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Looking ahead – the demographic picture

Dr Simon Kelly

Presentation to

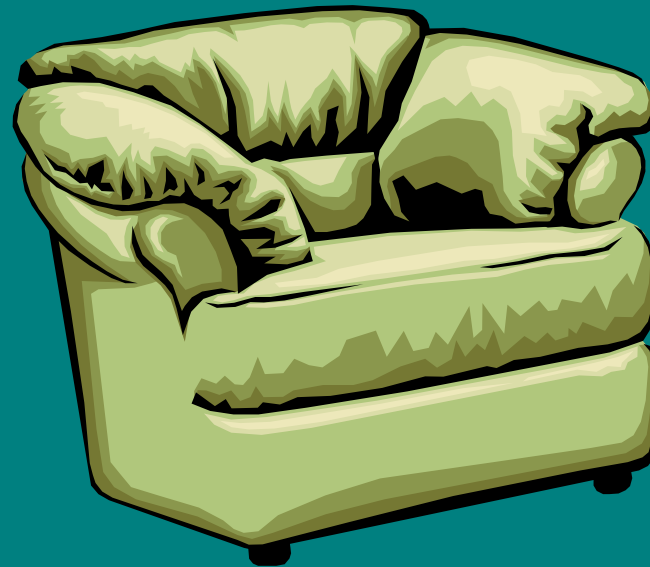
Work till 100? The labour market of the future seminar

AAG (NSW division)

9 September 2005

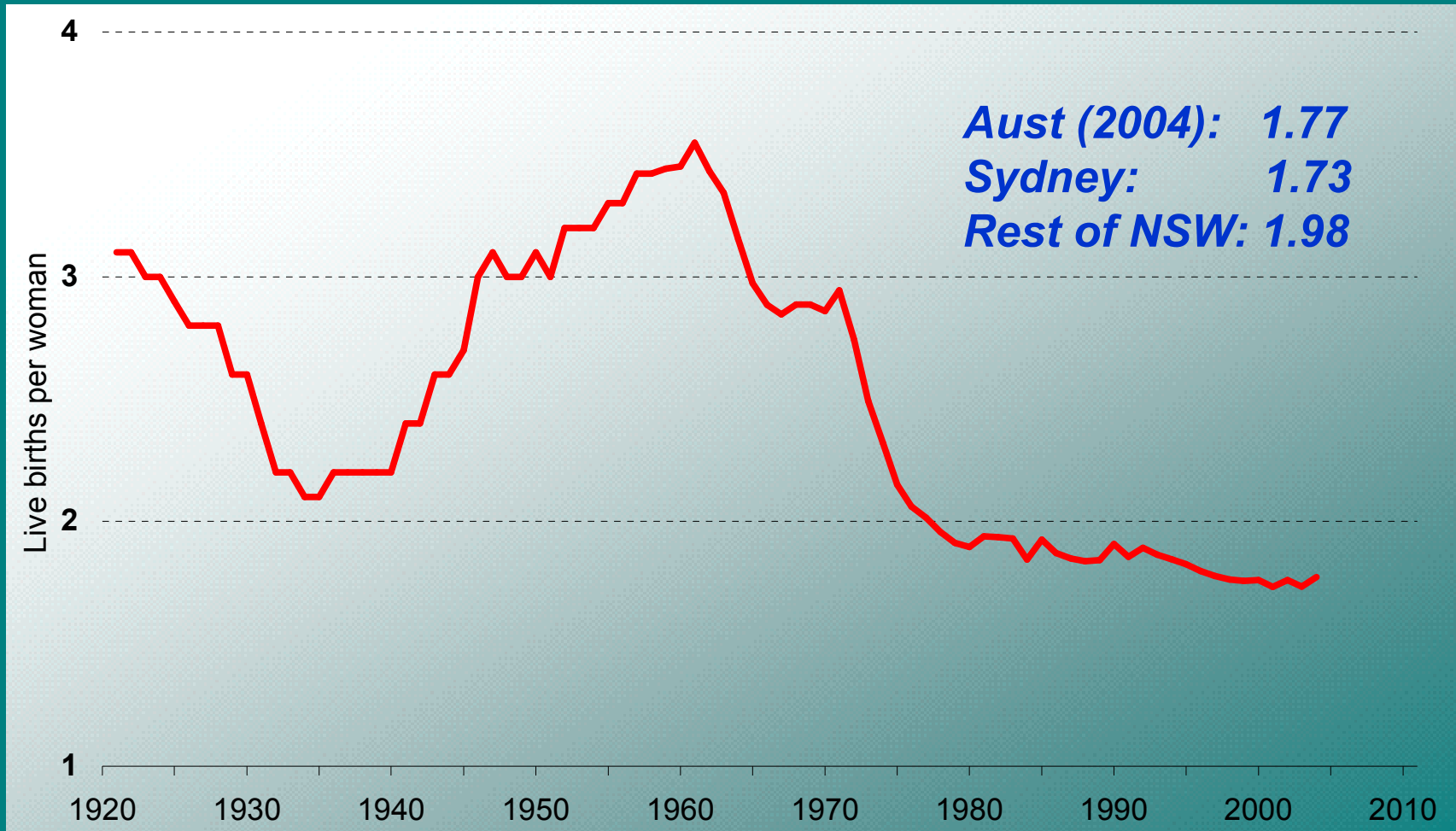
National Centre for Social and Economic Modelling
University of Canberra

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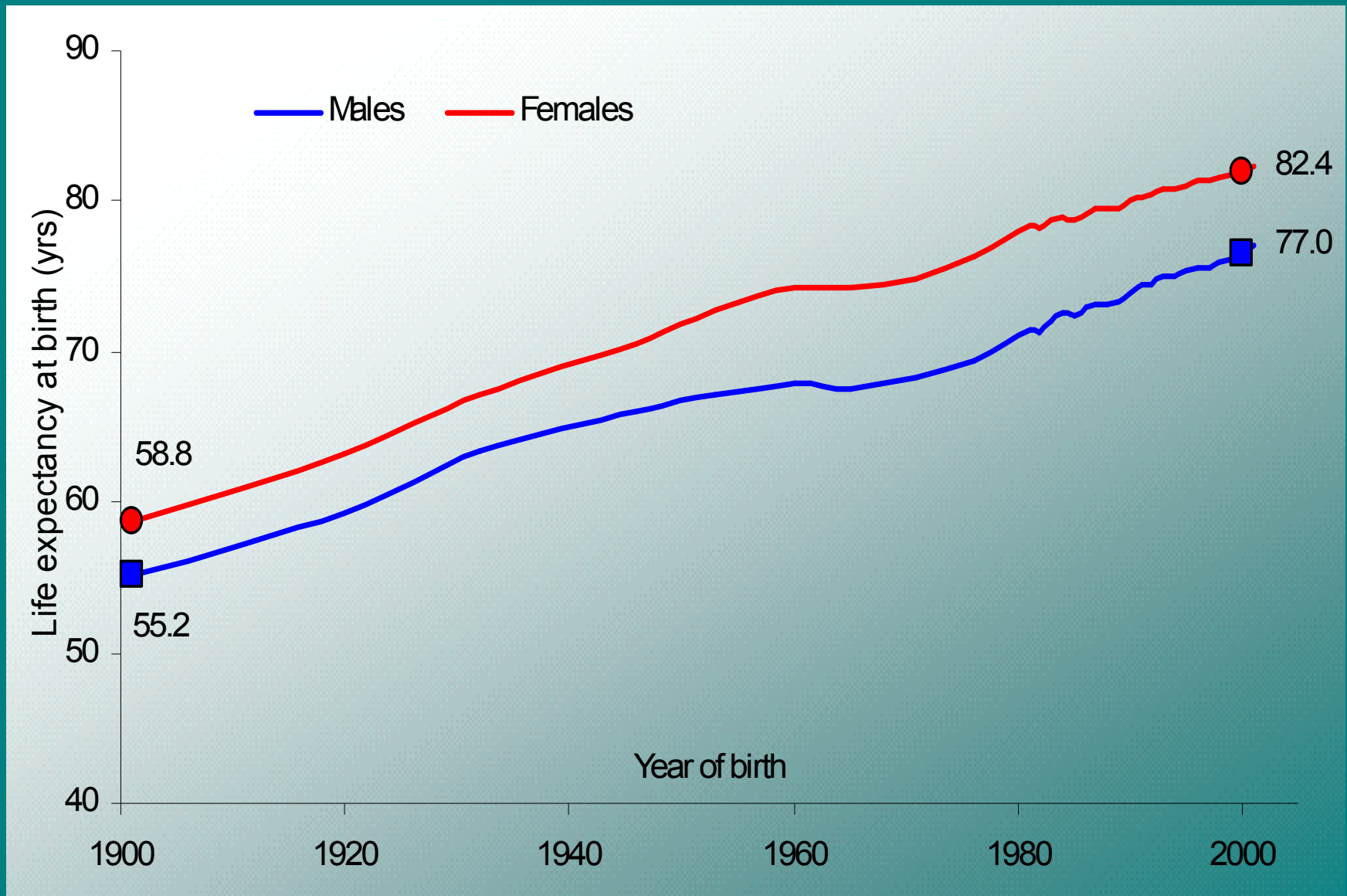


The ageing population

Baby Boom followed by Baby Bust

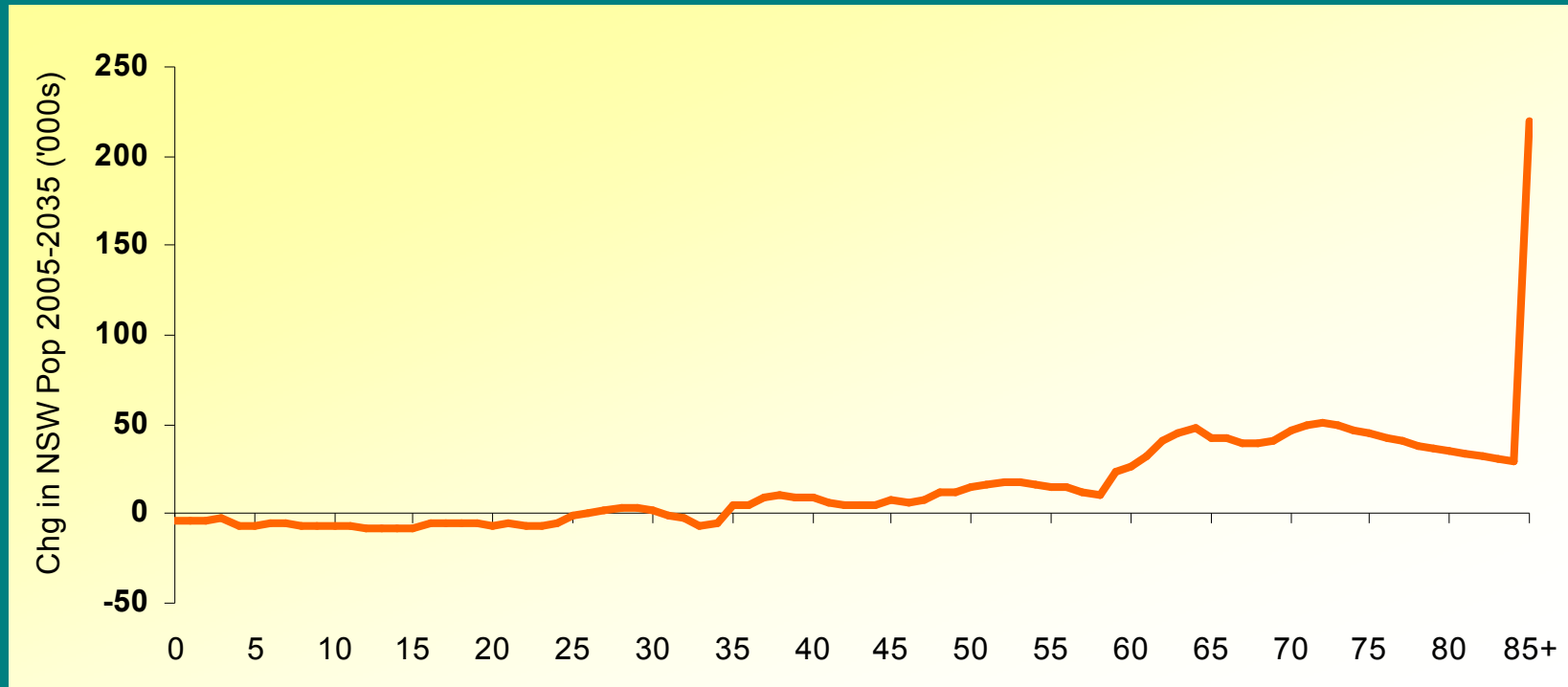


Living 20+ years longer



Source: ABS *Deaths Australia*

NSW Population change 2005-2035



Source: ABS *Population Projections Australia*, Series B

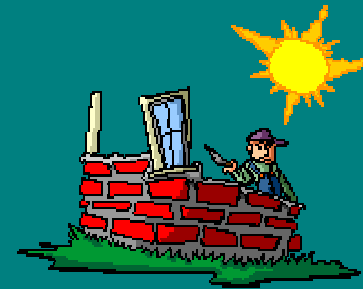
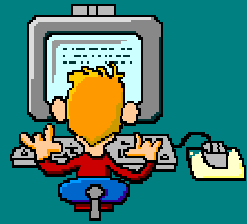
Number of workers for each older person declining

15-64 population divided by 65+ population

	1960	1980	2000	2020	2040
USA	6.5	5.9	5.3	3.9	2.8
Japan	11.2	7.5	4.0	2.3	1.8
Germany	5.8	4.2	4.2	3.0	2.0
Italy	7.1	4.9	3.7	2.7	1.6
UK	5.6	4.2	4.1	3.2	2.4
New South Wales	7.3	6.6	5.1	3.5	2.4
Australia	7.3	6.8	5.6	3.5	2.4

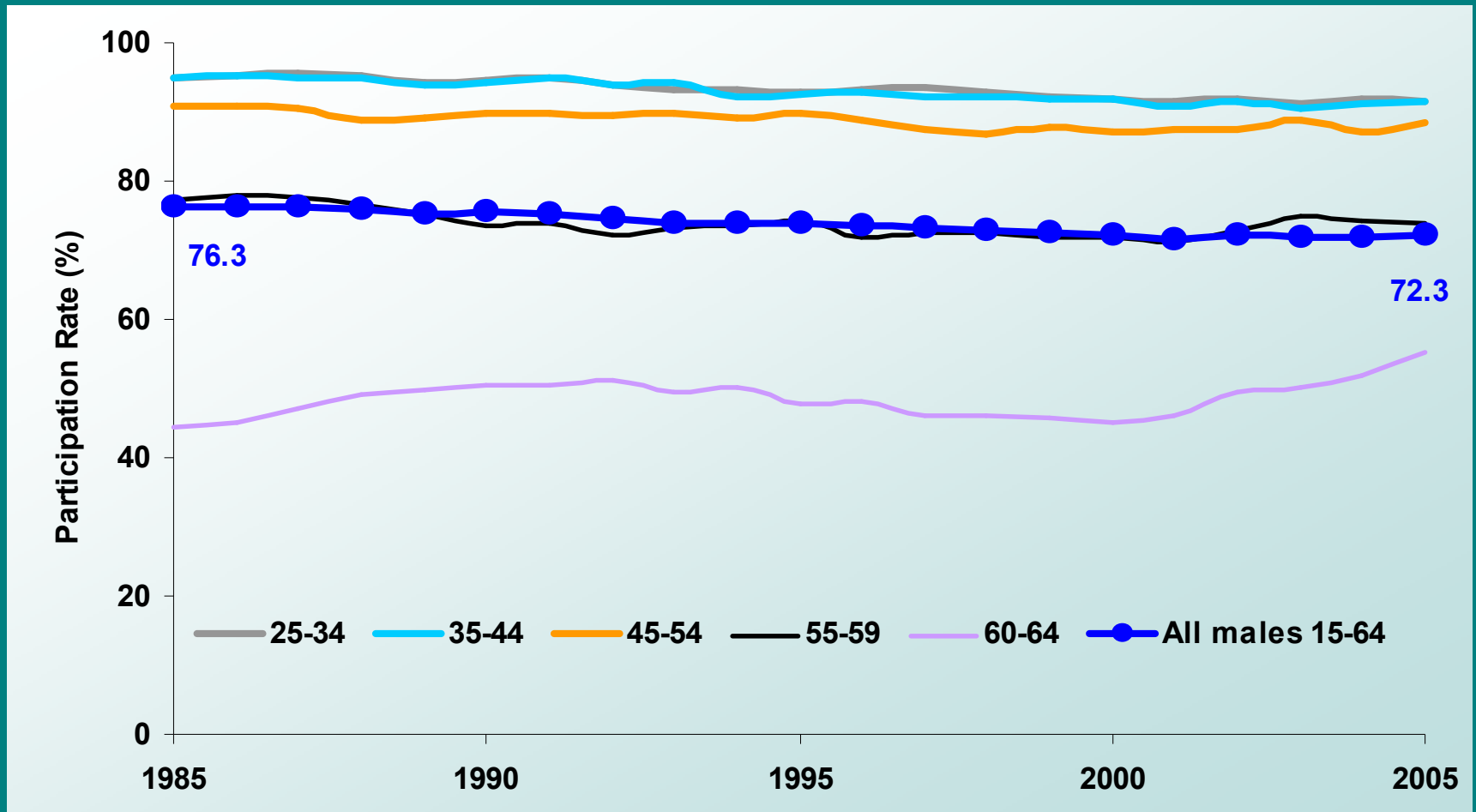
Source: All countries except Aust - OECD, 2000;
Australia/Queensland – ABS Series B, 2003

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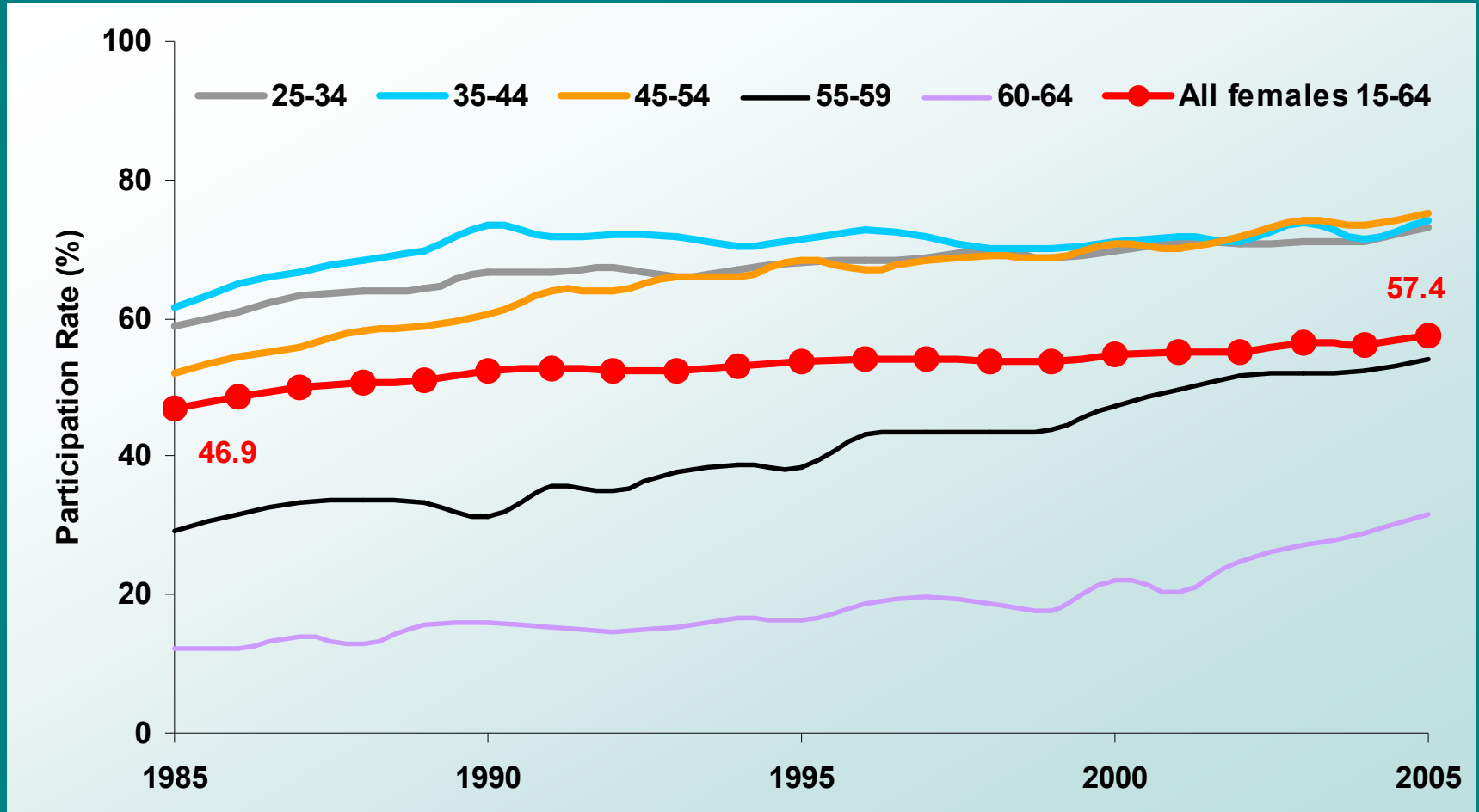


Labour Force Trends

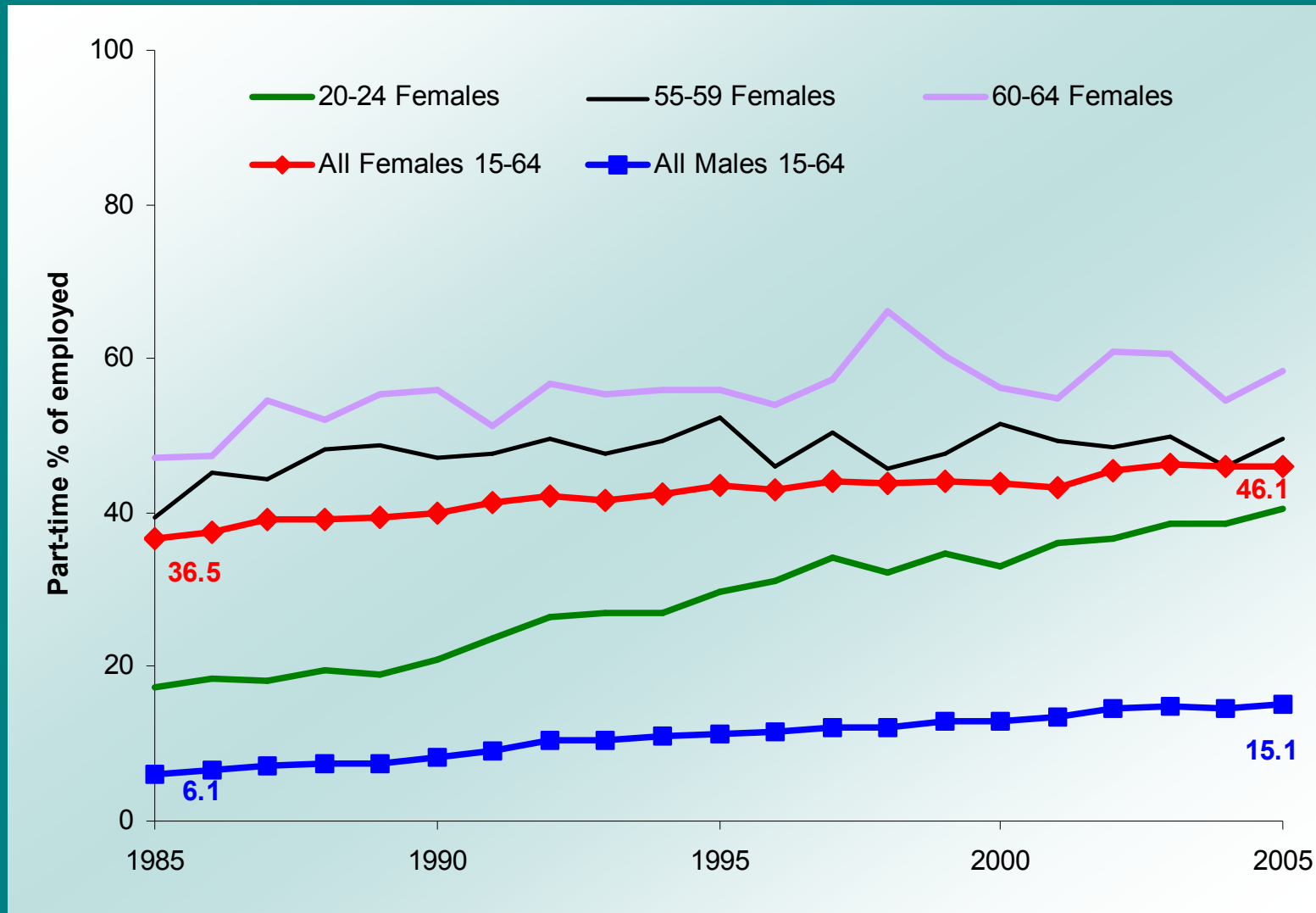
Men dropping out of the labour force



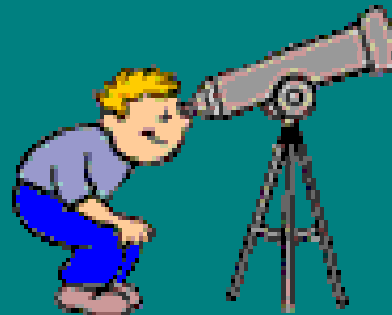
While women joining the labour force...



... but increasingly both sexes are part-timers



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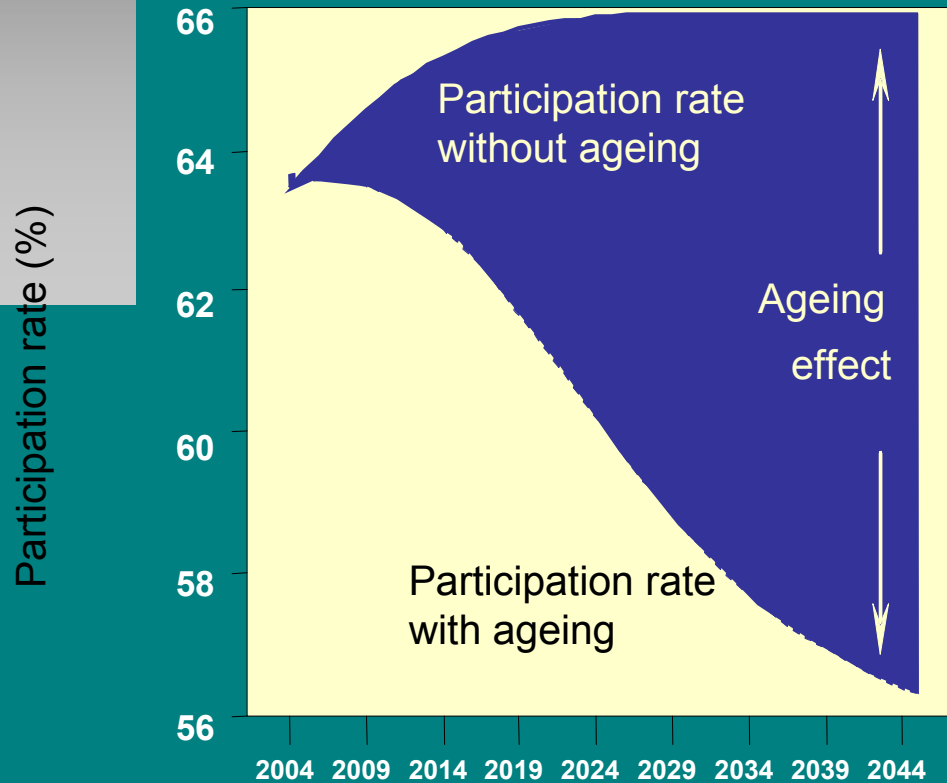
**Ageing population and
future labour supply**

According to the Productivity Commission

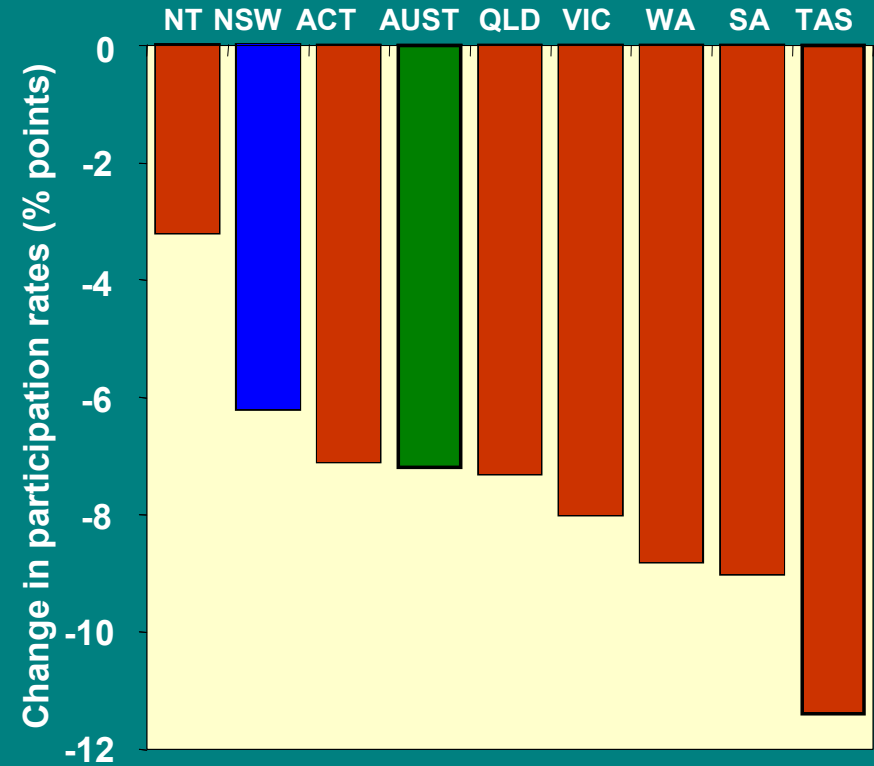
- Over the next 40 years, participation rates are projected to fall
- Average weekly hours worked per employee also to fall
- Labour supply grows much more sluggishly as a result of ageing
- Volunteering rates are likely to increase modestly in the next 40 years
- **Good News** → Unemployment rate will drop
- **Bad News** → Negative effects of ageing on participation and average hours worked far outweigh the lower unemployment

Decline in future participation rates

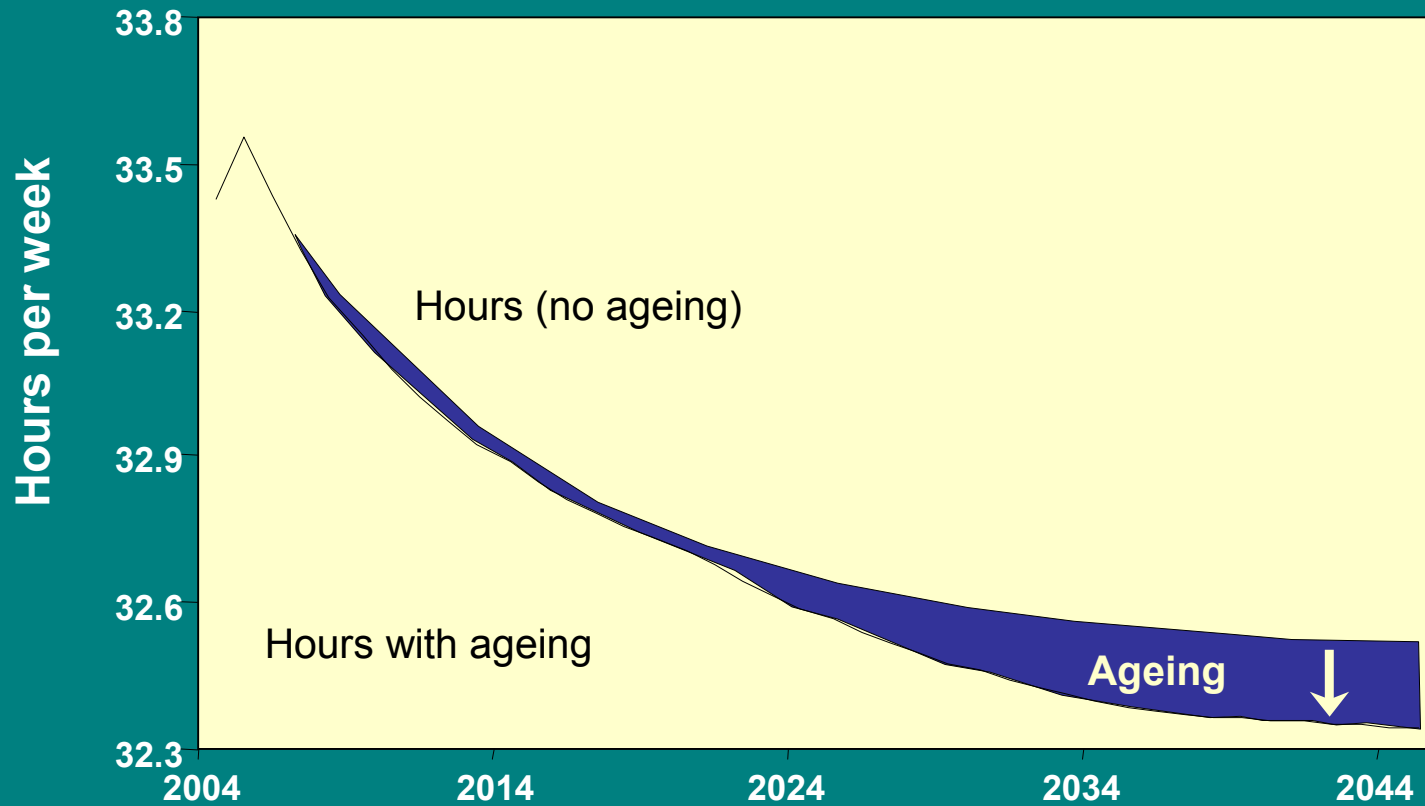
The Australian story



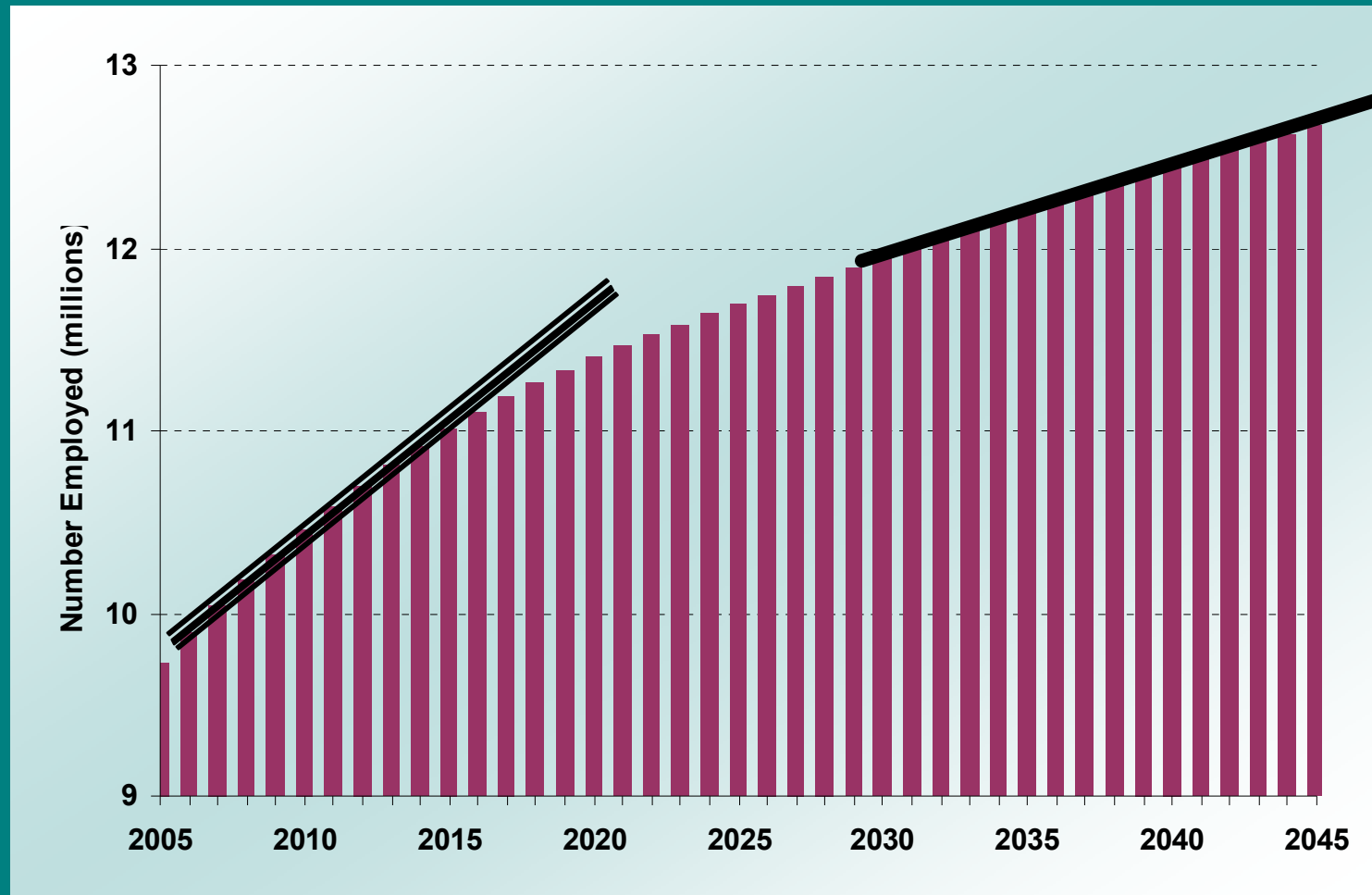
Individual States



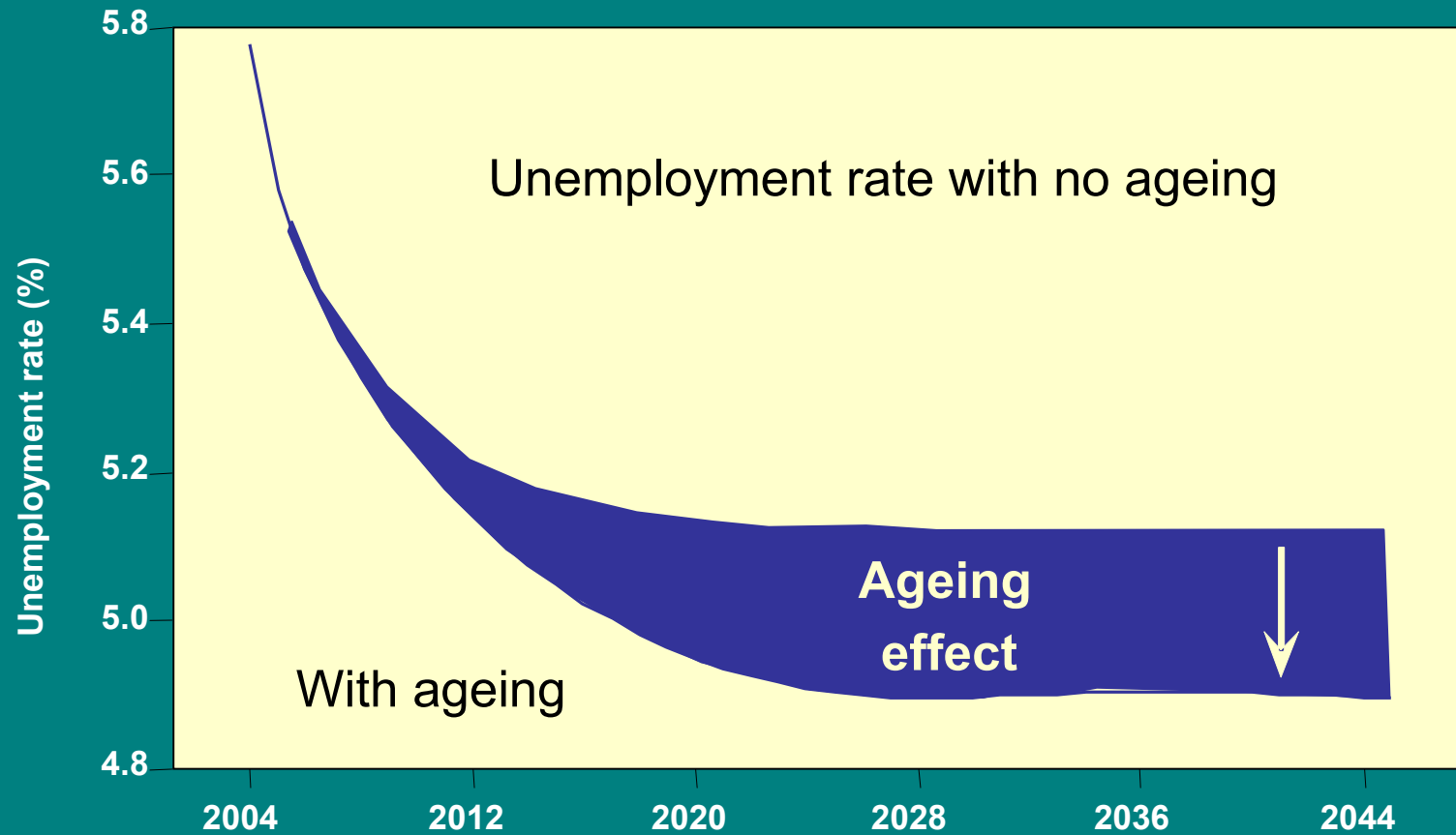
Average weekly hours to fall



Total number of workers to increase much more slowly



Unemployment rates to drop



Overall

- Economic growth depends on the three 'Ps'
 - Population
 - Participation
 - Productivity

- Population
 - Very little growth in the 15-64 age group

- Participation
 - Labour participation rate should have increased by 6.1% (last 25yrs) due to increased female participation
 - Actual increase: 2.7%
 - Due to declining male participation trends; and
 - Workforce ageing

- Productivity
 - Average weekly hours worked have fallen by 6% over last 25 yrs
 - Due to changes in the mix of employment between gender, age and full/part time mix
 - Despite part-time weekly hours being up 4% and full-time weekly hours up 3%

Overall impact ... reduced GDP growth over next 40 years

- Average growth rate last 40 years

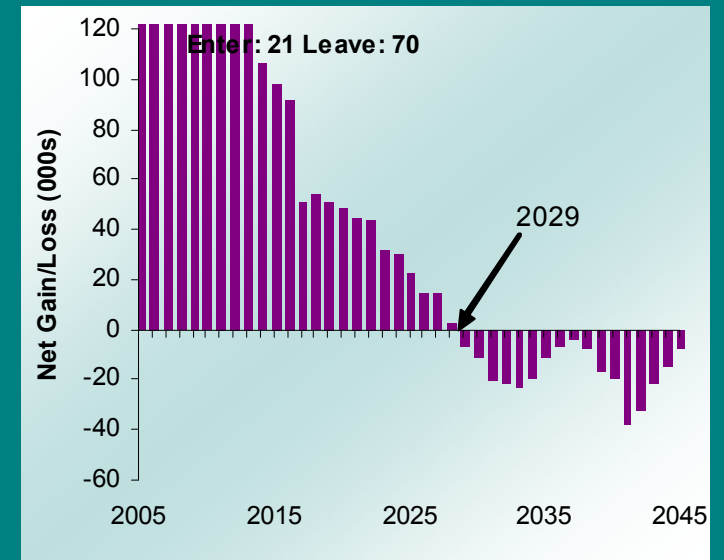
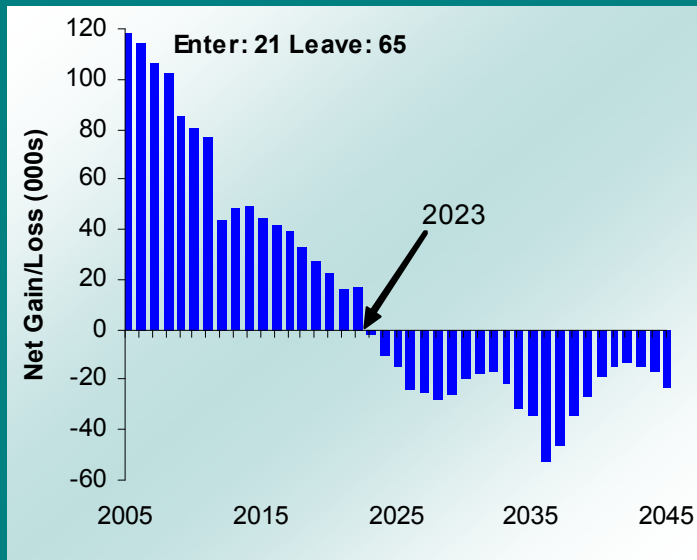
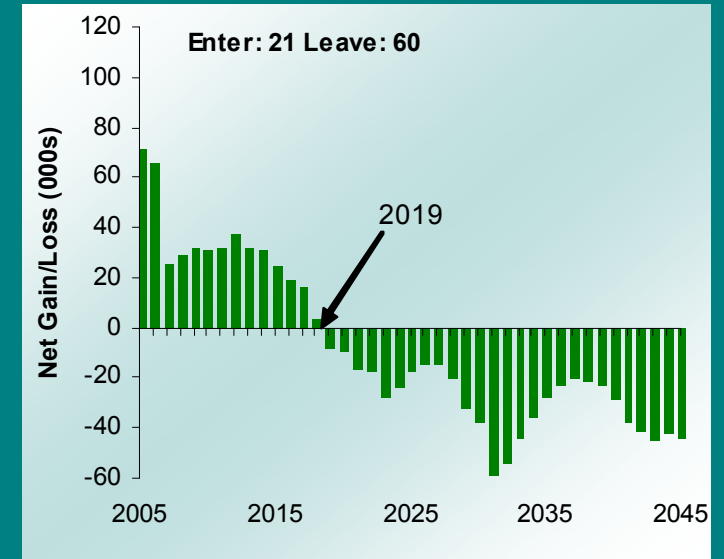
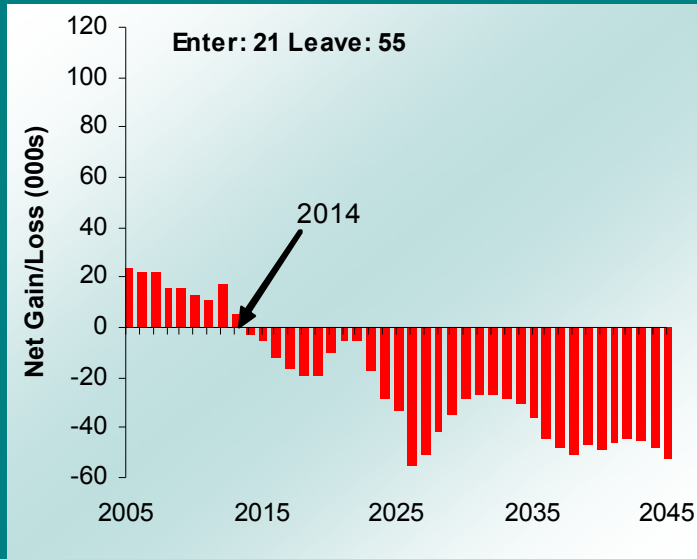
3 $\frac{3}{4}$ % per year

- Average growth rate next 40 years

2 $\frac{1}{4}$ % per year

Source: K. Henry, Address to Australian Industry Group's National Industry Forum, 9 August 2004

Impact of retiring at different ages



Will improving health allow longer working years ?



- Asthma
- Cancer
- Cardiovascular health
- Diabetes
- Injury prevention
- Mental health
- Arthritis and musculoskeletal conditions

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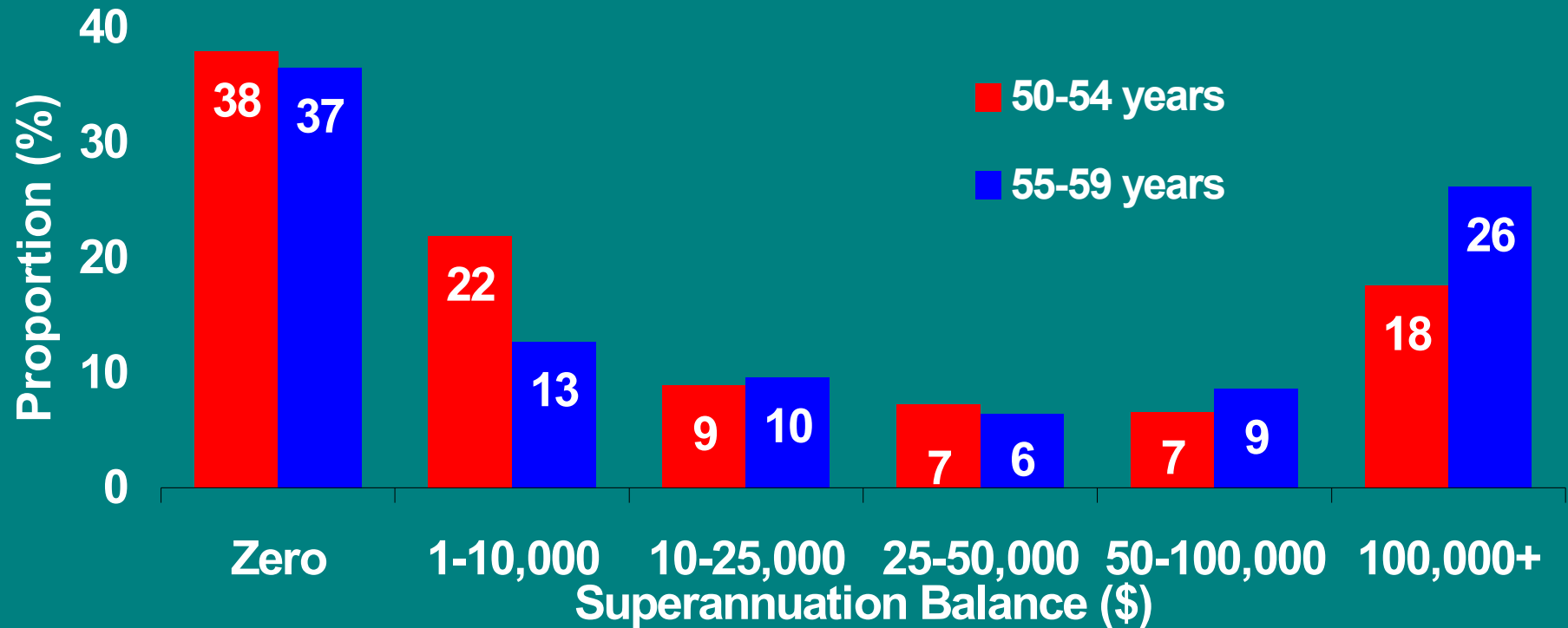
Retirement expectations

Where is superannuation going?

	50-54	55-59	60-64	65-69
Males	%	%	%	%
Employed FT	74.8	55.4	27.1	11.1
Employed PT	7.2	10.8	15.5	7.7
Unemployed	2.3	4.1	1.8	-
Not in Labour Force	15.6	29.7	55.6	81.2
Females				
Employed FT	36.4	23.5	9.2	2.4
Employed PT	28.7	21.5	14.4	7.2
Unemployed	2.8	1.5	0.5	0.5
Not in Labour Force	32.1	53.5	75.9	89.8

And almost no superannuation

Personal superannuation balances of young retirees, 2002-03



Conclusions

- Economic growth depends on population, participation and productivity
 - Need to grow all three, if possible
- Ageing and the future Labour Force
 - Ageing population will mean labour supply growth to slow
 - Lower labour force participation rates
 - Part-time proportion increasing (avg hours down)
 - Fewer young people coming through and lower unemployment
 - Hard to attract and keep staff
 - Need to retain older workers
- Retirement
 - Most have not saved enough for a financially comfortable retirement
 - Yet ½ of males and ¾ of females retire early
 - Employers need them
 - Government (and those reliant on the government) need them to continue working

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