Excellence in Ageing Research

/ The funding of a Centre of Excellence in Population Ageing Research not only recognises the vital importance of a clearer understanding of ageing-related matters over the next few decades, but also respects the central role the social sciences will play in developing that understanding.

In mid 2010, the social sciences gained a major boost when, for the first time, a major multi-million dollar grant was awarded to an Australian business school. The grant, based at the Australian School of Business (ASB), brings together an international team of researchers under the leadership of Professor John Piggott. In offering such a grant, the Australian Research Council (ARC) recognised the importance of developing a better understanding of the changes and pressures that will result from a local and international population fast becoming top-heavy with the elderly.

Professor Kaarin Anstey	Professor Peter McDonald	Professor Hal Kendig	Professor Michael Keane
		Professor Alan Woodland	Professor Michael Sherris
Professor John Piggott		Professor Robert Cumming	

excellence in ageing research

The grant provides funding of $12.7 million over seven years for the establishment of the ARC Centre of Excellence in Population Ageing Research (CEPAR). "Most of the science and engineering centres are built around a corpus of science frequently related to a lab or a machine, so a social sciences centre is quite different," Piggott, the ASB's Associate Dean, Research, says. "Centres are formed in different kinds of ways and this centre has, at its core, an issue. The issue is the change in demographic structure that Australia and the world will witness over the next two generations. That gives CEPAR its centre of gravity."

UNSW is the lead institution for the Centre, with three of the eight Australian-based principal investigators. Piggott is joined by Professor Michael Sherris from Actuarial Studies and Scientia Professor Alan Woodland from Economics. CEPAR also brings on board the Australian National University, the University of Sydney, City University (London), the University of Nottingham, the University of Newcastle (UK), the University of Manchester, and the University of Pennsylvania's Wharton School and School of Economics.

In recognition of the importance of industry engagement, the Centre has also established partnerships with a number of key industry and government stakeholders who will provide substantial financial and in-kind support. These include the Commonwealth Treasury, Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA), the Department of Health and Ageing, PriceWaterhouseCoopers, AMP and Medibank Private.

In terms of the actual research that will be conducted by CEPAR, there are several strands. "The strand around economy-wide models and demographic trends is about trying to project what might happen with the changes of demographic structure under different policy scenarios," Piggott explains. "We'll look at what types of risks, socially and financially, might exist under alternative demographic structures, using stochastic models which will give us a feel for the magnitude of the risks involved. We'll also investigate what the labour force might look like under alternative demographic structures. It's all about discovering the potential implications of changing demographic structures and finding out exactly what we're going to have to deal with."

Another strand of research is involved with investigating the way in which different kinds of policies might impact upon labour force participation and on people's wealth in retirement, and whtat problems or opportunities may surface around that.

"We'll make extensive use of computer models," Piggott says. "Some are very intricately structured models that allow for relative price changes etc. Others are simulation and projection models and some are stochastic models that allow for probability changes through time. Often with demographic projections, longevity projections and life expectancy projections you are presented with a medium variant, a high variant and a low variant. That doesn't tell you much. What you really need is a probability distribution around a central estimate of outcomes."

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Such data is vital for policy makers, regulators, industry bodies and organisations. Consider mortality-based financial instruments such as life insurance policies, for instance. Accurate data is vital for the viability of such a market. When a person buys a life insurance policy, or an annuity, or any type of retirement product, the assumption is that the person will make the correct decision regarding which product to buy. But, Piggott says, there is a lot of evidence that says people make serious errors in the purchase of such products.

"These mistakes are hard to rectify," he says. "If you make a mistake in buying a piece of meat at the butcher then you can learn from it and not make the same mistake the next time around. But if you make a mistake around retirement, that's a very different story. It is very difficult to recover from that."

Another important consideration is the relationship between an elderly person's declining functional capacity as they age, and how well they perform in the market. "Should we have, for example, different duty-of-care provisions for products that are specifically designed for older people," Piggott asks. "Perhaps an elderly person is more likely to make a mistake, or perhaps a 30-year-old is just as likely to make that same mistake. The difference is that when you're 30 the consequences of the mistake are not nearly as serious as when you're 75."

The CEPAR team includes economists, gerontologists, epidemiologists, demographers, actuaries, psychologists and finance specialists. "Psychologists and economists don't get together much to discuss these issues, so this Centre is an opportunity to develop that kind of synergy," Piggott says. "That's quite an exciting upside to the Centre's research activities that deal with core issues around the integrity of market processes."

Web:
www.business.unsw.edu.au/cepar

Supporting grant

ARC Centre of Excellence Grant: Centre of Excellence in Population Ageing Research

/Administering Organisation: The University of New South Wales

/Collaborating Organisations: Australian National University (ANU) and the University of Sydney (USyd)

/Partner Universities: City University, London; University of Nottingham; University of Pennsylvania; Newcastle University; and the University of Manchester

/Industry partners: PriceWaterhouseCoopers; Medibank Private; Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA); Commonwealth Treasury; Department of Health and Ageing; and AMP

/Total funds awarded: ARC $12.7 million; universities $6.6 million; industry partners $1.4 million

/Investigators: J Piggott, M Keane and A Woodland, UNSW School of Economics; M Sherris, UNSW Actuarial Studies; K Anstey and P McDonald, ANU; H Kendig and B Cumming, USyd;, D Blake, City University, London; R Disney, Nottingham; H Fang, Pennsylvania; C Jagger, Newcastle, UK; O Mitchell, Wharton School, Pennsylvania; and J Nazroo, Manchester

Other major grants

NHMRC/ARC Ageing Well Ageing Productively Grant: Working longer: Policy reforms and practice innovations

/Total funds awarded: $2,000,000
/Investigators: J Piggott; A Woodland; P McDonald; C Choi, ANU; and P Bohle, USyd

ARC Linkage Grant: Managing risk with insurance and superannuation as individuals age

/Industry partners: Australian Prudential Regulatory Authority (APRA), PricewaterhouseCoopers Australia (PwC) and the World Bank

/Total funds awarded: ARC $1,289,945; industry pledge: APRA $200,000; PwC $200,000

/Investigators: M Sherris; J Piggott; J Evans and C Kim, School of Actuarial Studies; E Valdez, Connecticut; O Mitchell, Wharton School; and E Hernaes, Oslo