

Government Paper
on
“Australia’s Demographic Challenges”

COMMENTS

The Issue

The opening paragraph of the Introduction to the paper predicts that over the next 40 years –

- The proportion of the Australian population aged over 65 years will almost double to about 25% of the total population.
- There will be zero growth in the population of the traditional workforce; i.e.: ages 15 to 64.

Put simply, the paper points out that, in forthcoming years, the trend is to there being less taxpaying income earners to support a growing number of people, reaching that point in their lives when they will, quite reasonably, look to the government to supplement their investment earnings by way of Social Security payments.

Without change to community expectations and population growth trends Australia’s rate of productivity growth will slow down and we will move from budget surpluses to increasing budget deficits.

These are statements of the “bleeding obvious” and past governments must stand condemned for there failure in not addressing the issues at a much earlier point in time. However, it is axiomatic that political will wilts when political survival becomes an issue.

The paper concludes with the observation that many people are of the view that we need not be too hasty in doing something about it; I do not agree. It will take a long time and much political debate for appropriate policy determinations to be made And it will take an equal amount of time for such determinations to become enshrined in the law.

What to do?

The objectives should be to reverse the trends in population change and welfare dependency whilst, at the same time, preserving (and, if possible, enhancing) productivity growth trends.

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There is no one single course of action which will achieve the desired result; a combination of initiatives is called for. I suggest some appropriate courses of action – not in any order of priority or preference and not, in any way, exhaustive.

Deferral of Retirement

This proposal has been canvassed by the Federal Treasurer – with some adverse comment from his political opponents and from the media.

People retire – some at 65, some at an earlier age, either by choice or redundancy. Many of these retirees have trade or academic or commercial qualifications; they all have varying degrees of life skills. Not all (I suggest – a large number) want to retire; they cannot afford it or they fear boredom, but they would all believe they have something to offer.

These people are a vast pool of talent and skills; they should be helped to stay in the work force.

- Generally, seniors do not have career advancement aspirations and would be capable of performing those operations which younger employees see as not befitting their role in life. The employment of seniors in such roles would leave the younger free to pursue their ambitions with less disruption to the employers' operations.
- The market place for the engagement of employees would be less competitive as, in many present day cases, employers are paying more than a job is worth because it is being filled by over qualified employees; (eg: a commerce graduate performing repetitive clerical tasks).

The benefits to employers would be in lower labour costs and better use of work force skills.

Adoption of such policy objectives could only be achieved by changes in attitudes by employers and those older people seeking to remain in employment. Government would have to play its part by provision of incentives to employers with enforcing legislation.

- Seniors would have to accept the fact that they need refresher training or re-training as they near that point in time when, traditionally, they would have to retire.
- There would have to be a cultural change in the attitudes of those seeking to remain in employment after retirement age. They need to recognise that seniority does not necessarily engender the respect of younger work place colleagues, and that, their entrenched attitudes and

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opinions are not always helpful to work place harmony. They would have to be prepared to embrace, with enthusiasm, re-training and work related study courses.

- Enforcing legislation to abolish employer discrimination (biased against older workers, who have failed to reach management levels in their work life time) would have to be enacted.
- There would need to be a legal requirement for employer sponsored re-training and re-education with financial incentives for participation (tax relief or cash subsidy) and meaningful regimes of accountability. Similarly, there should disincentives to non-participation (fines/penalties).

Immigration

Emphasis on migration policy needs to be directed to the sponsoring of people possessing trade and professional skills, energy and capital. People who are going to be a burden on our social welfare system should not be encouraged.

The sponsorship, by migrants, of older, impoverished relatives should not be permitted. An extension of this should be to impede access to social welfare to those who choose to remit money to their country of origin in preference to saving for their retirement years in Australia

Older people with capital who can demonstrate that they will **never** be a burden on the Australian social welfare system should not be rejected and the process of entry to Australia should be made easier.

Financial incentives should be provided to those migrants, with desirable skills, to establish themselves in geographical locations most beneficial to Australia; eg: country medical services,

Birth Rate

The means to increasing the national birth rate is totally in the hands of those women of child bearing age. Generally, theirs' is the major in-put in the decision making processes of having or not having children and, if so, how many.

Career and lifestyle preferences are having an influence on whether some young women even want to have children. The remaining young women, who do wish to have children, must ponder the questions of affordability (long and short term) and the prospects of career resumption after they have finished their child bearing.

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In the context of the questions posed in the paper on Demographic Challenges political parties must cease point scoring and get about the creation of stable and consistent circumstances whereby young women are going to be incentivised to have children. In this regard points for consideration are:-

- Meaningful and long term financial incentives in the form of Baby Bonuses and Family Support Payments.
- Employer sponsored crèches and child care facilities located so as to facilitate mothers' access to their children during working hours. This set of circumstances would require government financial incentives to employers (tax relief or cash subsidy). It would also require mothers to recognise that they are going to be of limited value to their employer and that an expectation of salary sacrifice (for the time their children remained in the crèche or child care facility) would not be unreasonable.
- Facilitation of resumption of career path for mothers returning to the work force with a requirement for employers to give priority to the re-employment of such former female employees.
- A requirement for employer sponsored re-training and re-education of female workers seeking to re-enter the work force with financial incentives for participation (tax relief or cash subsidy) and meaningful regimes of accountability. Similarly, there should be disincentives to non-participation (fines/penalties).
- A qualifying number of children (say, 3 or 4) for a woman to have rights in relation to priority of employment, crèche and child care and re-training/re-education.

Australians Working Overseas

Many young Australians (particularly University graduates) take overseas employment – some to expand their experience and qualification base, others for better financial reward and others, because they are unable to find a job or achieve job satisfaction in Australia.

Some of these people return to Australia in the relatively short term and the country benefits from their learning and experience.

However, many remain overseas and return to Australia only for holidays or when they reach retirement age at which time they have an entitlement to the benefits of the Australian welfare system. It is inappropriate that these people who have benefited from the Australian education system should, during their

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working life, contribute to a foreign tax regime but retain an expectation of benefit from the Australian welfare system when they return to a retirement lifestyle in Australia. I believe that a large, and growing, number of people fall into this category.

This anomaly can be addressed by providing, in the Income Tax legislation that people who, after a period of overseas residency, choose to not return to Australia will be subject to income tax on the basis of their citizenship rather than their residency.

At present all Australian income taxes are levied on the basis of residency rather than citizenship. If you live here, you pay Australian income tax on your world wide income; with tax credits applying on foreign tax you pay on non-Australian income. If you are an Australian citizen residing overseas and paying tax in the country of residence you pay Australian income tax on only the income you derive from Australian sources.

The paper, "Australia's Demographic Challenges", emphasise the dangers to the Australian economy and way of life if we fail to maintain a reasonable balance between the burdens being imposed by welfare recipients and those taxpayers bearing that burden. This commentary seeks to suggest some courses of action.