

Bye bye, babies: A nation living into its 90s is ageing faster than expected



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MARIJA ERCEGOVAC

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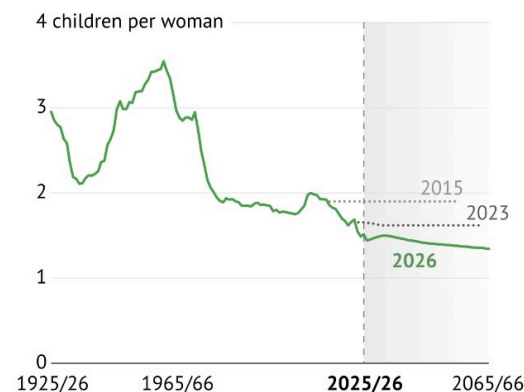
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Australia's past and future total fertility rate

Previous long-term assumption vs new assumption



Source: Australian Bureau of Statistics Historical population; ABS National, state and territory population; and Treasury.

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A fertility rate of 2.1 is needed for the population to be replaced from one generation to the next without migration.

The lower forecast for fertility has a considerable impact on the rate at which the population ages.

"Lower fertility means fewer children, a proportionally smaller future workforce and a larger proportion of older Australians," the report said.

The fertility slump is not unique to Australia - many nations in Europe and parts of Asia have had far steeper declines, triggering warnings of a "demographic winter" in some.

With one child or none becoming more common, we asked Australians what they want their families to look like.

The combination of an ageing community and a relative decline in births will dramatically shift Australia's population dynamics. By the 2060s, deaths are projected to outnumber births - at that point, migration will become the only driver of population growth.

That ageing trend means the share of Australian workers in their prime earning years is shrinking - now there are about 28 people aged over 65 for every 100 working-age Australians, but that will rise to 39 people by 2062-63.

That will reinforce a broader shift in Australia's industrial base towards services by increasing the demand for household health services and aged care.

Over time, that will affect what many Australians do for work.

Healthcare and social assistance is already the nation's largest employer with 2.4 million workers, or about 16 per cent of the workforce.

Demographic change will ensure that a growing share of Australian workers find employment in that fastest-growing sector over the coming decade.

Population ageing will also pile pressure on the federal budget because older people typically use more healthcare and aged care services, which are costly to provide. "Health will continue to be the single largest budget pressure," the report said.

Rising workforce participation by older people will offset the budgetary impact of ageing to some extent. The share of Australians aged 65 years and over in the workforce has risen from about 6 per cent to 16 per cent since the first intergenerational report was published in 2002.

Australia's maturing superannuation system is also supporting higher retirement incomes and easing pressure on the budget.

"By the mid-2040s, most retirees will have benefited from compulsory superannuation over a significant proportion of their working lives, making superannuation the primary source of retirement income for many retirees and reducing reliance on the age pension," the report said.

Superannuation drawdowns will reach a huge 6 per cent of gross domestic product by 2065-66, the report predicts.

Another factor driving the ageing of Australia's population is its longevity.

Australians already have one of the longest life expectancies in the world. But the intergenerational report predicts they will get even longer - by 2066, life expectancy will reach 89.5 years for women and 86.1 years for men due to improvements in healthcare and medical innovation.



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Source: Sydney Morning Herald

