



A young and fresh approach is needed to tackle an old problem

A real solution for our ageing population is unlikely if the latest report is anything to go by, **SCOTT PRASSER** writes

The just released third Commonwealth Intergenerational Report 2010 that is supposed to provide a “comprehensive analysis” for managing Australia’s ageing population is a big disappointment.

It is neither comprehensive nor provides much analysis. Most importantly, it fails to identify, let alone discuss, possible options and the hard decisions that need to be taken now and in the years ahead to manage Australia’s ageing population. The Intergenerational Report tells us what we already know, repackages existing policies to tackle completely different policy problems and takes no hard policy decisions, let alone develops any options for any real debate about how to tackle the issues.

We have long known our population is ageing, but in reality it is not as fast or as significant as other countries in Europe or Asia, such as Japan. In policy terms, this means we need to develop a more measured policy response and refrain from “crisis” decision making that increasingly pervades so much of our policy development and discussion. Let’s put the ageing issue in context, both in relation to other countries and in terms of time scale in Australia. Also, Australia is running an almost record immigration program that is greatly affecting the pace of Australian ageing.

Of course, the great policy challenge and worry is that governments will not have enough revenue to pay for an ageing population – the so-called fiscal gap. But the latest Intergenerational Report informs us that the fiscal gap has improved over the previous report from 3¼ per cent to 2¾ per cent of gross domestic product. That is a 15 per cent revision downwards or improvement, so what exactly is the worry and will the next

Intergenerational Report indicate a further positive change? And speaking of Government surpluses, there is nothing in the Intergenerational Report to tell us how the Government will stick to its promises about fiscal restraint that the report stresses is so important. Perhaps the forthcoming Henry Tax Review will give us more guidance on this issue.

The fact that the Henry Review does not rate major discussion highlights a disconnect between two major arms of policy development within the Government. The central plank of the Government’s response to the alleged problems is stronger economic growth.

The Intergenerational Report places great stress on responding to the ageing challenge with the need “to pursue productivity enhancing and national building reforms,” but provides no clue as to what these are. Surely it does not mean the standard projections of \$43 billion for education and training and the billions spent on school buildings as part of the fiscal stimulus, or the \$5 billion on metropolitan rail without cost-effective analysis as evidence of lifting productivity.

The proposed multibillion National Broadband Network mentioned in the report may not lift productivity, or if it does, it may be more expensive than other forms of productivity improvement. The same criticism can be applied to the carbon emissions reduction program, which is attached tentuously to the report.

And the mention of the education and these other programs highlights another issue about the Intergenerational Report – there is too much relabelling of existing policies and programs that were developed to tackle other problems that are now being conveniently attached to the ageing issue.

Schools and education policies were supposed to be part of the so-called “education revolution”. The report mentions water reforms but weren’t they about responding to the drought? Also, energy and carbon emission reduction policies, now included in strategies to tackle ageing, were, we thought, aimed at global warming and climate change.

The Intergenerational Report also stresses the need for sound macro-economic policies. If important, then we are still waiting for it, given current deficit projections.

The real deficiency in the report is it does not discuss the hard policy issues that may have to be confronted as Australia’s population ages.

For instance, how will health services for the aged be rationed – by price or by queuing (waiting lists)? What about the ethical issues in resolving when health services should be limited to persons with limited life expectancy? Similarly, will retirement age and pension eligibility have to be changed again in light of the report’s assessment of extended life expectancies? And how much of future care costs will have to be borne by individuals compared to government? Where is the discussion about whether taxes will have to be increased given the present Government’s inability to keep its spending promises in line?

Policy papers discussing future issues need to discuss these issues. They are matters that need debate from all sides of politics. They are missing in action in the latest Intergenerational Report, suggesting that in an election year, real policy discussion is taken off the agenda.

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