

State of the Nation

The importance of Australians aged 55 plus to the economy – wealth, spending power and contribution through employment

By Michele Levine, CEO Roy Morgan Research

March 31, 2011

Thank you for coming along to this **State of the Nation presentation** in which we will provide a new perspective on the importance of Australians aged 55 plus to the economy in terms of their wealth, spending power and contribution through employment.

Last time our State of the Nation Report, and the mind of the electorate, was focussed on the new Prime Minister - a woman, who doesn't believe in God, and who lives in a defacto relationship – we reported [more Australian electors were concerned about](#) 'having a Prime Minister who has conservative values in relation to such things as abortion and stem cell research' (43%) than 'having a Prime Minister who doesn't believe in God' (22%); 'a Prime Minister who is not married, living in a de facto relationship' (15%); 'a Catholic Prime Minister' (9%); or 'having a woman as a Prime Minister' (6%).

We were focussed on the [Mining Tax](#) and on Kevin Rudd. We actually said *“The Kevin Rudd factor is over. Kevin Rudd is travelling overseas and Julia Gillard is running the country – perhaps nothing has really changed – just the job titles.”*

Today support for the ALP Government is 45.5% to the Coalition at 54.5% on a Two Party preferred basis. If an election were held today the ALP would be defeated.

And Kevin Rudd, gaining popularity, is seen by 33% of Australians as best for representing Australia internationally ahead of Julia Gillard (20%), Tony Abbott (20%) and Malcolm Turnbull (19%).

This is the Seventh State of the Nation Report and much has happened since our last Report only a few months ago.

- We have seen two State Labor Governments defeated – only just in Victoria and with a landslide in NSW.
- We have seen a renewed discussion of a Carbon Tax and associated fallout for the Federal ALP over claims that Julia Gillard lied about “no Carbon Tax”. In our last State of the Nation Report

we said “*The issue of the environment has moved beyond “a motherhood” conversation into an economic one – When do we need to act? Where will the costs lie? Who will pay?*”

Indeed the Carbon Tax is truly where the issue of the environment meets the issue of the economy. With much discussion around implications for the cost of living and the Australian economy.

- We have seen a series of catastrophic natural disasters –major floods in Queensland, the Christchurch earth quake and the Japanese earthquake and tsunami with the associated problems at the Fukushima nuclear power plant –with huge, potentially lasting, implications for world opinion about nuclear energy as a safe power supply.
- We have seen increasing international unrest with revolutions in the Middle East, problems in Libya and the UN Intervention and of course the continued economic problems of the PIIIGGS (Portugal, Italy, Ireland, Iceland, Greece, Great Britain and Spain) and just last week Gary Morgan was in the centre of riots in London – over public service cuts.

Politically, this focus on international problems gave the Federal ALP Government some respite for a short time. Three weeks ago following the Prime Minister’s much publicised visit to USA and the Japanese earthquake, the ALP managed to regain the lead it had lost over the Carbon Tax. The ALP showed an increase in support in two Morgan polls one telephone one face to face – so it was not a rogue Poll.

Polling experience over many years tells us that in times of crisis electoral confidence often plummets and the incumbent Government usually gains support.

However the ALP rebound in support was short lived as the news turned back home where the focus was on:

- the ALP and its imminent NSW State demise – it was clearly expected to experience a massive landslide loss in the NSW election; and
- the Canberra Rally against the Carbon Tax addresses by Tony Abbott which again brought the problematic Carbon Tax issue back into the forefront of the electorate’s mind.

Government Confidence plunged 17 points to its lowest ever recorded figure 101 (44.5% of people saying the country is heading in the right direction and 43.5% saying the wrong direction).

Consumer confidence has also dropped in the last few weeks to a low of 114.0 (its lowest since July 2009), but has now rebounded to be at 117.6 today.

Today I’d like to give you a brief status report on the **State of the Nation** - our nation - where we are today, how things have changed over the last decade with a particular focus on our ageing populations and what that means for Australia economically.

In 2005 the biggest issue facing the World and Australia was terrorism/security. By mid 2008 the big issue was environment, climate change, water. Then we had the GFC – Global Financial Crisis and economic issues became crucial. In May 2009: 50% of Australians considered the economy the biggest problem.

Today we see economy at is still a big issue – 29% consider it the most important issue facing the world. This is up 5% since June 2010 and equal to environmental concerns at 29% powered by increased concern over natural disasters. Concerns about war and terrorism are marginally up to 16% driven by increased concerns about war and conflicts.

When it comes to Australia the picture is similar – the major concern is now the economy (27%, up 3% due to increased concerns over cost of living and the carbon tax). Environmental concerns are ranked 2nd at 23% with the main concerns being climate change/global warming (9%) and natural disasters (7%).

More than 10 years ago, Roy Morgan Research and many others anticipated that Australia would change, that Australians would face an increasingly complex society with a whole range of different opportunities and threats.

One of the obvious trends was always Australia's ageing population. First of all, we are all getting older. The number of people 50 and over has increased from 27% of all Australians aged 0 plus in 1998 to about 31% now.

A change like that is substantial. I like to use the analogy of a 3 or 4 degree increase in the temperature of the ocean – it matters.

This ageing population phenomenon was generally seen as a problem rather than an opportunity. Fewer working people supporting an increasing number of non productive people, with increasing medical costs and ever increasing worries about security and an inability /unwillingness to embrace change - net net an increasing economic burden.

Indeed if nothing in society had changed and there were simply more older people – that equation may well have been correct.

But of course much has changed – the role of women has changed and changed society, technology, education, work, leisure, wealth distribution etc - and those changes have made all the difference.

The most significant trend was really obvious in hindsight – and that was the Women's Movement – everything to do with women's roles in society. The Women's Movement had implications for the age at which women had children, their education levels, their engagement in the workforce, and changes in the workforce as a result of women taking up senior positions and a whole raft of other changes.

Technology is another area that change was anticipated with associated implications for media and communications and globalisation and for increased access to information, services and employment.

At Roy Morgan Research we have been tracking all these issues and more.

Roy Morgan data clearly shows that the last decade or so has been a time of great change and I hope in the next ten minutes to show that these changes form the context within which our ageing population represents a real asset not a burden and to suggest that this asset can only be fully realised when the political will exists to listen to and engage with this potentially powerful sector. And that business ignores this powerful segment at their peril.

So yes we are as a nation getting older but...

We are better educated – the change in education levels is dramatic. Australians have gone from tertiary education levels of about 15% some 10 or 12 years ago up to 25.5% now. (This is people aged 14 plus, so many are still at school.) We all understand there are far reaching consequences of this change in education levels – not only for how long kids stay at home, adding to the high cost of education for parents but also associated with this is longer engagement of parents with adult kids. There are implications for the work Australians can and want to do, the level of understanding and critical scrutiny that can be expected from the population about all kinds of issues.

Australians are becoming more progressive. Today we are more likely to say that we consider ourselves to be socially progressive (36%, up from 32% a decade ago). We are also more likely to say we are attracted to new things and new ideas (34%, up from 28% a decade ago). As a nation, Australians are also much more open-minded and 'liberal' on issues like whether homosexuals should be allowed to adopt children (48% now say yes, up from 32% a decade ago).

We are also seeing really strong growth in support for technology and the recognition of the value it adds to our lives (37% now believe computers and technology give them more control over their lives, up from 23% a decade ago). All of these things are leading to the conclusion that we are more socially progressive as a nation.

Conservative views are also on the decline, and concerns about security and safety are also on the decline.

There is no evidence that our ageing population is holding us back – indeed the same increasingly progressive attitudes are seen across all age groups.

There are also changes in our leisure patterns. There are some clear themes.

First there is a move away from group activities like group sports participation – those activities when you have to book a time and be there or you'll let people down - to activities that are more

individualistic and more focussed on personal health and personal wellbeing, rather than being part of the team.

The second theme or trend is the move towards Online activities. There is still the engagement, leisure still involves friends but people are doing a lot more online. People are doing a lot more in their own time – rather than planning and doing things in groups. We are seeing less entertaining of friends and relatives that requires a bit of booking and planning and going somewhere specific. Day trips in the car that require preplanning are trending down.

So there are some key things about the way that we spend our leisure time and engage with others that are changing – and nowhere is it more obvious than technology.

The past decade or so has seen a proliferation of information and communication technologies. In particular, the rise of the internet has had a major impact on all aspects of life, especially telecommunications, media, banking, entertainment, social interaction, real estate and retail. (9 in 10 Australians have used the Internet).

Broadband and mobile phones are growing to dominate the communication space and displacing the traditional fixed land line. Mobile telephones (86%) are now ahead of fixed line (83%) and represent **a revolutionary move to person to person communication rather than the traditional household to household.**

Broadband services and home internet are clearly making a huge difference to a whole range of things in our society. And this has only increased with the new mobile wave.

Considering the different forms of media - clearly broadband and use of the internet is going up. TV as a medium is worth looking at – we hear all the time that TV viewing is dropping, that no one is watching TV anymore. Well, that is just not true.

The Roy Morgan August media data showed that during the election more Australians watched tv and read newspapers showing these traditional media are still important and at the most important times, they are still there.

Whilst traditional media such as TV and Print dominate, there has been a rapid rise in the use of the internet, putting pressure on all other media. There has been some blurring of the traditional media boundaries, for example, print has embraced online in order to increase its readership, and on-line is just getting better and easier and more intuitive all the time. And with mobile access and more and more applications “apps” will continue to grow.

Along with the internet growth, obviously all sorts of websites are becoming available and people are using more and more of them. The big ones are Search and Portals. Search is crucial because it makes information available to people – all sorts of information, available to all kinds of people – there’s

nowhere to hide once people are using search. And everyone, regardless of age, can access everything and keep up with the latest in any area of interest or endeavour.

Community and messaging sites are an especially interesting phenomenon because the engagement is no longer just a one way communication – these sites allow us to talk back. It's a whole two way communication – it's another level of engagement that allows people to throw their thoughts out there and see whether other people listen.

A whole lot of things are increasing but the Online community is an important phenomenon that, itself, is a key driver of change.

In an average week in 2010, the majority of Australians (52%) visited a community or messaging site - some 42% of Australians visited Facebook. It has not peaked – Facebook is still growing – it's a place where people are communicating, sharing, having their say, talking about you and me, whether we like it or not. 28% now visit YouTube.

Although we hear a lot about Twitter and see the tweets coming through on the bottom of our TV screens, in fact, penetration of Twitter is still running at about 3.5% ie 3.5% of Australians have used Twitter in an average 4 week period – hardly mainstream yet!

When we started to measure the internet the main metric was 'Do you use the internet once a month?' Now I don't think anyone uses it once a month! Roy Morgan data shows more than half the population are using the internet more than once a day, it's almost always on. So not only do a lot of people have access to the internet but it really is 'on' a lot of the time.

Just recently, banking over the internet overtook going to do banking at a branch. So again it is a real change for retail - the way that people engage, even with important resources like their bank. This shows how our behaviour is changing and how service providers are having to change their offerings to keep up with our demand and to keep competitive with their competitors.

When Roy Morgan first started to measure it, buying on the Internet was quite low, 5%. Now we are seeing that half the population (51%) have now bought something over the Internet - not just had a look, not just searched for information and then gone to the shop – actually bought online.

Coming back to the Economy, Australia had 10 years of fabulous economic growth during the Howard Government years up until the Global Financial Crisis. We had high and growing employment, high consumer confidence – our shares all went up so the value of our superannuation went up and spending went up – by any measure we were doing well

Despite the Global Financial Crisis, and the dramatic reversal in global fortunes in 2008, there are strong signs of recovery in the Australian economy – much of which is driven by our resources sector (concerns still exist about the two speed economy)

While there are a plethora of measures of economic wellbeing – we believe the single most important is employment. And of course the converse is true – unemployment and underemployment are the most important measures of economic ills. Roy Morgan will continue to measure and report true unemployment and underemployment accurately to enable those who care to understand how healthy our economy really is.

It's worth noting that today compared to ten or twelve years ago there are simply more people working, therefore more money moving around.

Over 60% of Australians aged 14 plus (an estimated 11 million people) are now working compared to 56% (or 8.3 million in 1998).

There are more women employed now. In fact, the growth in employment among women is higher than the growth among men - and they are both still going up. And as we will see soon there are more older Australians employed.

Superannuation is the single largest financial product, with over one and a quarter trillion dollars in assets. Despite the decline in Australians superannuation assets from June 2007 to June 2009 it has now reached a new peak - more than 400% higher than in 1996.

We are wealthier than we ever were before. Australian households are in a strong financial position with total wealth as of December 2010 of over five and a half trillion dollars - an increase of 51% over the last 6 years.

The household debt of Australian households is now \$918 billion or 15.7% of household wealth. This is up from \$488 billion or 12.7% of household wealth.

As a nation we are much more focussed on finance. Superannuation, asset management, wealth creation and protection are becoming increasingly important to us Australians. More people are thinking about and worrying about the economy, their shares and what companies are doing. Australians are much more financially aware and corporately aware than ever before. We are thinking more about what companies are doing as companies - their profitability, their wealth, we think of them as businesses, rather than just as suppliers of goods.

So what does it all mean?

These big trends are important because they help us orientate ourselves and provide context for the question at hand –

What does the slow but dramatic change in the age profile of Australia really mean?

Only with the perspective of a long term view and detailed interviews with thousands of Australians can we begin to understand all the fundamental shifts occurring in society and how this might interface with our changing population and with what result for our economic future.

Let's begin really simply with a Pen portrait of a 55 plus Australian. She (or he) is

- More likely to own their own home (70% Vs 35% total pop) less likely to be paying off or renting
- More likely to be married (66% Vs 51%)
- Lower income (median income for an individual 55 plus is \$22K Vs \$29K or for a household \$41K Vs \$73K)
- Lower education(19% tertiary Vs 25%)
- Higher wealth

The consideration as to whether Australians aged 55 plus have saved enough for their retirement is one of the major issues facing the Australian Government.

It is not the intention here to do an actuarial study on the topic but rather to give a broad understanding of how this group has progressed in terms of growth in wealth over the last 6 years.

In terms of gross wealth in 2004 those 55 plus held \$1.5 trillion (or 41% of Australians' household wealth). Today it is \$2.9 trillion or 49% of Australians' household wealth. This rate of growth is way beyond the growth in population.

Put another way – the overall growth in Household wealth over the period 2004 to 2010 was 53% but among the 55 plus segment, wealth grew by 84%.

A great deal of attention is given to the issue of **household debt**. And yes the 55 plus segment has increased their levels of household debt, but they are still well below the average or “punching below their weight”.

So in terms of Net Wealth (ie assets minus debt) the 55 plus segment now has 56% of Australian household net wealth (\$2.7 trillion). This is up from 45% or \$1.5 trillion in 2004. A growth of over 80% in six years – this is almost twice the growth recorded among the total population.

Thus with 56% of the nation's household wealth held by 25% of the population this 55 plus segment is doing well and getting ever stronger.

This is not just a function of their increased asset value but is also contributed to strongly by increased participation in the work force.

The 55 plus segment is making a major and growing contribution to economic growth through increased participation in the workforce. Now one-in-three people aged 55 plus are in the workforce (up from 22% in 1998).

This is a greater increase than shown for the total population. Indeed the 55 plus segment now represents 17% of the workforce – up from 10 % in 1998.

The Australian workforce has increased by 2.74 million people since 1998 and 39% of this growth has come from the 55 plus age group.

Without this increase in workforce participation from the 55 plus segment Australia's economic growth would have been slower, we would have seen labour and skill shortages and wage inflation would have increased.

Not surprisingly given the dramatic changes in women's role in society, much of the growth in workforce participation has come from women.

So we have seen the 55 plus segment has made a substantial and increasing addition to their economic contribution. They have increased income potential as well as substantial assets and asset growth.

This rapid growth is a sign of the segment heading in the right direction to provide for their retirement. However it also signals potential for spending in a number of areas such as new cars and caravans, home renovations, financial planning and services like club membership, house cleaning and hairdressing, and theatre going (less likely to spend on mobile phones, personal grooming, technology and cinemas). Moreover among those aged 55 plus still working spending is relatively high in all categories. So employment has this 'double whammy effect'.

The rapid growth in wealth in this 55 plus segment also signals the potential for leveraging or using their wealth for a range of other activities eg property investments business investments assisting adult children with home purchases or new business start ups.

With banks moving away from lending to wealth management is there a possibility that our 55 plus population will become pseudo bankers for the next generation?

Even if you think that is going too far, (I don't) then I think the evidence is still in that our ageing population represents a real asset not a burden and there is more potential yet to be realised.

I also suggest that this asset can only be fully realised when the political and commercial will exists to listen to and engage with this potentially powerful sector.

Thank you.

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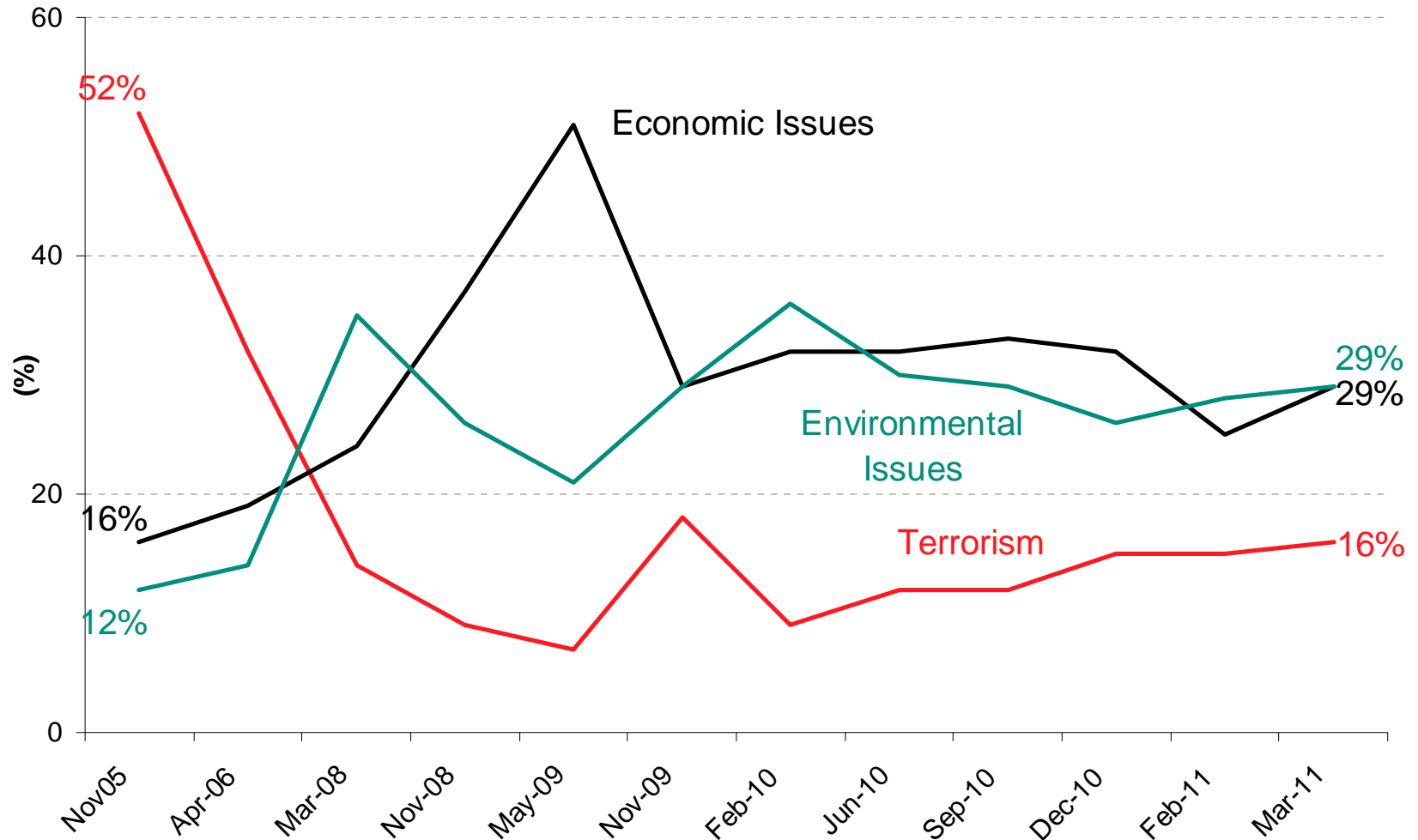
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Australia

March 31, 2011

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Issues Facing the World and Australia

Most Important Issues Facing the World

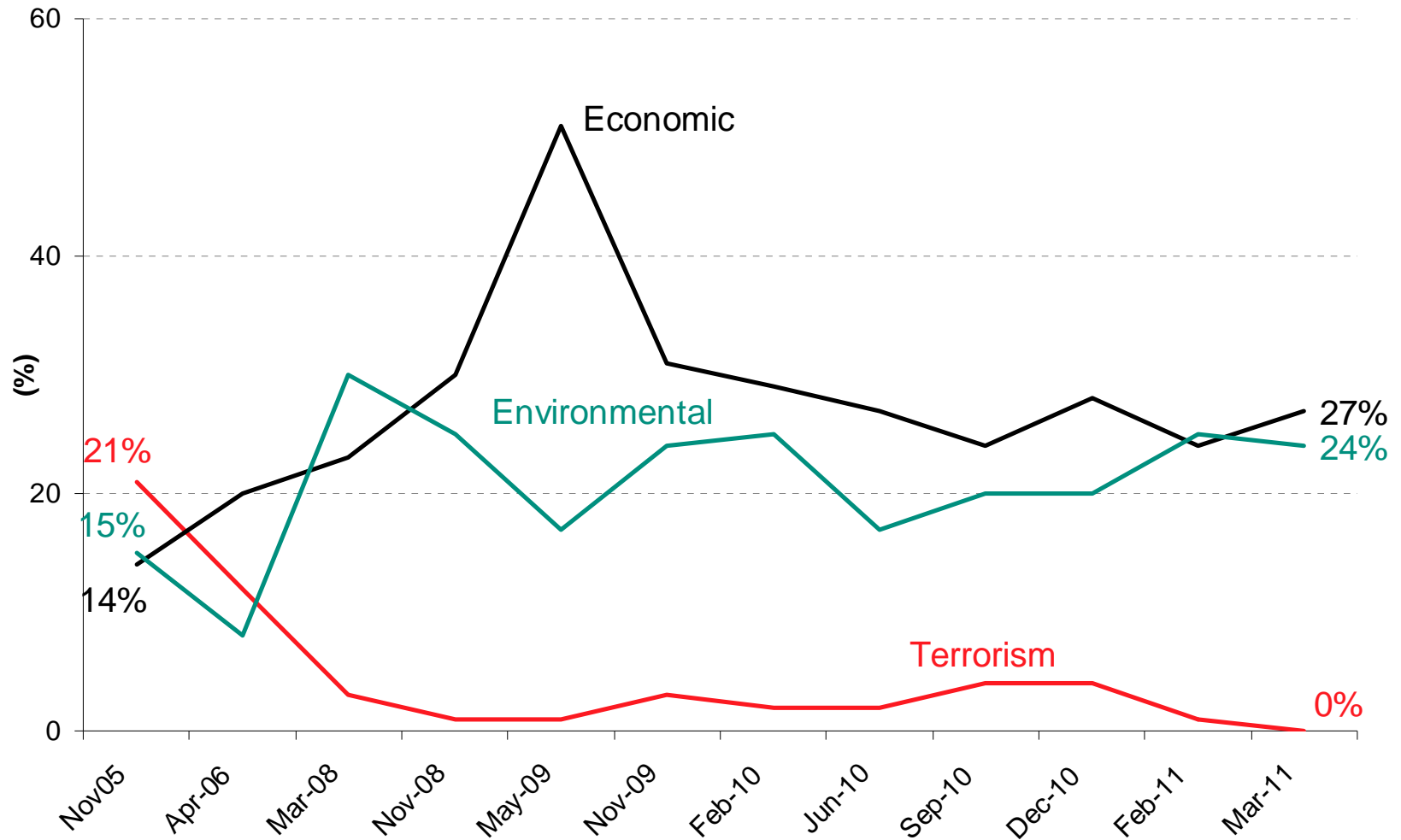


Source: Roy Morgan Research

*Roy Morgan Nationwide telephone poll (n=627) March 8-10, 2011; Aust. Population 14+

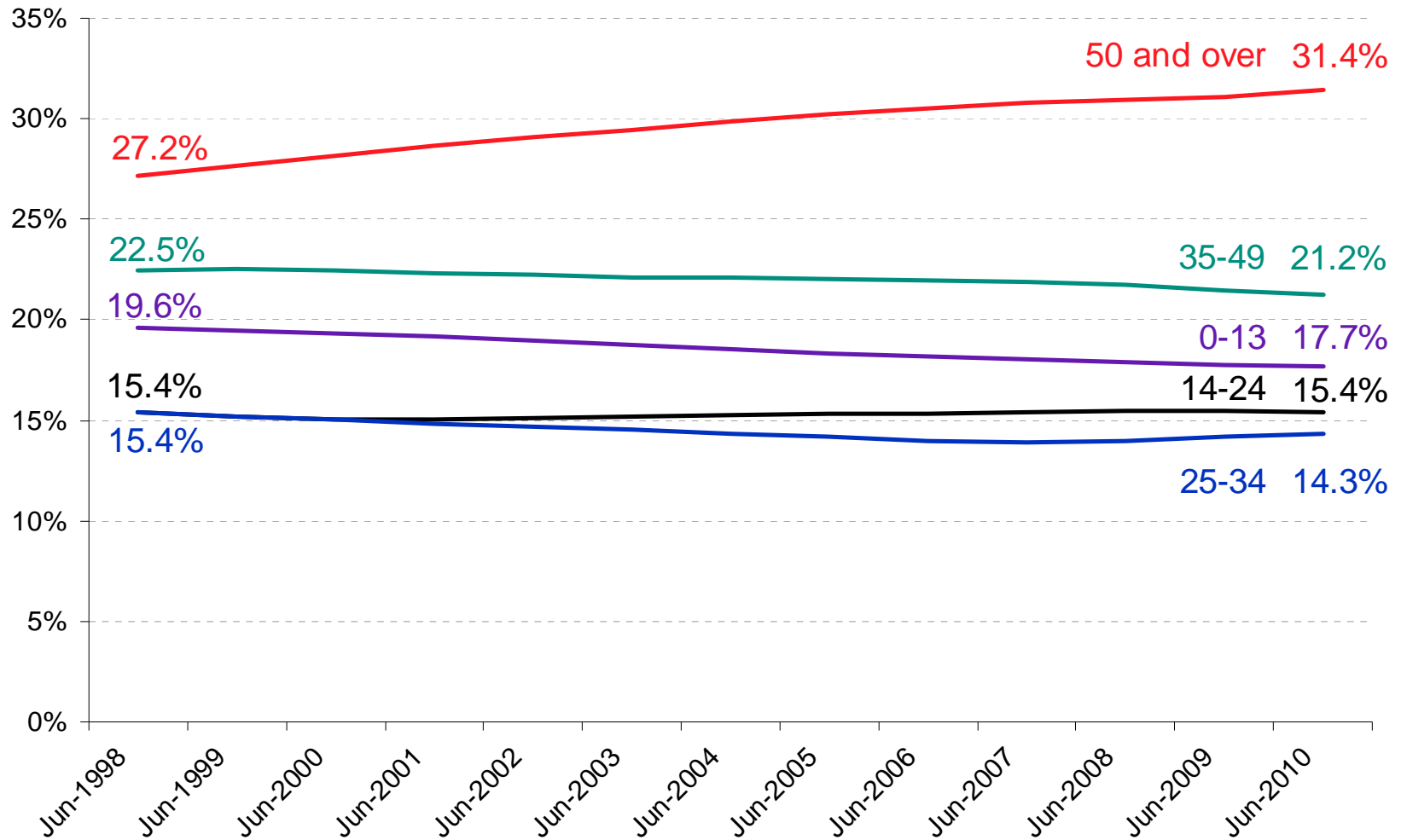
Issues Facing the World and Australia

Most Important Issues Facing Australia



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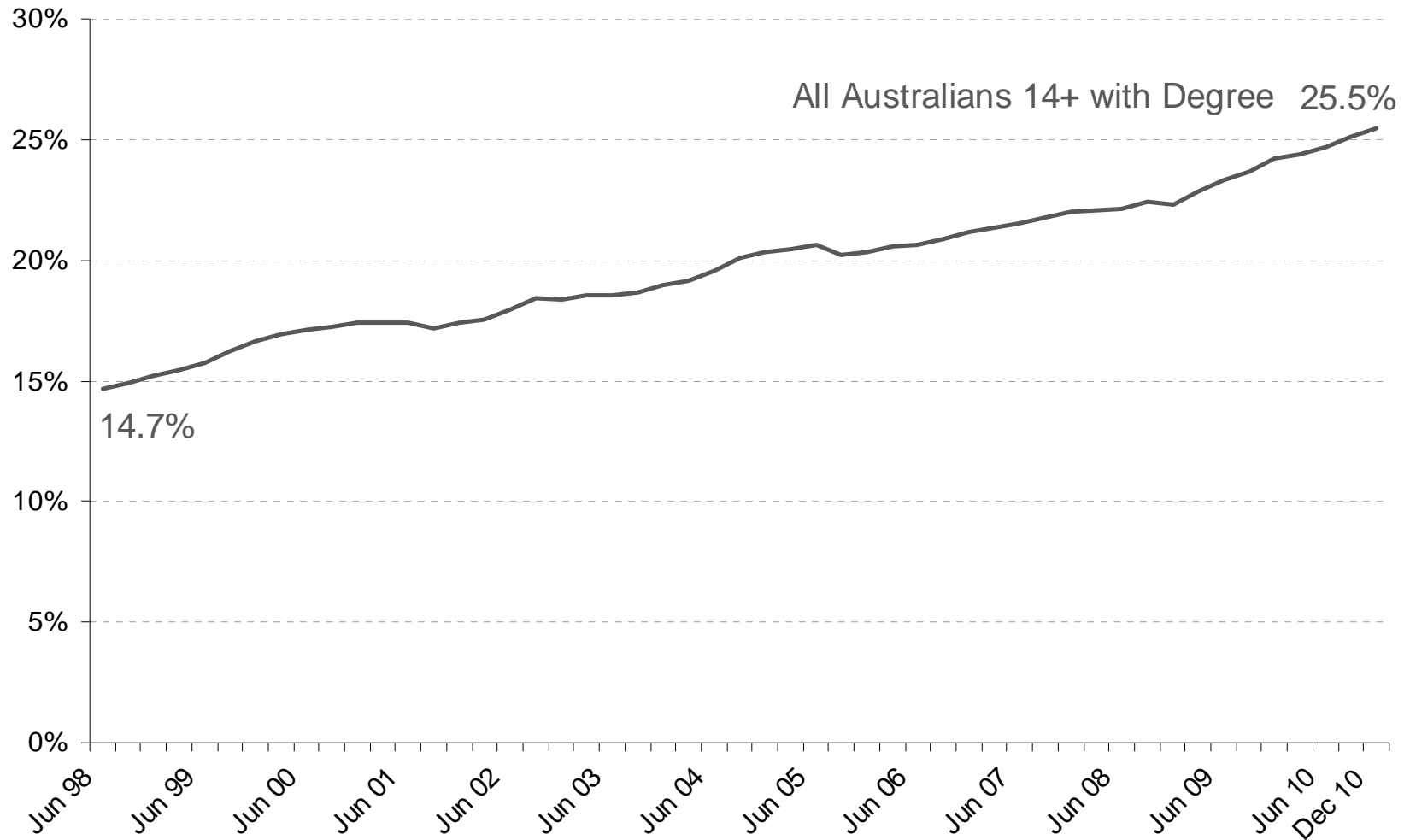


Base Aust Population aged 0+; Source: ABS

SOCIETY

Have a Degree

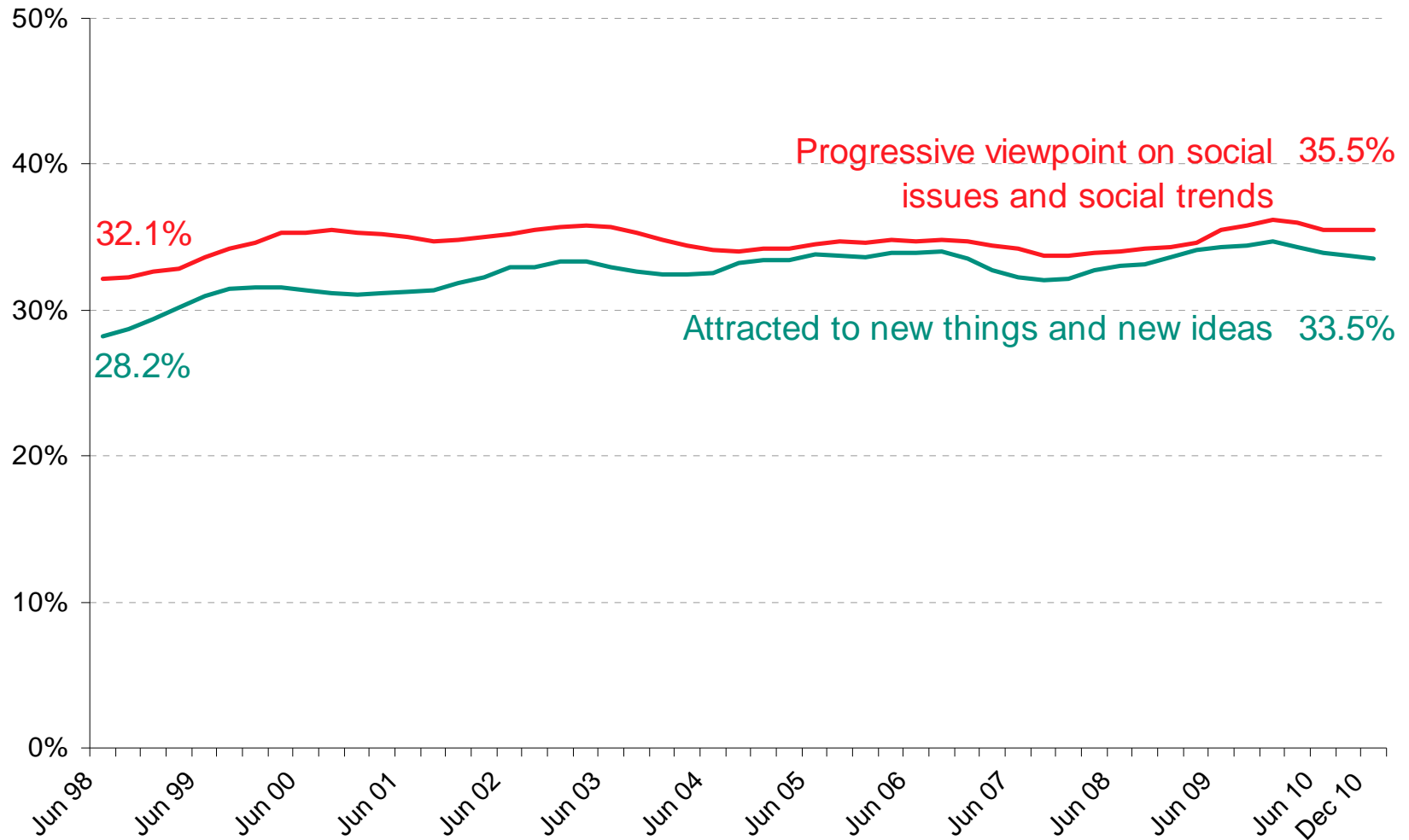
Discover your edge



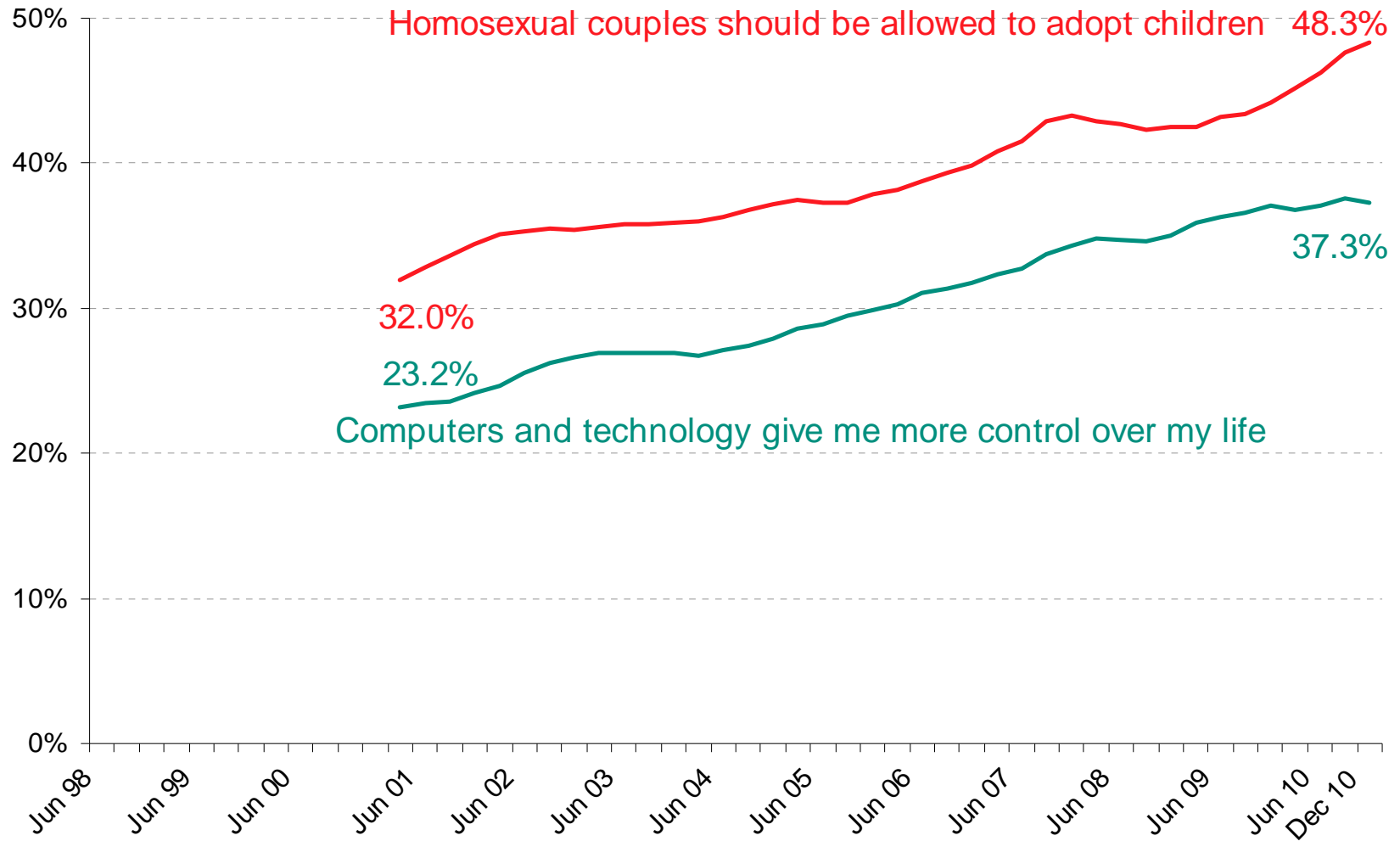
Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.

SOCIETY

Consider Themselves Progressive and Attracted to New Things and New Ideas



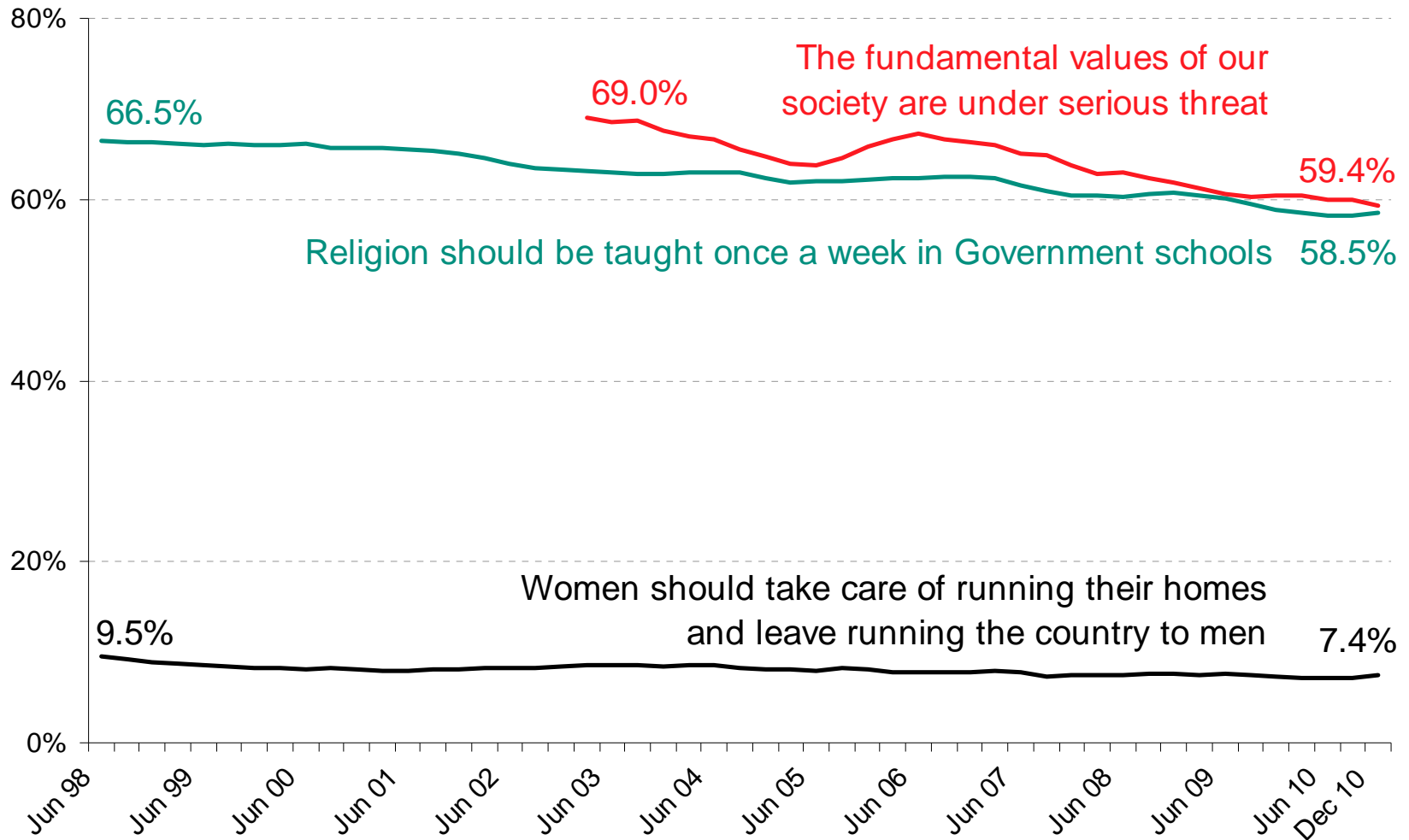
Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.



Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.

SOCIETY

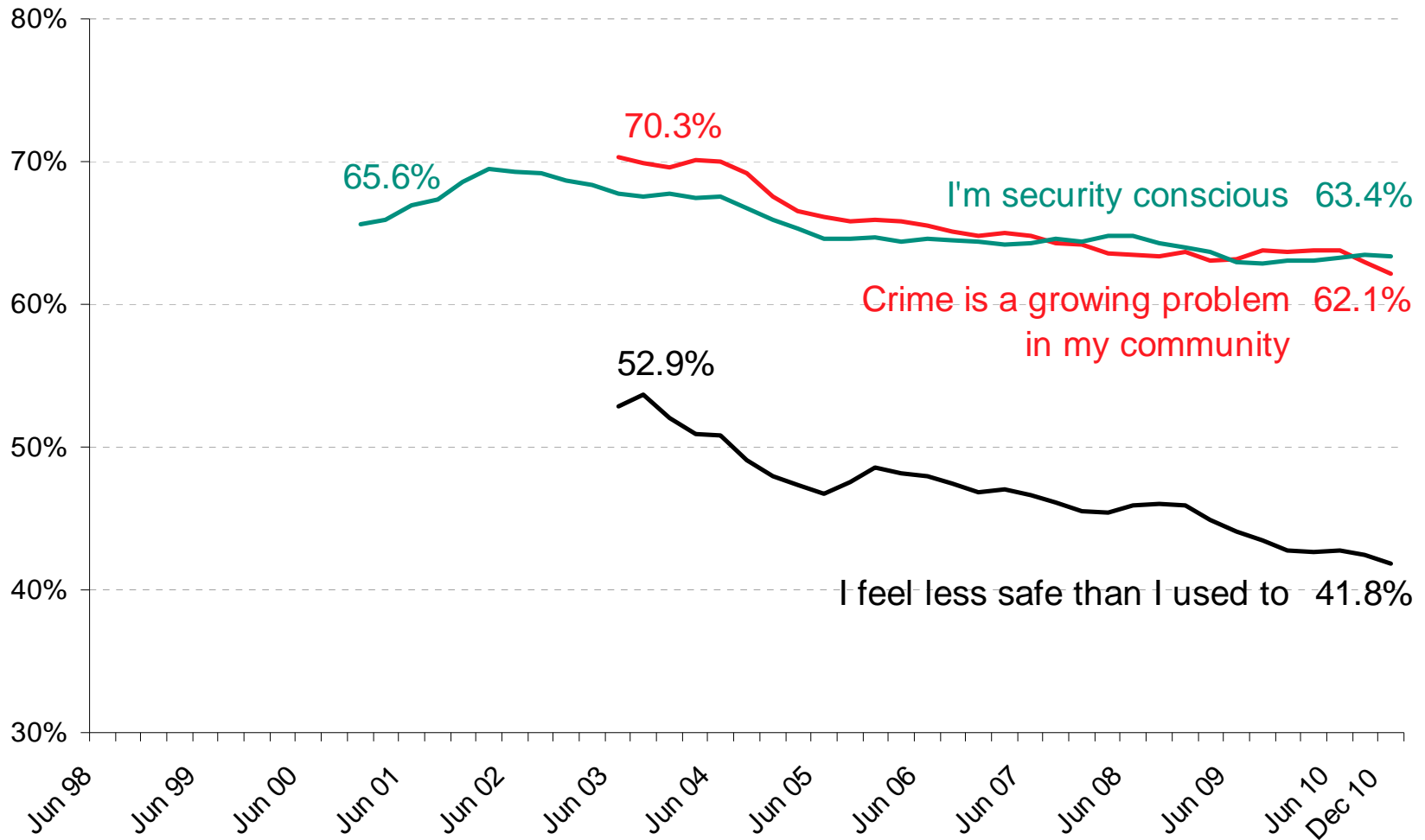
Conservative Attitudes Declining



Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.

SOCIETY
Concern with Security

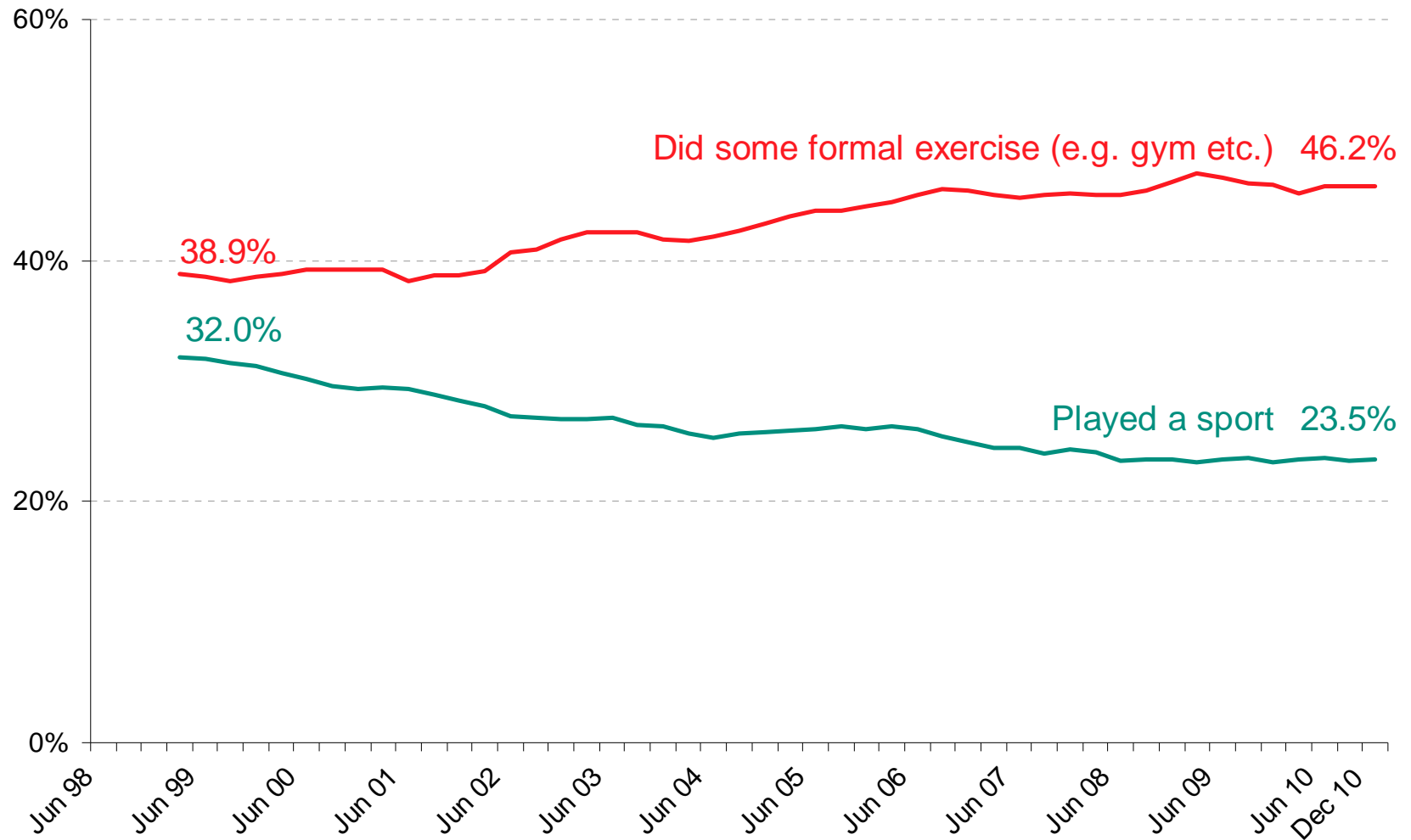
Discover your edge



Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.

SOCIETY

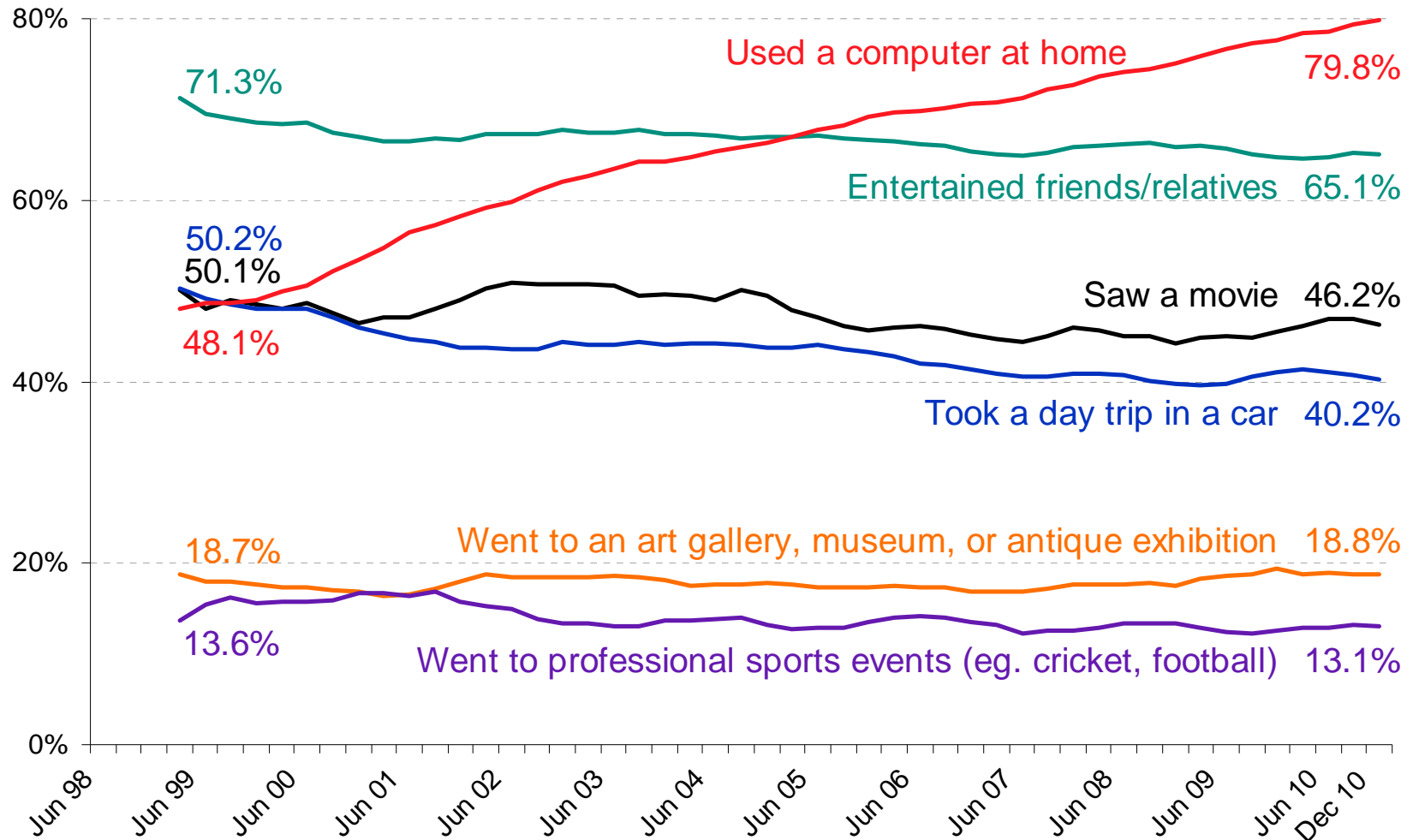
Participation in Sport/Exercise



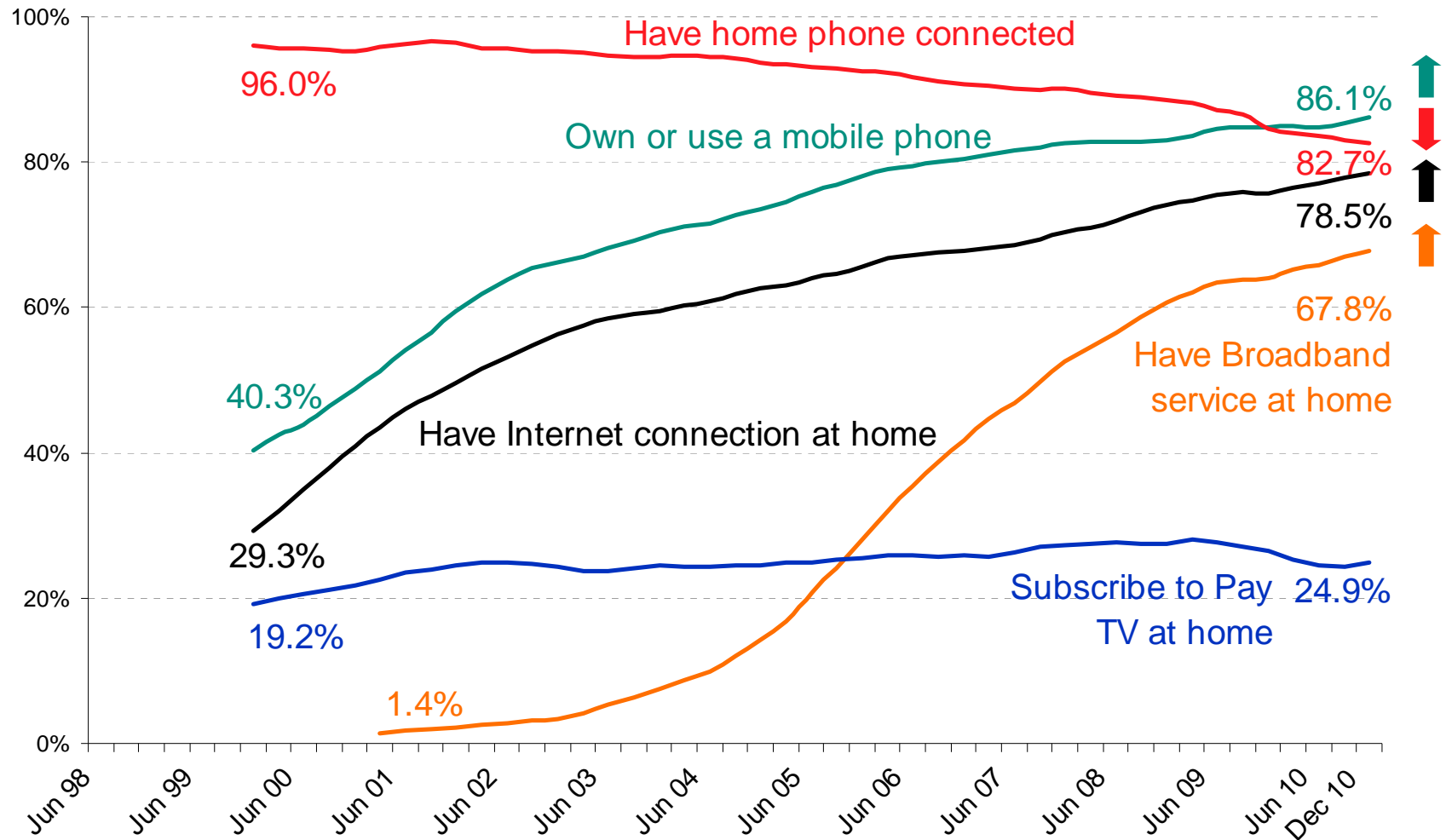
Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.

SOCIETY

Participation in Other Leisure Activities



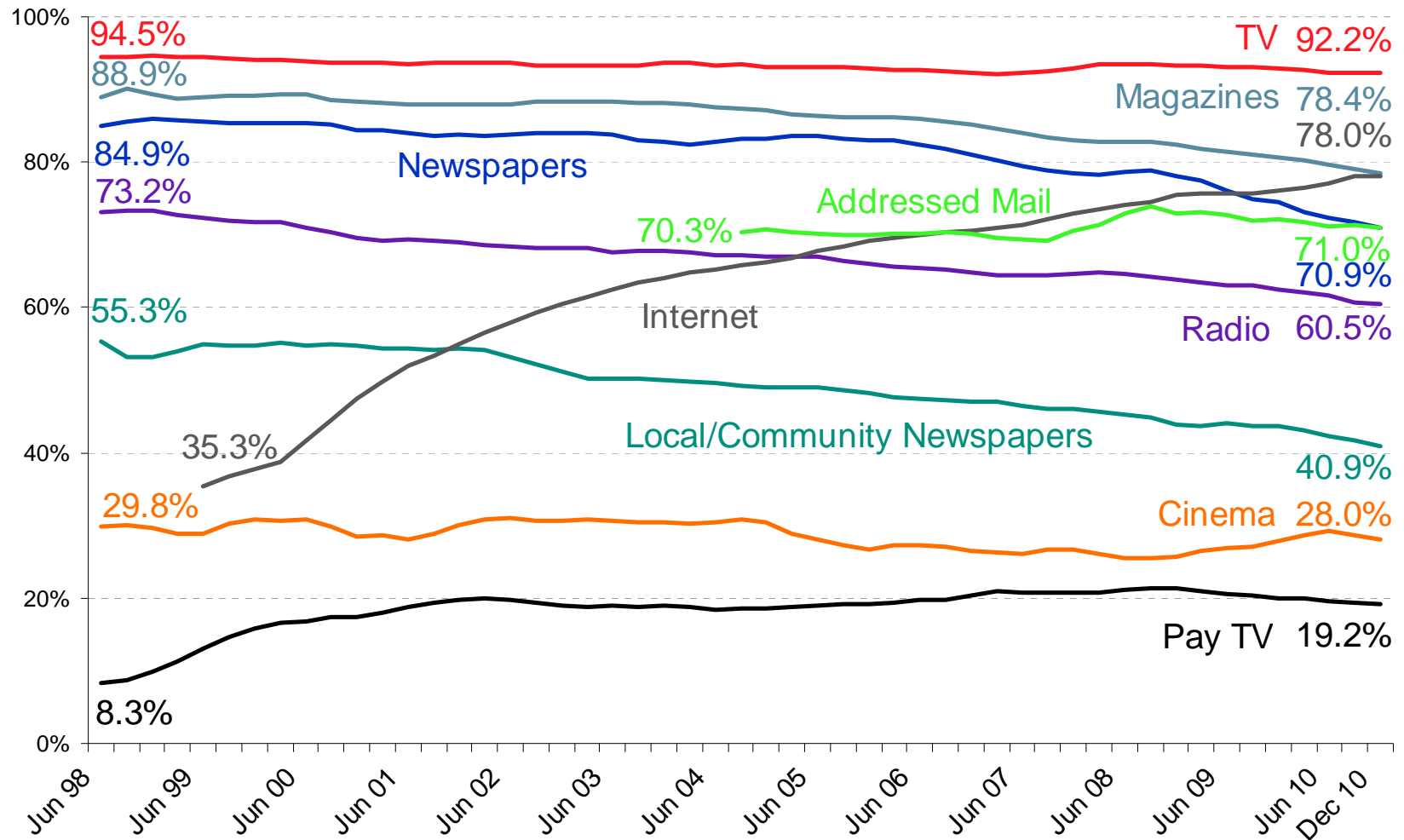
Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.



Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.

TECHNOLOGY

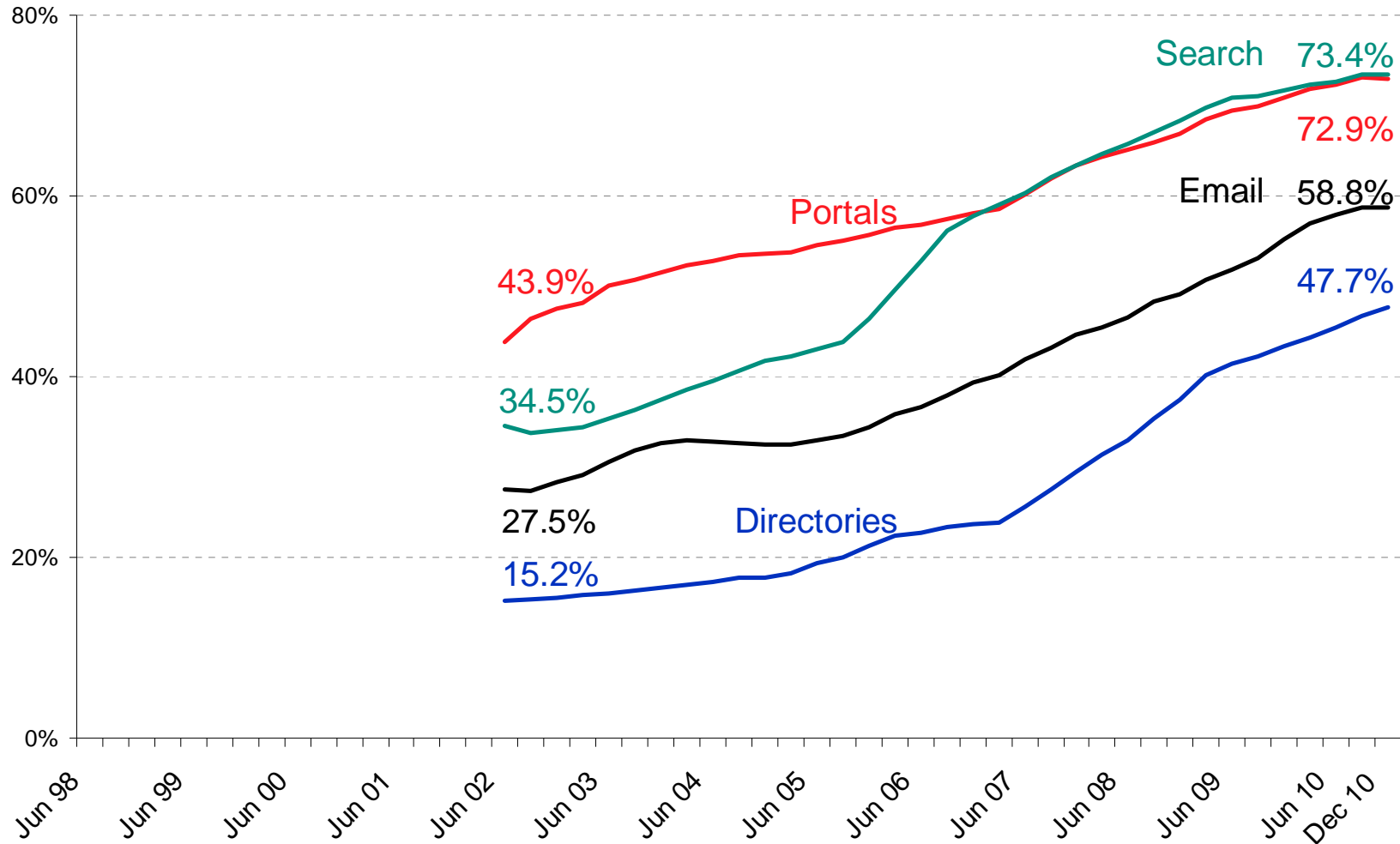
Use of Major Media Types



Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.

TECHNOLOGY

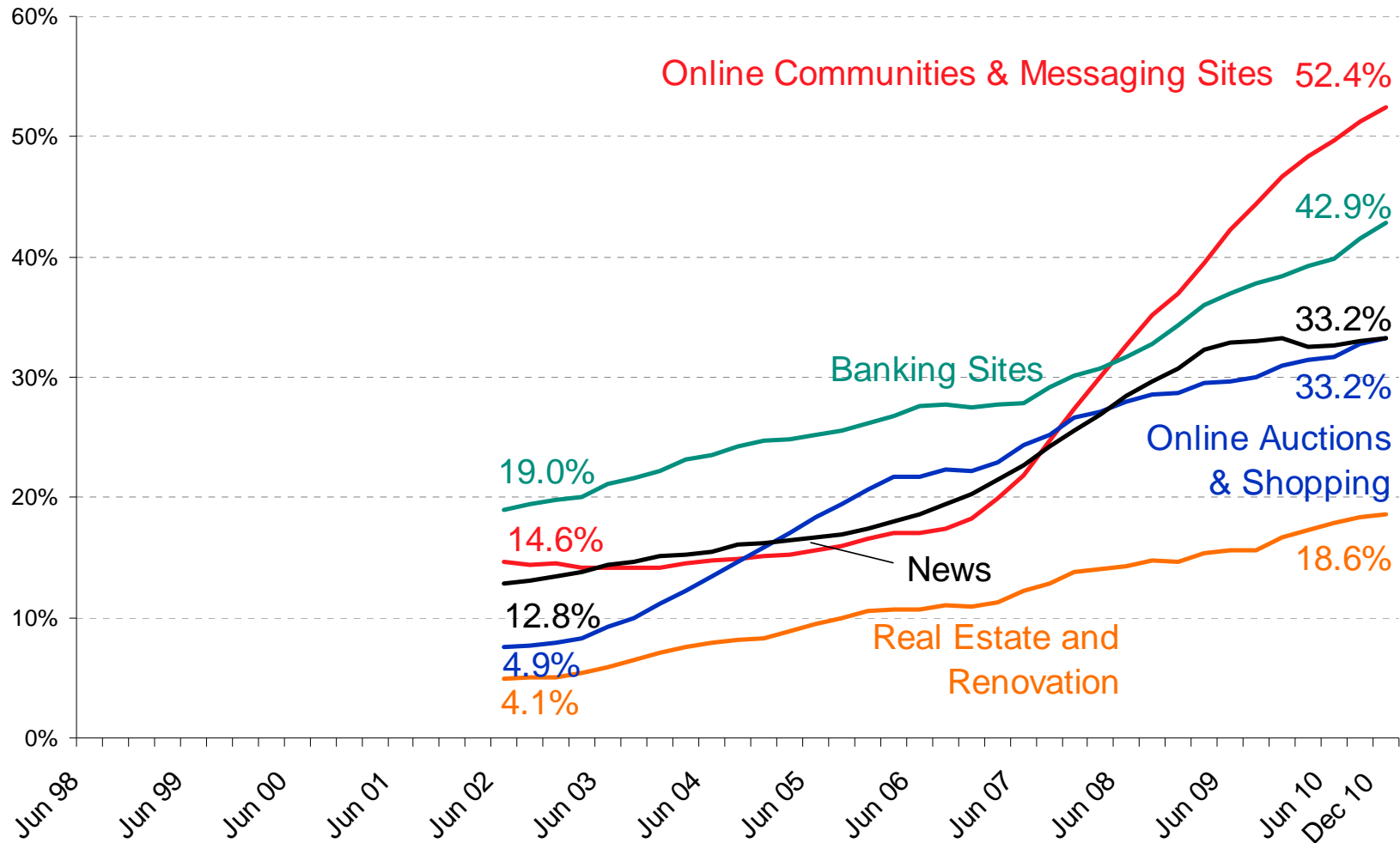
Visited Traditional Website in last 4 Weeks



Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.

TECHNOLOGY

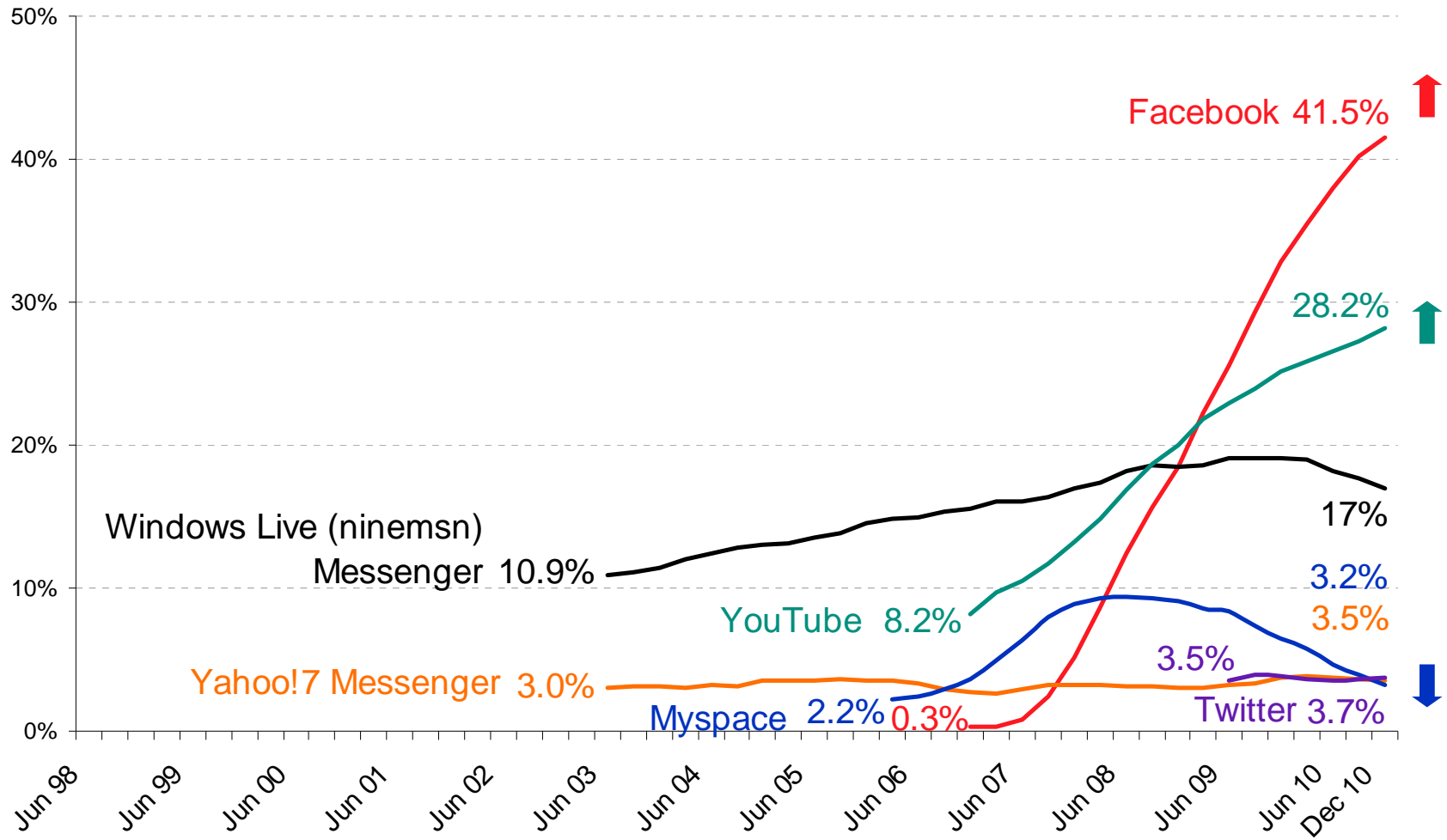
Visited Commercial and Community Website in Last 4 Weeks



Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.

TECHNOLOGY

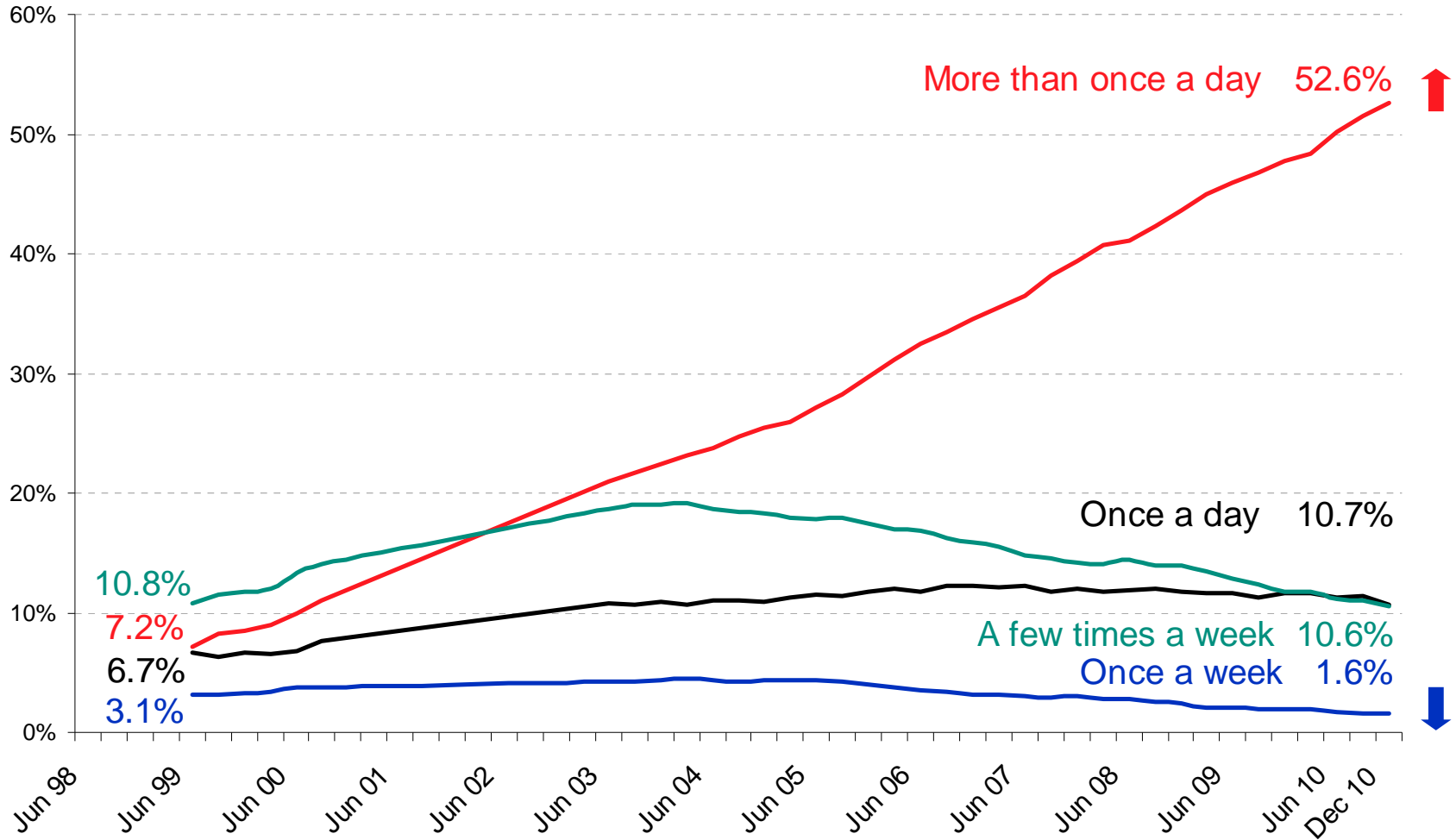
Online Community or Messaging Website Visited in Last 4 weeks



Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.

TECHNOLOGY

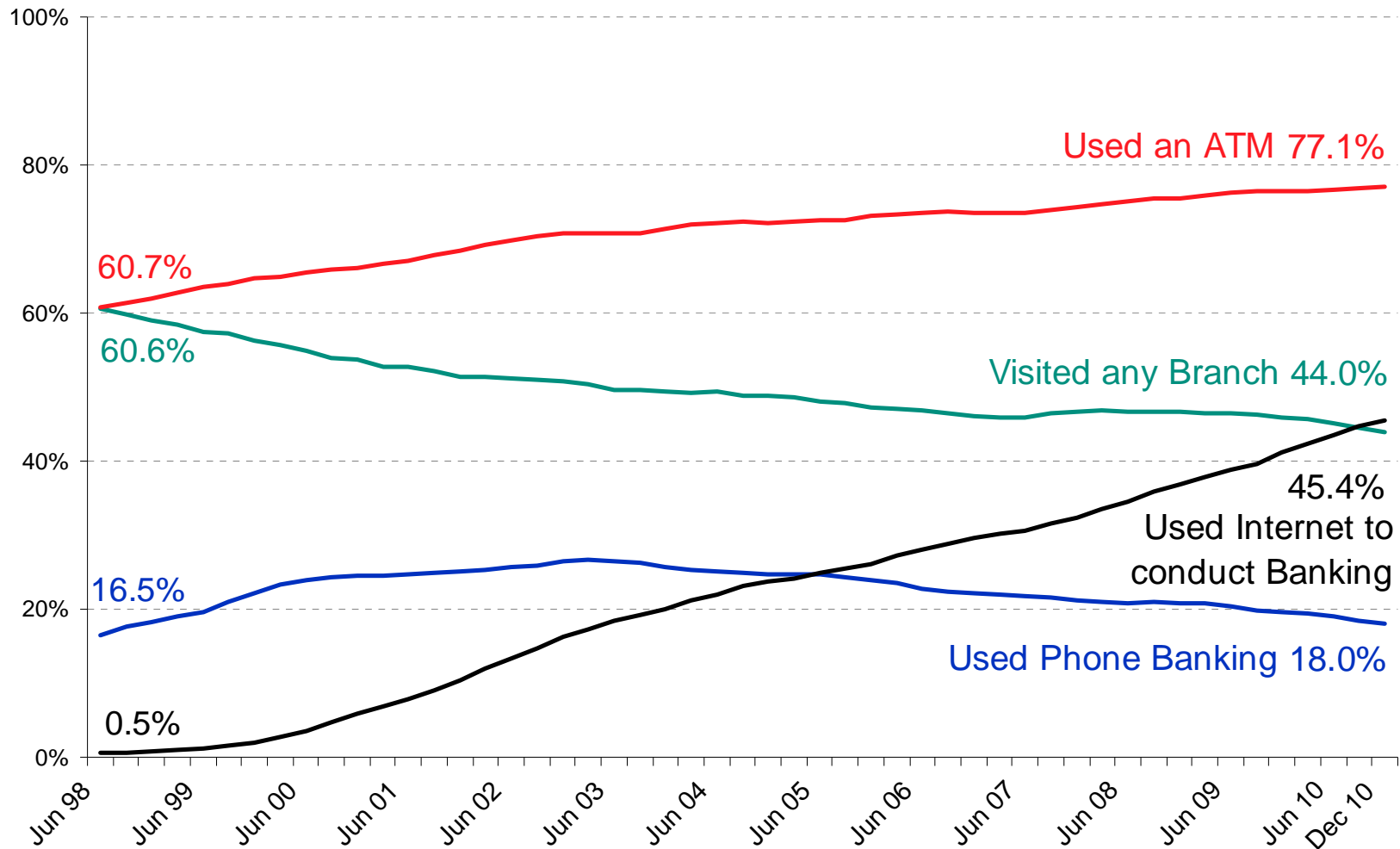
Frequency of Internet Use



Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.

TECHNOLOGY

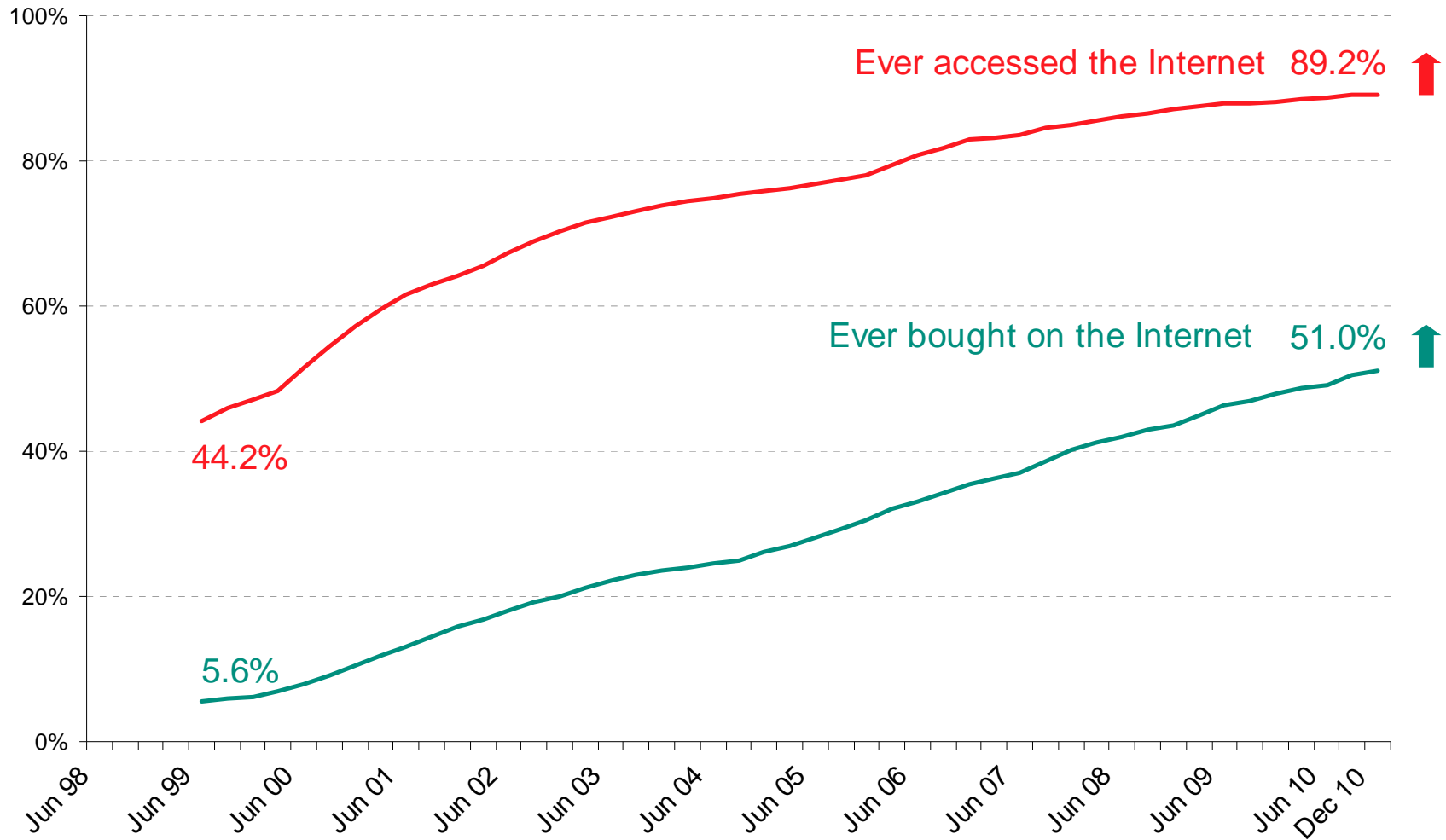
Major Banking Channels Used in the Last 4 Weeks



Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.

TECHNOLOGY

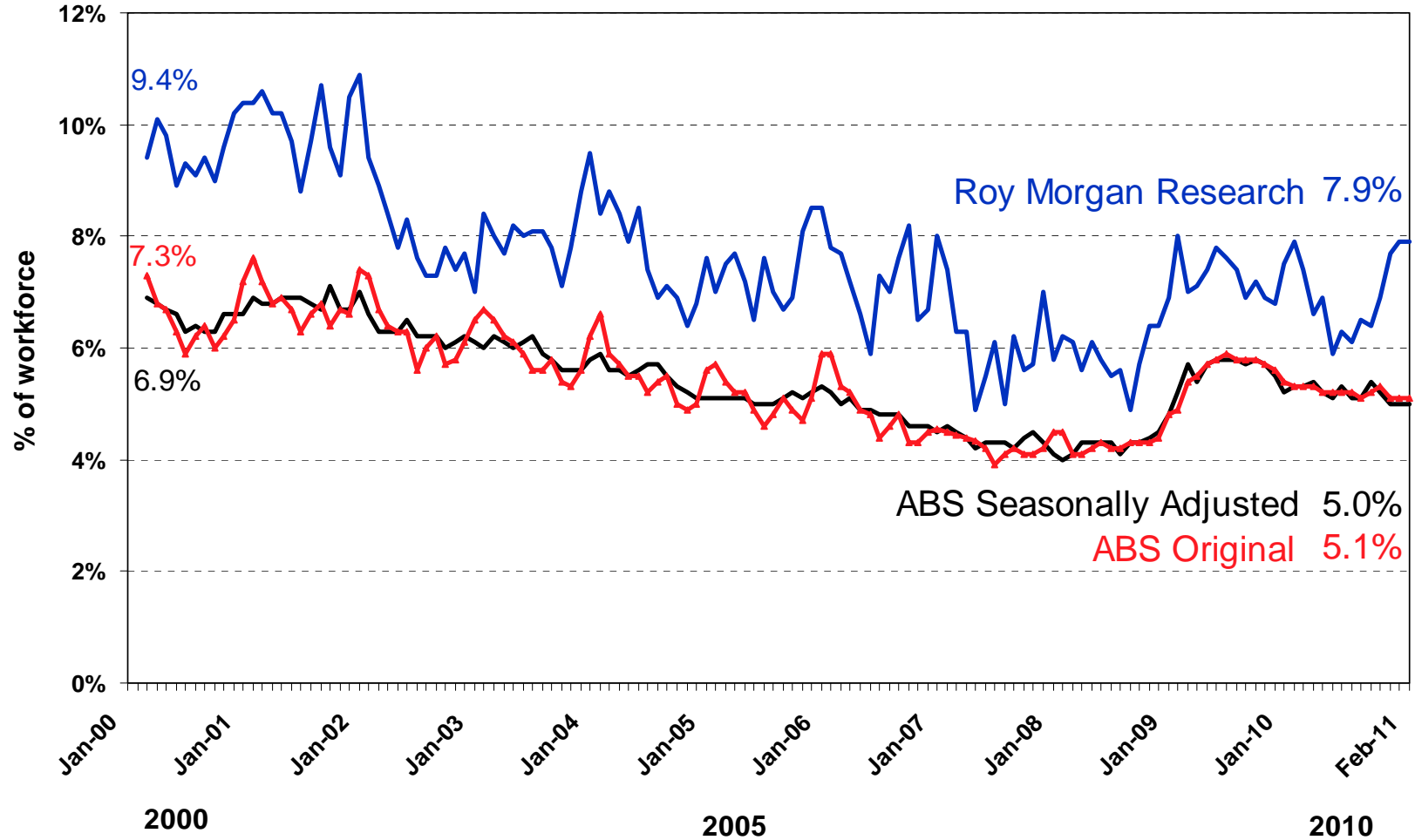
Used the Internet or Purchased on the Internet



Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average

ECONOMY

Level of Workforce Unemployment – Roy Morgan/ABS Monthly Figures

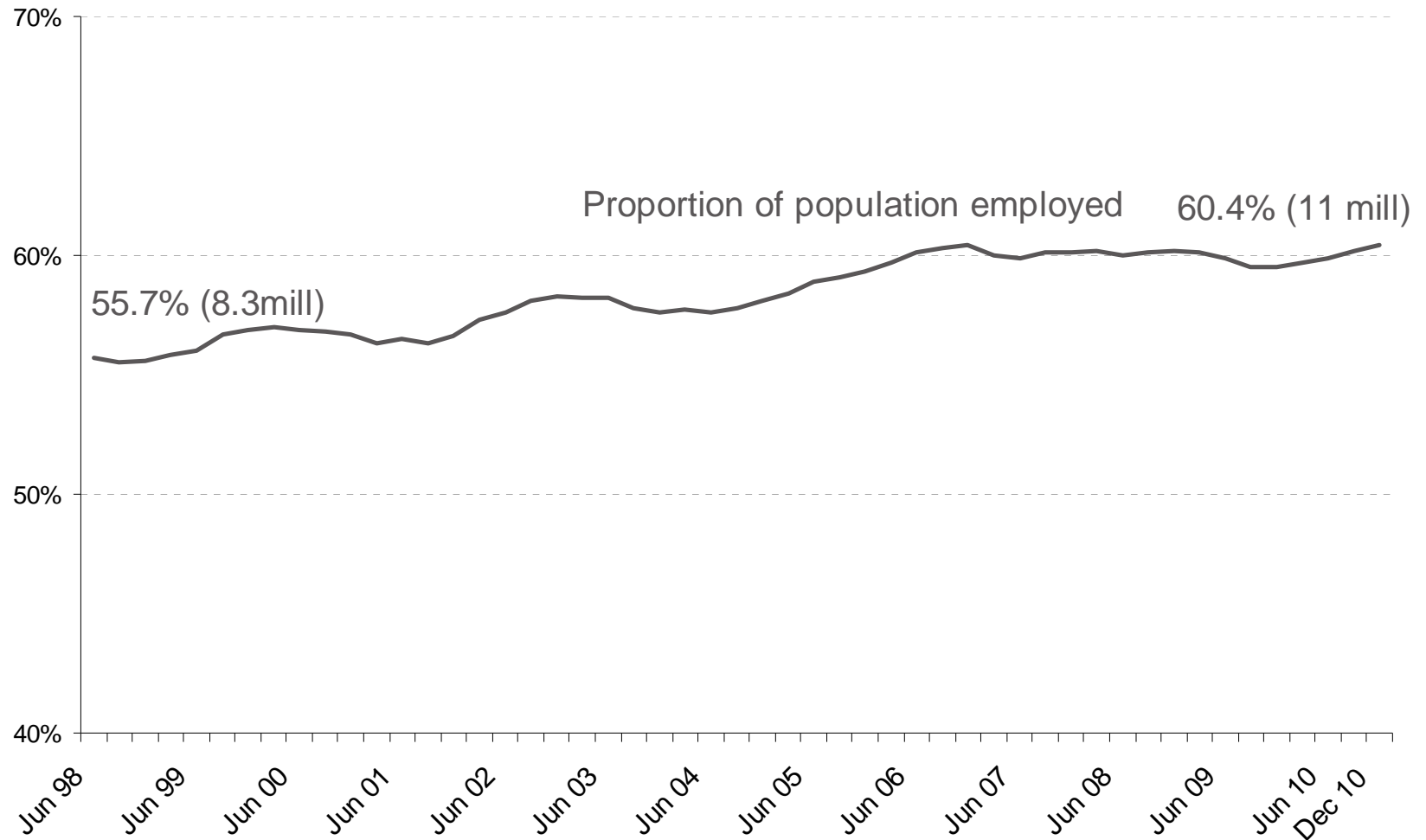


Base: Roy Morgan Research Aust. Population 14+; ABS. Monthly data.

ECONOMY

People in Employment

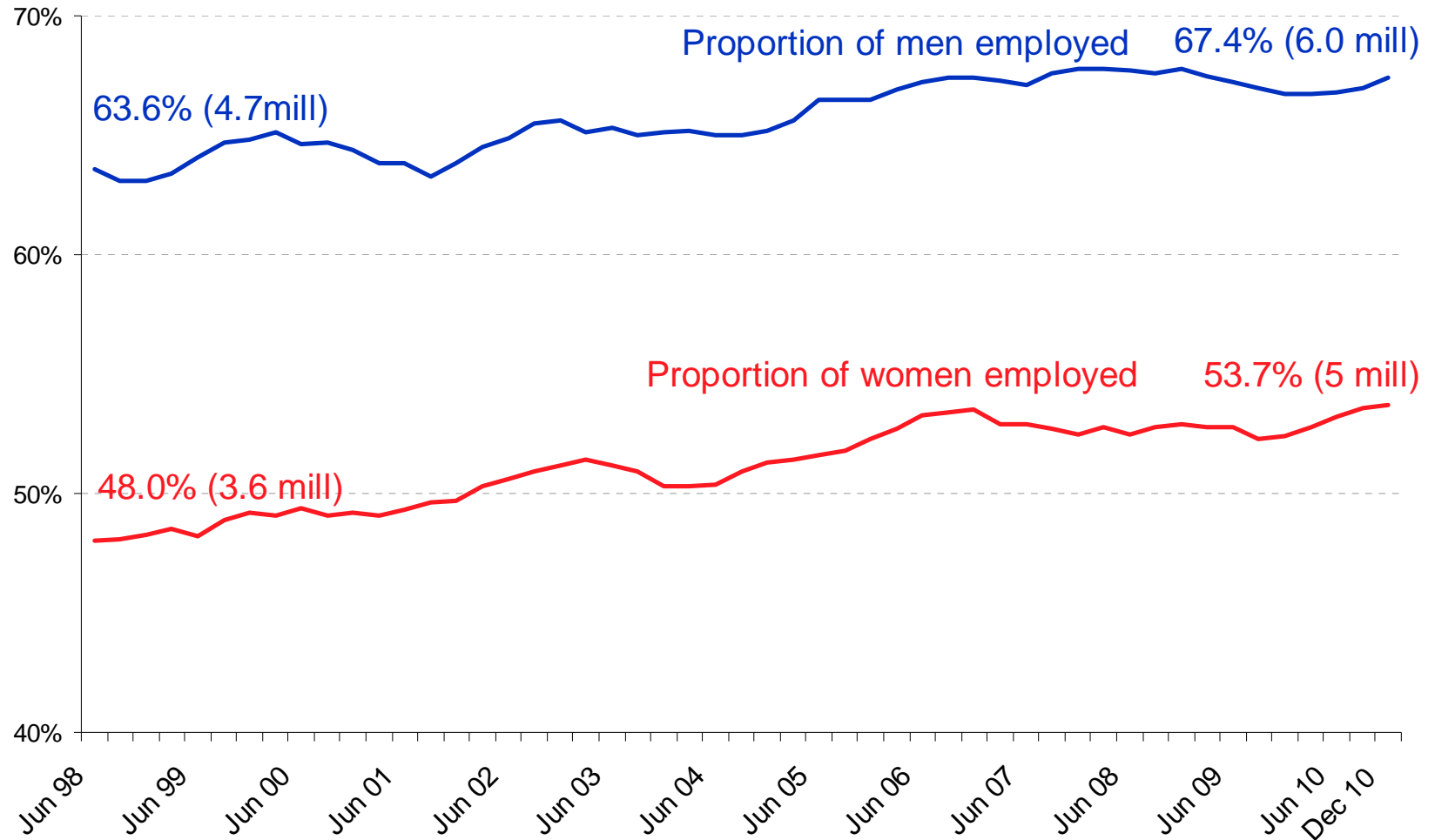
Discover your edge



Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.

ECONOMY

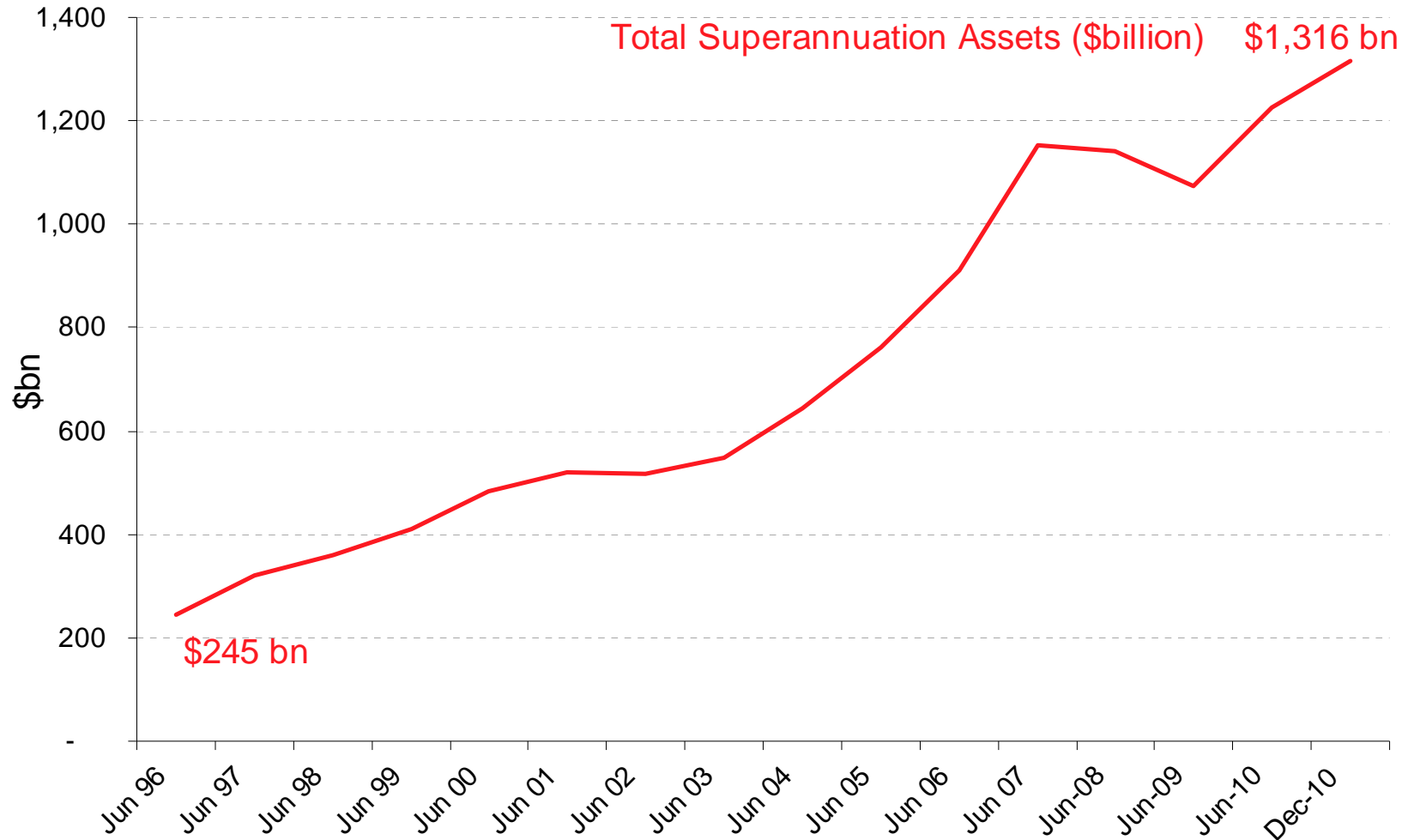
People in Employment – Male and Female



Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.

ECONOMY

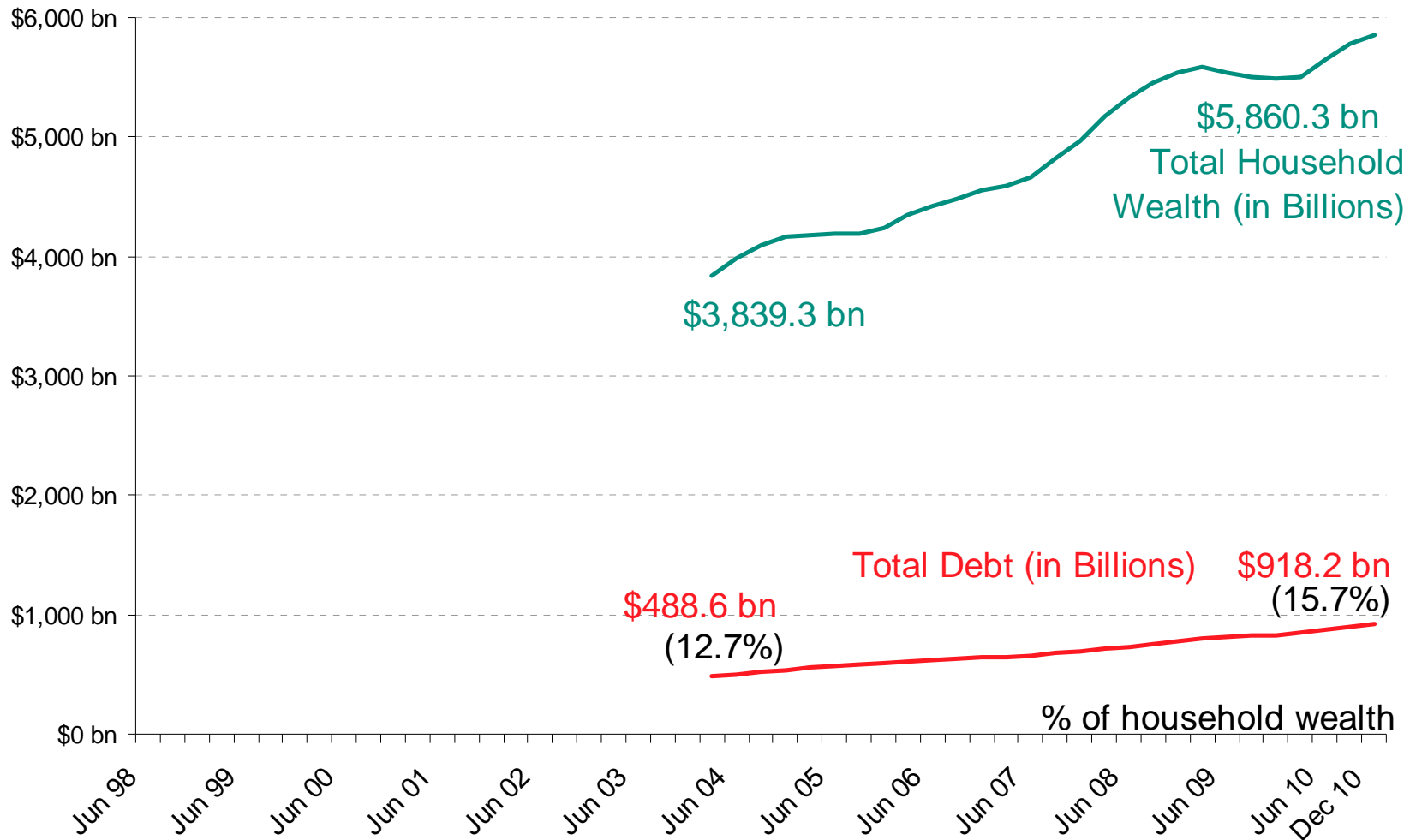
Total Superannuation Assets



Source: APRA

ECONOMY

Household Wealth and Debt

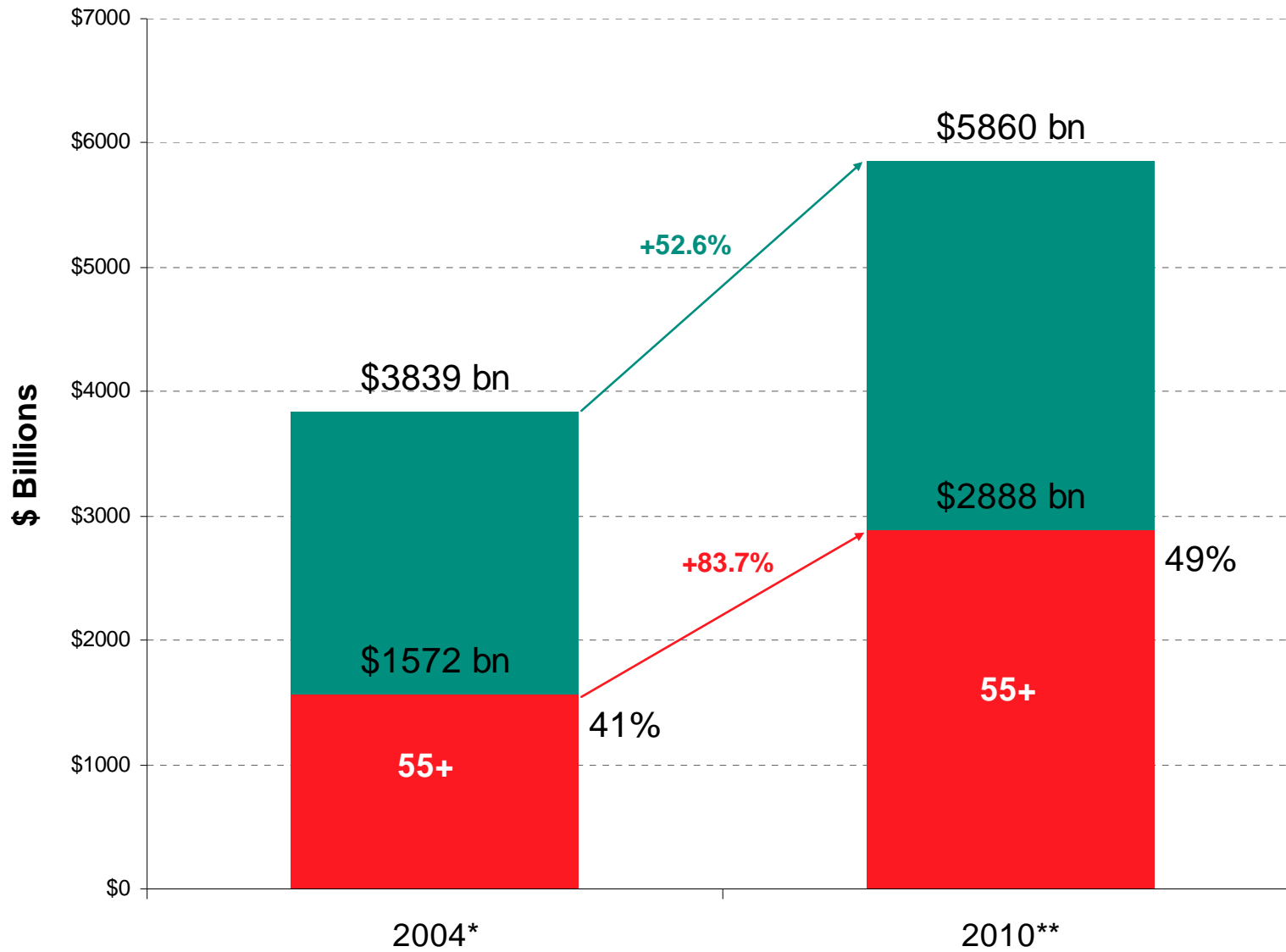


Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.

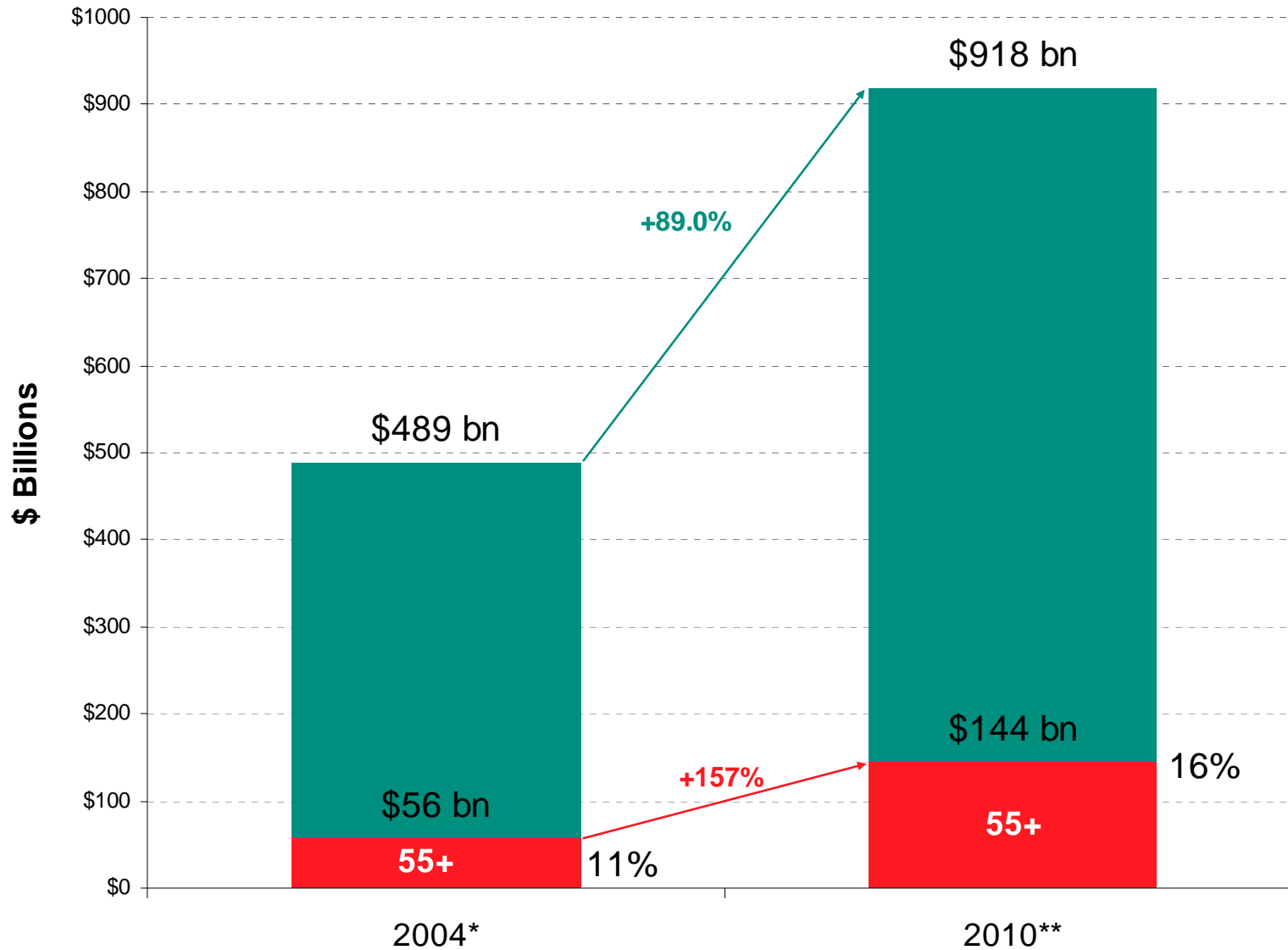
Characteristics of Over 55's compared to Australian Population

		55+	TOTAL
Population '000		5555	18254
Home Ownership	Own Home	69.6%	35.3%
	Paying Off	15.2%	32.4%
Average \$'s per person	Wealth (Including Home)	\$523K	\$321K
	Wealth (Excluding Home)	\$246K	\$154K
	Debt	\$26K	\$50K
Marital Status	Married	66.3%	50.7%
	Single	4.7%	25.7%
Median Income (\$'000)	Individual	\$21.73	\$29.36
	Household	\$40.64	\$72.98
Education	Have a Degree	18.6%	25.5%

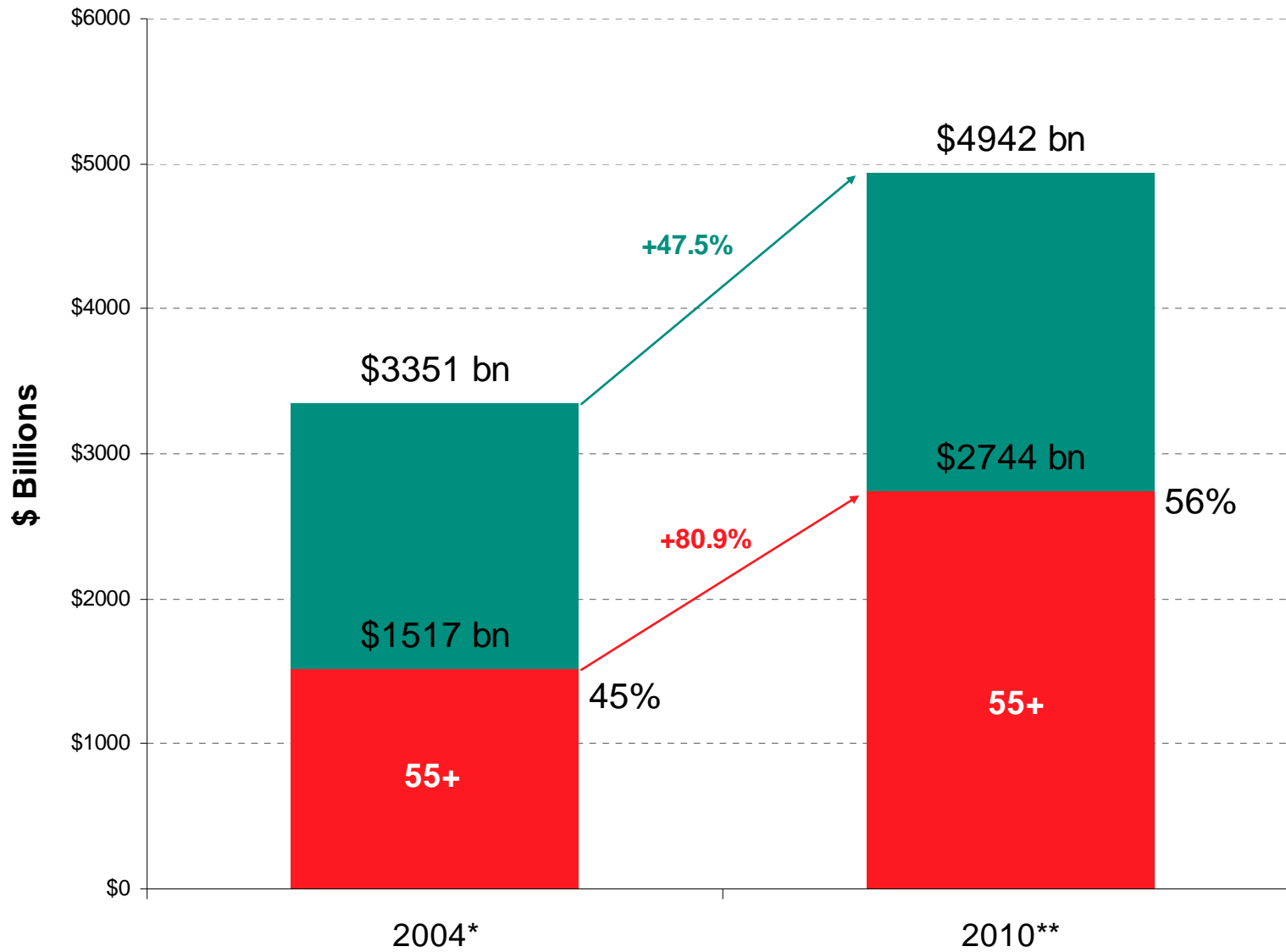
Australian Households Gross Wealth - Share Held by 55+ age group



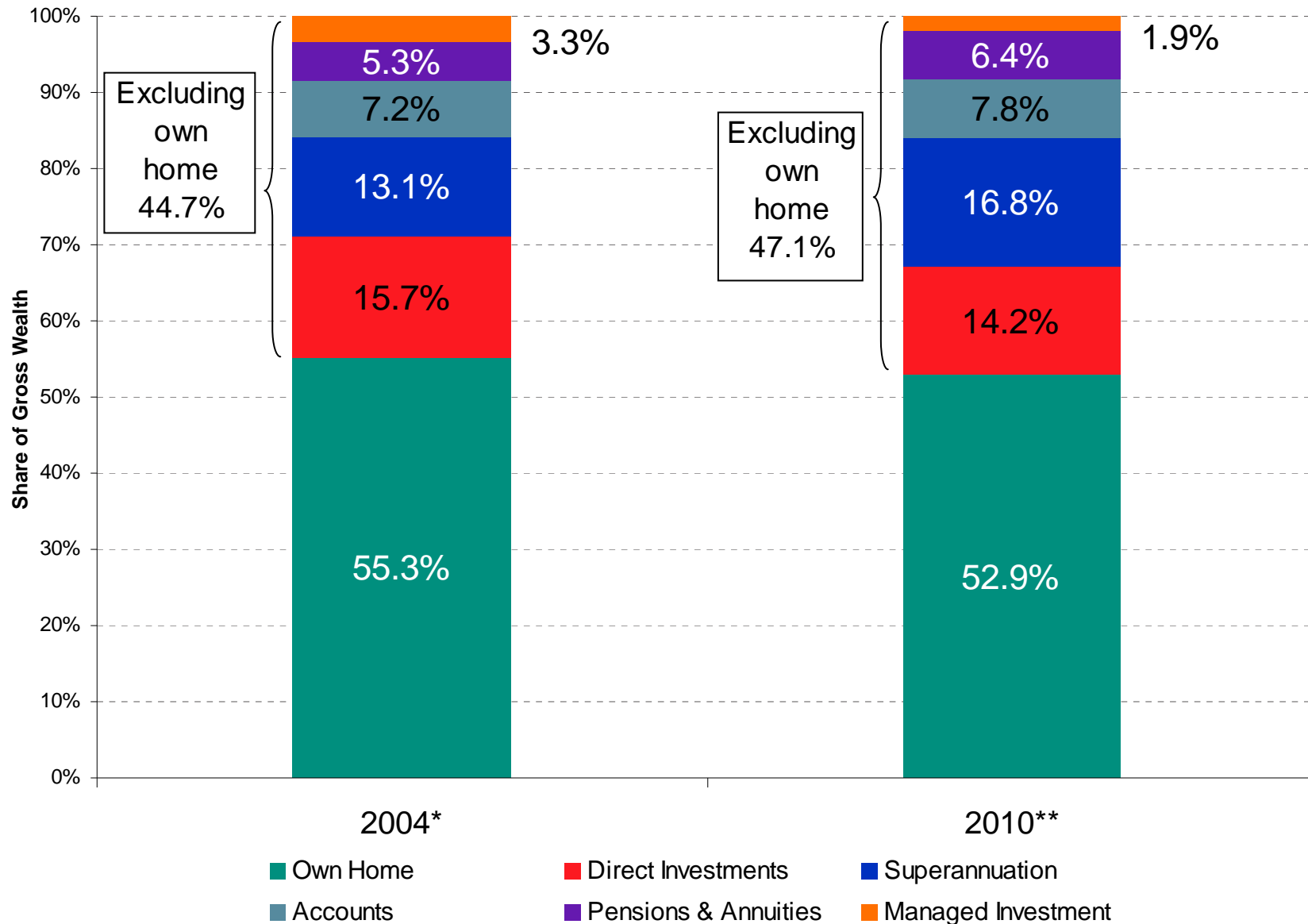
Australian Households Debt - Share Owed by 55+ age group



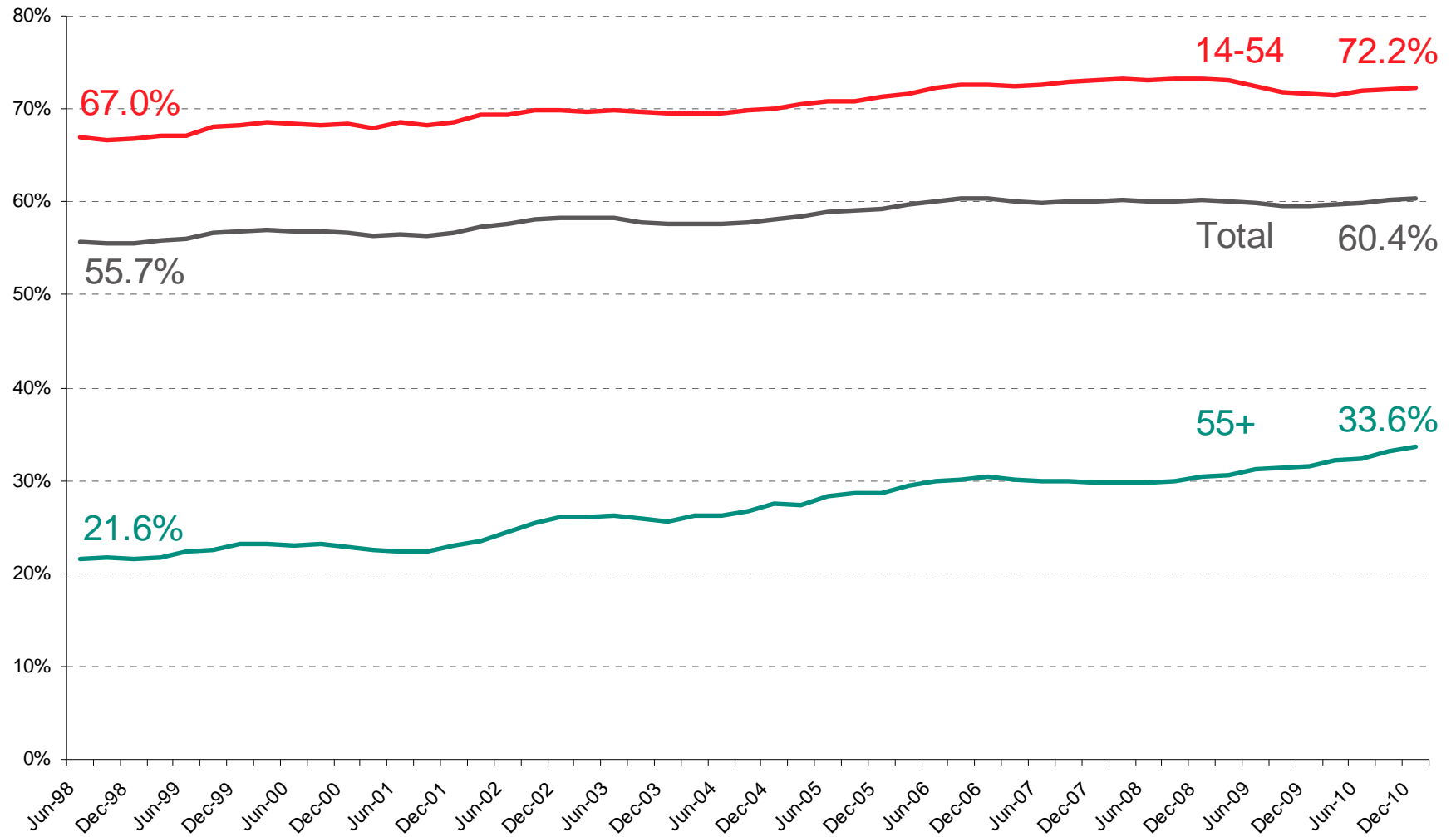
Australian Households Net Wealth - Share Held by 55+ age group



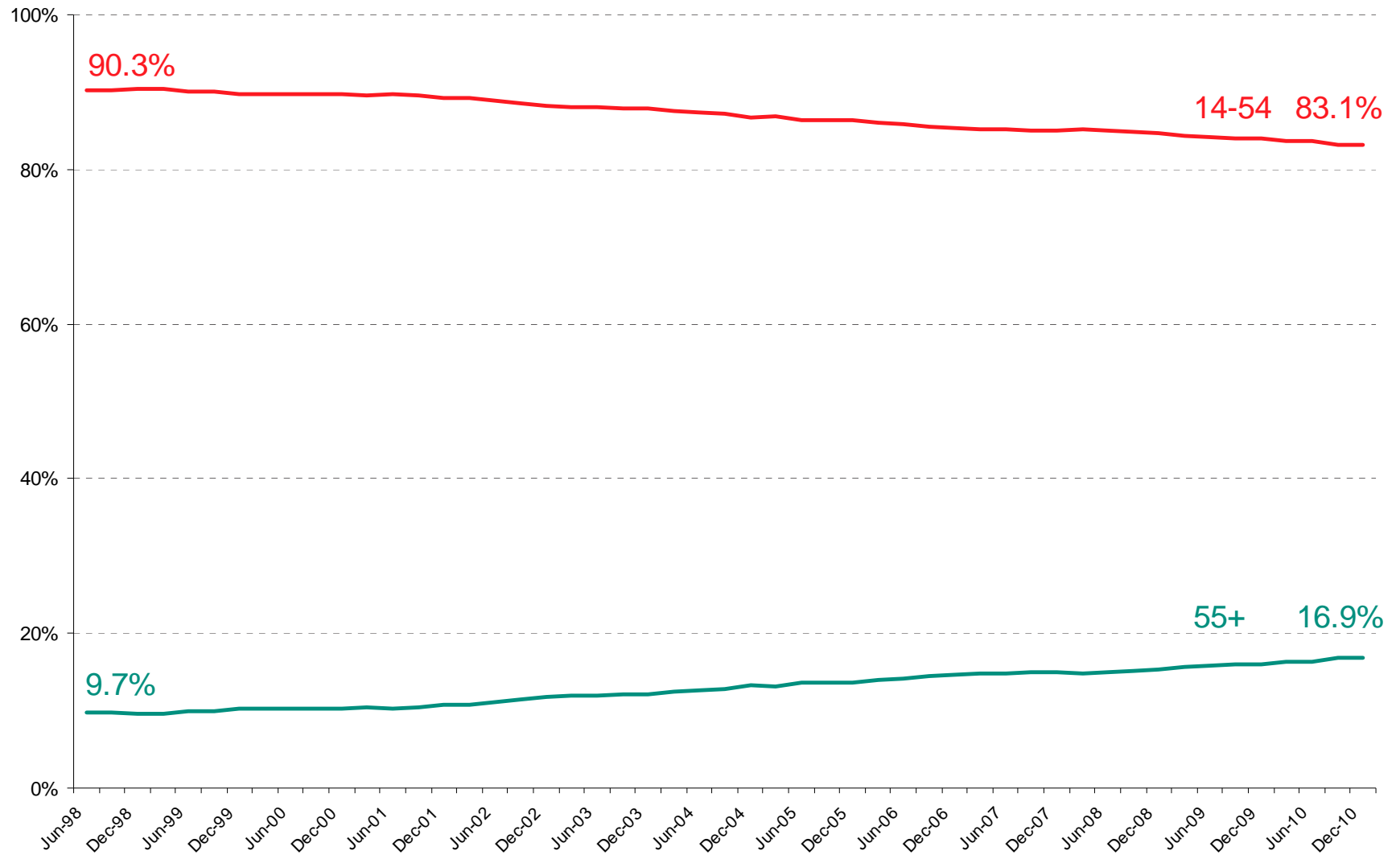
Composition of Gross Wealth 55+



Workforce Participation

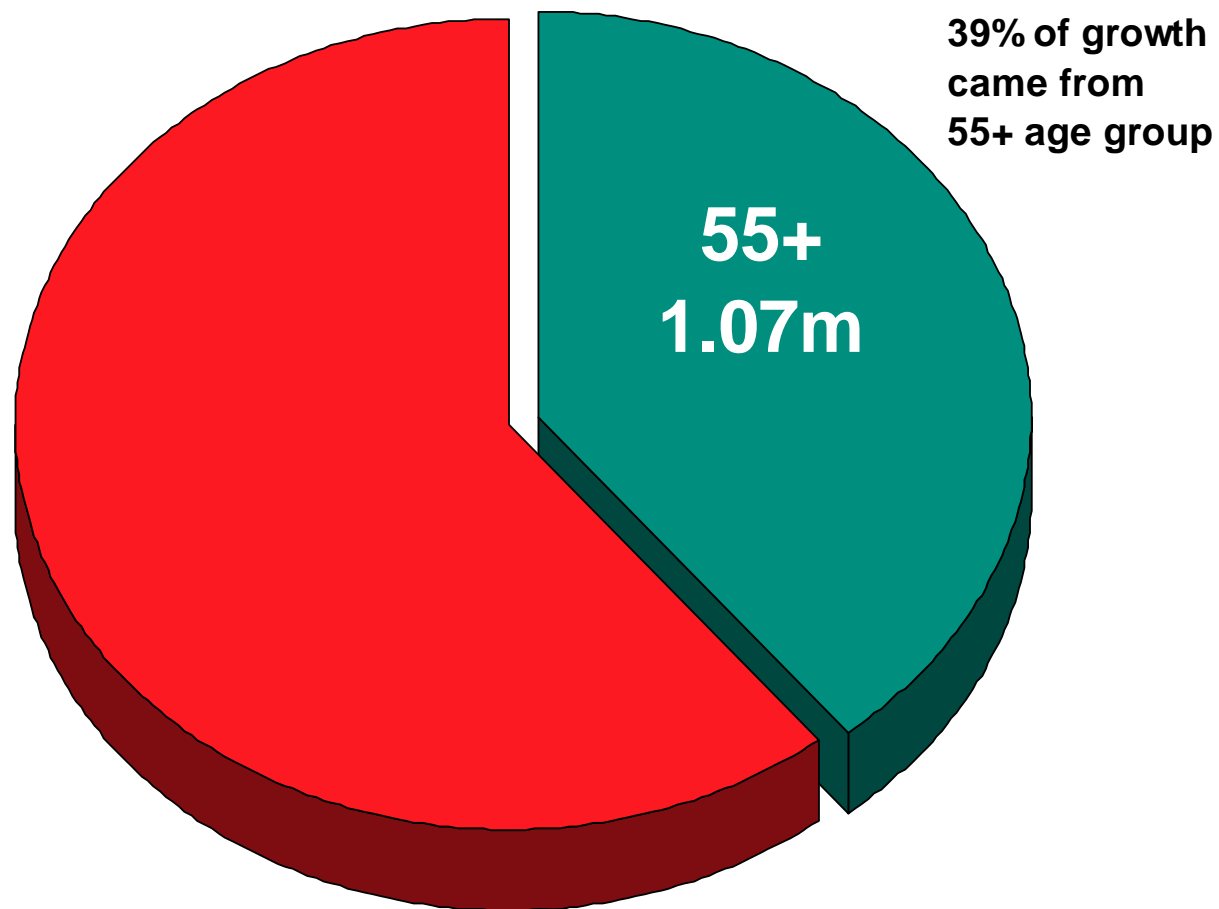


Composition of Workforce



Growth in Employment 1998- 2010 Contributed by 55+ Age Group

Total Growth in Employment 1998 to 2010 = 2.74 million people



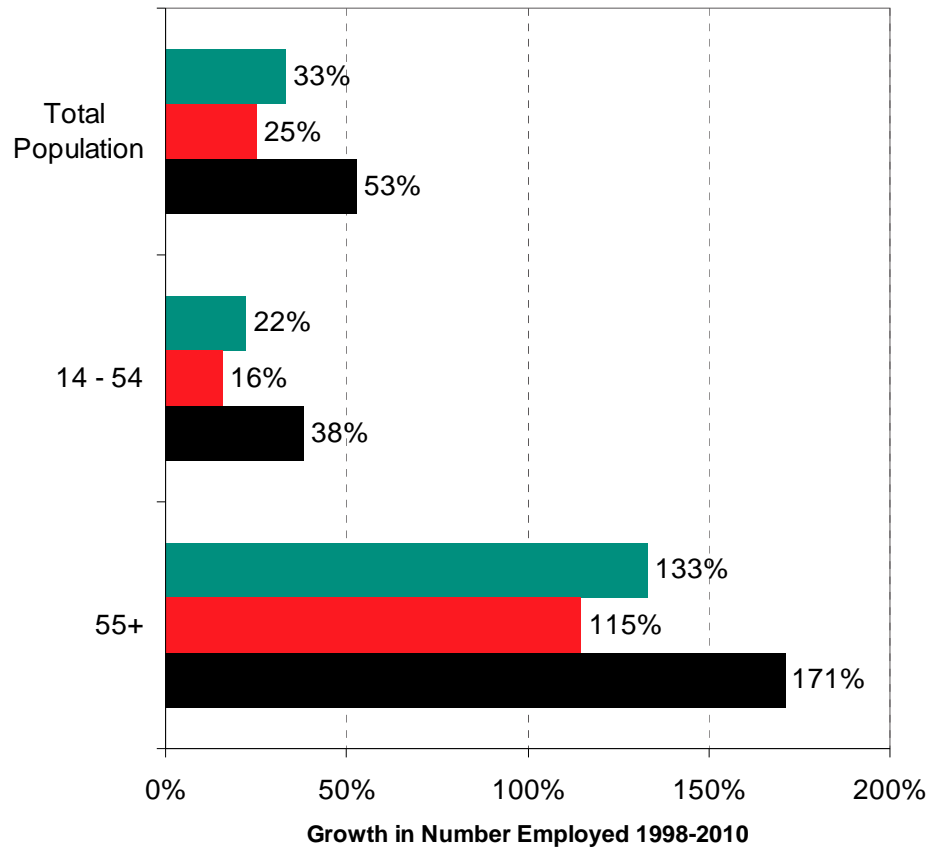
**39% of growth
came from
55+ age group**

**55+
1.07m**

Increase in Number of People Employed 1998- 2010

Discover your edge

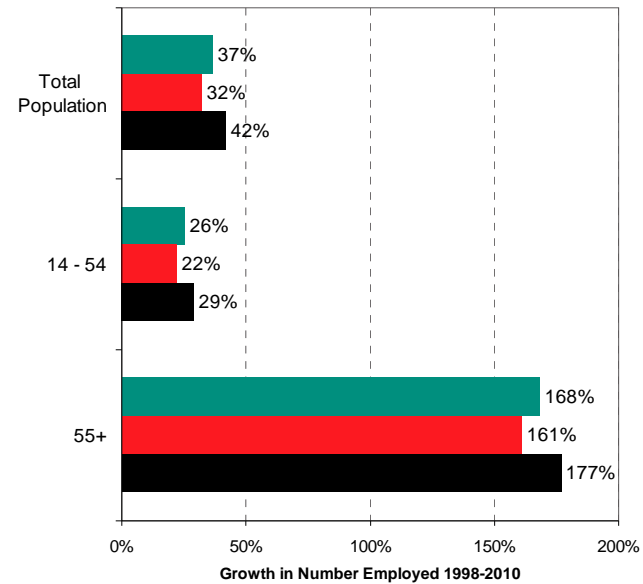
All Australians



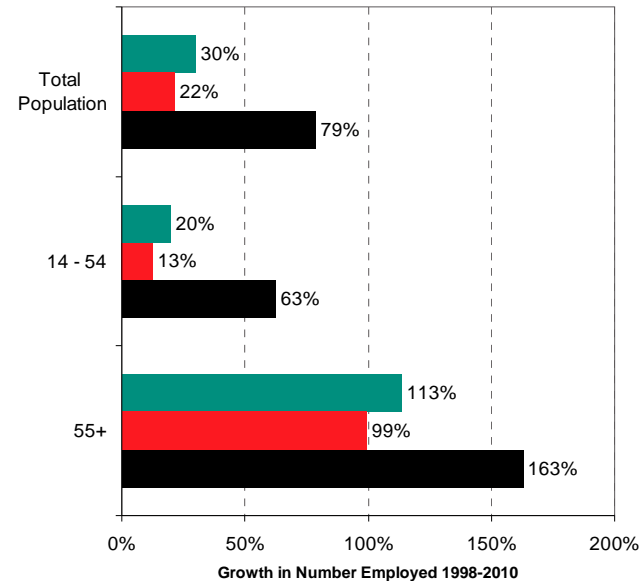
■ Employed
 ■ Employed Full Time
 ■ Employed Part Time

Source: Roy Morgan Research 14+

Female



Male



1998 - 12 months to June 1998
2010 - 12 months to December 2010

55+ Age Group Increased Importance in Major Expenditure over last 10 years

	Total Population	55+	55+ Employed	55+ Underemployed or Looking for Work	55+ Not Employed (e.g Retired)
	%	%	%	%	%
Travelled overseas*	19	18	25	18	15
Bought new vehicle*	5	5	7	3	4
House renovations \$5,000+*	12	12	16	11	10
Visited Financial Planner (Ever)	37	41	50	48	37
Own or use a mobile phone	85	72	87	85	65
Currently paying for a Club Membership	14	19	18	15	19
House cleaning**	7	11	10	6	11
Hairdressing**	34	40	41	32	40
Personal grooming services (eg. manicure, facial, waxing)**	7	4	6	4	4
Blu-Ray Player	10	5	8	3	4
iPod	35	12	22	18	7
Digital Video Camera	23	12	17	16	10
Bicycle/Pushbike	40	22	32	30	17
Caravan or Campervan	8	12	10	8	12
Went to a licensed restaurant***	52	41	54	40	35
Went to an RSL, Leagues or other club***	27	34	32	31	35
Went to the cinema***	45	32	40	31	29
Went to the live theatre***	12	15	19	15	13

Over 55's lower than population

Over 55's higher than population

*Last 12 months **Last 4 weeks ***Last 3 months

Source: Roy Morgan Research 14+

January 2008 – December 2010

Importance of Australians 55+ to the Economy

March 31, 2011

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