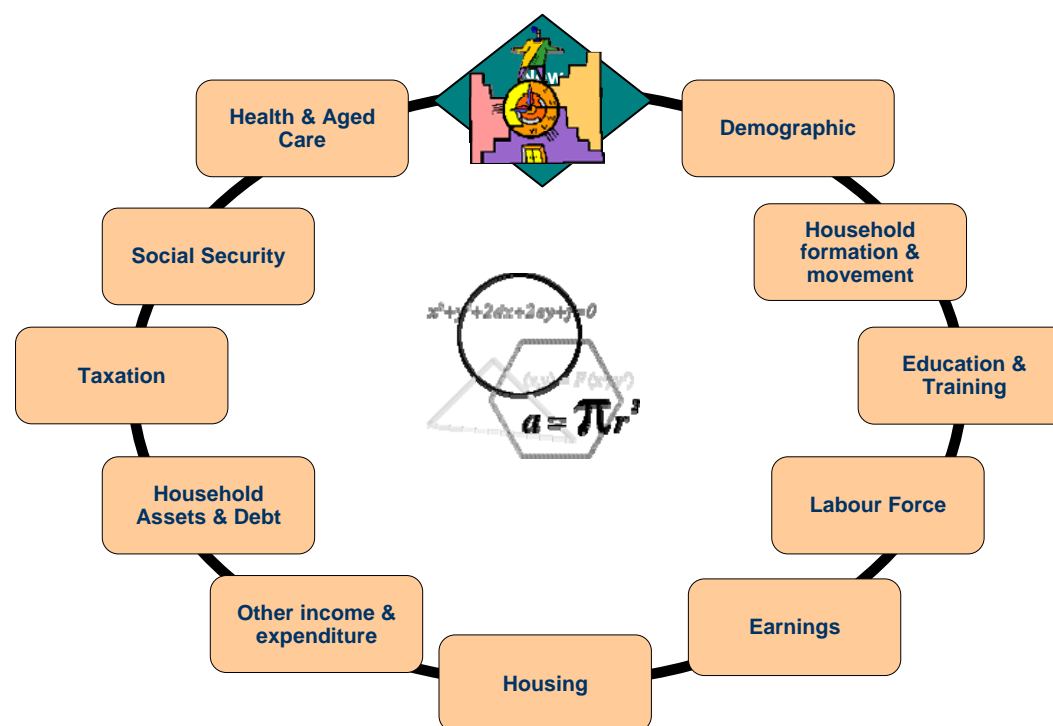


APPSIM is being developed at NATSEM

- Won an Australian Research Council Linkage Grant
- 5-year project begun in July 1005
- Collaboration with 13 Australian Government organisations



APPSIM lifecycle simulation



V0.2 8 Apr 2006

Summary and Issues

- Ageing population
 - Older population growing rapidly
 - Working age steady or in decline
 - Increasing pressure on government budgets
- Baby Boomers
 - Now aged 45-60
 - Generally wealthy, high income couples
 - Reducing hours worked or moving out of the labour force
 - Low savings other than family home
 - Superannuation very low for most, at present
 - Female average \$35,000; Male average \$87,000
 - Expectation-reality retirement mismatch
 - More than half of all current retirees live on less than \$300 per week
- NATSEM developing APPSIM to help government assess the impact of possible policy approaches



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