



BANKWEST CURTIN ECONOMICS CENTRE

SECURING OUR FUTURE

Meeting the Challenges of WA's ageing population

Focus on Western Australia Report Series, No.6
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Foreword



Western Australia's population is growing older. The median age of West Australians is set to increase from 36 years today to 40 years by 2050. During that time the proportion of West Australians aged 65 and over is projected to increase from 13% to 18% in 2050. In many respects this ageing is a positive development: it reflects that West Australians are living longer, healthier lives and growing in affluence. However, population ageing also brings challenges. As people grow old, some of the key issues they face concern their independence, housing and the desire for 'ageing in place', physical and mental health and financial security. At the macro-economic level, population ageing is expected to reduce economic growth and impact negatively on public finances.

Securing our Future is the sixth report in the Bankwest Curtin Economics Centre's Focus on Western Australia series. It brings new evidence to an important policy issue with a focus on the West Australian context. After presenting some key trends on demographic changes and projections in Western Australia compared to the rest of Australia, this report explores a range of issues that are pertinent to older West Australians. These include their economic and social participation, health, wellbeing and quality of life, housing and care needs, and financial security in later life.

This report finds that there is a critical need to install safeguards to protect the wellbeing of older West Australians facing financial and housing insecurity. Older West Australians are more vulnerable than in other States and Territories in some respects. Many households in WA are exposed to high housing cost burdens in later life. Older home owners in WA have higher rates of mortgage indebtedness in retirement than in other States and Territories, and significant numbers of West Australians are renting in old age. Single older women who have experienced marital breakdown or bereavement are a particularly disadvantaged group.

If the concerns of population ageing are not addressed, the resulting reverberations will be felt throughout the entire West Australian community in the coming years as the aged cohort grows in size. However, it is important to note that population ageing brings with it not just challenges, but many opportunities to harness the contributions that older persons make to their community. Older people make valuable unpaid contributions to the West Australian society through volunteering. Many undertake caring roles that in turn enable their families to participate in paid work.

Overall, the ageing of WA is a positive development: it reflects that West Australians are living longer and healthier lives. It is also notable that older West Australians are relatively prosperous, more optimistic about their retirement futures and healthier compared to most other States in Australia. Securing the economic future of the State will not only entail meeting the challenges – but also harnessing the opportunities – that population ageing brings to Western Australia.

A handwritten signature in black ink, appearing to read 'Alan Duncan', written in a cursive style.

Professor Alan Duncan

Director, Bankwest Curtin Economics Centre
Curtin Business School, Curtin University

Executive summary

This sixth report in the Bankwest Curtin Economics Centre's *Focus on Western Australia* series addresses the critical issue of population ageing in Western Australia. Our research explores a range of key issues that affect the wellbeing of older West Australians.

A detailed analysis of population ageing focuses on a series of key issues:

- What does Western Australia's current and projected demographic profile look like compared to the rest of Australia?
- What are the work preferences of older West Australians, and in what way do they contribute to the community beyond participation in paid work?
- Do West Australians age well in relation to their health and quality of life?
- How have the housing needs of older West Australians changed over time, and do expectations of care provision in WA vary from other States?
- Are older West Australians financially secure and optimistic about their retirement futures? Do certain population subgroups suffer from financial vulnerability in later life?

The report makes use of a number of key sources, including the Household, Income and Labour Dynamics in Australia (HILDA) Survey, and ABS data such as the Census of Population and Housing, Population Projections, Survey of Income and Housing and Survey of Disability, Ageing and Carers.

The intention of this report is to provide government, industry and the wider West Australian community with the most up-to-date knowledge of trends, preferences and needs of WA's ageing population, and serves as a key reference piece and evidence base from which to inform policies that affect the wellbeing and future of older persons in Western Australia.

Key findings

The growth of the West

- Western Australia will be home to over 1 million people aged 65 and over by 2050.
- The median age of a West Australian at the turn of last century was 26 years - the median age is now almost 36 years, and projected to rise to 40 by 2050.
- Today around 13 per cent of the West Australian population is aged 65 years and older - this is projected to increase to over 18 per cent by 2050.
- WA has the lowest proportion of persons aged 65 and over (12.8 per cent) and aged 85 and over (1.6 per cent) of all the States, though not as low as ACT and NT.
- The region with the highest proportion of persons aged 65 and over (17.9 per cent) is Peel.
- WA's agricultural regions have a markedly higher proportion of persons aged 65 and over than the State overall - particularly the Great Southern (16.7 per cent) and Wheatbelt (16.1 per cent).
- The Wheatbelt recorded the highest increase in the proportion of the population aged 65 and over between 2006 and 2011.
- Peel displays the largest increase in the share of persons aged 85 and over.

Key findings (continued)

Economic and social participation

- At age 65, nearly half of men (49 per cent) and three in ten women are either working or seeking employment.
- By age 70 around 20 per cent of men and 10 per cent of women are still either working or looking for work.
- Although participation rates are generally higher in WA than in the rest of Australia, the exception is for women between the ages of 27 and 40.
- Around a third of WA workers aged 55 to 64 would prefer to be working fewer hours than they do.
- Among workers aged 70 to 74, almost one in five prefer to work fewer hours.
- Older workers have a stronger preference for reduced hours as they age, but the lack of flexibility in choice of working hours may lead some to drop out of the labour market altogether.
- Once unemployed, older persons have greater difficulty in returning to work, with the proportion of long-term unemployment higher for persons aged 55-64 than those aged 35-54.
- More than half of those aged 55 and over who want to work but are not seeking employment are discouraged jobseekers, outnumbering those who gave personal or family reasons.
- For discouraged workers aged 55-69 and aged 70 and over, around half indicated that their main reason for not looking for work was that they would be 'considered too old by employers'.
- Averaged over 2002 to 2013, elderly West Australians provide support totalling around 5 hours per week per person for childcare, volunteer or charity work, or for the care of a disabled spouse or relative.
- Volunteering rates in WA are marginally above the national average for persons aged 55 years and over, mainly to support sport and recreation, religious activities, and welfare and community organisations.

Health, wellbeing and quality of life

- The number of West Australians with dementia is estimated at 32,000.
- The prevalence of dementia doubles every 5 years from around the age of 65.
- Co-resident primary carers of people with dementia are twice as likely as other co-resident primary carers to provide 40 or more hours of care per week.
- Older West Australians enjoy better health than their counterparts in the rest of the country.
- Around 20.4 per cent of West Australians aged 50 to 54 live with long term health conditions or disabilities – this is 9.5 percentage points lower than the comparable rate for the rest of Australia.
- The positive health gap closes for older age cohorts in Western Australia
- Rates of long term illness or disability rise from 41.9 per cent for those aged 65-69 (6.2 percentage points lower than for the rest of the country) to 62.7 per cent for among those aged 75 and over (only 3.5 percentage points lower).

- Beyond 40 years of age, residents of WA are generally more likely to report good health, and markedly less likely to report poor health, than those of the same age in the remainder of the country.
- From around the age of 30, West Australians are more satisfied with their lives than other Australians, and this gap widens into old age.
- Average life satisfaction for West Australians rises steadily from midlife - around 45 to 50 years of age - until beyond the normal retirement age of 75 to 79. Life satisfaction tends to fall only for those aged 80 years and over.
- Community engagement is substantially lower among older aged West Australians compared to the rest of Australia - the rate is only one in five of those aged 65 and over living alone, less than half the national rate.
- Workers aged 45 to 55 are developing stronger expectations of working longer, with similar patterns for workers from WA and the remainder of the country.
- More than 20 per cent of people aged 65 to 69 regard themselves not to have retired, around half of whom continue to work in what they consider to be part retirement.
- More workers would like the option of a more gradual transition into retirement than currently have access to such arrangements.
- Of those who have completely retired, 46 per cent feel they had been pressured or forced to retire.

Housing and care needs in later life

- Around one in five WA home owners aged 55 to 64 have a mortgage debt secured against their home, a rate significantly higher than for home owners in the rest of Australia.
- The rate of renting in WA declines from 51 per cent among those aged 25-34 to 17 per cent among those aged 65 years and over.
- However, the rate of renting amongst older persons aged 55 years and over is higher in WA than the rest of Australia.
- Women who have experienced marital breakdown or bereavement are over-represented amongst older renters.
- Renters aged 45-54 are much more likely than owners in the same age band to be in financial stress.
- Older West Australians are more likely to have 3-4 spare bedrooms than older persons in the rest of Australia. This space under-utilisation may be linked to the mix of housing stock available in WA.
- During 2001-13, downsizing comprised 28 per cent of moves within the home ownership sector by persons aged 45 years and over in WA as compared to higher rates in other States.
- The incidence of stamp duty on housing equity released through downsizing is much higher in WA at 25 per cent, declining to 17 per cent in South Australia and 12 per cent in Queensland.
- There is a clear positive association between age and the desire to continue living in the same area across Australia. However, this desire is not well matched by an adequate supply of affordable and appropriate housing in the locality that would allow older persons to remain within their community.

- Persons aged 65 years and over with a health condition are less likely to modify their dwellings in WA (16 per cent) than in other states and territories. The propensity to modify the dwelling is highest in Victoria at 22 per cent.
- WA households are less likely to ask for assistance with activities across all States and Territories at 29 per cent.
- The rate of access to formal care is lowest in WA at 13 per cent amongst all States and Territories. On the other hand, there is greater use of informal care in WA than the rest of Australia.
- 72 per cent of persons aged 65-84 who are in need of assistance in States outside WA are satisfied with the range of services available to them, compared to a noticeably lower 62 per cent in WA.

Financial security in older age

- The average West Australian household aged 45 years and over is estimated to have net income of \$82,000 and net wealth of over \$1.1 million.
- With the exception of the territories, older households in WA have higher income and wealth than other States.
- The average income of the richest 20 per cent of households aged 45 years and over is 14 times the average of WA older households in the bottom quintile (\$14,000).
- At an estimated average of over \$3 million, the top 20 per cent wealthiest older West Australians have wealth levels that are almost 40 times the wealth of the bottom 20 per cent (\$79,000).
- The divergence between the poorest and richest older households is higher in WA than the rest of Australia.
- WA older households are more likely to be self-reliant on personal income than in the rest of Australia, though government pensions and allowances remain the main income source of West Australians aged 65 and over.
- Housing remains the key asset in both WA and the rest of Australia. The primary home and other property represent 60 per cent of average household assets. Hence, housing assets are critical to the retirement strategies and welfare of Australians.
- Prospective retirees from WA are more likely to expect to rely on income from savings, investments, property and business (22 per cent) to fund their retirement than the rest of Australia (14 per cent).
- Only 33 per cent of prospective retirees from WA seek financial planning advice, compared to 36 per cent in the rest of Australia.
- There are clear correlations between the use of mortgage equity withdrawal by older home owners and the housing market cycle, particularly in WA. During the housing market boom of the early to mid 2000s, the increase in interest in mortgage equity withdrawal was more evident in WA than the rest of Australia.
- 16 per cent of West Australians aged 45 years and over have low economic resource. The typical low economic resource older individual is more likely to be female (57 per cent), aged 60 and over (57 per cent), and living alone (56 per cent).

Introduction

Population ageing refers to an increase in the proportion of older people in the population relative to younger people. The age-profile or 'age pyramid' of the population remains steady if the number of births and in-flows through migration are roughly counterbalanced by outflows through mortality and out-migration. Instead, population ageing has been occurring throughout the advanced world, caused primarily by declining fertility rates as per capita incomes rise, and secondarily because people live longer as per capita incomes rise and with advances in medical knowledge and technology.

Western Australia's population is also growing older. The median age of West Australians is set to increase from 36 years today to 40 years by 2050. During that time the proportion of West Australians aged 65 and over is projected to increase from 12.8% to 18.3% in 2050. In many respects this ageing is a positive development: it reflects that West Australians are living longer, healthier lives and growing in affluence. A woman born in Western Australia at the beginning of the last century could expect to live to 56.6 years, and a man to only around 51 years. Life expectancy for West Australians born in the early 2000s has risen to around 84 years for women and 79 years for men (ABS 2008a).

However, population ageing also brings challenges. The same important human issues that have always faced ageing individuals and their families persist, but will occur in greater number. As people grow old, some of the key issues they face concern their independence, housing and the desire for 'ageing in place', physical and mental health, financial security and safety. At the macro-economic level, population ageing is expected to reduce economic growth and impact negatively on public finances.

This report explores these issues with a focus on the West Australian context. Firstly, the report presents some key trends on demographic changes and projections in Western Australia compared to the rest of Australia. It then turns next to analysing a range of issues that are pertinent to older West Australians, including their economic and social participation, health, wellbeing and quality of life, housing and care needs, and financial security in later life. The report concludes by highlighting some critical policy issues that will need to be addressed in order to position the State well to address the challenges and harness the opportunities that population ageing brings to Western Australia.

Demographic

change in Western Australia

The growth of the West

Western Australia will be home to over 1 million people aged 65 and over by 2050.

Historical data from Australian Bureau of Statistics (ABS) indicate that the median age of a West Australian at the turn of last century was 26 years. By around the middle of that century it had risen to around 29 years, to almost 36 years currently, and projected to rise to 40 by 2050.¹ An important dimension to population ageing is seen in the steady rise in the proportion of the population in the older cohorts (Table 1). Today around 12.8% of the West Australian population is aged 65 years and older. This compares to 7.4% in 1971, and is projected to increase to over 18% by 2050. That said, the data also show the WA population is younger than the rest of Australia. For the remainder of Australia the proportion of the population aged 65 and over is currently around 15.2%, and is projected to rise to 21.3% by 2050.

The rise in the proportion of people aged 85 and over is equally stark (Table 1). From just 0.4% in 1971, this cohort now represents 1.6% of the WA population. On current trends, the population share of West Australians aged 85 and over is set to more than double to 3.3% by 2050.

The population share of people aged 65 and over is set to accelerate between around 2011 and 2035, while growth in the older cohort aged 85 and over will happen around 20 years later. This is a result of the population wave of 'baby boomers' - the cohort born during the post-World War II fertility boom - entering the oldest age bands. Taken together, the combination of population growth and ageing means that Western Australia will likely be home to over 1 million persons aged 65 and over and 183,600 people in the oldest cohort aged 85 and over by 2050.

Table 1 Older persons in Western Australia, number and share of the population, historical data and projections

	1971	2000	2015	2030	2050
Persons ('000)					
Aged 65 and over	78.2	203.2	343.1	604.2	1009.7
Aged 85 and over	4.4	21.8	41.9	77.4	183.6
Total Population	1053.8	1879.1	2676.7	3888.9	5509.6
Per cent of population					
Aged 65 and over	7.4	10.8	12.8	15.5	18.3
Aged 85 and over	0.4	1.2	1.6	2.0	3.3

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations based on ABS Catalogue No. 3105.0.65.001, *Australian Historical Population Statistics* and ABS Catalogue No. 3222.0, *Population Projections, Australia, Series B*.

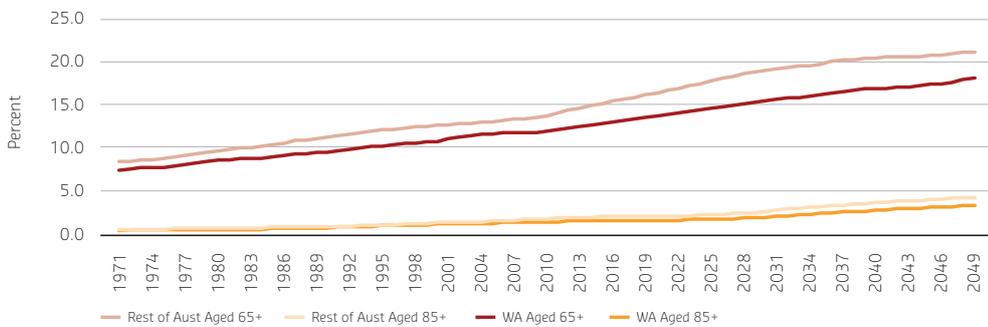
These population projections are drawn from ABS figures that assume a continuation of current trends in fertility, mortality and net migration (ABS 'Series B'). The WA Department of Planning also produces current population figures and future projections out to 2026. However, this *Focus on Western Australia* report uses the ABS series simply because this allows direct comparison with the other States and Territories using an equivalent methodology.

It is worth noting that the WA Department of Planning projections to 2026 infer slower population growth and more pronounced ageing than the ABS Series B. By 2026 the proportion of the population aged 65 and over by the Department of Planning projections is 15.6% compared to 14.8% for ABS Series B. The respective figures for persons aged 85 and over are 1.9% and 1.8%.

¹ The ABS produces projections based on three scenarios: Series B is based on current trends, while Series A and Series C use assumptions that generate high population growth and low population growth scenarios respectively. Unless otherwise stated, population data for 2011 and earlier are taken from *Australian Historical Population Statistics*, ABS Catalogue No. 3105.0.65.001; figures for 2014 taken from *Population by age and sex, Australia*, ABS Catalogue No. 3235.0; and projections from 2015 onwards from *Population Projections, Australia*, ABS Catalogue No. 3222.0, Series B.

Figure 1 demonstrates that while the post and projected ageing trends are similar for both WA and the remainder of Australia, WA has a younger population age profile than the remainder of Australia, and the projections indicate a widening gap. Western Australia in fact has the lowest proportion of persons aged 65 years and over and of persons aged 85 and over of all the States, though not as low as the two Territories (Figure 2). The Northern Territory has a particularly youthful profile because of the relatively high share of Indigenous persons within its population, a group characterised by higher than average fertility rates and, regrettably, substantially lower life expectancy.

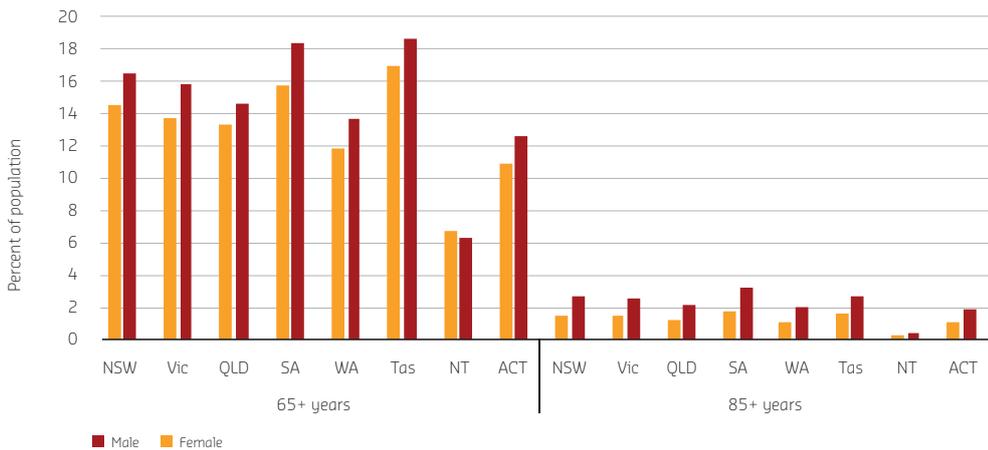
Figure 1 Proportion of population aged 65 years and over and 85 years and over, Western Australia and rest of Australia, historical data (1971-2014) and projections (2015-2050)



Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations based on ABS Catalogue No. 3105.0.65.001, *Australian Historical Population Statistics* and ABS Catalogue No. 3222.0, *Population Projections, Australia, Series B*.

WA has a younger population age profile than the remainder of Australia, and will continue to have the lowest share of persons aged 65 and over and 85 and over of all the States in the coming decades.

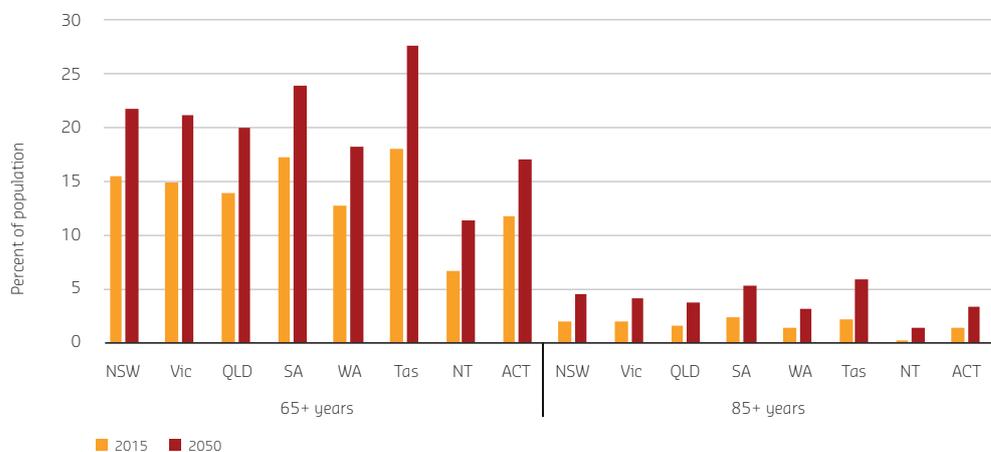
Figure 2 Older persons as share of the total population, States and Territories, June 2014



Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations based on ABS Catalogue 3235.0, *Population by Age and Sex, Australia*.

The ABS projections based on current trends in fertility, life expectancy and net overseas migration indicate that WA will continue to have the lowest share of persons aged 65 and over and 85 and over of all the States in the coming decades (See Figure 3). The projections for Tasmania and, to a lesser degree South Australia, show accentuated population ageing. Thus while the West Australian population will age substantially in the coming decades, it will not be impacted to the same degree as the other States.

Figure 3 Projected share of older persons in the population, State and Territories, 2015 and 2050



Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations based on ABS Catalogue No. 3222.0, *Population Projections, Australia, Series B*.

Population ageing in the regions

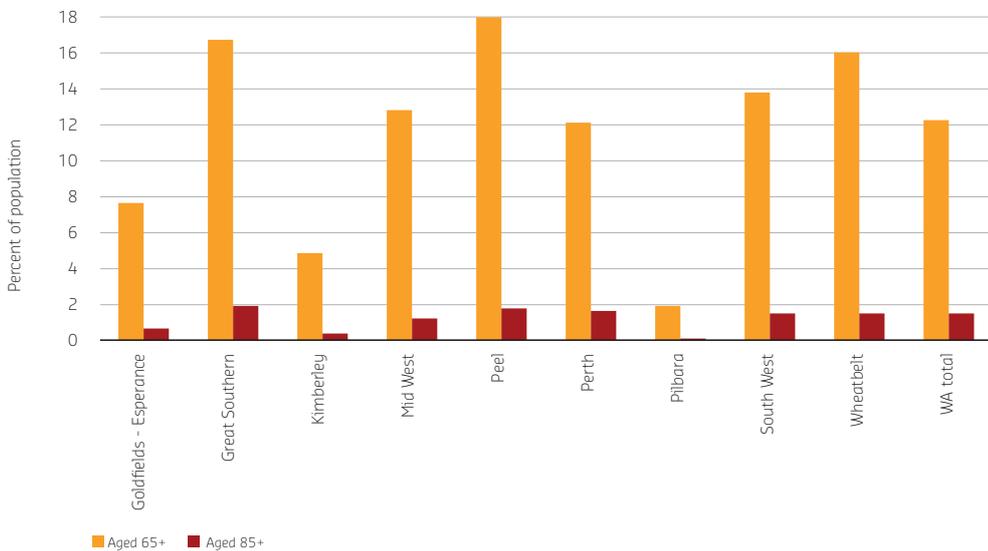
The age profile of the WA population varies geographically across the State. Data from the Census of Population and Housing are drawn upon to explore trends at a detailed geographic level. For WA as a whole, 12.3% of the population was aged 65 years and over in 2011. The region with the highest share of persons aged over 65 was Peel (Figure 4), while two agricultural regions – the Great Southern and Wheatbelt – also had a markedly higher proportion than the State overall.

For a more nuanced picture of the geographical distribution of WA's older age cohorts, Figure 5 maps the share of people aged 65 and over by local government areas (LGA) across the State. The concentration of older aged West Australians in Peel, Wheatbelt, Great Southern and along the coastal areas shows up very clearly. In fact, the eight Local Government Areas (LGAs) with the highest proportion of persons aged 65 and over are all in the Wheatbelt. These were Wyalkatchem with the highest (27.9%), Beverley, Brookton, Narembeen, Quairading, Kellerberrin, Corrigin and Trayning (20.7%).

The Wheatbelt also recorded the highest increase in the proportion aged 65 and over between the 2006 and 2011 Census, an increase of 2.1 percentage points. Of the LGAs, Wyalkatchem also topped this list, with a rise of 8.8 percentage points (Figure 6). However, Peel was the region displaying the largest increase in the share of persons aged 85 and over.

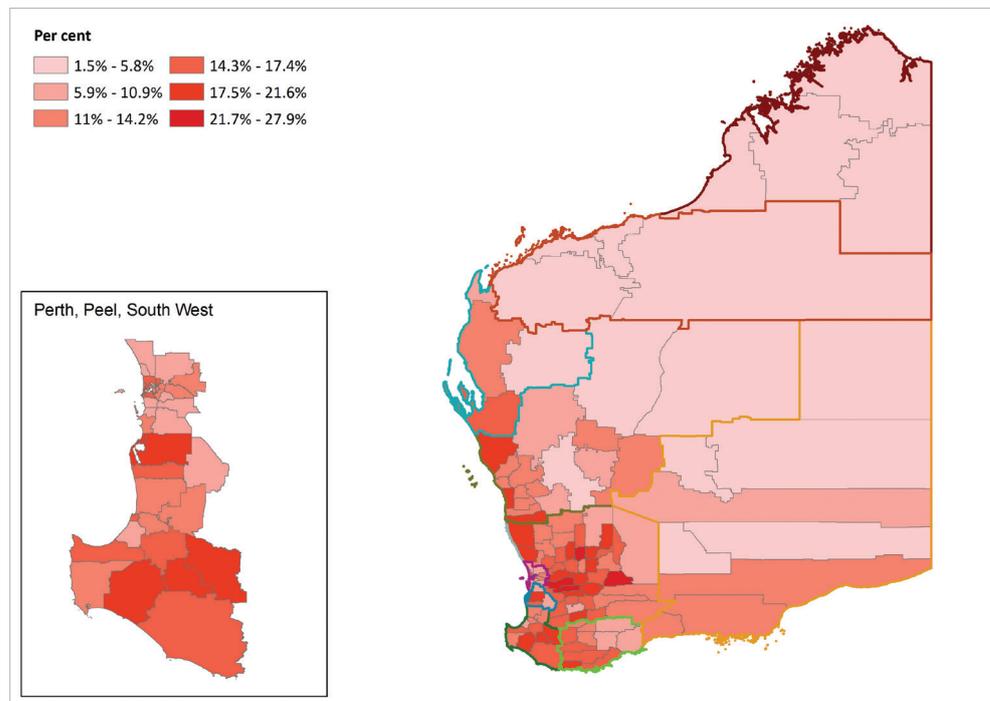
The region with the highest proportion of persons aged over 65 is Peel, while two agricultural regions – the Great southern and Wheatbelt – also have a markedly higher proportion than the State overall.

Figure 4 Proportion of older persons in the population by Region, Western Australia, 2011



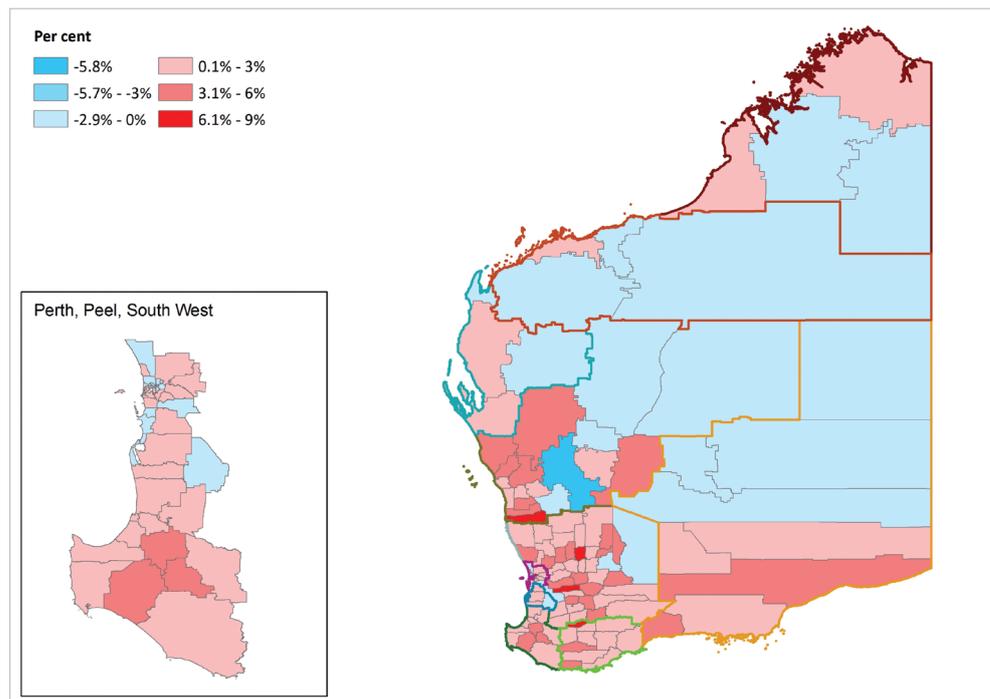
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations based on ABS 2011 Census of Population and Housing data.

Figure 5 Proportion of population aged 65 and over by Local Government Area, Western Australia, 2011



Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations based on ABS 2011 Census of Population and Housing data.

Figure 6 Percentage point change in the proportion of people aged 65 and over from 2006 to 2011 by Local Government Area, Western Australia



Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations based on ABS 2006 and 2011 Census of Population and Housing data.

Summary

These demographic trends pose important issues for policymakers and the West Australian society. While Western Australia has the lowest proportion of persons aged 65 years and over and of persons aged 85 and over of all the States, its population is ageing. Positioning the State to implement policies and actions that are sensitive to the needs and preferences of older people can substantially improve the wellbeing of our senior citizens and the WA community as a whole.

Older people can become increasingly exposed to financial vulnerabilities during the process of ageing. Post-retirement incomes are typically low for the majority of the aged, so housing pathways can be drastically affected by adverse life events precipitating financial shocks such as bereavement and marital breakdowns. The ageing of the population raises such questions as the adequacy of care provision for the aged and older people's expectations in relation to care.

Diminishing labour supply by the ageing population may lead to a reduced standard of living for older people. For the economy, population ageing is expected to reduce the relative size of the workforce and lower government revenues while simultaneous increasing health and social security expenditure, thereby deteriorating budgetary positions. If these issues are to be addressed by increased labour force participation, then policy development will have to respond to issues related to the retention of the older worker such as age discrimination.

There are also diversities within older age groups that influence their preferences and expectations differently. Baby boomers increasingly prioritise individuality and lifestyle choices over traditional norms associated with family obligations held to by pre-war cohorts. In addition, vulnerable pockets exist within the ageing population, which are in particular need of policy attention. The rest of this report examines a range of issues that influence the wellbeing of older West Australians.

Economic

and social participation

Introduction

One of the headline indicators conveying the economic impact of population ageing is the dependency ratio which, broadly speaking, is a measure of the number of economically inactive people in the population compared to the number of people who are available to work. It encapsulates the notion that with the growing number of older people requiring support and fewer people working, standards of living will fall. It follows that increasing the rate of participation in the labour force among older Australians is one way to ameliorate this trend, the idea that as we live longer we also need to work longer.

This section explores the labour force implications of population ageing and the potential responses in terms of labour market adjustment. Keeping older Australians in the workforce for longer will require changes in practices and attitudes. However, even when retired or semi-retired from the formal labour market, older Australians continue to participate in a variety of other ways. It is important to also highlight these community contributions that tend to go unpaid but in many cases enable others in the community to be economically active.

Growing dependency

A commonly used definition of the 'working age population' is the number of persons aged between 15 and 64. This is only a crude proxy on several counts: due to increasing educational participation the vast bulk of younger people now enter the full-time labour force well after the age of 15; it takes no account of the intensity of work by age, such as hours worked or age specific participation rates; plus many people do work beyond the age of 65 (though labour force participation does drop sharply as shown in Figure 8).

A rough approximation used to capture the effect of the growing number of non-workers to workers is the *dependency ratio*, defined as the number of people aged 0 to 14 plus the number of people aged 65 and over divided by the number of persons aged 15 to 64. This can be decomposed into the two components of the youth dependency ratio and the aged dependency ratio, and these are reported by State and Territory in Table 2. On the latest available data, WA's aged dependency ratio and overall dependency ratio are well below the national average by 3 to 4 percentage points. Again it can be seen that WA has the lowest age dependency ratio and total dependency ratio of all the States, but not as low as the two Territories.

WA's aged dependency ratio and overall dependency ratio are well below the national average by 3 to 4 percentage points.

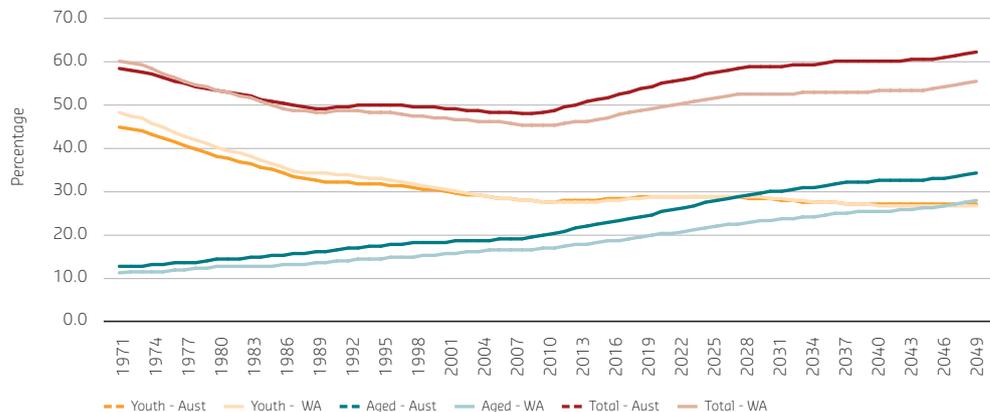
Table 2 Dependency ratios by State and Territory, June 2014

Dependency Ratio	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	Australia
Youth	28.5%	27.4%	29.9%	27.0%	28.0%	28.8%	30.9%	26.9%	28.3%
Aged	23.5%	22.1%	21.1%	26.1%	18.7%	27.8%	9.2%	16.9%	22.1%
Total	52.0%	49.5%	51.0%	53.1%	46.7%	56.6%	40.1%	43.8%	50.5%

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations based on ABS Catalogue 3235.0, *Population by Age and Sex, Australia*.

Drawing again on the ABS' Series B projections which reflect a continuation of recent trends, Figure 7 shows that WA's total dependency ratio is set to rise from about 47% today to around 55% by 2050. It can be seen that this is driven by rising aged dependency, which more than offsets the declining number of young people relative to the working age population. Taking a longer run perspective, the State's dependency ratio has actually been falling due to declining fertility rates and the presence of much of the Baby Boomer cohort still within the workforce. By 2050 it is likely to be lower than it was in 1971. However, the composition of those dependent will be very different, with the majority of dependents in the future being aged. The projections also suggest a widening difference between the dependency ratios of the State and the rest of Australia, with the gap firmly in Western Australia's favour.

Figure 7 Dependency Ratios, past and projected, Western Australia and rest of Australia



Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations based on ABS Catalogue No. 3105.0.65.001, *Australian Historical Population Statistics* and ABS Catalogue No. 3222.0, *Population Projections, Australia, Series B*.

An ageing workforce and labour supply

It is commonly assumed that the economic impacts of rising dependency ratios can be ameliorated by increasing working hours from Australians who have passed their prime working years than is currently supplied by those older cohorts. One measure already taken along these lines is the change in the age at which people will become eligible for the Aged Pension. From the current age of 65, the qualifying age is set to rise by 6 months every two years commencing from 1 July 2017 until it reaches 67 years by 1 July 2023.

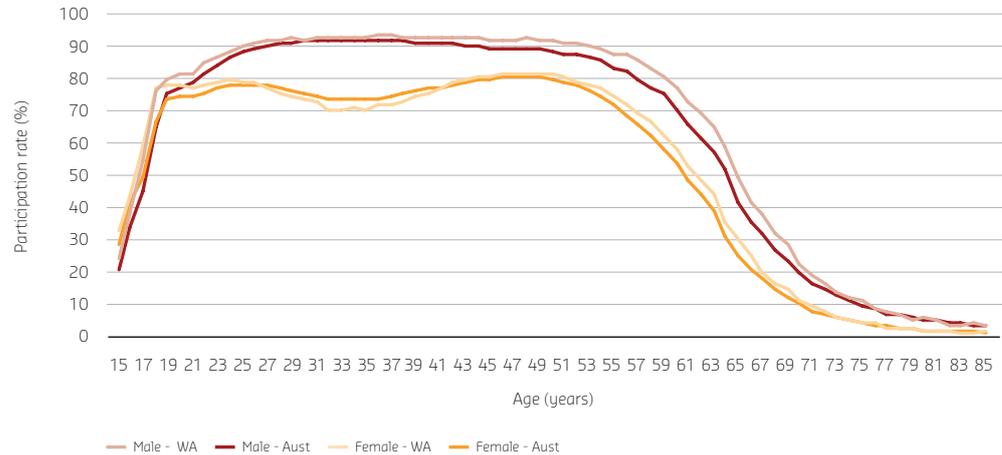
However, the focus of policy should be on promoting a happy and rewarding life. For some older Australians the rewards from employment, such as income, connectedness and feelings of competence, will be important well beyond the prime working years. Others will have good reasons for wanting to withdraw from the labour force, including the value they place on leisure and a desire to contribute to their family and community in other roles. Is it feasible – even desirable – to increase the working contribution of older West Australians to limit the effects of population ageing?

Over the longer term female and male labour force participation rates have converged, with women participating in substantially greater numbers and men's participation easing. Since the late 1970s, when the current ABS Labour Force Survey series began, the female participation rate in WA has increased from around 46% to 6% today, while the male rate stands at 78%. These have been stable for some time - the trend estimates for both these series in WA have not varied by plus or minus 2 percentage points from their current levels for over a decade.

There is much stronger variation across age cohorts than over time. Data from the 2011 Census data are used to calculate rates of participation by single years of age (Figure 8), this being preferable to more recent sample-based surveys given the relative stability of participation rates over time. As shown in Figure 8, participation rates decline from the early to mid-50s for both men and women, as expected, but with higher rates for West Australians in this age cohort. By age 70, around 20% of men and 10% of women are still either working or looking for work, dropping to around 5% and 2%, respectively, only by the time people reach 80. Over most age ranges the participation rate was slightly higher in WA than in the rest of Australia, the notable exception being for women between the ages of 27 and 40, marking the prime years for bearing and raising children. However, it is noteworthy that at age 65, the minimum Age Pension eligibility age for men, one in two men and almost one-third of women in WA are still participating in the labour force. This clearly indicates a desire – or a need – for some form of labour market engagement by people in older age. The incidence of labour force participation at age 65 is higher in WA for both men and women than in the rest of Australia.

At the age of 65, almost 50% of men and 30% of women are still participating in the labour force in WA.

Figure 8 Labour force participation over the life-cycle, Western Australia and rest of Australia, 2011



Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations based on ABS 2011 Census of Population and Housing data.

Given this relatively persistent life cycle pattern in labour force participation, it is possible to assess the general magnitude of changes that would need to be invoked to offset the effect of population ageing on the labour supply. First, the dependency rates taking into account labour force participation rates by single age and gender are calculated. Following this method, the number of dependents is calculated as the number of people aged under 15 years, plus the sum of the estimated number of persons of each year of age not participating in the labour force. The denominator – the labour supply – is the sum of all people aged 15 and over estimated to be participating in the labour force, including those aged over 65.

The results of this more nuanced construction of the dependency ratio are presented in Table 3. Once account is taken of people of all ages who are not participating in the labour force, the total dependency ratio for WA is estimated to be 86%, far higher than the 47% implied based only on the share of the population who are of working age (see 'Base Case', Table 3). Persons aged 65 and over represent less than one-quarter of dependents, with an aged-dependency ratio at 20.8%. With participation rates remaining constant into the future, the ageing of the WA population will result in the dependency ratio increasing steadily by 10 percentage points by the year 2050, with the increase in aged dependency contributing an increase of 12 percentage points, offset 2 percentage points by a fall in dependency among persons aged from 0 to 64. Again WA faces a lower ratio of dependency than the rest of the country, with the gap projected to widen in coming decades.

To assess the potential from policies to extend people's working lives, two different scenarios are modelled. The first is a conservative one that aligns with the current government policy to raise the retirement age by two years. What if we could extend older people's working lives by two years? To test this, the current participation rate at age 64 for men (52.5% and women (31.2%) is assumed to remain constant as people age two more years (ages 65 and 66). Persons 67 and onwards are assigned the current rates lagged by two years. That is, the working lives of people aged 65 and onwards are being 'suspended' for 2 years (scenario 1, Table 3).

Under this scenario the overall dependency rate for WA increases to 93.7% by 2050, as opposed to 96.4% under the base case. With a highly optimistic scenario in which working lives are extended by five years from the age of 64 (scenario 2), WA's overall dependency rate would instead reach 90.1%.

Table 3 Dependency ratios adjusted for gender and age-specific participation rates, Western Australia and rest of Australia, 2015, 2030 and 2050

	Aged dependency ratio			Total dependency ratio		
	2015 %	2030 %	2050 %	2015 %	2030 %	2050 %
Base case: Participation rates remain constant						
WA	20.8	26.5	32.1	86.0	92.6	96.4
Rest of Australia	25.6	34.0	39.3	92.1	100.8	104.7
Scenario 1: Extend working life by 2 years						
WA	19.5	24.9	30.2	83.9	90.2	93.7
Rest of Australia	24.0	32.0	37.1	89.6	97.8	101.5
Scenario 2: Extend working life by 5 years						
WA	17.9	22.9	27.8	81.4	87.0	90.1
Rest of Australia	21.9	29.3	34.1	86.5	93.7	97.2
Scenario 3: Halve the gender gap in participation rates						
WA	19.5	24.9	30.2	78.7	85.0	88.5
Rest of Australia	24.0	31.9	36.9	84.3	92.4	96.0
Scenario 4: Increase 25-54 year old participation by 2 pct points						
WA	20.5	26.1	31.6	83.0	89.4	93.4
Rest of Australia	25.2	33.5	38.7	89.1	97.7	101.6

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations based on ABS data from the 2011 Census of Population and Housing and Catalogue No. 3222.0, *Population Projections, Australia, Series B*.

To illustrate some potential future scenarios, we model the effect on age dependency rates of an increase in female participation to a level that halves the current gap between male and female participation rates at each age (scenario 3, Table 3). This has a markedly similar impact on the age-dependency ratio to the two-year extension in working lives for older workers. For total dependency it generates a bigger reduction in the ratio than even the case in which working lives are extended by five years. These results hold for both WA and Australia. Moreover, for WA, this increase in female participation would almost completely offset the effect of population ageing on overall dependency, with a projected overall dependency rate of 88.5% by 2050 compared with the current estimate of 86%.

The final scenario looks at the effect of increasing the participation rate by 2 percentage points across males and females in the prime working-ages of 25 to 54 years. This is estimated to be just as effective for containing the overall dependency ratio as extending working lives by 2 years. A two percentage increase in the participation rate for males may be unlikely given their participation rates are already close to 90% for much of this time. It seems quite feasible for females for whom the participation rate peaks at 80%.

A priori it is not possible to conclude that encouraging older Australians to work harder and longer is good policy. The objective of policy should be to enhance people's wellbeing in older life, and this means working towards realising their preferences.

The important point is that retention of older workers in the labour market, even under optimistic scenarios, will not offset the effect of population ageing on the number of dependents in the economy per economically active person. Policies designed to better utilise the latent supply within the traditional working age population are likely to be more effective, and increasing female labour force engagement will need to be part of this mix.²

Finally, we would like to reiterate a point previously made by the Productivity Commission. The effect of ageing and rising dependency is not expected to actually reduce per capita income, rather the growth in real GDP per capita will slow as a result of ageing. Because of productivity growth, the real incomes of Australians will continue to increase, just not by as much as if the population's age structure remained in a steady state. Table 2 shows WA's dependency ratio is projected to increase from 86% in 2015 to 96.4% in 2050 under the base case of no change in gender and age-specific participation rates, which would mean declining per capita output if productivity remained constant. The rate of growth in productivity per worker to offset this decline in output per capita can be calculated at 0.49% per annum, or less than one half of one per cent per annum. By way of comparison, over the longer run WA's average rate of growth in labour productivity is in the vicinity of 2% per annum (Productivity Commission 2005), or four times higher than what is required to compensate for the effect of population ageing on per capita output. In the latest Intergenerational Report, the Commonwealth Treasury assumes annual labour productivity growth of 1.5% per annum nationally over the next 40 years, noting a slowdown in the 2000s from higher rates achieved with economic reforms of the 1980s and 1990s.

Are older workers leaving the labour force voluntarily? Ascertaining exactly what factors lie behind the rapid withdrawal from the labour market by people in their fifties and beyond is critical. It is perfectly legitimate to choose more leisure time over the additional income and other benefits that can be gained through more hours of work. *A priori* it is not possible to conclude that encouraging older Australians to work harder and longer is good policy. The objective of policy should be to enhance people's wellbeing in older life, and this means working towards realising their preferences. It would be a double policy failure if older people are wanting to remain economically active for longer, but labour market rigidities, institutional barriers or incentives stop them realising that preference.

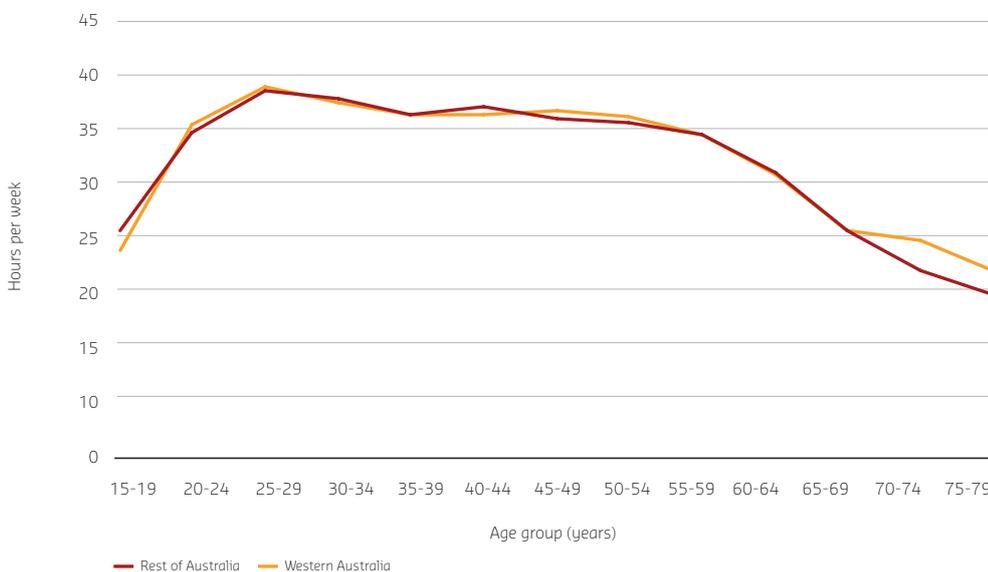
A number of facts can be brought to bear on whether withdrawal from the labour market by older Australians is essentially voluntary. First, the various indicators of under-utilisation produced as part of the ABS Labour Force Survey are in fact generally lower for workers aged 55 and over, relative to those in younger cohorts. This includes the unemployment rate and the under-utilisation rate, which includes those unemployed and those employed part-time but wishing to work more hours.

² With the Australian and WA profiles being so similar, and with no guarantee that WA's age-specific participation rates will continue to exceed those of the rest of the country in future years, the age-specific participation rates by gender for Australia as a whole are used. The calculations are based on single year population estimates by gender and single-year participation rates with the exception that persons aged 85+ need to be amalgamated since the ABS population projections are not provided by single years beyond 84. The delayed ageing scenarios are applied to the full 85+ group so, for example, under the 2 year scenario the 85+ group is assigned the participation rate of 83 year olds.

In the Household, Income and Labour Dynamics in Australia (HILDA) survey, people in employment are asked whether they would prefer to work more hours, fewer hours or about the same number of hours per week than they currently do. If they indicate that they would like to work either more hours or fewer hours, they are further asked to nominate the number of hours they would choose to work, taking into account the effect on their income. From this series of questions it is possible to infer individuals' preferred working hours, as presented in Figure 9. Table 4 reports the proportion of workers who would prefer to work a different number of hours.

Taken together, these results suggest two things. First, and unsurprisingly, older people who remain in the workforce prefer to work fewer hours than younger workers. Preferred hours drop off notably beyond the age of 59 years. Second, it seems that this preference for fewer working hours among older workers are often not met. As Table 4 demonstrates, these preferences of older workers are being only partially accommodated at the workplace. For both WA and Australia, around 30% of workers aged 60-64 would prefer to be working fewer hours than they do. It is true that this proportion falls for older age groups, but only marginally. Among workers aged 70-74, almost one in five would prefer to be working fewer hours.

Figure 9 Average desired weekly working hours by age group, Western Australia and rest of Australia, 2001-2013



Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' estimates based on HILDA Survey data.

Table 4 Workers' preferences for hours worked by age, Western Australia and rest of Australia, 2001-2013

Age group	Western Australia				Rest of Australia			
	Fewer hours (%)	About the same (%)	More hours (%)	Total (%)	Fewer hours (%)	About the same (%)	More hours (%)	Total (%)
15-19	7.0	62.0	31.0	100.0	6.0	59.0	35.0	100.0
20-24	12.0	66.0	23.0	100.0	13.0	60.0	26.0	100.0
25-29	18.0	68.0	14.0	100.0	23.0	60.0	17.0	100.0
30-34	25.0	64.0	11.0	100.0	29.0	57.0	14.0	100.0
35-39	29.0	62.0	9.0	100.0	31.0	55.0	13.0	100.0
40-44	32.0	57.0	12.0	100.0	31.0	56.0	12.0	100.0
45-49	33.0	59.0	9.0	100.0	33.0	55.0	12.0	100.0
50-54	32.0	59.0	9.0	100.0	35.0	55.0	10.0	100.0
55-59	33.0	60.0	8.0	100.0	32.0	58.0	9.0	100.0
60-64	31.0	64.0	6.0	100.0	29.0	63.0	9.0	100.0
65-69	27.0	69.0	3.0	100.0	25.0	69.0	6.0	100.0
70-74	19.0	78.0	4.0	100.0	17.0	77.0	6.0	100.0

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' estimates based on HILDA Survey data.

All in all there is evidence that many older workers would actually prefer to withdraw from the labour market more rapidly than they currently do, notably through reduced hours as they age (this is discussed in more detail in a later section describing changing retirement patterns). It may be that the lack of flexibility in choosing working hours may lead some to drop out of the labour market altogether. However, the available evidence suggests that the withdrawal of older workers from the labour market is, for the most part, a voluntary phenomenon.

Labour market exclusion and discrimination

While most mature aged workers appear to successfully negotiate their transition out of the workforce, such averages will inevitably overlook the diversity of experiences across individuals. Older people are vulnerable to financial stress and social exclusion. In addition to income, a job can be an important source of things that promote healthy ageing, such as connectedness, independence and continuity of self-identity, particularly for those who do not have alternative family and community roles. There is evidence that remaining economically active contributes to maintenance of good health in old age (Australian Human Rights Commission nd).

Older persons are not disproportionately prone to unemployment, however, those who do become unemployed or discouraged from participating in the labour market can suffer substantially. While unemployment has detrimental effects on people of all ages, these effects are often magnified for older workers and include loss of self-esteem, deterioration of skills and human capital and frustration of plans for retirement (Encel and Ranzjin 2007).

Once unemployed, older persons tend to have greater difficulty escaping unemployment, with the proportion of long-term unemployment among jobseekers higher for persons aged 55-64 than those aged 35-44 or 45-54 (ABS Australian Social Trends 2011). Longer durations of unemployment can in turn lead to older persons becoming discouraged and leaving the labour force. There is considerable evidence that age discrimination plays a major role in suppressing outcomes for mature people who find themselves on the periphery of the labour market. The ABS identifies 'discouraged jobseekers' as those who want to work and are available for work, but have not actively looked for work because they do not believe they will be able to find a job. According to 2013 data, among those wanting to work but not actively looking, the proportion who are discouraged jobseekers increases rapidly with age: from 11.9% for 45-54 year olds; to 22.8% for 55-69 year olds and 51.9% for those aged 70 and over. Hence for this older cohort, discouraged jobseekers make up more than half of those wanting to work but not looking for work, outnumbering those who gave personal reasons (such as health) or family reasons. For discouraged workers aged 55-69 and aged 70 and over, around half indicated that their main reason for not looking for work was that they would be 'considered too old by employers' (ABS 2013).

In a national survey on age discrimination in the workplace conducted in late 2014, the Australian Human Rights Commission found that 58% of Australians aged 50 and over who were looking for work experienced discrimination. This compared to around one quarter of those in work. A substantial proportion of those experiencing discrimination reported negative impacts, including loss of self-esteem and giving up looking for work as a consequence (Australian Human rights Commission 2015).

Once unemployed, older persons tend to have greater difficulty escaping unemployment, with the proportion of long-term unemployment among jobseekers higher for persons aged 55-64 than those aged 35-54.

Voluntary and social participation

Volunteering rates in WA are marginally above the national average for persons aged 55-64 years and 65 years and over.

A further reason to be cautious of proposals to extend working lives of mature aged workers is that older people continue to make substantial contributions in other areas. In many cases this enables others in their family to be economically active. Older Australians also provide many hours of voluntary work for community, welfare, religious and other groups.

HILDA asks people who have left the labour force what best describes their main activity since they last worked or looked for work. As shown in Table 5, the predominant response selected, by a long way is 'retired or voluntarily inactive', chosen by over 80% of West Australians and people from other states. The next most common response was 'home duties/child care' at around 10%. Under 3% of persons aged 65-74 who had left the workforce indicated that their main activity was working in a voluntary capacity (2.7% in WA and 2.9% for the remainder of the country), and this drops substantially for persons aged 75 and over.

Table 5 Main activity of persons aged 65 and over who are not in the labour force, Western Australia and rest of Australia, 2001-2013

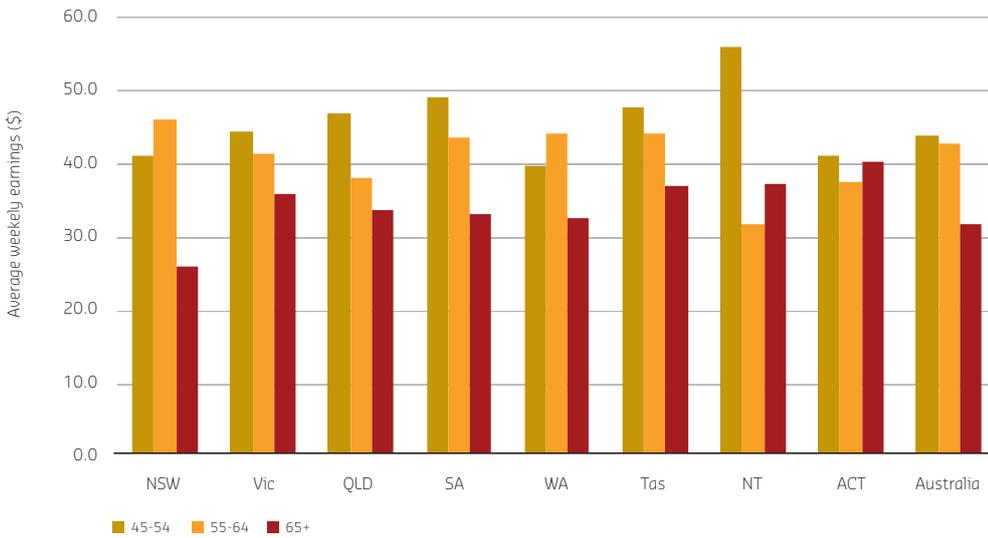
	Western Australia		Rest of Australia	
	Aged 65-74 %	Aged 75+ %	Aged 65-74 %	Aged 75+ %
Retired or voluntarily inactive	84.3	86.4	83.1	88.3
Home duties/child care	9.1	10.9	8.6	7.4
Attending an educational institution	0.1	0	0.2	0
Own illness or injury	1.9	0.8	2.3	0.8
Looking after ill or disabled person	0.6	0.6	1.3	0.7
Travel, holiday or leisure activity	1	0.3	1.3	0.8
Working in unpaid voluntary job	2.7	0.9	2.9	1.9
Other	0.3	0	0.3	0.1
Total	100.0	100.0	100.0	100.0

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' estimates based on HILDA Survey data.

The specification of 'main activity' masks a considerable amount of activity undertaken in other roles, since important contributions such as caring and volunteer work will typically be done on a part-time basis. ABS estimates from the 2012 Survey of Disability, Ageing and Carers put the number of carers aged 65 and over living in Australian households at 580,000, and one-third were primary carers. This equates to almost one in five older persons living in households undertaking a caring role.

Figure 10 shows the volunteering rate among mature aged Australians by State and Territory. A volunteer is defined as someone who willingly gave unpaid help, in the form of time, service or skills, to an organisation or group in the 12 months prior to the survey. It is estimated that in total 6.1 million Australians aged 18 and over participated in voluntary work in 2010, representing 36% of the population aged 18 and over. The volunteering rate is higher for those aged 55-64 (42.5%), and is not far below the population average even for those aged 65 and over (31.4%). Volunteering rates in WA are marginally above the national average for persons aged 55-64 years and 65 years and over. The major types of organisations volunteers assisted were sport and recreation, religious, and welfare and community organisations.

Figure 10 Volunteering rates among persons aged 45 and over, States and Territories, 2010



Averaged over 2002 to 2013, elderly West Australians provided a considerable level of support to others, totalling around 5 hours per week per person.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations based on data from ABS Catalogue 4441.0, *Voluntary Work, Australia, 2010*.

Table 6 reports time use data from the HILDA survey on the average number of hours per week spent by older Australians. Averaged over 2002 to 2013, the years for which there are consistent data, it can be seen that elderly West Australians are estimated to provide a considerable level of support to others, totalling around 5 hours per week per person. While time spent minding children and volunteering declined for people aged 75 years and older, the number of hours spent caring for a disabled spouse or relative increased. Previous studies have estimated that the value of contributions by volunteers aged 65-74 years and 75 years would reach 0.30% of GDP and 0.15% of GDP, respectively, in 2014-15 (Productivity Commission 2005: p. 384).

Table 6 Average hours per week spent by persons aged 65 and over on selected activities, Western Australia and rest of Australia, 2002-2013

Activity	Western Australia		Rest of Australia	
	Aged 65-74	Aged 75+	Aged 65-74	Aged 75+
Looking after other people's children aged 12 and under	1.4	0.3	1.4	0.4
Volunteer or charity work	1.6	1.4	2.1	1.2
Caring for disabled spouse or relative	2.0	2.2	2.7	3.0

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' estimates based on HILDA Survey data.

Summary

Labour force participation rates start to decline rapidly from the early to mid-50s for both men and women. By age 70 only around 20% of men and 10% of women are still either working or looking for work, and this drops to around 5% and 2%, respectively, by the time people reach 80. Over most age ranges the participation rate was slightly higher in WA than in the rest of Australia, the notable exception being for women between the ages of 27 and 40, marking the prime years for bearing and raising children.

There is evidence that many older workers would actually prefer to withdraw from the labour market more rapidly than they currently do, notably through reduced hours as they age. It may be that the lack of flexibility in choosing working hours caused some to drop out of the labour market altogether. However, the available evidence suggests that the withdrawal of older workers from the labour market is, for the most part, a voluntary phenomenon.

Despite relatively low economic participation rates, older persons make valuable contributions to the community, which enable others to engage more in paid work. Averaged over 2002 to 2013, it can be seen that elderly West Australians are estimated to provide a considerable level of support to others (e.g. caring for other people's children, volunteer or charity work, caring for a disabled spouse or relative), totalling around 5 hours per week per person. Volunteering rates in WA are marginally above the national average for persons aged 55 years and over.

Overall, efforts to extend working lives not a panacea. The scenario modelling results in this section show that even under optimistic scenarios, extending working lives beyond traditional retirement ages will make little difference to dependency ratios. Further, on average workers do not appear to want to work longer. That is not to deny that there are some older workers that suffer considerably from exclusion from the labour market, including from discrimination. Once unemployed, older persons tend to have greater difficulty escaping unemployment than younger age groups. Addressing barriers to economic participation by older people is important, but it is important for its own sake – for improving the wellbeing of those affected workers – rather than addressing the economic effects of population ageing.

Health,

wellbeing and quality of life

Introduction

As a society we are concerned with enhancing people's quality of life throughout the life course. In recent decades research on the determinants of wellbeing and the potential role for policy has flourished across a range of disciplines. The ageing of the population with require a refocusing on those factors that impact most on the wellbeing of older West Australians, and on the mechanisms by which these are reflected in policy, planning, legislation and social norms and attitudes. In a democratic society, one key means by which the interests of older people are afforded greater weight is through their increasing political power.

Much of the discourse associated with population ageing in Western countries has followed a 'pathology' view of old age, focusing on declining physical and mental health and the associated economic burden of dependency and health expenditure. Perhaps due in part to weight of numbers, this pathological view is giving way to a more positive view of old age as a life stage in which one becomes free to pursue personal fulfilment and social and community engagement, accompanied by a shift in policy focus to enabling older peoples' active contributions (Bowling 2005).

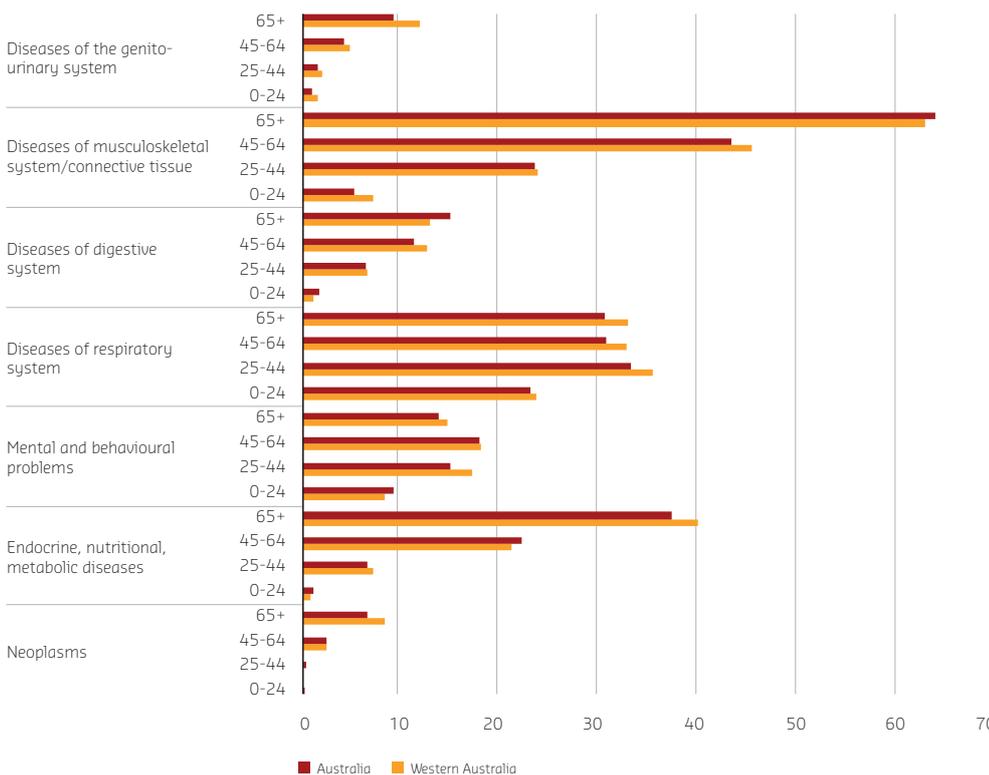
Ageing well means much more than staying free from illness and impairment. Important contributing factors to the wellbeing of older people are feelings of independence and inter-dependence. Older people's conceptions of independence go beyond the ability to function without the assistance of others. It includes a sense of reciprocity, autonomy, being able to engage in meaningful activities, making a positive contribution and continuity of self-identity. Feelings of relatedness and connectedness to the neighbourhood and the home to which people have become attached can often be important components of sustaining inter-dependence into old age. As people age they revise their perceptions of independence and inter-dependence in line with declining functional capacity. Hence there is no simple, direct link between objectively measured levels of functioning and subjective wellbeing (Bowling 2005, Schwanen and Ziegler 2011, Portacolone 2011).

This section explores the wellbeing of West Australians as they age across a range of domains. These include physical and mental health, quality of life, extent of community engagement, and changing retirement patterns.

Physical and mental health

People’s health does deteriorate in old age. As shown in Figure 11 the incidence of many health conditions within the population increase steadily with age. Steep age gradients are apparent for neoplasms; endocrine, nutritional and metabolic diseases; diseases of the digestive system; and of the musculoskeletal system and connective tissue. Almost two-thirds of persons aged 65 and over are living with a long term condition within this latter classification. Afflictions of the eye and adnexa, which are almost universal in old age, have not been included in the figure. These affect 95% of persons aged 65 and over have, primarily in the form of long or short sightedness. Just over one-third also have conditions relating to hearing. Age gradients are not so pronounced for mental health and behavioural problems or conditions of the respiratory system, the incidence of which peak in peoples’ thirties and forties (ABS 2012a).

Figure 11 Incidence of long-term health conditions by age, Western Australia and Australia, 2012



Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors’ calculations based on data from ABS Catalogue no. 4364.0, Australian Health Survey.

The number of West Australians with dementia is estimated at 32,000. Advancing age is the key risk factor, with research suggesting the prevalence of dementia doubles every 5 or 6 years from around the age of 65.

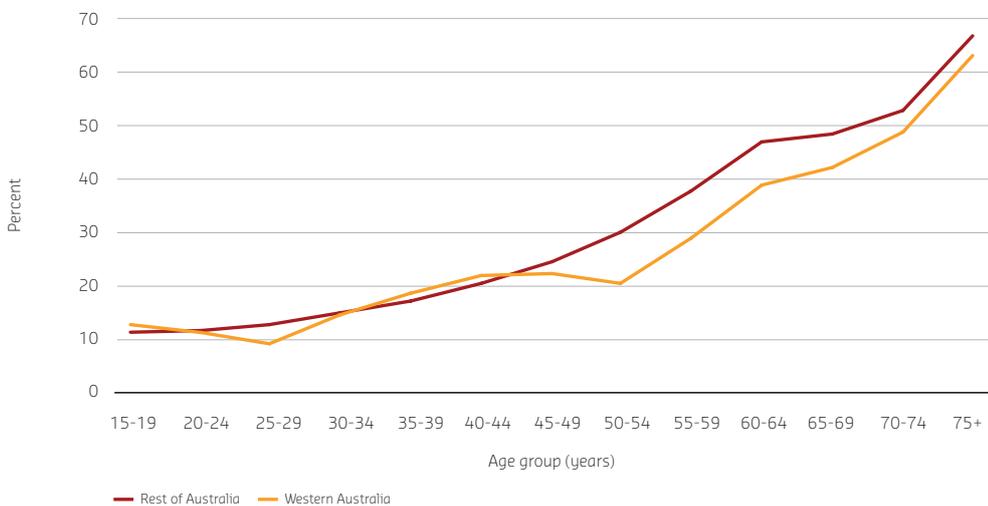
One of the major conditions to affect the quality of life of older Australians is dementia. Dementia is an umbrella term for a wide range of conditions which impair brain functioning and cognitive skills, of which Alzheimer disease is the most common. The Australian Institute of Health and Welfare (AIHW) estimate that there were 298,000 Australians with dementia in 2011, of which three-quarters were aged 75 or older (AIHW 2012b). Alzheimer's Australia put the number in WA with dementia at 32,000. However, an accurate assessment of the prevalence of dementia is difficult because onset is typically gradual and symptoms often attributed to other conditions or simply to ageing (ABS 2012c). Estimates are that the number of people with dementia could reach 900,000 by 2050. Advancing age is the key risk factor, with research suggesting the prevalence of dementia doubles every 5 or 6 years from around the age of 65, and diagnoses are relatively uncommon prior to the age of 65 (AIHW 2012b). The ABS estimates that, in 2009, the proportion of older Australians identified as having dementia or Alzheimer's disease increased from 1% for those aged 65 to 28% of people aged 100 (ABS 2012c).

As dementia is progressive and impacts upon major areas of functioning, such as through loss of memory, impairment to planning and communication, and unpredictability, it creates substantial care requirements. The bulk of people diagnosed with dementia or Alzheimer's reside in a health establishment. Even those living with dementia in the community are highly likely to require assistance with the core activities of mobility and self-care. Data from the Survey of Disability, Ageing and Carers show that co-resident primary carers of people with dementia are around twice as likely as other co-resident primary carers to provide 40 or more hours of care per week. Virtually all of those identified as having dementia and living in health establishments require assistance with core activities (AIHW 2012b, ABS 2012c).

With the rising prevalence of so many age-related health conditions, the prospect of rising health costs is often raised as one of the major concerns associated with population ageing, particularly the pressures of health expenditure on public finances. Analysis undertaken by the Productivity Commission projects government health expenditure to increase from 6.96% of GDP in 2014-15 to 10.28% in 2044-45. The ageing of the population is estimated to contribute to approximately half of this increase. This burden falls mainly upon the Federal Government, which funds the bulk of public outlays on health. Population ageing is also projected to contribute to substantial increases in State government expenditure on health, with the cost burden extending further to aged care and community service providers in the not-for-profit (NFP) sector. The more recent Intergenerational Report is marginally more optimistic with respect to the growth Commonwealth outlays, but this hinges upon reforms that are yet to have been passed into legislation (Commonwealth of Australia 2015). Demographic trends reported above suggest that WA faces a significantly smaller increase in the proportion of the population aged 65 and over and aged 85 and over than the other States. Hence one of the key impacts of population ageing for Western Australia is likely to come through the fiscal equalisation process, with further pressure for redistribution of the share of GST revenue from WA to the other States.

Data from the HILDA survey provides a general perspective on how health conditions evolve over by more detailed age categories. HILDA collects data on whether or not individuals have “... any long term health conditions, impairment, or disability that restricts your everyday activities, and has lasted or is likely to last, for 6 months or more”. Figure 12 demonstrates the steady rise in the prevalence of such disabilities as people age for people from outside Western Australia. However, the pattern is noticeably different for WA, for which the incidence of such conditions with age flattens off between the ages of 40-44 and 50-54.

Figure 12 Proportion of persons with a long-term health condition or disability by age, Western Australia and rest of Australia, 2001-2013



Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' estimates based on HILDA Survey data.

Note that these proportions are based on pooled data collected from 2001 to 2013. For this period the proportion of people with a disability aged between 25 and 64 in WA was a full 3 percentage points lower than for the rest of the country. The 'pause' in age related increase in the onset of long-term health conditions can be attributed to the high number of interstate migrants flowing into WA as a result of the resources boom and high labour demand. This inflow of working age people will not only have lowered the proportion of older persons in the population, but because those entering the state were primarily coming to take up or seek employment, it follows they would be less likely to have activity-limiting conditions.

There is a rise in the prevalence of disabilities as people age for people from outside Western Australia. However, in WA, the incidence of such conditions with age flattens off between the ages of 40-44 and 50-54.

The Productivity Commission has demonstrated that migration has limited potential to address population ageing. Incoming migrants, of course, age at the same rate as soon as they arrive. Offsetting population ageing altogether would require migration intakes continually growing at what, in practice, would be unrealistic rates. Further, some of that inflow of workers to WA has already started to reverse with the recent downturn in the resources sector. However, this net inflow of workers will help to smooth the ageing effect of the baby boomers reaching retirement, and the relatively better health profile adds to WA's already preferential position relative to the other States in terms of any negative impacts of the ageing of the population.

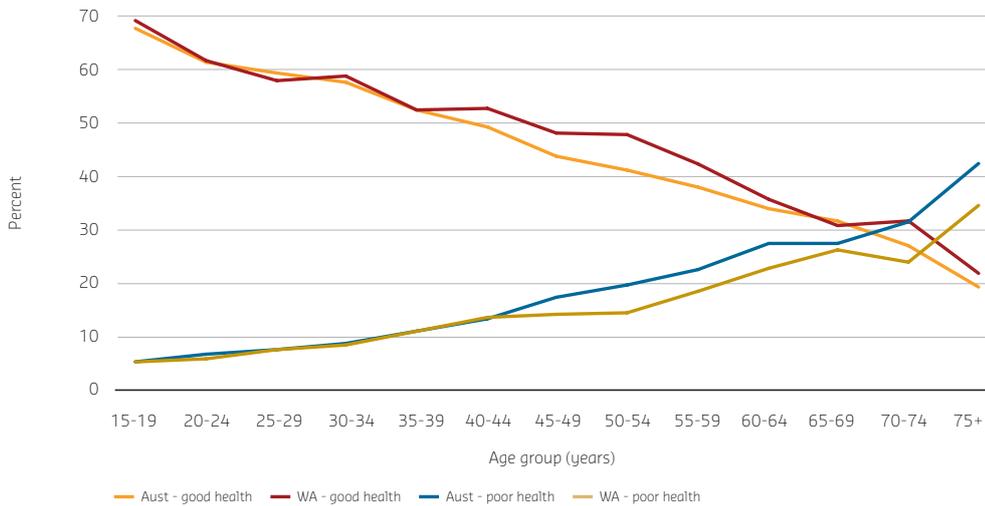
Although subjective, self-assessed health has been found to be a robust indicator of health status, and a good predictor of morbidity. Both HILDA and the ABS Australian Health Survey ask respondents to rate their health on the five-point scale shown in Table 7, and the ABS reports these in both unadjusted and in age-standardised rates. In raw terms, WA has a slightly higher proportion of people reporting excellent or very good health and a lower proportion reporting only fair or poor health when compared to Australia as a whole. The fact that this gap all but vanishes following standardisation by age reflects the favourable impact of WA's demographic profile on health status. The WA population also displays slightly better mental health, as measured by the proportion of persons in psychological distress, but this does not seem to be driven by age differences. As shown in Figure 11, mental health conditions are not as age dependent as many of the major physical health conditions.

Table 7 Incidence of self-assessed health and incidence of psychological distress, Western Australia and Australia, 2011-2012

	Raw		Age standardised	
	Western Australia %	Australia %	Western Australia %	Australia %
Self-assessed health				
Excellent	20.2	20.2	20.3	20.4
Very good	35.8	35.4	35.8	35.5
Good	30.1	30.0	30.0	29.9
Fair	10.3	10.4	10.3	10.3
Poor	3.6	4.0	3.6	3.9
Total	100.0	100.0	100.0	100.0
Sub Totals				
<i>Excellent/Very good</i>	<i>56.0</i>	<i>55.6</i>	<i>56.1</i>	<i>56.0</i>
<i>Fair/Poor</i>	<i>13.9</i>	<i>14.4</i>	<i>13.9</i>	<i>14.1</i>
Incidence of psychological distress				
High / very high	10.6	10.8	10.6	10.8

Source: BANKWEST CURTIN ECONOMICS CENTRE | data from ABS Catalogue no. 4364.0, Australian Health Survey 2011-12.

Figure 13 Self-assessed health status by age, Western Australia and rest of Australia, 2001-2013



Notes: 'good health' includes those reporting their health as either 'excellent' or 'very good'; poor health includes those reporting their health as either 'fair' or 'poor'.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' estimates based on HILDA Survey data.

Beyond around 40 years of age, residents of WA are more likely to report good health, and markedly less likely to report poor health, than those of the same age in the remainder of the country.

Unadjusted for age effects, the HILDA data show people in WA consistently reporting better health status across the 13 waves from 2001 to 2013. While the Australian Health Survey data for 2011-12 suggests differences between WA and the rest of the nation are only minor once age is accounted for, the HILDA data pooled over 2001-13 tell a slightly different tale (Figure 13). Beyond around 40 years of age, residents of WA have generally been more likely to report good health, and markedly less likely to report poor health, than those of the same age in the remainder of the country.

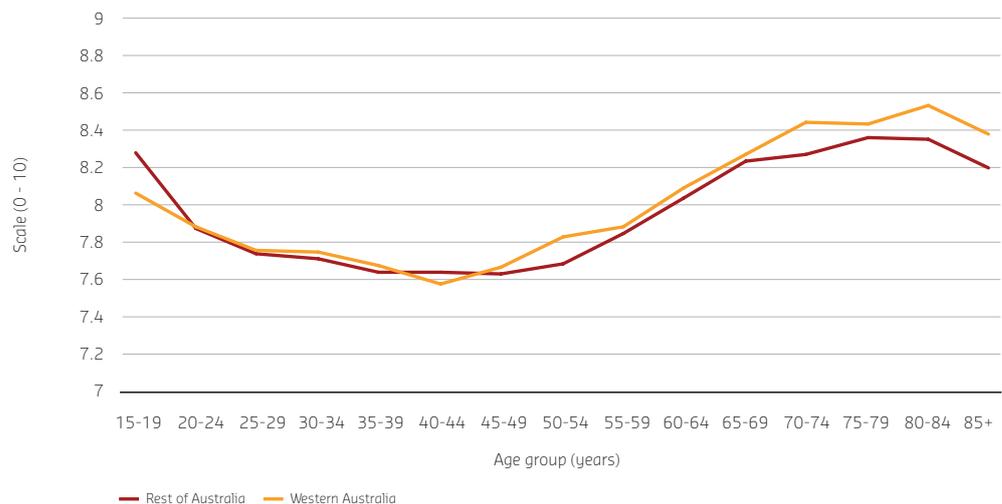
Quality of life and wellbeing

By and large, people's satisfaction with their lives increases as they grow old. From around the age of 30, West Australians are more satisfied with their lives than other Australians, and this gap widens into old age.

It seems that Western Australia is a better place to grow old. We know that, inevitably, objective health measures and functioning degenerate for the aged. However, the elderly revise their interpretations of the elements of a good life, including their expectations for independence, autonomy, reciprocity, interconnectedness. Since 2001, the HILDA survey has provided one of the main sources of consistent data on the quality of life of Australians across different jurisdictions and across time. In each wave respondents have been asked to make an assessment of how satisfied they are with a number of aspects of their lives: the home in which they live, their employment opportunities, their financial situation, how safe they feel, feeling part of the community, their health, the neighbourhood in which they live and the amount of free time they have. They indicate their responses using an 11-point scale ranging from 0 (completely dissatisfied) to 10 (completely satisfied).

Using that same scale, they are then asked to rate how satisfied they are with their lives, all things considered. Figure 14 shows how life satisfaction in Australia changes over the life course. The key message to note from is that, by and large, people's satisfaction with their lives increases rather than decreases as they grow old. In a pattern that is replicated across other advanced countries, life satisfaction is relatively high in adolescence, then falls to be at its lowest between the ages of 35 to 45, and then rises until well after retirement age. Only for the very old (85 and above) is there evidence of a further dip. The secondary message is, from around the age of 30, West Australians are more satisfied with their lives than other Australians, and this gap widens into old age.

Figure 14 Average life satisfaction by age, Western Australia and rest of Australia, 2001-2013



Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' estimates based on HILDA Survey data.

To get some gauge of the factors driving the change in life satisfaction with age, as well as the differential between WA and the rest of Australia, Figure 15 plots satisfaction in the eight individual life domains. Understandably satisfaction with employment opportunity and with health trends downward with age. However, satisfaction with other aspects either trend upwards or follow the 'U shape' observed of overall life satisfaction. People's satisfaction with the home in which they live rises steadily from their thirties, although the sampling frame for HILDA may lead to under-representation of those in aged care facilities. Financial satisfaction in fact increases, on average, with age as does satisfaction with the neighbourhood in which one lives. Satisfaction with how safe one feels and feeling part of the local community seem to remain constant from retirement age. Satisfaction with the amount of free time people have increases markedly in their forties and fifties and, predictably, continues to rise in the latter years.

Figure 15 Average satisfaction in eight life domains by age, Western Australia and rest of Australia, 2001-2013



Notes: Satisfaction is measured on a scale of 0 (totally dissatisfied) to 10 (totally satisfied).
 Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' estimates based on HILDA Survey data.

Community engagement

There is a considerably lower level of community engagement in Western Australia compared to the rest of Australia.

Due to the recognition of inter-dependence as an important condition for ageing well, data on living circumstances and community involvement were also investigated. Among those aged 65 and over living in private dwellings in 2012, 28.3% of West Australians were living alone. This is higher than the proportion for all Australians (26.3%) and the third highest ratio of all States and Territories behind Tasmania and South Australia (ABS 2012b). The 2012 ABS Survey of Disability, Ageing and Carers collected information on people's involvement in community groups in the 12 months prior to the survey. Taking this as an indicator of connectedness, this seems to be one indicator where Western Australia lags behind the rest of the nation. This is particularly so for those living alone. Figure 16 also shows there is a considerably lower level of community engagement in WA for those living alone, a characteristic not observed for the nation as a whole.

Figure 16 Involvement in community groups in past 12 months by persons aged 65 and over, by State/Territory and living status, 2012

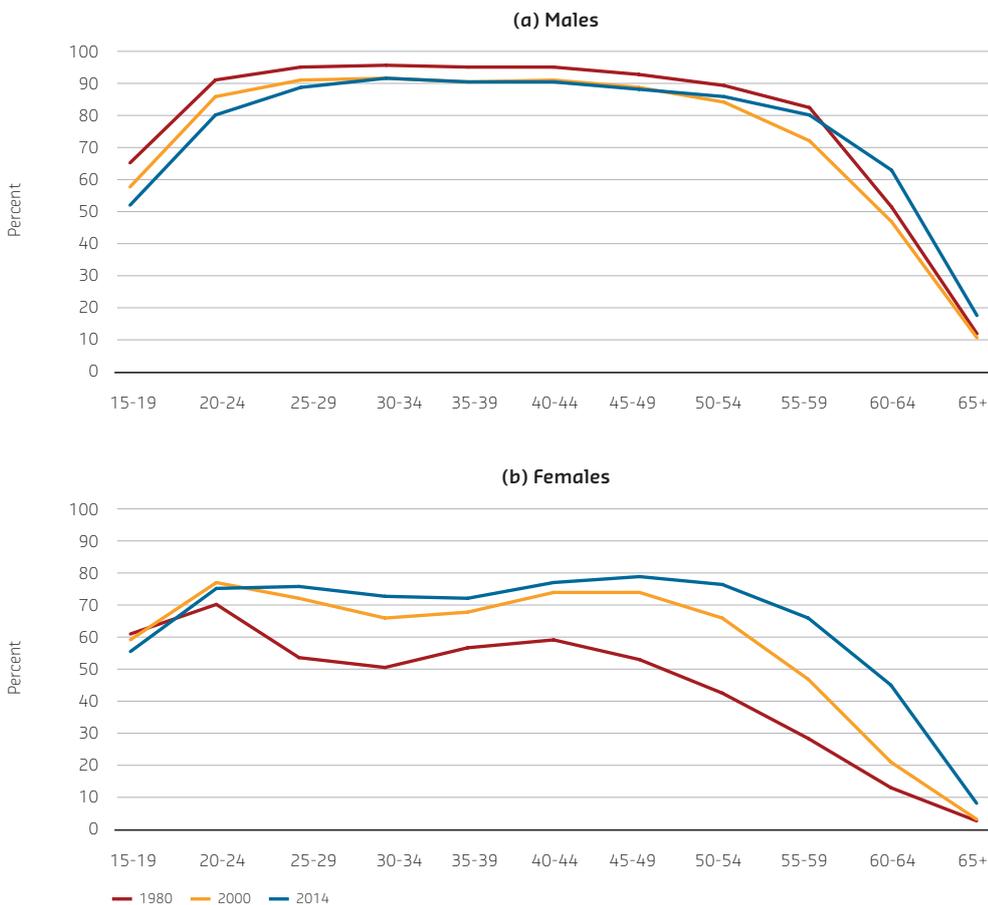


Source: BANKWEST CURTIN ECONOMICS CENTRE | Data from ABS Catalogue no. 4430.0, Disability, Ageing and Carers, Australia, 2012.

Changing retirement patterns

There has been conjecture that Australians' expectations surrounding the time and nature of their retirement have been fundamentally shifting. In particular, given the different social and economic circumstances in which members of the baby boomer generation have lived, and the associated changes in values and attitudes, it is believed they are more open to delaying retirement than previous generations (Jackson and Walter 2010). This includes not only retiring later, but also making a more staged transition out of the paid workforce. Figure 17 shows there has been a longer term shift in the pattern of labour force participation. Compared to 1980, males now both enter and leave the labour force marginally later in life. The big shift has come among women, for whom labour force participation beyond the age of 20-24 has progressively increased and stretched into later years of the age distribution.

Figure 17 Evolution of participation rates by age and sex, 1980, 2000 and 2014



Source: BANKWEST CURTIN ECONOMICS CENTRE | Data from ABS Catalogue no. 6291.0.55.001, Labour Force Australia detailed.

Workers aged 45 to 55 are developing expectations of working longer. The patterns are very similar for workers from Western Australia and the remainder of the country.

HILDA data can be used to keep track of the intentions of the baby boomers as they transition into retirement. In each year of the HILDA survey, which commenced in 2001, workers aged 45 and over were asked at what age they intended to retire. Table 8 presents the average age at which people indicated they planned to retire by gender and age in 2001, and then again in the most recent wave of the survey, 2013.

The first thing that is apparent is that there has been marked change in intentions over those years for younger persons. In 2013, workers aged between 45 and 54 planned to retire around 4 years later than did people in those same age groups in 2001. However, the differences for 55-59 year olds and 60-64 year olds are much smaller. It seems younger people now plan to work much longer, but these expectations become revised once they reach 55 and beyond, such that in those later years retirement intentions have not greatly altered between 2001 and 2013, with an estimated delay of 1-2 years.

The shaded cells in the table indicate observations on groups for which all or most people are classified as baby boomers. Considering the way intentions changes across ages at a point in time, and how they change over time for a given age, it would have to be said that there is no obvious 'baby boomer' effect on plans regarding retirement age. Rather, just a trend over time in which workers aged 45 to 55 are developing expectations of working longer. The patterns are very similar for workers from Western Australia and the remainder of the country, but with WA workers in 2013 expecting to work to a marginally older age.

Table 8 Average age at which workers plan to retire, by age and sex, Australia

	Males		Females		Persons	
	2001	2013	2001	2013	2001	2013
45-49	60.3	64.7	58.2	62.6	59.4	63.7
50-54	61.4	64.6	59.0	63.4	60.4	64.1
55-59	63.3	65.3	62.4	64.3	63.0	64.8
60-64	65.5	67.1	64.4	66.1	65.1	66.6

Note: The darkest shaded cells represent cohorts that are part of the baby boomer generation.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' estimates based on HILDA Survey data.

In addition HILDA repeats an expanded series of questions on retirement every four years. So far this module has been included in the surveys for 2003, 2007 and 2011. Pooled data for Australia as a whole paint an interesting picture of the transition to retirement. Given that picture is similar for WA and the rest of Australia, along with the smaller sample numbers within specific age groups, we concentrate on the data for Australia as a whole pooled over the three years. The proportion of workers aged 45 and over who have retired completely from the workforce increases steadily from 6.3% of those aged 45-49, but there is still significant participation among those aged 65-69. The proportion who consider themselves 'partly retired' also increases, reaching almost 15% for those in the traditional 'pre-retirement' years of 60-64. Around 10% of people aged 65-69 continue to work in what they consider to be part retirement (Table 9).

Table 9 Retirement status by age, pooled data for Australia, 2004, 2007 and 2011

	45-49 %	50-54 %	55-59 %	60-64 %	65-69 %	70+ %
Broad retirement status						
Not retired	90.5	83.3	63.9	34.3	10.5	1.9
Completely retired	6.3	11.3	25.8	50.8	78.6	94.6
Partly retired	3.2	5.4	10.3	14.9	10.9	3.5
Of those partly retired, in what sense?						
Work fewer hours	35.8	37.1	50.4	60.6	61.4	57.7
Work only casually	33.9	49.0	43.9	39.5	45.3	35.4
Work for myself	15.0	9.3	18.0	23.3	22.7	30.0
Work in less demanding job	16.8	18.8	22.6	20.6	21.2	24.0
Do voluntary charity work	14.3	17.8	14.9	16.7	17.3	13.0
Work more from home	13.3	8.0	13.4	16.6	15.7	18.6

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' estimates based on data from the HILDA survey.

The main reasons given for retirement were to do with either the worker's own or their partner's ill-health, accounting for about one-third of those who had completely or partly retired. Other main reasons were lifestyle choices (23% - primarily to have more leisure time), job related reasons, such as fed up with work or having been made redundant (22%) and financial reasons (16%). There is evidence that many mature aged workers do not make a voluntary transition from work to retirement. Of those who had completely retired, 54% indicated that this was something they had wanted to do. The remaining 46% felt they had been pressured or forced to retire, or were partly pressured and partly wanted to retire. A higher proportion (60%) of those partly retired felt their retirement was something they wanted. The difference suggests more workers would like the option of a more gradual transition into retirement than currently have access to such arrangements. Around one in five workers aged 45 and over considered their current job to be a 'transition job', involving a reduction in work intensity or a different line of work, with the change made primarily for lifestyle reasons. Among those not in a transition job, a further one in five indicated they would like to be in one.

More workers would like the option of a more gradual transition into retirement than currently have access to such arrangements.

Summary

Of those who have completely retired, 46% feel they had been pressured or forced into retirement.

The WA population displays slightly better mental health than the rest of Australia, as measured by the proportion of persons in psychological distress, but this does not seem to be driven by age differences. Beyond around 40 years of age, residents of WA have generally been more likely to report good health, and markedly less likely to report poor health, than those of the same age in the remainder of the country.

Between 2001 and 2013, there has been a steady rise in the prevalence of disabilities as people age for people from outside Western Australia. However, the pattern is noticeably different for WA, for which the incidence of such conditions with age flattens off between the ages of 40-44 and 50-54.

The number of West Australians with dementia is estimated at 32,000. Advancing age is the key risk factor, with research suggesting the prevalence of dementia doubles every 5 or 6 years from around the age of 65, and diagnoses are relatively uncommon prior to the age of 65. As dementia is progressive and impacts upon major areas of functioning, it creates substantial care requirements. Co-resident primary carers of people with dementia are around twice as likely as other co-resident primary carers to provide 40 or more hours of care per week.

By and large, people's satisfaction with their lives increases rather than decreases as they grow old. From around the age of 30, West Australians are more satisfied with their lives than other Australians, and this gap widens into old age. However, information on elderly people's involvement in community groups shows that WA lags behind the rest of the nation on this indicator of connectedness. This is particularly so for those living alone.

Retirement patterns are also changing. Workers aged 45 to 55 are developing expectations of working longer. The patterns are very similar for workers from Western Australia and the remainder of the country. The proportion of workers aged 45 and over who consider themselves 'partly retired' increases with age, reaching almost 15% for those in the traditional 'pre-retirement' years of 60-64. Around 10% of people aged 65-69 continue to work in what they consider to be part retirement. Of those who have completely retired, 46% feel they had been pressured or forced to retire, or were partly pressured and partly wanted to retire. A higher proportion (60%) of those partly retired feel their retirement was something they wanted. The difference suggests more workers would like the option of a more gradual transition into retirement than currently have access to such arrangements. Around one in five workers aged 45 and over considered their current job to be a 'transition job', involving a reduction in work intensity or a different line of work, with the change made primarily for lifestyle reasons.

Housing

and care needs in later life

Introduction

For most, housing tenure is a key contributing factor to a sense of emotional and financial security in retirement (Wood et al. 2010). The family home often represents a nest egg that can mean the difference between a modest and comfortable retirement in old age. On the other hand, those not fortunate enough to own their own homes often face a heavy rental cost burden in old age.

Housing decisions in old age are intricately linked to changing needs as one ages. For instance, the departure of adult children from the family home and growing difficulty in coping with the maintenance demands of a large house, may drive other decisions such as whether to downsize. The need to access care is also an important driver of housing decisions. Throughout Australia there is a growing preference to age in place (Olsberg and Winters 2005), and WA is no different. Due to this trend in housing consumers' demand, there is a growing need to integrate the housing and care needs of Australians as they age.

This section will uncover a range of facets relating to the housing and care of older West Australians to contribute to policy development that meet their needs as they age. This section will address housing-related questions such as – what is the distribution of housing tenure among older West Australians? How does this differ from the rest of Australia and has it changed over time? Who are the older renters in WA, and how do their circumstances differ from older home owners? What sort of dwellings do older West Australians live in and do older West Australians under-utilise their housing space? To what extent do older West Australians move, and what prevents them from downsizing?

In addition, what is the distribution of household versus cared accommodation amongst elderly persons in WA, and to what extent have elderly persons with a health condition made modifications to their homes in WA compared to the rest of Australia? To what extent do West Australians access formal care services compared to informal care services, compared to other states? Are current levels of formal and informal care services sufficient to cope with the care needs?

Housing tenure

The majority housing tenure across all age groups in WA is home ownership. As expected home ownership rates are especially high among older age groups. In 2011, four out of every five West Australians aged 65 years and over was a home owner, compared to under half of those aged 25-34 years (Table 10). Between 1990 and 2011, the WA home ownership rate has dropped among all age groups other than those aged 65 years and over. However, this decline is more pronounced amongst younger age groups. Among those aged 45-64 years, the decline in home ownership rate has been around 2-3 percentage points. On comparing WA with the rest of Australia, it can be observed that the decline in home ownership rates in WA is also evident nationally.

Table 10 Home ownership rate, by age of household reference person, Western Australia and rest of Australia, 1990-2011

	25-34 %	35-44 %	45-54 %	55-64 %	65+ %
Western Australia					
1990	56.3	73.8	78.5	80.0	78.2
2011	46.7	64.5	75.9	78.3	79.8
Percentage point change 1990-2011	-9.6	-9.3	-2.6	-1.7	1.6
Rest of Australia					
1990	57.0	75.4	78.9	81.4	80.5
2011	41.4	61.9	74.4	80.3	84.3
Percentage point change 1990-2011	-14.9	-13.0	-4.4	-1.2	3.5

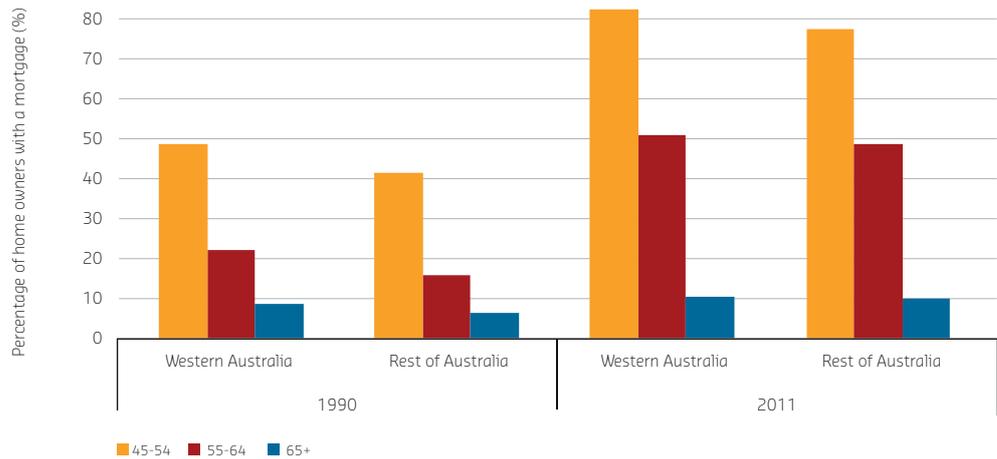
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' estimates based on ABS Survey of Income and Housing data.

Figure 18 compares the incidence of mortgage indebtedness among older home owners in WA and the rest of Australia, over the period 1990 to 2011. Firstly, it can be observed that the rate of mortgage indebtedness declines with age. In 2011, three-quarters of WA home owners aged 45-54 had a mortgage debt, compared to just one in ten WA home owners aged 65 years and over. Secondly, the rate of mortgage indebtedness in both WA and the rest of Australia has increased over time. For instance, back in 1990, 20% of WA home owners aged 55-64 had a mortgage debt. By 2011, this had risen to over 45%. Thirdly, there are some stark differences between WA and the rest of Australia. It is clear from the figure that in every year, and across every older age group, WA home owners are more likely to have a mortgage debt secured against their home than home owners in the rest of Australia.

WA home owners were more likely to have a mortgage debt secured against their home than home owners in the rest of Australia in both 1990 and 2011.

While the rate of renting is lower among West Australians in earlier and mid stages of their life course, the rate of renting amongst persons aged 55 years and over is higher in WA than the rest of Australia.

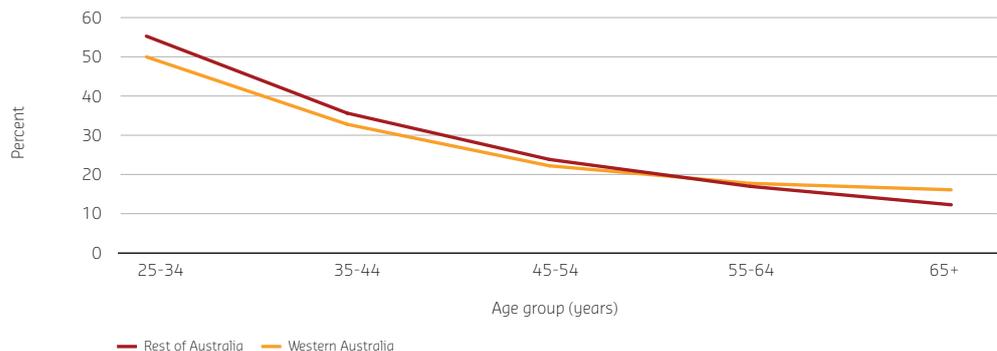
Figure 18 Percentage of older mortgagors in Western Australia and rest of Australia, by age, 1990 and 2011



Source: Survey of Income and Housing 1990 & 2011-2012.

Looking outside the home ownership sector, it is noteworthy that the share of renters in the WA population is not insignificant. In 2011, one in four households in WA (and indeed the whole of Australia) were renting. Figure 19 shows that the propensity to rent declines with age. This reflects the fact that many Australians follow a typical linear housing career, renting in young adulthood before moving on to purchase a home with the help of a mortgage, and gradually paying down the mortgage debt as one ages. The rate of renting in WA declines from 51% among those aged 25-34 to 17% among those aged 65 years and over. However, it is interesting that while the rate of renting is lower among West Australians in earlier and mid stages of their life course, the rate of renting amongst persons aged 55 years and over is actually higher in WA than the rest of Australia. This trend is of policy importance because one of the biggest concerns to emerge from a previous BCEC report's analysis (Cassells et al. 2014b) is the housing cost burden being carried by older renters, many of whom face heavy rental costs that create financial stress. According to the report, only 12% of baby boomer households paid more than 30% of their income towards rent in 2003-04, but this housing cost burden had tripled to 38% by 2011-12.

Figure 19 Share of renters in the population, by age, Western Australia and rest of Australia, 2011



Source: Survey of Income and Housing 1990 & 2011-12

Table 11 compares the characteristics and circumstances of older home owners versus older renters in WA. In comparison to older home owners, WA older renters are clearly a more disadvantaged group. The latter are more likely to be divorced, separated or widowed, or have a long-term health condition. Renters aged 65 years and over stand out as a particularly disadvantaged group. They have the lowest incomes (an average of \$46,000) compared to other groups.

Women who have experienced marital breakdown or bereavement are over-represented amongst renters. Indeed, 42% of renters aged 45-54 years are women who are divorced or separated, compared to just 6% of similarly aged owners. Among those aged 65 years and over, when bereavement is particularly common across all housing tenures, one in five renters are female widowers. A previous BCEC report (Cassells et al. 2014a) found that single elderly female households face severe income poverty once housing costs are deducted. They are likely to be renters and on average, they have \$130 per week to live off after paying housing costs.

Older renters aged 45-64 years exhibit higher rates of material deprivation across all common indicators of financial stress than older home owners in the same age bands. For instance, renters aged 55-64 years are around three times as likely as owners in the same age band to be unable to pay their utility bills on time or have to pawn or sell something due to a shortage of money. These findings are also supported by previous BCEC analysis, which found that the overall poverty rate for Australian renters (23%) is more than twice that for mortgage holders (10%) and three times the rate for outright owners (7%) (Cassells et al. 2014a).

Women who have experienced marital breakdown or bereavement are over-represented amongst renters.

Table 11 Comparison of West Australian home owners and renters aged 45 years and over, by age, 2013

Characteristics	Aged 45-54		Aged 55-64		Aged 65+	
	Owners	Renters	Owners	Renters	Owners	Renters
Men – partnered	37.0%	15.2%	47.8%	34.3%	39.4%	27.3%
Women – partnered	43.6%	12.7%	38.8%	20.9%	30.2%	21.4%
Men – divorced or separated	3.2%	8.7%	1.2%	21.3%	2.8%	11.5%
Women – divorced or separated	5.9%	42.2%	4.5%	15.4%	4.4%	4.1%
Men – widowed	0.8%	1.5%	1.6%	0.0%	5.0%	10.6%
Women – widowed	1.4%	0.0%	3.0%	0.3%	15.6%	21.2%
Men – single, never married	7.5%	15.2%	2.1%	2.3%	1.4%	0.0%
Women – single, never married	0.6%	4.5%	0.9%	5.5%	1.2%	3.8%
Has long-term disability or health condition	23.0%	17.6%	28.3%	51.0%	57.7%	50.5%
Household income (\$'000 at 2015 price level)	\$180.0	\$133.0	\$165.0	\$91.4	\$75.8	\$46.1
Could not pay electricity, gas or telephone bills on time	13.2%	20.8%	7.3%	20.0%	5.1%	2.3%
Could not pay the mortgage or rent on time	8.9%	10.3%	3.4%	3.4%	3.7%	0.0%
Pawned or sold something	6.6%	5.4%	3.0%	9.8%	3.1%	3.0%
Went without meals	2.8%	8.3%	1.0%	3.3%	2.5%	6.2%
Was unable to heat home	2.7%	11.2%	4.0%	11.9%	6.6%	10.7%
Asked for financial help from friends or family	9.5%	15.3%	3.5%	10.5%	2.9%	3.0%
Asked for help from welfare/community organisations	3.7%	6.7%	1.7%	0.0%	2.3%	0.0%
Would have to do something drastic or could not raise emergency funds	12.1%	21.0%	12.2%	23.9%	11.8%	35.1%

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' estimates based on HILDA Survey data.

Dwelling type and space

Older West Australians are more likely to have 3 to 4 spare bedrooms than older persons in the rest of Australia.

The Canadian National Occupancy Standard is a common method of assessing the bedroom requirements of a household (see the glossary for more details). According to this measure, older households are more likely to be under-utilising their housing space than younger households. For instance, as shown in Table 12, one in four WA households aged 65 years and over have 3-4 bedrooms spare in their homes as compared to 12% of those aged under 45. This can be at least partly attributed to the empty nest syndrome brought on by the departure of adult children from the family home. However, interestingly, households in WA are also more likely to have 3-4 spare bedrooms than in the rest of Australia. Among those aged 65 years and over, the proportion of households with 3-4 spare bedrooms is only 17% in the rest of Australia compared to 24% in WA. Similarly, among those aged 55-64 years, the proportion of households with 3-4 spare bedrooms is just 16% in the rest of Australia compared to 28% in WA.

The trends on space under-utilisation above may be linked to the mix of housing stock available in WA. While most Australians live in separate houses and continue doing so into old age, West Australians of all age groups appear to be less likely to live in flats, units or apartments than the rest of Australia. As shown in Table 12, an estimated 5% of WA households aged 65 years and over live in flats, units or apartments compared to around 9% of similarly aged households in the rest of Australia. Similarly, 4% of WA households aged 55-64 live in flats, units or apartments compared to 8% of similarly aged households outside WA.

Table 12 Utilisation of housing space and dwelling type by age of household reference person, Western Australia and rest of Australia, 2011

	Western Australia				Rest of Australia			
	<45 years %	45-54 %	55-64 %	65+ %	<45 years %	45-54 %	55-64 %	65+ %
Utilising of housing space								
No spare bedrooms	18.0	17.4	8.2	8.2	31.4	24.4	15.0	9.4
1 bedroom spare	33.3	37.1	24.7	23.8	39.6	38.9	28.4	27.5
2 bedrooms spare	36.7	33.2	38.8	43.8	23.3	28.2	40.4	46.4
3-4 bedrooms spare	12.1	12.3	28.3	24.1	5.7	8.5	16.2	16.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Dwelling type								
Separate house	83.5	88.1	83.2	79.9	71.9	86.0	83.1	80.2
Semi-detached, row or terrace house, townhouse	11.8	9.0	12.3	14.9	12.3	7.3	8.8	10.9
Flat, unit or apartment	4.6	2.9	4.5	5.2	15.8	6.7	8.1	9.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

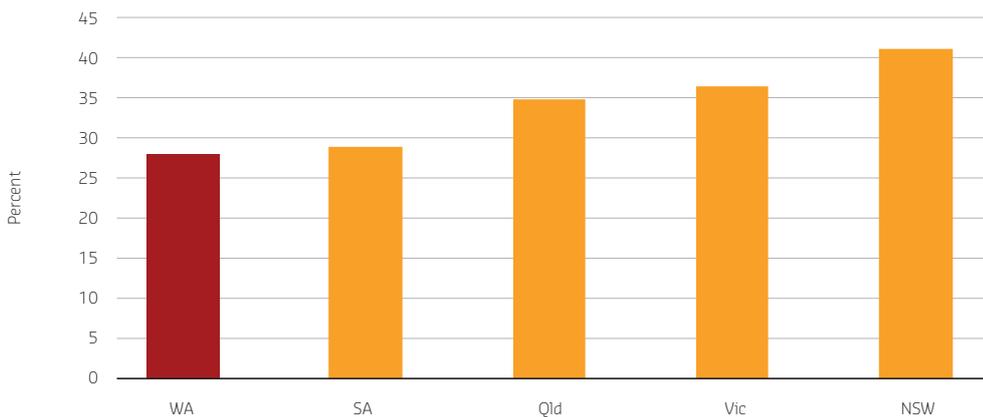
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' estimates based on ABS Survey of Income and Housing data.

Downsizing: incidence and barriers

A key policy solution to reduce under-utilisation of housing space and promote more efficient use of the housing stock is to encourage downsizing among seniors. This is an option that is particularly relevant to older home owners, who are able to release housing equity by selling their home and purchasing a lower value one. However, older Australian home owners exhibit relatively low mobility rates. Indeed, the annual rate of moves over the period 2001-13 among Australian home owners aged 45 years and over is only around 5%. Amongst those who do sell their home only to purchase and move into a new home, the proportion who downsize into lower value dwellings varies across States and this proportion is particularly low in WA. Using the 2001-13 HILDA Survey, it is shown that downsizing comprises 28% of moves within the home ownership sector by persons aged 45 years and over in WA. On the other hand, downsizing makes up 40% of moves within the home ownership sector by those aged 45 years and over in NSW (Figure 20).

The incidence of stamp duty on housing equity released through downsizing is much higher in WA at 25%, declining to 17% in South Australia and 12% in Queensland.

Figure 20 Percentage of intra-tenure moves by home owners aged 45 years and over that involved downsizing, by State, 2001-2013

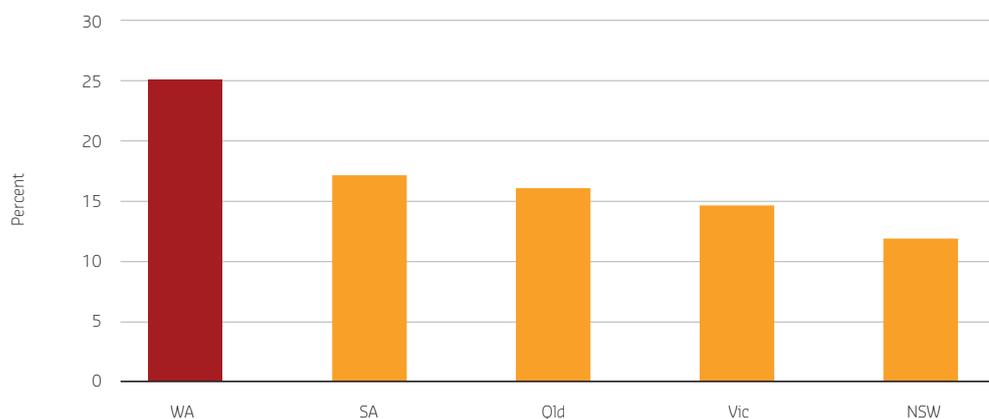


Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' estimates based on HILDA Survey data.

There are various reasons why downsizing is not more common among older Australians. Some of these barriers may be particularly severe in WA, resulting in lower rates of downsizing among older home owners who move. One such barrier is potentially the application of stamp duty on the net proceeds from downsizing. Figure 21 reports the median stamp duty paid by downsizers aged 45 years and over in the five most populous States as a proportion of the median amount of housing equity that is released through downsizing. The value of housing equity released is calculated as the difference between the equity in the new home that is purchased and the equity in the old home that was sold. The figure shows clearly that using median measures, the incidence of stamp duty on housing equity released through downsizing is much higher in WA at 25%, declining to 17% in South Australia and 12% in Queensland.

The desire to age in place is not well matched by an adequate supply of affordable and appropriate housing in the locality that would allow older persons to remain within their community.

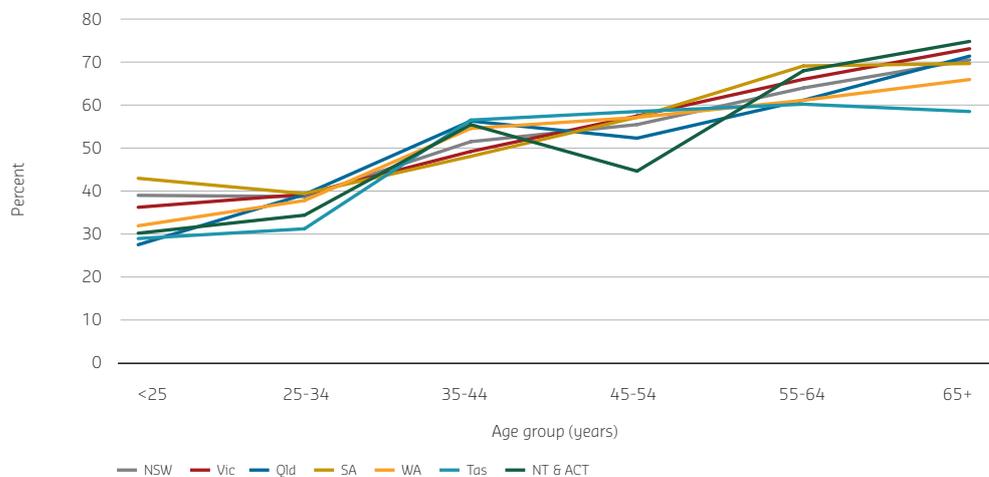
Figure 21 Median stamp duty as a percentage of median housing equity released through downsizing by owners aged 45 years and over, by State, 2001-2013



Notes: The stamp duty percentage for each state is calculated as median stamp duty divided by median housing equity released through downsizing.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' estimates based on HILDA Survey data.

Nonetheless, stamp duty is but one in a myriad of factors that are known to deter downsizing by seniors. As shown in Figure 22, the desire to age in place is very strong in all States. Data from the latest HILDA Survey that reports preferences to continue living in the same area illustrate a clear and positive association between age and the desire to continue living in the same area across all States and Territories. However, this desire is not well matched by an adequate supply of affordable and appropriate housing in the locality that would allow older persons to remain within their community should they choose to downsize (Judd et al. 2014). Indeed, Ong et al. (2013b) identifies fear of social isolation as a key deterrent to downsizing. The study finds that downsizing is often a measure left untouched until a crisis event such as bereavement or ill-health hits.

Figure 22 Percentage of population with strong preference to continue living in same area, by age and State and Territory, 2010

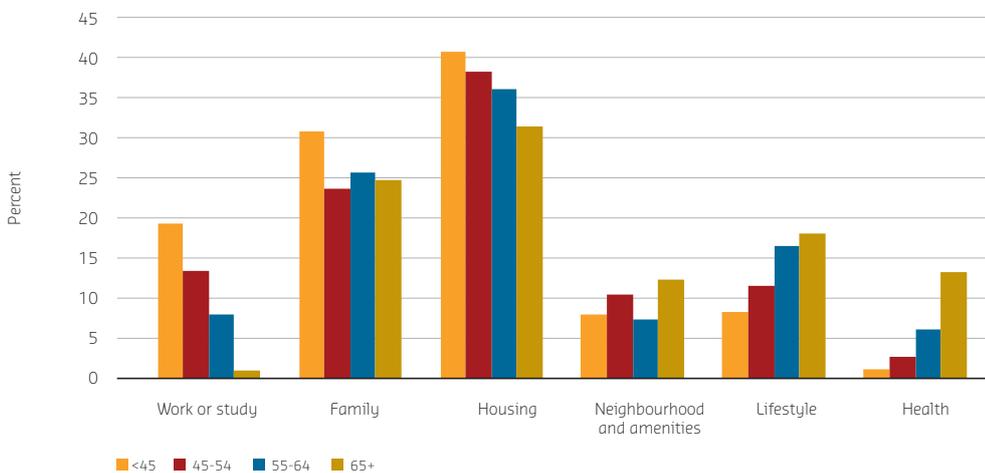


Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' estimates based on HILDA Survey data.

Intersection between housing and care

Looking at moves in general, Figure 23 shows that housing does dominate as the main reason across all age groups in WA, although not all of these involve downsizing. The second most important driver of moves relates to family reasons, such as marriage or the birth of a new child. However, it is clear that the reasons for moves are associated with age. For instance, the importance of work or study declines as age increases, as does housing and family. On the other hand, the neighbourhood and amenities, lifestyle and health are increasingly important considerations in moves as age rises. It is clear that the growing need to access care as one ages is intricately linked to decisions to relocate.

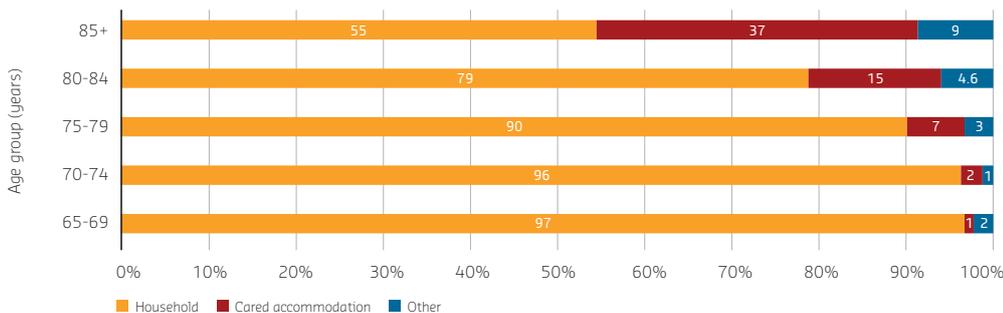
Figure 23 Main reason for move by West Australians in the last year, by age, 2001-2011



Source: 2001-2011 HILDA Survey.

Figure 24 reports the living arrangements of elderly West Australians aged 65 years and over. While the majority of those in their 60s and 70s live in their own homes, the propensity to reside in a cared accommodation such as a nursing home increases with age. Among those aged 85+, only around half reside in their own homes, while over one-third are in cared accommodation. This trend is as expected because the need to access care in everyday living intensifies as one progressively ages.

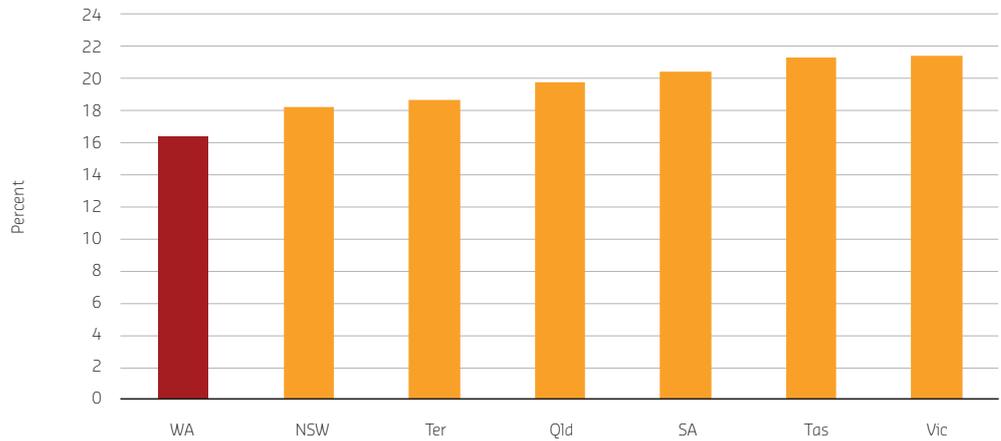
Figure 24 Living arrangement of West Australians aged 65 years and over, 2012



Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' estimates based on ABS Survey of Disability, Ageing and Carers data.

Figure 25 shows the extent of dwelling modification by elderly persons with a health condition who live in their own homes. It would appear that persons aged 65 years and over with a health condition are less likely to modify their dwellings in WA (16%) than in other States and Territories. The propensity to modify the dwelling is highest in Victoria at 22%. There is a range of factors that may potentially drive such a trend, including the extent of innovations and flexibility in the WA housing industry to support modifications of existing dwellings. However, as shown in an earlier section of this report, WA has a lower proportion of persons aged 65 and over than other States, which may result in a lower need for dwelling modification than other States with a more aged population such as Tasmania.

Figure 25 Incidence of dwelling modification by persons aged 65 years and over with a health condition, 2012



Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' estimates based on ABS Survey of Disability, Ageing and Carers data.

Care needs in later life

A younger population not only reduces the need for dwelling modification, it is also reflected in a lower incidence of need for assistance with activities. Table 13 lists the key activities that elderly persons may need assistance with by state. Around one-third of persons aged 65 years and over need assistance with at least one of the activities listed in the table. However, WA features a slightly lower incidence of need for assistance at 29% as compared to Victoria at 38% and Tasmania at 39%. Property maintenance, health care and household chores are the key activities for which assistance is needed. On the other hand, cognitive and emotional tasks, communication, reading and writing and meal preparation are activities least likely to attract the need for assistance. However, across most activities, WA consistently features a lower need for assistance than other States and Territories.

Among persons aged 65 and over, WA features a slightly lower incidence of need for assistance at 29% as compared to Victoria at 38% and Tasmania at 39%.

Table 13 Need for assistance by persons aged 65 years and over, activity type by State and Territory, 2012

	NSW %	Vic %	Qld %	SA %	WA %	Tas %	NT & ACT %
Cognitive or emotional tasks	4.2	5.3	4.3	4.0	5.0	4.1	3.7
Communication	1.6	2.0	1.6	0.8	1.0	1.1	0.8
Health care	17.8	19.7	13.3	18.2	13.3	21.0	12.9
Household chores	15.8	17.1	16.1	16.6	12.8	16.4	13.4
Meal preparation	5.5	5.0	4.8	4.6	3.4	3.2	4.2
Mobility activities	12.6	11.9	10.5	10.5	9.4	11.2	9.7
Property maintenance	18.2	23.3	18.4	20.4	17.3	23.7	17.7
Reading or writing activities	5.1	4.7	3.9	3.9	4.5	4.2	3.5
Self-care tasks	7.4	7.2	6.8	6.9	5.7	8.3	5.4
Transport	15.9	16.6	13.0	14.5	11.5	12.5	12.7
At least one activity	33.7	37.7	31.9	33.5	28.8	38.6	29.6

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' estimates based on ABS Survey of Disability, Ageing and Carers data.

Table 14 shows the distribution of formal versus informal care accessed by elderly persons in need of activity assistance. The rate of access to formal care is lowest in WA at 13%. In comparison, in most other States and Territories one in five persons in need of activity assistance access formal care. On the other hand, there is greater use of informal care in WA than the rest of Australia.

Table 14 Type of care received by persons aged 65 years and over who need activity assistance, 2012

	NSW %	Vic %	Qld %	SA %	WA %	Tas %	NT & ACT %
Informal care only	37.5	32.1	36.6	27.2	41.8	34.8	37.2
Formal care only	19.3	18.8	21.7	23.2	13.4	21.3	18.5
Informal and formal care	43.2	49.1	41.7	49.6	44.9	43.9	44.2
All	100.0	100.0	100.0	100.0	100.0	100.0	100.0

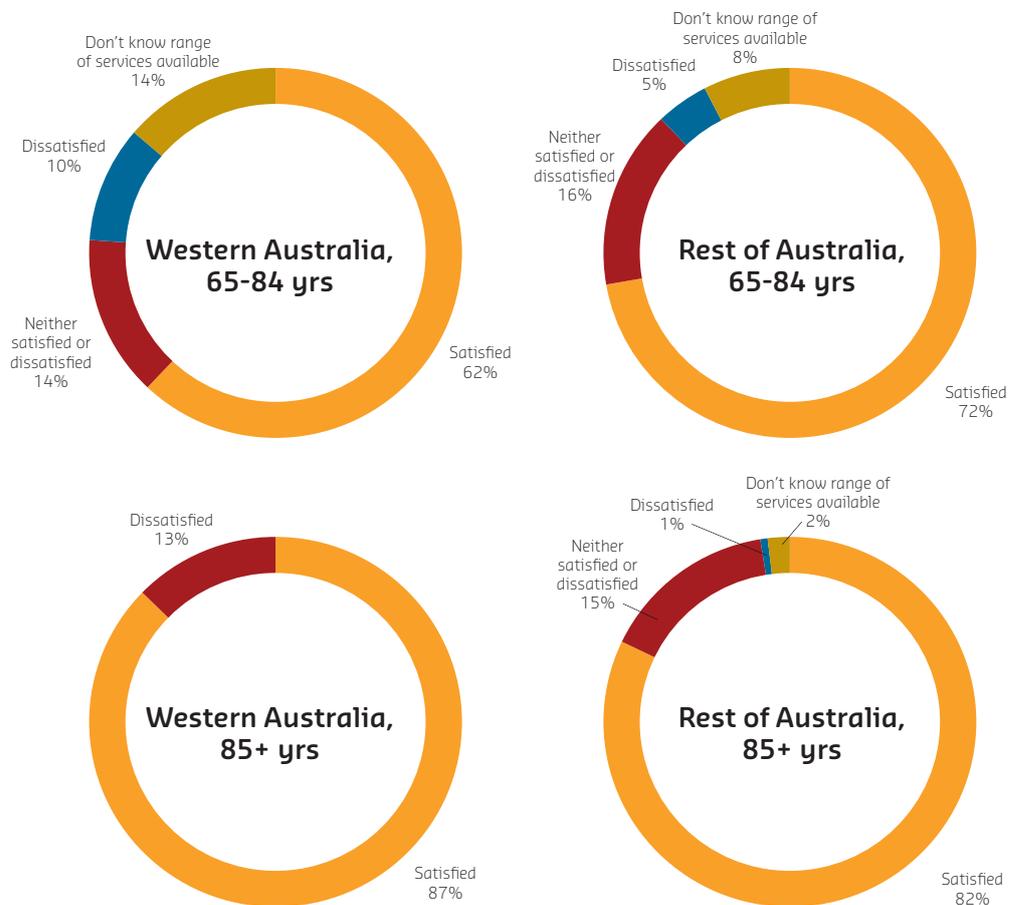
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' estimates based on ABS Survey of Disability, Ageing and Carers data.

72% of those aged 65-84 who are in need of assistance in States outside WA are satisfied with the range of services available to them, compared to a noticeably lower 62% in WA.

While the balance of formal and informal care in WA may be yet another indicator of the relative youth of the WA population compared to other States,

Figure 26 sheds light on another potentially important and policy relevant factor. Elderly persons aged 65-84 years in WA who require activity assistance are less satisfied with the range of organized services available to assist them than the rest of Australia. Indeed, 72% of those aged 65-84 who are in need of assistance in States outside WA are satisfied with the range of services available to them, compared to a noticeably lower 62% in WA. The dissatisfaction rate is also twice as high in WA (10%) than in the rest of Australia (5%). However, it is notable that the satisfaction rate in WA and the rest of Australia is much higher among those aged 85 years and over. It may potentially be the case that 'younger' elderly cohorts have higher expectations in relation to the care they receive than the 'old' elderly. Furthermore, West Australians aged 65-84 years may potentially be influenced by greater access to economic resources as a result of the strong economic growth in WA during the mining boom years, hence resulting in higher expectations of the range of care services available to them.

Figure 26 Satisfaction with range of organised services available to assist with activities by persons aged 65 years and over in need of assistance, Western Australia and rest of Australia, 2012



Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' estimates based on ABS Survey of Disability, Ageing and Carers data.

Turning next to those who do access various forms of care, those who get to access formal care services are more likely to have their needs fully met than in other States and Territories. Only 22% of elderly formal care recipients state that their need for activity assistance is not fully met. In comparison, 26% of recipients in NSW and over 30% of recipients in other States and Territories report not having their needs fully met (Table 15). On the other hand, among those who access informal care only, the extent of unmet need is highest in WA at 34%.

Table 15 Extent to which need for activity assistance by persons aged 65 years and over is not fully met, 2012

	NSW %	Vic %	Qld %	SA %	WA %	Tas %	NT & ACT %
Informal care only	21.9	29.8	27.4	21.8	33.6	22.4	17.4
Formal care only	26.2	34.3	29.5	33.5	21.9	35.0	38.4
Informal and formal care	38.4	40.8	40.5	39.8	43.4	46.1	37.2
All	29.9	36.1	33.3	33.4	36.5	35.5	30.1

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' estimates based on ABS Survey of Disability, Ageing and Carers data.

Among those who are accessing either formal or informal care services in WA and yet report unmet need, the reasons are given in Table 16. The most important reason for unmet need for assistance across all States and territories by formal care relates to the service not providing sufficient hours. Lack of eligibility is much less of an issue here. Among informal care recipients in most States including WA, unmet need stems more so from not having asked for more care from family or friends, or family and friends being unavailable or too far away.

Table 16 Reason for unmet need for assistance by care recipients aged 65 years and over, by State and Territory, 2012

Reason has unmet need for assistance	NSW %	Vic %	Qld %	SA %	WA %	Tas %	NT & ACT %
Formal care recipients							
Did not know of service	19.9	19.4	22.2	23.2	22.1	12.0	17.4
Need not important enough or will not ask or pride	26.9	25.4	24.2	18.4	31.2	19.2	30.0
Unable to arrange service or no services available	23.6	12.6	23.0	18.3	17.5	20.5	22.0
Not eligible for service	3.7	7.4	2.5	9.7	4.5	8.2	2.8
Service costs too much	24.5	30.6	16.8	20.4	16.1	15.4	17.1
Service does not provide sufficient hours or other reason	45.7	40.5	45.5	37.9	48.5	60.8	48.9
Informal care recipients							
Has not asked family or friends	38.7	50.9	50.0	36.7	48.6	43.7	55.0
Needs more help than family or friends can provide	27.0	23.5	12.0	41.5	26.1	29.7	9.2
Family or friends not available or too far away or other reason	46.2	41.8	47.2	36.5	40.7	34.5	62.9

Notes: a. The sample comprises care recipients aged 65+ who cite a reason for unmet need for assistance. The sample excludes those who report having no need or not knowing whether they need more assistance.
b. Survey respondents are asked to nominate a main reason for unmet need for assistance for each activity for which they require assistance. If a person requires assistance for multiple activities, more than one reason might be nominated. Hence, the percentages do not total up to 100%.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' estimates based on ABS Survey of Disability, Ageing and Carers data.

Summary

The evidence shows that older WA home owners are more likely to have a mortgage debt secured against their home than home owners in the rest of Australia in both 1990 and 2011. The rate of renting amongst persons aged 55 years and over is also higher in WA than the rest of Australia.

Older renters are typically more financially disadvantaged than older home owners. Women who have experienced marital breakdown or bereavement are over-represented amongst renters. Indeed, 42% of renters aged 45-54 years are women who are divorced or separated, compared to just 6% of similarly aged owners. Among those aged 65 years and over, when bereavement is particularly common across all housing tenures, one in five renters are female widowers.

In terms of dwelling space, Older West Australians are more likely to have 3-4 spare bedrooms than older persons in the rest of Australia. The trends on space under-utilisation above may be linked to the mix of housing stock available in WA. While there is potential to facilitate more efficient utilisation of housing stock by older West Australians, downsizing only comprises around a quarter of moves within the home ownership sector by persons aged 45 years and over in WA as compared to higher rates in other States. This can be partly attributable to the application of stamp duty on proceeds from downsizing. However, the desire to age in place is often not well matched by an adequate supply of affordable and appropriate housing in the locality that would allow older persons to remain within their community.

It would appear that persons aged 65 years and over with a health condition are less likely to modify their dwellings in WA (16%) than in other states and territories. The propensity to modify the dwelling is highest in Victoria at 22%. A younger population not only reduces the need for dwelling modification, it is also reflected in a lower incidence of need for assistance with activities. WA features the lowest incidence of need for assistance among all States and Territories at 29%.

The rate of access to formal care is lowest in WA at 13% amongst all States and Territories. On the other hand, there is greater use of informal care in WA than the rest of Australia. Persons aged 65-84 years in WA who require activity assistance are less satisfied with the range of organized services available to assist them than the rest of Australia. The dissatisfaction rate among this age group is also higher in WA (10%) than in the rest of Australia (5%).

Financial security

in later life

Introduction

Economic analysis of income and wealth accumulation and divestment traditionally draws on the life cycle hypothesis (Modigliani and Brumberg, 1954). This hypothesis states that households will smooth consumption over their life cycle. During the earlier life stages, incomes are relatively high and will therefore exceed consumption spending. Hence, earlier life stages are spent accumulating wealth. However, in later life, income will typically fall with reduced work hours. When income levels fail to meet consumption, individuals will draw down on their accumulate wealth to meet spending needs. Indeed, this is the reason why the elderly are often cited as an income-poor but asset-rich group (Ong 2008; Bradbury 2010).

However, West Australians have varying labour market and personal life experiences, which would contribute to varying degrees of reliance on public provision in retirement. Furthermore, there exists a range of wealth accumulation instruments. These include the primary home, other property such as holiday homes and rental investments, business assets, superannuation account balances, financial accounts, equity and trusts.

Given their income and asset portfolios, as well as different preferences, West Australians approaching retirement may also plan to exercise a range of retirement funding strategies to support retirement living. The range of sources from which they can seek retirement planning advice would also vary. Not surprisingly, the primary home is the major store of wealth in later life. In recent decades, wide-ranging financial innovations and mortgage market deregulation have spawned the development of a range of financial products that allow home owners to release housing equity in later life to fund spending needs. Given the growing liquidity of housing wealth in the 21st century, the role of housing has been gaining greater prominence than ever before as a source of retirement funding.

Of course, it has to be acknowledged that there is significant diversity within older age groups. Some households have little income and wealth to rely on in old age, while others may have millions of dollars in economic resources to rely on. There are significant variations in access to economic resources among older West Australians.

So what is the average and distribution of income and wealth among older West Australians, and how does this compare to the rest of Australia? Are older West Australians more reliant on private income and personal assets than other States and Territories? How do West Australians intend to fund their retirement, and to what extent are they are drawing down on housing assets under different housing market conditions? Do higher incomes and wealth translate into a stronger sense of financial security in WA, and who are most likely to be financially vulnerable in older age? All of these aspects of the financial security of older West Australians will be discussed in the following sections.

Income and wealth distributions

The average West Australian household aged 45 years and over is estimated to have net income of \$82,000 and net wealth of over \$1.1 million. With the exception of the territories, older households in WA appear to have higher levels of both income and wealth than other States (Table 17).

There is a clear downward trend as age increases. In WA, net incomes fall by around 50%, from over \$100,000 to under \$50,000 as age rises from 45-54 to 65 years and over. The same trend is observed in other States and Territories. Wealth appears to peak at 55-64 years of age. With the exception of Tasmania, net wealth among those aged 55-64 years exceed \$1 million, and in WA this peaks at \$1.3 million.

Table 17 Mean net income and wealth of households aged 45 years and over, by age and State/Territory in 2011, \$'000 at 2015 price level

	Income				Wealth			
	45-54	55-64	65+	45+	45-54	55-64	65+	45+
New South Wales	\$95	\$84	\$49	\$75	\$908	\$1,194	\$1,040	\$1,041
Victoria	\$95	\$88	\$44	\$74	\$997	\$1,171	\$949	\$1,031
Queensland	\$91	\$75	\$43	\$70	\$836	\$1,037	\$965	\$940
South Australia	\$93	\$78	\$41	\$68	\$905	\$1,084	\$768	\$901
Western Australia	\$107	\$93	\$48	\$82	\$984	\$1,319	\$1,052	\$1,109
Tasmania	\$82	\$71	\$41	\$63	\$792	\$920	\$724	\$805
NT & ACT	\$112	\$106	\$65	\$98	\$1,297	\$1,450	\$1,250	\$1,335
Total	\$95	\$84	\$46	\$74	\$929	\$1,160	\$974	\$1,014

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' estimates based on ABS Survey of Income and Housing data.

However, there are 520,000 households aged 45 years and over in WA displaying considerable diversity around these mean levels. Aggregate or average figures obscure important variations in financial circumstances, so this section goes on to explore the distribution of income and wealth for different household groups according to the value of their financial resources.

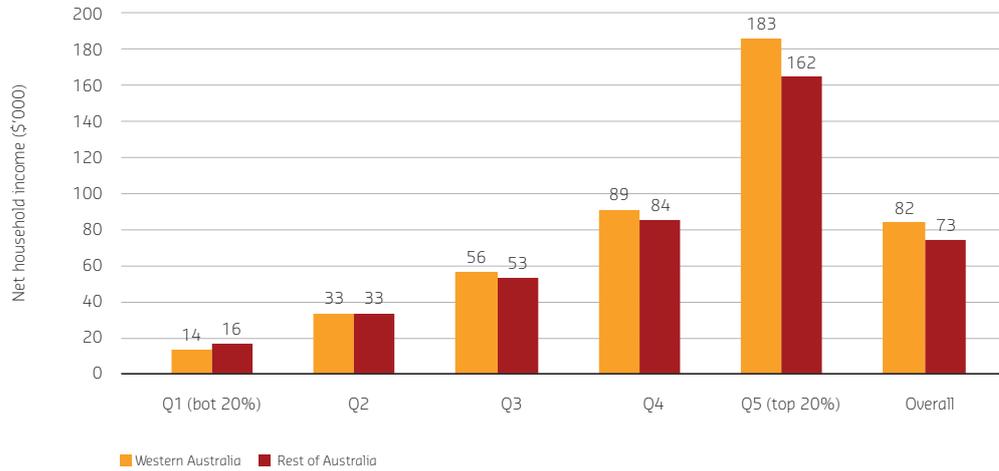
To provide a comparison of the distribution of income, data on WA older households aged 45 years and over are ranked into five equal groups (quintiles) according to the value of their net household income. The 20% of WA older households with the lowest level of income are classified in Quintile 1 (Q1), the next 20% as Quintile 2 (Q2), and so on. Q5 are the 20% of older households with the highest level of income. Distributing the population into quintiles allows the bottom, middle and top to be easily compared, with each quintile representing around 104,000 households. The average value of net household income is \$82,000, but income within successive quintiles rises from an average of under \$14,000 for the fifth of households with the lowest income to an average of over \$180,000 for the highest income quintile (Figure 27).

The most noteworthy feature of the household income distribution is the difference between the richest one-fifth and the rest. The average income of the richest 20% of households aged 45 years and over (Q5) is twice that of their nearest neighbour (Q4 \$89,000) and 14 times the average of WA older households in the bottom quintile (Q1 \$14,000). Comparatively, the top 20% of older households in the rest of Australia have incomes of \$162,000, which is around ten times the income of the lowest 20% (Q1 \$16,000). Hence, the extent of divergence between the poorest and richest older households in terms of income is higher in WA than the rest of Australia.

With the exception of the territories, older households in WA appear to have higher levels of both income and wealth than other States.

At over \$3 million, the top 20% wealthiest older West Australians have wealth levels that are almost 40 times the wealth of the bottom 20%.

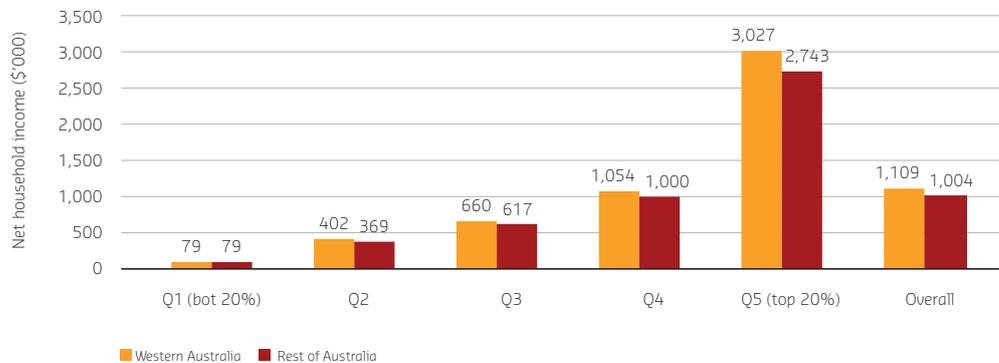
Figure 27 Average net income of households aged 45 years and over by income quintile, Western Australia and rest of Australia in 2011, \$'000 at 2015 price level



Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' estimates based on ABS Survey of Income and Housing data.

Figure 28 offers a comparison of the distribution of net income using a similar method, by ranking WA older households aged 45 years and over into five equal net wealth quintiles from lowest to highest wealth. As in the case of income, we find that the top 20% wealthiest older West Australian households are far more well off than the bottom 20%. In fact, at an estimated average of over \$3 million, the top 20% wealthiest older West Australians have wealth levels that are almost 40 times the wealth of the bottom 20% (Q1 \$79,000). Once again, the extent of divergence in net wealth between the poorest and wealthiest older households is higher in WA than the rest of Australia. The bottom 20% of older households in the wealth distribution have an estimated average net wealth of \$79,000 in both WA and the rest of Australia. However, the wealthiest 20% of older households in WA have higher average net wealth (\$3 million) than the wealthiest 20% in the rest of Australia (\$2.7 million).

Figure 28 Average net wealth of households aged 45 years and over by wealth quintiles, Western Australia and rest of Australia in 2011, \$'000 at 2015 price level



Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' estimates based on ABS Survey of Income and Housing data.

Income and wealth portfolios

Table 18 shows the principal sources of household incomes in WA and the rest of Australia. What is clear is that WA older households are more likely to be self-reliant on personal income than the rest of the older population in Australia. 54% of WA households aged 45 years and over have as their principal source of income wages and salaries compared to 50% of similarly aged households in the rest of Australia. On the other hand, only 28% in WA are reliant on government pensions and allowances as their principal income source, compared to 32% in the rest of Australia. The same trend persists across all three age groups represented in the table, although it is clear that reliance on government pensions and allowances is much higher amongst the 65 years and over age group than other age groups. Over half of the 65 years and over's refer to government pensions and allowances as their main income source in both WA and the rest of Australia.

Table 18 Main source of household income, by age, Western Australia and rest of Australia, 2011

	Western Australia				Rest of Australia			
	45-54 %	55-64 %	65+ %	45+ %	45-54 %	55-64 %	65+ %	45+ %
Wage and salary	82.3	61.9	16.2	53.5	78.3	65.0	12.3	50.1
Own unincorporated business income	6.1	7.1	2.5	5.2	5.3	4.8	1.7	3.8
Government pensions and allowances	6.8	17.4	59.0	27.9	10.9	18.2	61.7	31.7
Other income	3.2	12.3	21.0	12.0	4.2	11.0	23.9	13.4
Household has zero or negative income	1.6	1.3	1.2	1.4	1.4	1.1	0.4	90.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' estimates based on ABS Survey of Income and Housing data.

Next, we examine the average value of the key sources of wealth among older households in WA compared to other States and Territories (Table 19). The average value of total assets among older households in WA is \$1.2 million; debt is comparatively much lower at \$134,000. With the exception of the territories, WA older households have higher average total asset values than all other states. However, the former also have higher average total debt values in comparison to other states.

The primary home is clearly the most dominant asset among older Australians in all states and territories. In WA, NSW, Victoria and the territories, the average primary home value exceeds half a million dollars. In comparison, South Australia and Tasmania appear to feature slower growth housing markets, with primary home values for older households averaging in the \$300,000 to \$400,000 band. Also noteworthy is the fact that with the exception of the territories, the average value of other properties is higher amongst older households in WA than other states. It is therefore unsurprising that property debt secured against both the primary home and other properties feature prominently as the key source of debt among older households. In particular, WA older households have higher levels of property debt than other States with the exception of the Territories.

Housing remains the key asset in both WA and rest of Australia. The primary home and other property represent around 60% of average household assets. Hence, housing assets will be critical to the retirement strategies and welfare of Australians.

In terms of other assets, WA older households have relatively high levels of business assets, financial account and trust fund balances compared to most other states. However, superannuation account balances in WA are lower at an average of \$68,000 compared to some other states such as NSW (\$71,000), Queensland (\$73,000) and the territories (\$86,000).

Assets that dominate the wealth portfolios of older West Australians will remain an important influence over their retirement strategies and welfare. Hence, we go on next to look more closely at the asset composition of older West Australians' portfolios. As shown in Figure 29, housing remains the key asset in both WA and rest of Australia. In overall terms, the primary home and other property represent around 60% of average household assets.

Hence, the primary home and indeed other property will be critical to the retirement strategies and welfare of Australians. Superannuation assets still trail far behind given its relatively recent inception in the early 1990s. Amongst those aged 45-54 years, superannuation constitutes only 7% of their total asset values. Amongst those aged 65 years and over, superannuation's share is even lower at 2% of total asset value.

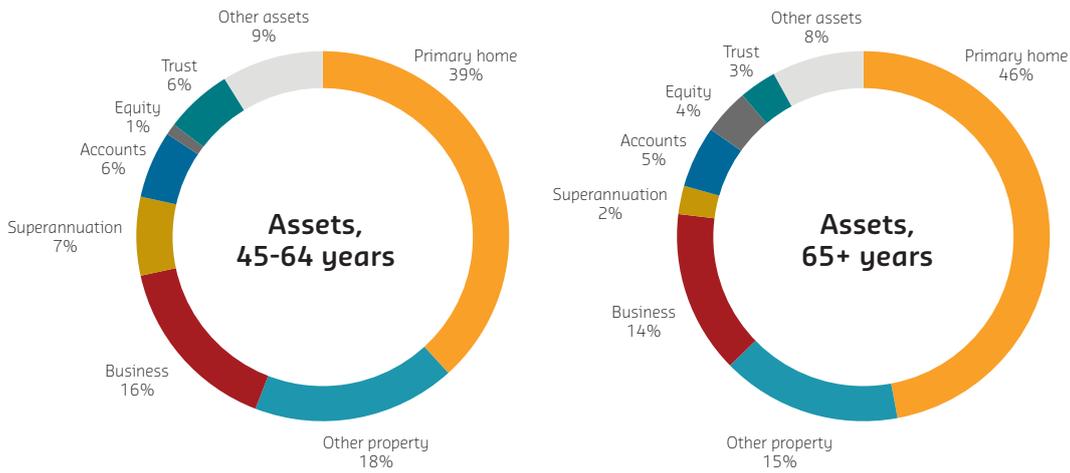
Table 19 Asset and debts of households aged 45 years and over, by State and Territory, 2011, \$'000 at 2015 price level

	NSW	Vic	Qld	SA	WA	Tas	NT & ACT	Australia
Assets								
Primary home	\$513	\$501	\$420	\$391	\$505	\$321	\$514	\$476
Other property	\$171	\$142	\$170	\$138	\$210	\$122	\$283	\$166
Business	\$185	\$196	\$184	\$176	\$189	\$185	\$305	\$189
Superannuation	\$71	\$67	\$73	\$67	\$68	\$53	\$86	\$70
Accounts	\$60	\$53	\$52	\$48	\$72	\$46	\$56	\$57
Equity	\$28	\$28	\$17	\$32	\$26	\$19	\$49	\$26
Trust	\$13	\$42	\$40	\$39	\$67	\$10	\$51	\$34
Other assets	\$105	\$97	\$102	\$100	\$103	\$113	\$135	\$102
Total assets	\$1,147	\$1,124	\$1,057	\$991	\$1,240	\$869	\$1,480	\$1,120
Debt								
Primary home	\$53	\$43	\$53	\$43	\$53	\$31	\$72	\$50
Other property	\$44	\$38	\$46	\$32	\$66	\$23	\$90	\$45
Investment loans	\$2	\$4	\$7	\$5	\$9	\$4	\$5	\$5
Credit card	\$3	\$3	\$3	\$2	\$3	\$2	\$3	\$3
Other debt	\$5	\$5	\$5	\$4	\$4	\$4	\$5	\$5
Total debt	\$108	\$93	\$114	\$87	\$134	\$64	\$174	\$106

Notes: a. Accounts include cash deposits and offset accounts in financial institutions.
b. Other assets include the dwelling's contents, vehicles, other financial investments, loans to persons not in the household and assets not elsewhere classified.
c. Other debt include student debt, loans for vehicle purchases and loans for other purposes.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' estimates based on ABS Survey of Income and Housing data.

Figure 29 Composition of assets of West Australian households aged 45-64 and 65 years and over, 2011



Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' estimates based on ABS Survey of Income and Housing data.

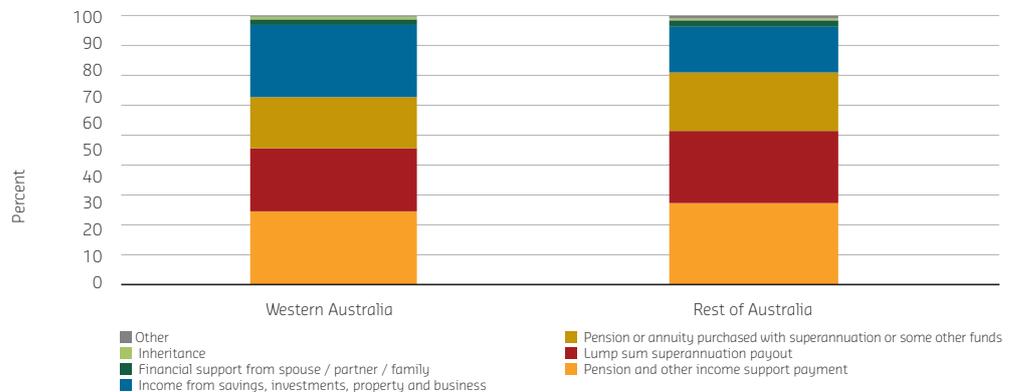
Financial strategies for retirement funding

Prospective retirees from WA are more likely to expect to rely on income from savings, investments, property and business (22%) to fund their retirement than the rest of Australia (14%).

The expectations and financial strategies for retirement funding by prospective retirees will be heavily dependent on their income and wealth levels, as well as the composition of the asset portfolios. In this section, we examine the retirement funding strategies of prospective retirees in WA and the rest of Australia, using the latest retirement module from the HILDA Survey. Prospective retirees are persons aged 45 years and over who are not retired, but are intending to retire. Figure 30 shows the main source of retirement funding of prospective retirees. As expected, government pension or other income support constitutes the main expected retirement funding source in retirement. Significant proportions also expect to rely on lump sum superannuation payouts, pensions or annuities purchased from funds or income from savings, investments, property and business to fund their retirement.

However, a noticeable difference exists between WA and the rest of Australia. Prospective retirees from WA are more likely to expect to rely on income from savings, investments, property and business (22%) to fund their retirement than the rest of Australia (14%). This is not surprising given the strong dominance of housing in older West Australians' asset portfolios (Figure 29) and its relatively high average value compared to other states (Table 19). On the other hand, prospective retirees in WA are less likely to expect to rely on superannuation, pensions and annuities for their retirement funding.

Figure 30 Expected main source of retirement funding by older persons intending to retire, 2011



Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' estimates based on HILDA Survey data.

As shown earlier in this report, the average West Australian household aged 45 years and over has an estimated net income of \$82,000 and net wealth of over \$1.1 million. This is higher than the average income and wealth of older households in all other states (with the exception of the territories). This appears to translate into greater optimism in regards to one's expected financial circumstance in retirement. As shown in Table 20, over half of prospective retirees outside WA expect to have to cut-back on normal weekly spending after they retire. In comparison, only 43% of WA prospective retirees expect to have to make this cut back in expenditure. On the other hand, 13% of WA prospective retirees feel they would have to sell something they own like a holiday house, car or jewellery, to help manage financially in retirement, compared to just 9% in the rest of Australia. It is notable that the expected sale may include a holiday house, which constitutes a key store of wealth among WA older households. As shown in Table 19, the average value of other property owned by WA households aged 45 years and over amounts to \$210,000 as compared to \$170,000 in NSW and Queensland, and less than \$150,000 in Victoria, South Australia and Tasmania.

Table 20 Self-reported measures to manage financially in retirement, Western Australia and rest of Australia, 2011

	Western Australia %	Rest of Australia %
Cut back on less frequent expenditures such as holidays, new cars and large household goods	42.3	43.1
Cut back on your normal weekly spending	39.9	53.1
Rely on spouse / partner going out to work or increasing their working hours	7.2	5.5
Sell something else you own, like a holiday house, a car or jewellery	13.4	9.4
Sell your house or move to lower cost accommodation	25.9	25.8
Share housing with relatives or friends	5.8	6.3
None of the above	27.1	22.7

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' estimates based on HILDA Survey data.

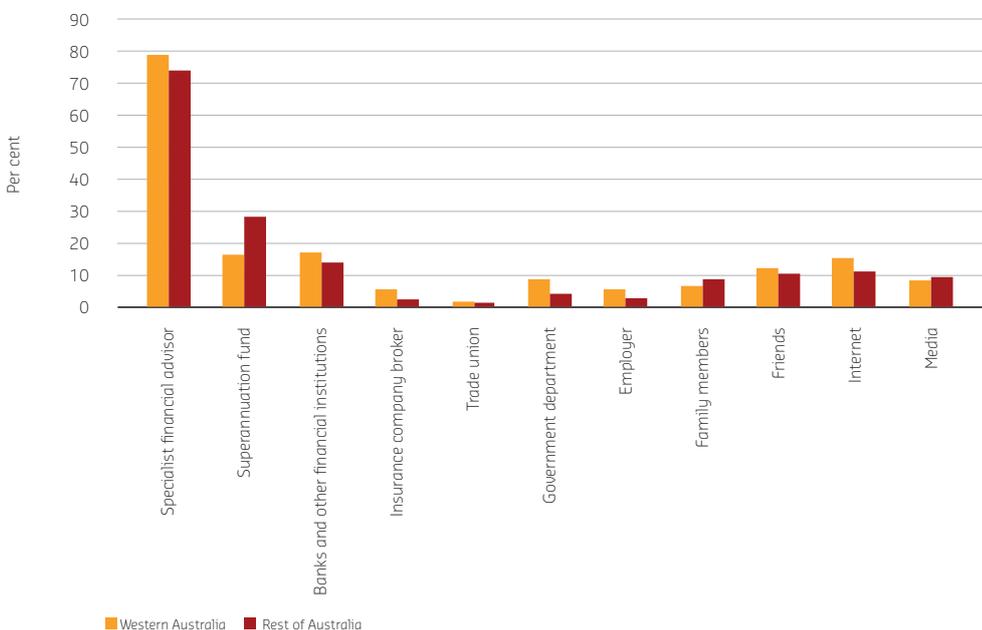
Only 33% of prospective retirees in WA have sought retirement financial advice, compared to 36% in the rest of Australia.

Seeking financial advice constitutes a critical part of retirement planning. Somewhat alarmingly, only one-third of older Australians expecting to retire have sought financial advice to help plan for retirement. Indeed, this proportion is somewhat lower in WA (33%) compared to the rest of Australia (36%).

Figure 31 displays the main sources of advice available to prospective retirees to help plan for retirement. The majority approach specialist financial advisors for advice. Other financial institutions such as superannuation funds and banks are also approached for advice, although much less commonly than specialist financial advisors. Not far behind are friends, media and the internet, which are used by around one in ten prospective retirees in Australia for retirement financial advice.

Four in five prospective retirees in WA who seek financial advice go to a specialist financial advisor, as compared to 74% in the rest of Australia. However, superannuation funds are not as popular a source of retirement advice in WA (16%) compared to the rest of Australia (28%).

Figure 31 Main source of advice to help plan for retirement, Western Australia and rest of Australia, 2011



Note: Data are for full-time employees measuring total weekly cash earnings, which include amounts salary sacrificed.
 Source: BANKWEST CURTIN ECONOMICS CENTRE | AUSTRALIAN BUREAU OF STATISTICS Cat No 6302.0, November 2013.

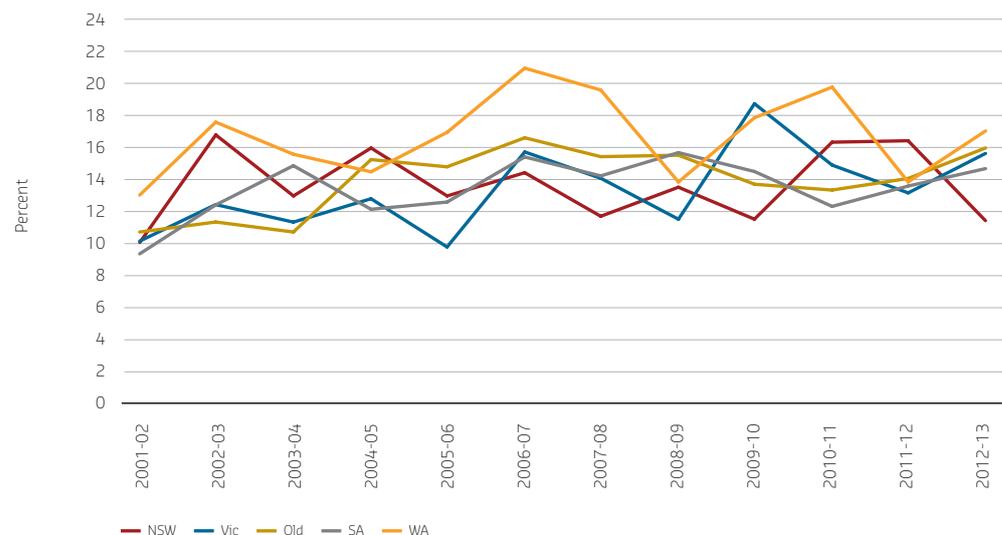
Housing as a retirement funding strategy

There are clear correlations between the use of mortgage equity withdrawal by older home owners and the housing market cycle, particularly in WA. During the housing market boom of the early to mid 2000s, the increase in interest in mortgage equity withdrawal was more evident in WA than the rest of Australia.

Next, we investigate housing as a specific retirement funding strategy, given the importance it occupies in older households' portfolios. A previous BCEC report on savings and debt (Cassells et al. 2015) presented evidence of a propensity towards converting housing wealth into income for consumption across all age groups. Indeed, large increases in the incidence of borrowing against the family home was witnessed during the 1990s and early 2000s when house prices soared on the back of a historic housing market boom (Ong et al. 2013a). In this section, we examine in greater detail the propensity to use mortgage equity withdrawal (MEW) by older home owners in WA versus the rest of Australia. MEW refers to the release of housing equity from the family home by increasing the debt secured against the home.

Figure 32 compares the incidence of MEW across the five most populous states in Australia using the HILDA Survey over the period 2001 to 2013. There are clear correlations between the use of MEW by older home owners and the housing market cycle, particularly in WA. During 2001-02 and 2006-07, the massive housing market boom in Australia prompted an increase in interest in MEW. This was most evident in WA; during 2004-05 to 2006-07, the incidence of MEW rose steeply from 14% to 21%. During the peak of the boom in 2006-07, one in five West Australian home owners aged 45 years and over was using MEW, compared to around 15% in the four other states. The housing market slump that accompanied the global financial crisis resulted in a fall in interest in MEW in Australia, and this was most evident again in WA; between 2006-07 and 2008-09, the propensity of MEW by older households in WA reverted back to 14%. As the housing market recovered, the interest in MEW intensified again, with rates of MEW rising in all states but NSW.

Figure 32 Incidence of mortgage equity withdrawal by home owners aged 45 years and over, by State, 2001 to 2013



Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' estimates based on HILDA Survey data.

Who are the financially vulnerable in West Australia?

What is now clear is that older West Australians have higher levels of net income and wealth than the national average. So do these translate into stronger feelings of financial security overall? Table 21 indicates that the answer is 'yes'. Once again, with the exception of the territories, older West Australians aged 45 years and over are more likely to report feeling 'prosperous' or 'very comfortable'. In comparison, only 13% of older Queenslanders report feeling the same level of financial prosperity.

However, across all Australia, there is an important minority group who report feeling 'poor' or 'very poor'. And while three-quarters of older West Australians aged 45 years and over are able to raise emergency funds easily, 5% would have to do something drastic to raise the funds and almost one in ten would not be able to raise emergency funds at all (Table 22).

Table 21 Perceived prosperity of older persons aged 45 years and over, by State and Territory, 2013

	NSW %	Vic %	Qld %	SA %	WA %	Tas %	NT & ACT %
Very comfortable	16.6	17.7	13.2	17.3	21.6	13.6	33.3
Reasonably comfortable	52.5	52.9	55.9	52.1	55.8	52.5	45.5
Just getting along	26.7	26.7	27.7	27.7	19.4	28.5	19.1
Poor	3.2	2.1	2.3	2.3	2.5	3.9	2.0
Very poor	1.0	0.5	0.8	0.7	0.6	1.5	0.0
All	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' estimates based on ABS Survey of Income and Housing data.

Table 22 Ability of older persons aged 45 years and over to raise \$3,000 for an emergency, by State and Territory, 2013

	NSW %	Vic %	Qld %	SA %	WA %	Tas %	NT & ACT %
Could easily raise emergency funds	65.8	71.2	65.3	68.7	73.2	64.8	84.2
Could raise emergency funds, but it would involve some sacrifices	17.4	14.8	17.4	14.3	13.0	17.1	8.7
Would have to do something drastic to raise emergency funds	5.3	4.8	5.2	6.0	4.8	5.4	1.6
Couldn't raise emergency funds	11.5	9.2	12.2	11.0	8.9	12.7	5.6
All	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' estimates based on ABS Survey of Income and Housing data.

16% of West Australians aged 45 years and over have low economic resource. The typical low economic resource older individual is more likely to be female, aged 60 or over and living alone.

So who are financially vulnerable older persons in WA? Typically, people in a low economic resource situation are individuals that have both low incomes and little or no wealth for emergencies or other purposes. The following paragraphs examine in more detail low economic resource older West Australians, defined as individuals aged 45 years and over in the bottom 30% of both the household income and wealth distribution in WA.

16% of West Australians aged 45 years and over have low economic resource.³ The typical low economic resource older individual is more likely to be females (57%), aged 60 or over (57%) and living alone (56%). They are twice as likely to be divorced or separated as the rest of the older West Australian population (24% versus 12%) and more than three times as likely to be widowed (20% versus 6%).

Average annual disposable income of low economic resource older West Australians individuals is less than a third of that of the remaining West Australian population aged 45 years and over (\$36,400 compared to \$126,500). The main source of income for low economic resource individuals is from public transfers (70%), which in turn are mostly composed of government pensions (89%). In contrast, for the remaining population most of their income is from private sources such as wages, salary or investment (77%). Hence, it is not surprising to find that low economic resource older West Australians are more than twice as likely as other older West Australians to have to do something drastic or be unable to raise \$3,000 (38% versus 16%).

In terms of wealth, low economic resource older West Australians are in a much less favourable condition since their average asset is less than a tenth of that for the remaining population (\$181,800 compared to \$1,882,100). The primary home represents 32% of total household wealth for low economic resource older West Australians individuals, compared to 55% for the rest of older West Australians. This is due to significant higher shares of renters among the former group. 59% of low economic resource older West Australians are renting compared to just 7% of those who have greater access to economic resources.

While older West Australians with low economic resources on average borrow less than the remaining older West Australian population the former tend to borrow beyond their means more than the latter. While low economic resource older West Australians have average household debt equivalent to 4 years of their disposable income, the remainder hold household debt equivalent to 2 years of their disposable income only. In addition, three quarters of debts that older West Australians with low economic resources hold are non-mortgage related, suggesting that they might have borrowed to spend on everyday essentials. In contrast, 62% of debt that the remaining older West Australian population has is mortgage related.

Clearly, with such low incomes, spending on other essentials like food, electricity, heating and clothing will have to be foregone. For many older persons in such circumstances, managing debt is a daily struggle. For some, the possibility to pay down accumulated debts is slim.

The combined effects of asset and debt holdings place low economic resource older West Australians in a much more financially disadvantageous situation as their average net wealth is equivalent to just 2% of that for the remaining population (\$34,900 compared to \$1,629,400).

³ Figures in this section are calculated from a sample of 617 West Australians aged 45 or older in the 2010 HILDA Survey data, which is the latest year of the HILDA Survey with detailed wealth and debt variables. Income and wealth figures are measured in 2015 prices.

Summary

The average West Australian household aged 45 years and over is estimated to have net income of \$82,000 and net wealth of over \$1.1 million. With the exception of the territories, older households in WA appear to have higher levels of both income and wealth than other States.

The average income of the richest 20% of households aged 45 years and over is 14 times the average of WA older households in the bottom quintile (\$14,000). At an estimated average of over \$3 million, the top 20% wealthiest older West Australians have wealth levels that are almost 40 times the wealth of the bottom 20% (\$79,000). The extent of divergence between the poorest and richest older households in terms of income and wealth is higher in WA than the rest of Australia.

WA older households are more likely to be self-reliant on personal income than the rest of the older population in Australia. Prospective retirees from WA are more likely to expect to rely on income from savings, investments, property and business (22%) to fund their retirement than rest of Australia (14%). However, government pensions and allowances remain the principal income source of West Australians aged 65 years and over. Worryingly, only 33% of prospective retirees from WA seek financial planning advice, compared to 36% in the rest of Australia.

Housing remains the key asset in both WA and rest of Australia. In overall terms, the primary home and other property represent around 60% of average household assets. Hence, the primary home and indeed other property will be critical to the retirement strategies and welfare of Australians. In fact, there are clear correlations between the use of MEW by older home owners and the housing market cycle, particularly in WA. During the housing market boom of the early to mid 2000s, the increase in interest in MEW was more evident in WA than the rest of Australia.

While the average older West Australian is better off than older persons in the rest of Australia, 16% of West Australians aged 45 years and over have low economic resource. The typical low economic resource older individual is more likely to be females (57%), aged 60 or over (57%), and living alone (56%). The combining effects of asset and debt holdings place low economic resource older West Australians in a much more financially disadvantageous situation as their average net wealth is equivalent to just 2% of that for the remaining older West Australian population (\$34,900 compared to \$1,629,400). Clearly, with such low incomes, spending on other essentials like food, electricity, heating and clothing will have to be foregone. For many older persons in such circumstances, managing debt is a daily struggle. For some, the possibility to pay down accumulated debts is slim.

Looking Forward:

meeting the challenges
of population ageing in WA

Introduction

The key findings in this report raise a series of important policy issues that need to be considered in order to secure the future of WA amidst the social and economic shifts that are occurring as a result of population ageing.

Economic and social participation

Some older workers suffer considerably from exclusion from the labour market, including from age discrimination. It may also be the case that the lack of flexibility in choosing working hours may lead some older West Australians to drop out of the labour market altogether when their preference is in fact to withdraw from the labour market through reduced hours as they age. Once unemployed, older persons tend to have greater difficulty escaping unemployment, with the proportion of long-term unemployment among jobseekers higher for persons aged 55-64 than those aged 35-44 or 45-54. Addressing these barriers to continued employment is important for improving the wellbeing of those affected older West Australians who wish to participate in the labour force.

However, this report does find that efforts to extend working lives are not a panacea. Retention of older workers in the labour market, even under optimistic scenarios, will not fully offset the effect of population ageing on the number of dependents in the economy per economically active person. Policies designed to better utilise the latent supply within the traditional working age population are likely to be more effective, and increasing female labour force engagement will need to be part of this mix.

For some older West Australians the rewards from employment, such as income, connectedness and feelings of competence, will be important well beyond the prime working years. Others will have good reasons for wanting to withdraw from the labour force, including the value they place on leisure and a desire to contribute to their family and community in other roles.

Despite exhibiting a strong preference to reduce work hours as they age, older people continue to make substantial contributions in other areas. In many cases this enables others in their family to be economically active. Older West Australians also provide many hours of voluntary work for community, welfare groups, religious and other groups. In 2012, the number of Australian carers aged 65 and over living in households was 580,000, and one-third were primary carers.

The lack of flexibility in choosing working hours may lead some older West Australians to drop out of the labour market altogether when their preference is to withdraw from the labour market through reduced hours.

Health, wellbeing and quality of life

There will be growing pressures on carers as the number of dementia sufferers in WA grows. Policies will need to increase the amount of support available to informal carers who help society bear the cost of caring for dementia patients.

Western Australia surpasses the rest of Australia on various indicators of health and wellbeing for older persons. In general, the older Western Australian population displays slightly better mental health than the rest of Australia. Beyond around 40 years of age, residents of WA have generally been more likely to report good health, and markedly less likely to report poor health, than those of the same age in the remainder of the country. From around the age of 30, West Australians are more satisfied with their lives than other Australians, and this gap widens into old age.

These are encouraging statistics. However, information on elderly people's involvement in community groups shows that WA lags behind the rest of the nation on this indicator of connectedness. This is particularly so for those living alone. Hence, West Australians living alone are clearly a group at risk of social isolation in old age, if measures are not put in place to encourage greater participation in community activities.

Dementia is also a key condition that affects an estimated 32,000 West Australians. Advancing age is the key risk factor and dementia creates substantial care requirements. Indeed, co-resident primary carers of people with dementia are around twice as likely as other co-resident primary carers to provide 40 or more hours of care per week. These statistics indicate that there will be growing pressures on care providers as the aged population in WA grows. Furthermore, policies in relation to care will need to take into account the pressures that informal co-resident carers bear in caring for loved ones with dementia and increase the amount of support available to informal carers who help society bear the cost of caring for dementia patients.

Retirement patterns are also changing, with older West Australians developing expectations of working longer and significant proportions considering themselves partly retired. The findings from this section suggest that older workers would like the option of a more gradual transition into retirement than currently have access to such arrangements. It is therefore essential that workplaces adopt increasingly flexible work hour practices in order to harness the contributions of older workers who would like to retain some involvement in the workforce while gradually transitioning to retirement.

Housing and aged care needs

West Australian home owners are more likely to carry a mortgage debt beyond their prime working years relative to the rest of Australia. The traditional policy assumption has been that modest Age Pension payments are sufficient to support old age since most Australians would have paid down their mortgage by the time they retire. However, this may no longer be the case, especially in WA. Mortgage payment protection schemes that help households with acute financial needs (such as the loss of earned income) sustain home ownership may prevent the need for foreclosure and alleviate mortgage stress during financial crises. However, no such safety net for mortgagors currently exists in Australia.

The share of renters in the older WA population exceeds the national average. As shown in a previous BCEC report on housing affordability (Cassells et al. 2014b), those not fortunate enough to own a home often face a severe rental cost burden in old age. So precarious housing circumstances can significantly harm ontological security in retirement. Single older women make up a disproportionately high share of renters aged 65 years and over; they are a particularly vulnerable group because in addition to owning no housing assets, they have very low levels of superannuation savings. Australia has a small, rationed, public housing sector, while its private rental market is largely unregulated with short term leases that are typically limited to six months or a year. It is therefore imperative to devise policy instruments that might offer ageing lifetime renters greater security of tenure.

There is potential for more efficient utilisation of the housing stock by older West Australians. This can be facilitated via such measures as stamp duty exemption for those wishing to downsize. However, the impact of stamp duty exemption on the decision to downsize will be minimal if it is not implemented alongside a series of complementary measures to promote ageing in place via a greater diversity of affordable and appropriate housing stock within local areas.

Population ageing will inevitably give rise to increasing numbers and expectations of elderly people in relation to care services. Our report finds that care services are limited, resulting in unmet need among those receiving both formal and informal care services. Dissatisfaction with the range of formal services available for activity assistance appears to be particularly acute in WA, raising questions about the adequacy of support for consumer choice, service quality and coverage of needs in relation to expectation levels. Policymakers also need to address the labour shortages currently being experienced across the aged care sector in Australia, which is exacerbated by low wages for aged care workers. There also appears to be scope for exploring further potential for dwelling modifications in WA, to promote ageing in place and enhance in-home care and informal care by family members and friends.

The impact of stamp duty exemption on the decision to downsize will be minimal if it is not implemented alongside a series of complementary measures to promote ageing in place via a greater diversity of affordable and appropriate housing stock within local areas.

Financial security

The appetite for mortgage equity withdrawal by older WA home owners raises a range of important issues (including risks, intergenerational transfer motives and equity concerns) that need to be further explored to safeguard their financial security fund retirement.

With the exception of the Territories, the income and wealth of the average West Australian household aged 45 years and over surpasses that of the rest of Australia. WA older households are also more likely to be self-reliant on personal income than the rest of the older population in Australia, though government income support remains the principal source of income for those aged 65 years and over. This appears to translate into greater optimism in regards to one's expected financial circumstance in retirement. However, somewhat alarmingly, only 33% of older West Australians expecting to retire have sought financial advice to help plan for retirement. To secure the financial futures of older West Australians, there is scope for enhancing access to financial planning services and encouraging older West Australians to be more proactive in developing literacy regarding financial management as well as the impacts of a range of financial decisions on tax liabilities and government income support payments. Overall, it is critical that to ensure appropriate information and advice are widely available to support informed financial decision-making in later life.

The primary home dominates the asset portfolio of older West Australians and will therefore be critical to their retirement strategies and welfare. Superannuation assets still trail far behind given its relatively recent inception in the early 1990s. During the housing market boom of the early and mid-2000s, interest in releasing equity via mortgage equity withdrawal was most evident amongst older West Australian home owners. As shown in a previous BCEC report on savings and debt (Cassells et al. 2014a), the knowledge that one can access a superannuation 'nest egg' in retirement appears to have made households more comfortable with taking on debt in an era of sustained house price increases.

The appetite for mortgage equity withdrawal by older WA home owners raises a range of important issues that need to be further explored to safeguard their financial security while using housing assets to fund retirement. As shown in Ong et al. (2013b), housing equity withdrawal may create some risks for older households such as longevity risk, interest rate risk and limited equity risk. It may also conflict with intergenerational transfer motives. Equity issues are also involved, with single older women being more exposed to the risks of housing equity withdrawal than others. Single older women, already identified as a financially vulnerable group in this report and previous BCEC research (Cassells et al. 2014b), tend to be much more reliant their primary home assets than men. A woman's working career is often interrupted by child care responsibilities. They therefore have smaller amounts of wealth accumulated in superannuation accounts. The use of housing equity to meet retirement spending needs will therefore have a particular resonance for them.

Discussion and Conclusion

Discussion and conclusion

Western Australia's population is growing older. The proportion of West Australians aged 65 and over rose from just 7.4% in 1971 to 12.8% currently, and it is projected to rise to over 18% in 2050. The rise in the proportion of people aged 85 and over is equally stark. From just 0.4% in 1971, this cohort now represents 1.6% of the WA population and is set to more than double to 3.3% by 2050.

In many respects, population ageing is a positive development: it reflects that West Australians are living longer, healthier lives and growing in affluence. Population ageing also brings with it many opportunities to harness the contributions that older persons make to their community. For instance, older persons make valuable unpaid contributions to the West Australian community via involvement in voluntary work and undertaking substantial care roles.

However, people can become increasingly exposed to a range of vulnerabilities during the process of ageing. As people grow old, some of the key issues they face concern their independence, housing and the desire for 'ageing in place'; physical and mental health and financial security. There are also diversities within older age groups that influence their preferences and expectations differently. Baby boomers increasingly prioritise individuality and lifestyle choices over traditional norms associated with family obligations held to by pre-war cohorts. The oldest of the immense baby boomer cohort born during 1946-1965 reached 55 years of age at the beginning of the new millennium, and the youngest boomer will turn 55 years old within the next five years.

This report has found that older West Australians are on average relatively prosperous, more optimistic about their retirement futures, and healthier than older persons in most other States. However, significant pockets of the population suffer from financial stress and housing insecurity, and older West Australians are also more vulnerable than other States and Territories in many respects. For instance, older West Australians appear to have become accustomed to carrying mortgage debt into retirement. The use of debt that is unsupported by reliable income streams in retirement can be destructive for wellbeing in old age if a financial crisis arises, such as a relationship breakdown or the onset of ill health. Significant numbers of West Australians are also renting in later life, and therefore exposed to housing stress and tenure insecurity in old age. Older single women have emerged as a particularly financially vulnerable group in this and previous BCEC reports on savings and debt and poverty. Hence, there is a critical need to install safeguards to protect the wellbeing of vulnerable older West Australians.

As the population ages, medium- to long-term forward planning will be required to secure the future wellbeing of the growing aged cohort in WA across a range of domains related to their economic and social participation, health and quality of life, housing and aged care needs, and financial security. This report has found that a significant proportion of older persons in WA (50% of men aged 65 and 30% of women aged 65) are still in the labour force and many favour a gradual transition into retirement that involves reduced work hours. Diminishing labour supply by the ageing population may lead to a reduced standard of living for older people. One way of preventing this is to improve the retention of older persons in the workforce. However, this will require the implementation of policies and workplace practices that overcome workforce participation barriers faced by mature age jobseekers (such as age discrimination) and the current lack of available pathways that support a gradual transition into retirement.

Population ageing will inevitably give rise to increasing numbers and expectations of elderly people in relation to care services. Our report finds that care services are limited, resulting in unmet need among those receiving both formal and informal care services. Dissatisfaction with the range of formal services available for activity assistance appears to be particularly acute in WA, raising questions about the adequacy of support for consumer choice, service quality and coverage of needs in relation to expectation levels by a cohort that has on average benefited from the economic boom of the last decade in the State. Even in the absence of rising expectations, there will be growing pressures on care providers as the size of the aged population in WA grows. Policies in relation to care will need to take into account the pressures that informal carers bear in caring for loved ones with dementia and other health conditions and increase the amount of support available to informal carers who help society bear the cost of caring for aged patients. Policymakers also need to address the labour shortages currently being experienced across the aged care sector in Australia, which is exacerbated by low wages for aged care workers.

For the average West Australian, the primary home is the main source of shelter and wealth in old age. However, one in five older West Australians face severe housing cost burdens as long-term renters in later life and worryingly, many are carrying mortgage debt into their retirement years. Housing insecurity in old age is a looming issue that requires growing policy attention and action in Western Australia. For those who own a home, the appetite for mortgage equity withdrawal by older WA home owners raises a range of important issues that need to be further explored to safeguard their financial security while using housing assets to fund retirement. Somewhat alarmingly, only 33% of older West Australians expecting to retire have sought financial advice to help plan for retirement. It is critical that to ensure appropriate information and advice are widely available to support informed financial decision-making in later life.

At a State level, this report has found that the implications of population ageing in Western Australia have a distinct geographic dimension. Agricultural regions have a markedly higher proportion of persons aged 65 and over than the State overall – particularly the Great Southern (16.7%) and Wheatbelt (16.1%). The Wheatbelt recorded the highest increase in the proportion of the population aged 65 and over between 2006 and 2011 (an increase of 2.0 percentage points). Peel is the region displaying the largest increase in the share of persons aged 85 and over. Hence, the impacts of population ageing in Western Australia will be felt most keenly by these regions if the challenges of population ageing are not adequately addressed.

At a national level, population ageing is expected to reduce the size of the workforce and lower government revenues while simultaneously increasing health and social security expenditure, thereby deteriorating budgetary positions. For instance, the Productivity Commission (2005) projects government health expenditure to increase from 6.96% of GDP in 2014-15 to 10.28% in 2044-45, and the ageing of the population is estimated to contribute to approximately half of this increase. These budgetary pressures will no doubt fall on both Federal and State governments, as responsibilities for differing areas related to ageing, such as health, are distributed across different tiers of government. Furthermore, ageing-related issues cut across multiple policy portfolios – from economic and social participation, to health, wellbeing and quality of life, housing and aged care, and financial security – and are administered by different agencies. It is therefore critical to ensure strong coordination of ageing-related policies and programs both horizontally and vertically from a governance perspective to deliver the best outcomes for the ageing population in Western Australia and indeed the whole of Australia.

Glossary

Glossary

ABS data sources

This report uses data from the ABS 2011-12 Survey of Income and Housing, a household survey which collects information on sources of income, amounts, received, housing characteristics, household characteristics and personal characteristics. In 2011-12, information on household assets and debt were also collected. The survey scope covers residents of private dwellings in both urban and rural areas of Australia. All income, asset and debt values in the 2011-12 Survey of Income and Housing have been inflated to 2015 values using the change in the Consumer Price Index between the two financial years.

This report also uses data from the ABS 2012 Survey of Disability, Ageing and Carers, a national survey that collects detailed information on people with disabilities, older people and those who provide care for older people and people with disabilities. While most older people and people with disabilities live in their own homes, in some instances care requirements not able to be met at home may necessitate moves into cared-accommodation. In order to gain a comprehensive picture of ageing and disability in Australia, the Survey of Disability, Ageing and Carers collects information about people living in households as well as those in cared-accommodation.

In addition, ABS population statistics and projections are used to profile the demographic and labour force participation trends of older persons in West Australia compared to the rest of Australia.

Assets

Asset types include the value of the primary home, other property, business assets, superannuation account balances, equity, trust fund balances, and other assets (e.g. the dwelling's contents, vehicles, other financial investments, loans to persons not in the household).

Canadian National Occupancy Standard

The Canadian National Occupancy Standard assesses the bedroom requirements of a household using the following criteria:

- There should be a maximum of two persons in each bedroom;
- Children under 5 years old of different sexes may reasonably share a bedroom;
- Children aged 5+ of different sexes should have separate bedrooms;
- Children under 18 years of age and of the same sex may reasonably share a bedroom; and
- Single household members aged 18+ years should each have a separate bedroom, as should parents or couples.

(AIHW 2012a).

Ageing in place

To age in place is to continue living in one's own home or community comfortably and securely.

Debt

Sources of debt include loans secured against the primary home and other property, investment loans, credit card loans and other debt (e.g. student debt, loans for vehicle purchases and loan for other purposes).

Dependency ratio

The dependency ratio is a measure of the number of economically inactive people in the population compared to the number of people who are available to work.

Discouraged jobseeker

Discouraged jobseekers are those who want to work and are available for work, but have not actively looked for work because they do not believe they will be able to find a job.

Downsizing

Downsizing involves selling an owner occupied home and purchasing another owner occupied home of a lower value, withdrawing housing equity in the process.

Formal care

Assistance with activities for the elderly provided by organised services.

HILDA Survey

This report uses unit record data from the 2001 to 2013 Household, Income and Labour Dynamics in Australia (HILDA) Survey. The HILDA Survey is a household-based panel study which began in 2001. It tracks information on economic and subjective well-being of the respondents along with family, housing and labour market dynamics. The HILDA Project was initiated and is funded by the Australian Government Department of Social Services (DSS), and is managed by the Melbourne Institute of Applied Economic and Social Research (Melbourne Institute). The findings and views reported in this report, however, are those of the authors and should not be attributed to either DSS or the Melbourne Institute.

Income

Income includes wages, salaries & other forms of employment income, profit/loss from own unincorporated business, investment income, government pensions and allowances, and private transfers (e.g. superannuation, workers' compensation, income from annuities, or child support).

Net income is gross income less income tax, the Medicare levy and the Medicare levy surcharge.

Informal care

Assistance with activities for the elderly provided by family and friends.

Mortgage equity withdrawal (MEW)

Mortgage equity withdrawal (MEW) refers to the release of housing equity from the family home by increasing the debt secured against the home.

Net wealth

Net wealth is total assets less total debt.

Prospective retirees

Prospective retirees are persons aged 45 years and over, who have not yet retired, but who report that they intend to do so.

Quintiles

Quintiles are groupings that result from ranking all households in ascending order according to the relevant characteristic (i.e. net income or net wealth) and then dividing the household population into five equal groups, each comprising 20% of the total household population.

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