

Original Article

The role of the food industry in an ageing society

Greg Walsh MA, PhD

Director, HEC Foods Pty Ltd, Warrnambool, Victoria, Australia

The effective management of the health and fiscal implications of an ageing society requires a proactive rather than reactive response to meeting the needs of older persons, particularly in regional communities. The strong ties between the food industry and regional economies suggest that the food industry is strategically well placed to be a key influence in the development of proactive strategies to managing ageing societies. By offering employment to older persons and maintaining infrastructure in regional centres, the food industry can play a key role in strengthening regional areas as not only vibrant economies, but also as desirable, low cost and healthy places for independent older persons to live and participate meaningfully in the wider society.

Key words: longevity, ageing, healthy living, food industry, regional communities, workforce participation, Australia

Extended life expectancy and the ageing of society

The hallmark demographic feature of our time is extended life expectancy. Life expectancy in many countries around the world increased by as much as one in every three years between the 1960s and the 1990s.¹ Further increases are projected for the early decades of this century. In developed countries like Australia, the life expectancy of a male at birth increased from 68 years in 1966 to 77 years in 2002. By 2042 this is projected to increase again to 82.5 years, about the same as it is for females today. Female life expectancy at birth increased from 74 years in 1966 to 82.5 years in 2002. By 2042 the projected life expectancy at birth for females will be 87.5.²

This trend is related to changes in disease patterns resulting in a decline in mortality rates. In Australia, for example, mortality from infectious diseases, respiratory diseases and cardiovascular disease, has declined significantly since the 1960s over all age groups and for both sexes. In developed countries, increased longevity has combined with falling fertility rates to mean that the proportion of people aged 65 and older is rising. In most OECD member countries, for example, the proportion of the population aged 65 or more is projected to double its present size by 2050. The rate of growth will be particularly marked for those aged 80 years and more. The number of people aged 80 or more in OECD countries will double by 2030 and triple by 2050.³

These global and national trends are particularly pronounced in non-metropolitan, regional communities, where the impact of longevity and fertility factors is compounded by other sociological and economic influences. Indeed, the "greying" of society is most advanced in those regional communities impacted by the contradictory domestic migratory patterns of younger and older members of modern society: the tendency for many young persons to move to metropolitan areas in search of greater educational and career opportunities and the opposite tendency for many older persons, such as self-funded retirees, to move out of

metropolitan areas to smaller regional centers situated near inland rivers, mountains or on the coast. For example, in the Western District of Victoria, a broad acre agricultural region of Australia which is bounded by the Grampians mountain range and the Great Ocean Road, the number of residents in the 70-84 age group is projected to increase by 50% in the 25 year period between 1996 and 2021, while the number of residents aged 84+ will increase by 120%.⁴

This paper discusses some of the implications of the ageing of society for the health and wealth of regional communities and for national public policy objectives including the United Nations' exhortation to national governments of recent years to build a "society for all ages".⁵ The paper identifies the strategic importance of the food industry in achieving this.

The evolution of public policy on ageing

The rapid increase in life expectancy since the 1960s has focused the attention of both individuals and governments on the consequences of living longer.

The international response

For individuals, improved life expectancy is not simply a matter of longevity, but also quality of life. The United Nations gave expression to this when it adopted a framework of rights for older persons entitled Principles for Older People, in December 1991 and further endorsed it at the World Assembly in 2002.⁶ These are:

Independence, including: the right of access to housing, food and health care; access to learning and earning opportunities; control over decisions to withdraw from the work-

Correspondence address: Dr Greg Walsh, HEC Foods Pty Ltd, 108a Botanic Road, Warrnambool, Victoria, Australia
Tel: + 61355622931; Fax: +61355620346
Email: gwal5659@bigpond.net.au
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force; income security; a safe living environment and the right to live at home for as long as possible.

Participation, including: remaining integrated in society; participating in policy development; sharing skills and knowledge with younger generations; volunteer and community service opportunities that reflect skills and interests and the right to form older peoples' associations.

Care, including: family and community care in accordance with social and cultural values; health care aimed at maintaining or regaining physical, mental and emotional wellbeing and the prevention of illness; appropriate levels of institutional care in a humane and secure environment and the ability to enjoy human rights and fundamental freedoms when living in care facilities.

Self fulfilment, including: being able to pursue the full development of potential; access to educational, cultural, spiritual and recreational opportunities; being able to live in dignity and security; being treated fairly regardless of age, gender, racial or ethnic background, disability or other status and being valued independently of one's economic contribution.

Government responses – the Australian case

The UN Principles for Older People were affirmed at the Second World Assembly on Ageing in April 2002. The Australian Government produced a position paper for this Second World assembly entitled Ageing in Australian Society. This paper and the National Strategy for an Ageing Australia: An Older Australia, Challenges and Opportunities for all, present a set of Australian Government priorities.⁷ These include:

- preparing for the challenges and opportunities of an ageing population, including an older workforce;
- encouraging saving during working life to secure a sustainable retirement income, and maintaining the age pension as a source of income security;
- promoting positive ageing by encouraging healthy, active and fulfilling lifestyles;
- encouraging participation in community life and removing barriers to participation for older people;
- encouraging positive attitudes to ageing and awareness of older peoples' contributions and
- proving access to high-quality health and aged care services when people need them.

The major federal agencies charged with policy and services for ageing and older people are the Office for an Ageing Australia and the Australian Department of Health and Ageing. The Department has primary financial responsibility for national health and aged care systems and primary program responsibility for residential aged care.

In Australia's federal system of government, legislative authority for health and aged care is divided between national and state governments. Each state government administers health and aged care in a different way. The Victorian State Government divides responsibilities between two major portfolios – Senior Victorians, which focuses on positive ageing and Health, which encompasses Aged Care, the Home and Community Care

(HACC) program and other related sub acute and specific programs such as falls prevention.

As is often the case in health and human services more generally, the most enlightened policy thinking in aged care is found at the local, rather than at a higher level of government. Melbourne City Council's recent adoption of an "Accessible Buildings Policy", the first of its type in Australia (although not something that is unusual in the wider international context), is illustrative of this.⁸

This Policy, which was adopted on 29th July, 2004 will need to be approved by the State Government before it officially becomes part of the City of Melbourne's Planning Scheme. In brief, the policy means that all new dwellings should be "visitable" by a person with a disability, such as older people often have. The policy means that a person with a disability can access a living room, food preparation and eating area, bathroom with a hobless (i.e step free) shower, toilet, and a room for staying overnight. All rooms in the dwelling need to meet Australian Standard 1428 Part 2 – provisions for access and mobility. This means that a disabled person can access and go through the front door, and access all rooms and move around the room. This presupposes that rooms have doorways with sufficient width.

The purpose of the policy is to ensure that dwellings can be adapted if someone has a temporary or permanent mobility impairment due to accident or age. By including these features when a dwelling is constructed it becomes more cost effective if the need arises to adapt the dwelling. The policy also ensures that older people with a disability can visit the homes of friends, families or neighbours. Brisbane City Council, Australia's largest local authority, provides another illustration of proactive aged care strategies adopted at the local level. Brisbane City offers its older residents a program called "Gold" (Growing Older and Living Dangerously). Among other things "Gold" introduces residents over 50 to a variety of activities "ranging from yachting to using the internet".⁹

The fiscal implications of an ageing society

Over recent years, the United Kingdom, the US and New Zealand governments, the OECD and European Economic Policy Committee have prepared reports on the long term fiscal outlook of the public sector in those countries. These reports have been concerned with issues and trends that might impact on the financial sustainability of existing government policies. A key consideration is the diminishing size of the workforce in ageing societies relative to those on social security or retired. There is also discussion about the shrinking tax base of ageing societies and the way this reduces the economic capacity of ageing societies to respond to the public health, housing and transport needs of older persons. Reduced family size and functionality require governments and communities to provide substitute care giving services and facilities, especially to the rising number of dependent, disabled and frail older persons.

In May 2002, the Australian Government published such a report in the form of a budget paper. It was entitled *Intergenerational Report 2002-03 Budget Paper No. 5*.¹⁰ The report has become a "touchstone" in the formulation of national public policy on ageing. The report states that

although the ageing of Australia's population is not expected to have a major impact on the federal budget for another 15 years, after that the pressure on federal government finances will escalate significantly and bring with it increased demands on taxpayer's funds. The projections in the report suggest that if current policies "are not adjusted", the current generation of taxpayers is likely to impose a higher tax burden on the next generation. By 2041-42, the gap between federal revenue and federal spending is projected to be substantial. Federal revenue in 2041-42 is projected to be 22.4% of the GDP, but federal spending is projected to rise to 27.4% of GDP. To prevent the budget moving into deficit in this way, future generations of taxpayers will face higher taxes or governments will need to "adjust current policies" in order to reduce the projected growth in spending that these policies entail. By 2042, the required adjustment in taxes and/or spending is estimated to be 5% of the GDP (or \$87b in today's dollars).¹¹

To give perspective to this figure, it is noted that federal government spending on health at present is about 4% of the GDP (up from 2% thirty years ago), while federal spending on aged care at present is about 0.7% of GDP. This is not to suggest that one way for future federal governments to deal with the emerging fiscal crisis in Australia is simply to delete all federal spending on health and aged care. But the figures do highlight the budgetary pressure to hold federal spending on health and aged care at its present level. They also explain the appeal of privatization or "cost-shifting" in health programs to governments eager to be perceived as responsible financial managers.

Spending on health and aged care accounts for much of the projected rise in total federal government spending over the next four decades. Federal health spending is projected to double from 4 per cent of the GDP at present to 8.1% by 2041-42. Spending on aged care is expected to almost treble over the same period. This compares with a slight decline in the projected federal spending on education from 1.8% of the GDP in 2001-02 to 1.6% in 2041-42. Spending on social safety net payments to individuals is projected to increase as a percentage of GDP only slightly over the next four decades.¹² As other areas of government spending such as defence, overseas aid or transport and regional services are less sensitive to demographic influences, health and aged care spending becomes the critical area for scrutiny in achieving fiscal sustainability.

Two main factors are driving the increase in federal health and aged care spending. One is technological advancement in health care and the community's continuing expectation of accessing the latest health treatments including expensive diagnostic procedures and medications listed on the Pharmaceutical Benefit Scheme (PBS). Indeed, before issues associated with the impact of the US FTA with Australia are considered, federal PBS spending is projected to rise from 0.6 per cent of the GDP in 2001 - 02 to 3.4% by 2041-42, a fivefold increase.¹³ The other main factor contributing to the increase in health and aged care spending over the next four decades is demographics. This is especially true in aged care, the most demographically sensitive area of government

spending. As the number of "very old people" (i.e. those aged 85+) increases from 1.5% of the population at present to 4% in 2042, federal spending on aged care is expected to rise from 0.7% of GDP in 2001-02 to 1.8% of the GDP in 2041-42.¹⁴

Building a society for all ages and places – a role for regional communities and the food industry?

In its analysis of demographic trends in Australian society, the Intergenerational Report overlooks an important "spatial" influence at play in the "ageing of society", an oversight that is perhaps not surprising given the tendency for contemporary economic and financial modeling to largely ignore spatial considerations. The trend overlooked is what Bernard Salt, a demographer and property investment consultant with KPMG, terms, in his study of demographic patterns in Australia, as "the big shift".¹⁵ "The big shift" and some recent developments in the geography of the food industry in Australia are trends that are particularly noteworthy when considering the options available to government for managing the consequences of an "ageing society"

Australian's are not only getting older. Over recent decades they have also shown a propensity to relocate their place of residence from metropolitan to non-metropolitan locations, and most notably from the suburbs to the beach. Indeed this trend is of such scale that it has given rise to the establishment of new and large urban centers with names that were unknown to pre World War 2 Australia. The Gold Coast, which now has a population approaching a half million people, is a well-known illustration of this phenomenon. Hervey Bay, the Sunshine Coast, the Surfcoast (Torquay), Byron Bay, Port Macquarie and Coffs Harbour are other examples.¹⁶ As Salt points out "virtually any point at which a large river flowing east of the Great Dividing Range meets the Pacific Ocean has been a focus of quite extraordinary growth over the past two decades".¹⁷

Salt's description of this "spatial" demographic factor in Australian society has its parallel in other developed countries such as the US. Although, as Salt points out, the "the big shift" in the US takes on a slightly different form.¹⁸ As well as relocating to coastal areas, Americans have also shifted to inland arid locations such as the County of Maricopa around Phoenix, Arizona. About 95,000 people per year were attracted to Maricopa County in the 1990s.¹⁹

However, "the big shift", as Salt acknowledges, is not to all regions. As is the case in the US and in developing countries such as China, the populations of many "broad acre" agricultural areas are static or in decline. The Australian wheat belt areas such as the Mallee in Victoria and South Australia, the western rural areas of New South Wales and Queensland and the eastern and northern areas of Western Australia have experienced significant population decline since the 1970s. Just as the original settlement of these areas was influenced by public policy in the form of post war "closer settlement" programs, their depopulation has been hastened by government decisions taken over recent decades to rationalize and privatize public sector services and utilities, as well as by the

amalgamation of rural holdings in order to compete in international markets.

Nevertheless, as a number of studies of rural Australia have now shown, rural communities are remarkably resilient.²⁰ Small towns in rural areas show an extraordinary capacity to survive by taking local initiatives to adapt, reinvent and “re-badge” themselves as service centers for new industries. The renewal of small towns along inland rivers such as the Murray and in the foothills of mountain ranges as well as along the coast is illustrative of the point. They offer themselves as not only desirable places to visit, but also as residential locations where independent older people in particular can improve their “quality of life” and adopt “preventative ageing” strategies through developing healthy food habits, maintaining physical activity, increasing mobility, obtaining more secure and less expensive housing and participating in a meaningful way in the local community and economic life. The economic opportunities provided to regional communities and to independent older persons who live in them, by the development of the hospitality industry on a global scale has been of great significance in this regard.

Another industry that shares with older people and tourism a vital interest in the survival and well-being of the social and economic infrastructure of regional communities, is the food industry. The food industry underpins the economic base of many regional communities and is the source of significant work opportunities in many hinterland towns in Australia and other countries, including developing countries. Indeed, it is not generally appreciated that the production and processing of food, which in Australia is the nation’s second most important source of export earnings and the basis of the nation’s largest manufacturing industry, is a highly diffuse, decentralized and regionally-based economic activity.

The regional basis of the food industry is self-evident at the farm and fisheries end of the industry’s value chain. The major food commodities produced in this sector are rural commodities including cattle, grains, milk, wine grapes, vegetables, poultry and fish. In Australia, there are over 100,000 enterprises engaged in agricultural production.²¹ These enterprises are predominantly family farms, co-operatives and family-based agribusinesses scattered throughout rural and regional Australia. While the growth of agricultural food production has usually been associated with the amalgamation of farms and the introduction of labour saving farm machinery, there are clear signs that the downward spiral in the demand for rural labour is reversing. Since 1997-98 employment in agricultural food production has increased, not declined. Indeed one of the main constraints on the growth of agricultural production in dairying, viticulture and horticulture is a shortage of labour, and particularly skilled labour in rural areas.²²

Food processing is also a more regionally-based industry than most other manufacturing industries, with the exception of mineral processing. In Australia, although only one-third of the population lives outside the capital cities, about half the country’s 4,000 food and beverage firms are located in non-metropolitan areas. This proportion is likely to grow as Australian food processing

companies are drawn into global systems of production and distribution causing investors and managers to come to the view that it is more important to establish processing plants in locations which have immediate access to raw materials such as meat, milk and wine grapes than to transport this material to a plant in a metropolitan centre where the market for end products has matured or is not large enough. The increasing interdependence between the food processing sector and the regional economy is apparent in the wine, dairy and meat processing industries in Australia. Sales in these industries represent half total sales in the Australian food processing industry, which in 2001-02 was about \$55 billion.²³

The strong ties between the food industry and regional economies suggest that the food industry is strategically well placed to be a key influence in a proactive strategy to manage ageing societies. By offering employment to independent older persons and maintaining infrastructure in inland towns and rural areas, the food industry can play a key role in extending “the big shift” beyond the coast to the hinterland and thereby strengthen regional areas not only as food industry service centers, but also as desirable, low cost and healthy places for independent older persons to live and play a small, but meaningful, part in the wider economy.

Conclusion

The management of emerging fiscal difficulties and the need to avoid the potential for intergenerational conflict that an ageing society gives rise to, presupposes a more proactive rather than reactive stance to meeting the needs of older people. Trends that are now perceived by some as threats to the fiscal sustainability of policies at a national level of government may not be so threatening if the opportunity they present to regenerate and grow regional economies is recognized in public policy. Regional communities, food and regionally-based food industries have a significant role to play in enhancing the wellness and quality of life of older persons, and in building a sustainable society for all ages and places.

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