

LGAT

l o c a l g o v e r n m e n t a s s o c i a t i o n
o f t a s m a n i a

**Submission to the House of
Representatives Standing Committee on
Population Ageing**

December 2002

1. Role and Functions of the Local Government Association of Tasmania

The Local Government Association of Tasmania (LGAT) is the representative organisation for Local Government in this State. Established in 1911, the LGAT is incorporated under the *Local Government Act 1993* and has all 29 Tasmanian Councils as its members.

The objectives of the Association are:-

- To promote the efficient administration and operation of Local Government in the State of Tasmania;
- To watch over and protect the interests, rights and privileges of municipal Councils in the State of Tasmania;
- To foster and promote relationships between Local Government in the State of Tasmania with both the Government of Tasmania and the Government of the Commonwealth of Australia;
- To represent the interests of the members of the Association generally, and in such particular matters as may be referred to the Association by its members; and
- To provide such support services to the members of the Association as the Association may by resolution in meeting determine.

2. Developing Long-Term Strategies To Address The Ageing Of Australia's Population Over The Next Forty Years.

Background

Among the more profound, yet, at this point, remarkably overlooked features of population ageing, is its regionality. This regionality is particularly marked in Australia, where the timing and speed of the phenomenon are occurring at substantially different rates in each State, Territory, and Local Government Area (LGA). Current gaps in the demographic composition of these regions and sub-regions will now open up, with many implications for Australia's three-tier system of governmental responsibility for ageing-related goods and services. Importantly, these comments also pertain to the impact of structural population ageing at the younger end of the age spectrum, another largely overlooked aspect of population ageing.

Issues

At State/Territory level, the proportions aged 65+ years in the youngest (Northern Territory, 3.5 per cent) and oldest regions (South Australia and Tasmania, 14.7 and 13.9 per cent) are currently separated by around 11 percentage points; by 2051 this gap will have opened to 24 percentage points. In the two oldest States, both proportions and numbers at school and tertiary education age are already declining and will continue to decline substantially over the next few decades, while in the younger regions they will continue to grow. A related shift to natural decline, caused by an excess of deaths over births, will begin in the oldest regions within the next two decades, while it will be a further four decades before this shift will have been experienced by most of Australia's States and Territories.

These temporal disparities mean that whatever ageing-related issues Tasmania and South Australia will be responding to by the early 2020s, Victoria by the mid 2030s, and New South Wales by the late 2030s, the same will not be encountered by Queensland, Western Australia, and the Australian Capital Territory (ACT) until the late 2040s, or the Northern Territory until considerably later.

Relatedly, between now and 2019, half of all Australia's Local Government Areas are projected to either decline in size (44 per cent), or not to grow (7 per cent), much of this change coming from regionally-differentiated shifts in age structures that are already beginning to deliver more elderly than children. However, at the level of Local Government, the correlation between population ageing and the 'structural age' of the particular State/Territory to which they belong is somewhat blurred, meaning that even State/Territory trends in ageing will not be the best indicator of emerging needs at Local Government level. For example, while none of Australia's States/Territories has as yet more elderly (65+ years) than children (0-14 years), around 24 per cent of South Australia's LGAs are already experiencing this phenomenon, while in Tasmania no LGAs are as yet affected. Conversely, Victoria, Australia's third-oldest State, currently has 18 per cent of its LGAs with more elderly than children, and the ACT, the second-youngest region, 16 per cent.

These sub-regional disparities and anomalies are due in part to the somewhat arbitrary nature of Local Government Boundaries, and in part to differences in the underlying dynamics of population change at both State and LGA level. Explaining Tasmania's various anomalies, for example, is that the State is experiencing a 'premature' ageing caused by a massive decade-long (and continuing) net migration loss at the ages of 18-38 years, rather than the conventional harbinger of population ageing, low fertility *per se*. These losses have not only disproportionately drained youth from many of Tasmania's rural towns and LGAs, but have also depleted their reproductive (population replacement) potential.

These differing demographic dynamics underlying population change at State/Territory and Local Government level have important implications for the types of strategies needed to respond to population ageing. Indeed, due to differences in the speed or 'force' of ageing, the next few decades will see significant changes in the above patterns.¹ By 2011, the proportions of LGAs with more elderly than children will have risen, for South Australia, Tasmania, Victoria, and the ACT respectively, to 53, 38, 53 and 40 per cent. By 2019 they will be around 85, 76, 83 and 66 per cent. By that time, Tasmania will also have overtaken South Australia as Australia's oldest State, and will almost certainly be experiencing both natural and absolute decline.

Importantly, these changes will also be accompanied by significant declines—both numerically and proportionately—in the working age populations (15-64 years) of the older States/Territories, while in the younger regions these age groups will continue to grow for several decades yet. The main driver of these changes, the demographic non-replacement of baby boomers by those at labour market entry age (15-24 years), will see labour market entry: exit ratios decline in all regions, but most significantly in the oldest regions. In Tasmania for example there are currently around 14 young persons at labour market entry age for every ten persons approaching retirement age and leaving. Within two decades this will have fallen to around seven entrants for every ten exits. The trends, in the context of similar but more advanced trends in other developed countries, indicate forthcoming (and positive) declines in youth unemployment and increases in the employment of workers of all ages, particularly women. They also imply, emerging in the older regions first, an increase in competition between the tertiary education and labour market institutions for the participation of the same young people, an increase in wages and improved employment conditions for workers in general, and thus a possible increase in labour costs. The implications of these interactions for a possible reversal (or acceleration) of current interstate flows from Tasmania have not been studied.

Currently, 73 per cent of Australia's LGAs have proportions of 15-24 years olds below the national average (which is 14.1 per cent of the total population at these ages). This ranges from 90 and 88 per cent in Tasmania and South Australia respectively, to 39 and 22 per cent in the Northern Territory and the ACT. Although this trend is, as implied above, expected to have a number of positive outcomes, it may also require additional financial assistance to Local Governments in the short to medium term, as the declining presence of 15-24 year olds has many down-line consequences for future revenue-gathering. In addition to their important production- and tax-generating capacities, these are the people who, within a few years, buy the houses, pay the rates, and have the children that keep the schools and related businesses and industries operating and viable.

The point is particularly pertinent for Tasmania. While the structural ageing process will see this indicator (proportions aged 15-24 years *below* the national average) reduce nationally, this is not expected to be the case in Tasmania, at least in the short-term. By 2019, 93 per cent of Tasmania's LGAs are projected to have proportions of 15-24 year olds below the national average (which will by then have fallen to 12.5 per cent of the population), compared with 70 per cent of LGAs nationally.

Implications for Strategies to Respond:

This regionally disparate demography will have significant implications for demands on different Local Governments and their relative capacities to respond. One thing that it will especially bring into question is the current use of 'own state' comparisons as the basis of financial assistance to Local Governments. Although the underlying principle of horizontal equalization is concerned with levelling the playing field *between* Local Governments *within* each State/Territory, this basis (which may be compared with each State/Territory having its own—different—'poverty line'), means that some Local Governments will become increasingly under- or over-compensated for certain demographic factors by contrast with their exact counterparts in other States. The picture that emerges is that horizontal equalization as it is currently formulated could have the effect of increasing inequalities between the Local Governments of each State/Territory, and thus between each State/Territory as a whole.

On the foregoing proposition, much more research is needed before specific response strategies can (or should) be developed. Certainly the issue (of within-state versus national-level comparisons) should be thoroughly investigated.

Relatedly, it is imperative that the age structures and projected dynamics and components of population change in each State/Territory and Local Government Area become more comprehensively incorporated into policy deliberations concerning financial assistance to Local Governments. That is, there is a need to shift from the current somewhat static (point-in-time) comparative basis for financial assistance, to a dynamic (moving) and relative view of forthcoming population change. A region may be ageing/declining because it has a low birth rate *per se*, or because there are insufficient people of reproductive age, or because of a combination of these and/or other (eg. migration-related) factors. As is well known, each demographic factor has implications for the goods and services Local Governments need to provide, and for their ability to gather revenue. However, at this point in time, the impact of the forthcoming and unprecedented loss of the natural increase component of population change is not at all well understood. These understandings are especially undeveloped at State/Territory and Local Government level.

There is a related need to develop simultaneously, short, medium and long-term strategies, and to customise these regionally- and sub-regionally. In the short to medium term, it may be possible for some Local Governments to delay or buffer the more negative effects of population ageing (increasing demand for elder-oriented goods and services, declining school populations causing school and community closures; declining revenue-gathering capacities etc.) by developing infrastructure that will retain and even attract migrants, particularly young ones. For some there will also be the positive effects of the 'third age' stage of population ageing (tourism, leisure and retail spending by increasing proportions of 'young old') to enjoy. In the longer term, however, the widespread emergence of more elderly (and 'old old') than children has very obvious implications for a sustained change in the types of infrastructure, services, and revenue gathering exercises that will be needed in most regions, and in the possible short-term use of some of these goods, services and strategies.

3 Conclusion

Tasmanian Local Government has begun to realise the potential impacts of population ageing in its communities and the need to respond to this changing demographic. The Local Government Association is presently working with the State and Commonwealth Governments on the development of a tri-lateral agreement relating to planning issues around the provision of aged care facilities. While relatively significant in its own right, the foray into this area has begun to raise a range of other issues that will require ongoing and comprehensive attention and cooperation.

The Association has also chosen to focus its 2003 Annual Conference on the significance and impacts of the changing demographics in the state. Titled "Future Shock – Local Government Toward 2020", the conference will highlight and consider the opportunities and threats that need to be planned for by councils in the areas of service delivery, infrastructure and facilities, particularly as they relate to the changing demographics over the period. While the focus will not be aimed solely at ageing population issues, the message to be delivered is that councils need to plan for this change now and act sooner than later. Whereas councils in the past have had the opportunity to react and respond to challenges affecting their communities within their standard five year planning horizons, there is a recognition that the issues outlined in this paper require deliberation and action now to ensure the enablement of the delivery of services and provision of facilities needed in the upcoming decades.

An awareness and recognition of the rapidly changing demography of the state will ideally galvanise councils into action. While there is a clear understanding that the population is ageing, there is little knowledge or

comprehension of the potential impacts that change will have on not only the public sector in terms of services and welfare issues, but the need to contemplate the changes that may be necessary to accommodate the private sector in the provision of new services, facilities and infrastructure. The Association considers this matter to be a significant priority in equipping councils in planning for the future and looks forward to the outcomes of the Inquiry to assist with the further awareness raising and development of strategies to deal with this important issue.

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¹ That is, holding current LGA boundaries constant.