

Preventing Ageing Unequally

How does AUSTRALIA compare?



How will future retirees fare? The OECD report *Preventing Ageing Unequally* examines how the two global mega-trends of population ageing and rising inequalities have been developing and interacting, both within and across generations. Taking a life-course perspective the report shows how inequalities in education, health, employment and income interact, resulting in large lifetime differences across different groups. Drawing on good practices in OECD countries, it suggests a policy agenda to **prevent** inequality before it cumulates; **mitigate** entrenched inequalities; and **cope** with inequality at older ages. The report points to strong policy complementarities and synergies and thus a whole-of-government approach is likely to be much more effective than a series of separate inequality reducing policies. In particular, to ensure a better retirement for all, policies have to be coordinated across family, education, employment, social ministries and agencies.

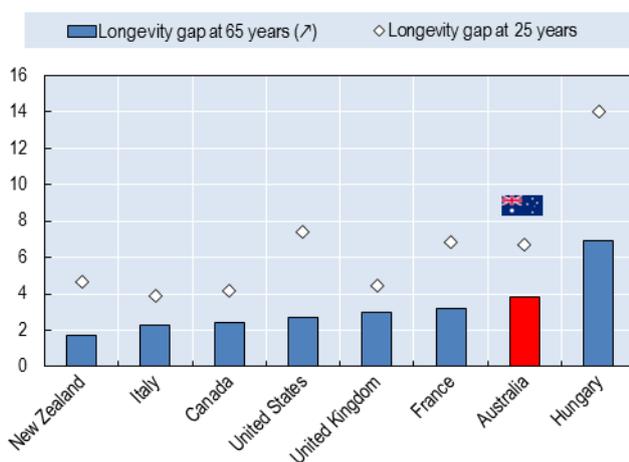
Overview – Inequality in Australia has grown over 25 years of uninterrupted economic growth

Substantial inequalities in health and income exist in Australia, despite uninterrupted economic growth for the last 25 years. For instance, there are large gaps in remaining life expectancy between education groups compared to other countries, in particular at older ages. This could in part be explained by a higher prevalence of obesity among low educated people. Overall overweight and obesity is a wide-spread problem among Australians. Australia already had a high rate of obesity in 1995 but it worsened sharply over the last 20 years. Moreover, regional disparities in education, income, access to healthcare and the pace of ageing add to inequality in Australia.

Income inequality in Australia has grown from generations born in the 1920s to the Baby Boomers and the Millennials, as in most

OECD countries. However, contrary to the common OECD pattern, most of the inequality increase took place between the 1920 and 1950 generations. In addition to rising income inequality almost three out of ten people above 75 are income-poor in Australia, living on less than half the median income of the population. This is partly related to the high prevalence of taking superannuation funds as lump sums at retirement, which obscures the comparison of relative income poverty measures between age groups. However, taking out lump sums from pension schemes can truly increase the risk of falling into poverty in case retirees outlive their assets, a risk which increases with higher longevity. Annuities are the financial instrument that ensures that individuals, possibly including widow(er)s, receive a lifelong income. However, annuitisation is not very common in private schemes in Australia and few pension plans have mandatory survivor schemes in place.

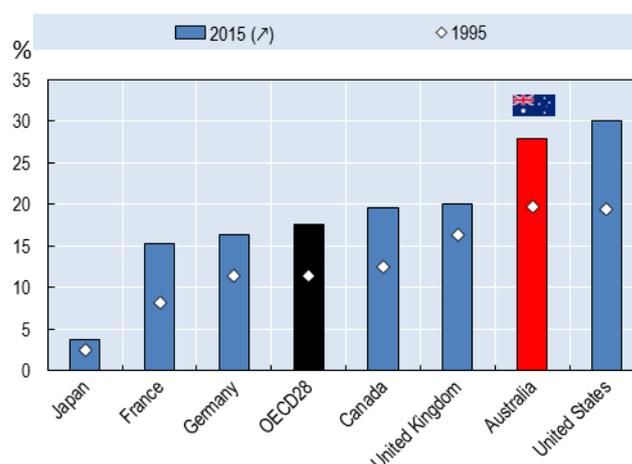
Life expectancy gaps between high- and low-educated groups at ages 25 and 65 are large Men, around 2011, in years



Source: OECD data and calculations. See [Figure 1.2].

Obesity rate is high in Australia

Percent of total population, 2015 or recent available data



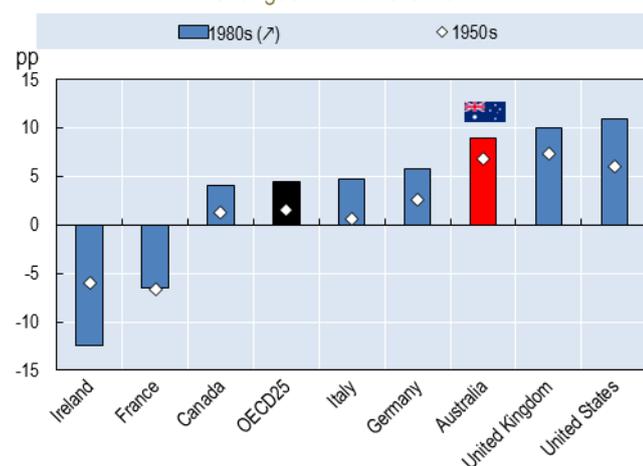
Source: OECD data, adaptation based on [Figure 6.11].

The Australian health care system has a relatively complex funding system. The federal government is responsible for funding most primary care while the states manage public hospitals. This is a more complex mix of funding arrangements than in many OECD countries. As a result, a large number of patients might fall through the cracks of the healthcare system, or receive poorly coordinated healthcare services, particularly in remote or strongly disadvantaged areas.

For instance, there is a large spread between the region with the lowest and highest ratios of active physicians to 1 000 older people. The region with the highest ratio was the Northern Territory with 72 doctors per 1 000 older people while the lowest was Tasmania with 20. In addition there are large differences across regions in terms of ageing, with rural areas ageing more quickly than urban areas. These differences can add to the already existing inequalities.

Income inequality has increased more from one generation to the next in Australia than in most countries

Changes in income Ginis

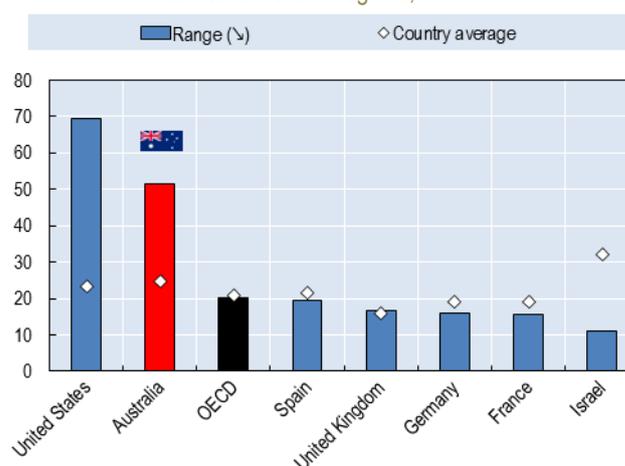


Notes: Changes in income Gini at the same age across birth cohorts in p.p., average across age groups, cohort reference = 1920s. Data for Germany before reunification relate to West Germany.

Source: OECD calculations from LIS data. See [Figure 1.5](#).

Large regional disparities in the ratio of active physicians to older people

Ratio of active physicians to 1 000 older people, territorial Level 2 regions, 2013



Note: United States 2009; Australia, Israel 2012.

Source: Calculations based on the OECD Regional Database. See [Figure 6.5](#).

The inequalities in income and health and the large regional differences in Australia generate serious policy challenges. Health services, especially for disadvantaged groups and in remote areas with quickly ageing populations, need to improve through better coordination and cooperation between state and federal government. Inclusive growth will be of paramount importance for tackling these inequalities and ensuring a decent standard of living in old age when material and care needs sharply increase. Increasing resources for preventive medicine, improving care services for the elderly and reducing hospital costs by promoting primary care interventions should be at the top of the policy agenda. Furthermore, it is recommended that at least a minimum of the superannuation funds has to be taken as an annuity to avoid people from falling into poverty once they run out of assets from the lump sum payment. The pace of ageing is slower than in the OECD area as a whole, which gives Australia more time to take measures to prevent or mitigate unequal ageing and cope with poverty risks at older ages.