

Fact, fantasy and an ageing Australia



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In labour market discourse, the words 'age' and 'crisis' seem inseparable lately. In short order, national debate has lurched from apathy to panic about the employment effects of an ageing Australia. The risk from this sort of knee-jerk shift from one extreme to the other is always that over-reaction brings crude and blunt instruments to public policy development.

So it is with discussion of the ageing Australian workforce. The obvious fact that people are ageing is now 'problematic', we are told. Inexorably, ageing people themselves soon come to be seen as 'the problem'. Supposedly rational approaches then, inevitably, focus heavily on older workers and new ways to change their behaviour.

Predictably, various proposals to pressure older people to stay longer in the workforce are now appearing. Most are superficial. For example, there are suggestions that the statutory retirement age be lifted. This ignores the fact that a large proportion of so-called early retirement is involuntary. As the Australian Council on the Ageing has pointed out, the major reason for declining labour market participation among older males is not voluntary retirement. It is retrenchment, restructuring, downsizing and general unemployment. Many of the industry leaders now railing about early retirement do not seem to find it strange that, simultaneously, their personnel departments are recruiting on an assumption that the under 35s are candidates for employment while the over 40s can be 'let go'. With that sort of inconsistency rampant, effective answers to 'the problem' of an ageing population are some way off.

In an impressive and challenging paper (*The ageing workforce? Separating fact from hype*), Victoria University's James Doughney says those answers will not come until we look seriously at what is really going on in our labour market. Contrary to current fashion, he argues, ageing in Australia is not a crisis, nor even 'a problem'. It is true that the average age of the workforce has increased. Yet proper analysis shows that shifts in workforce composition, rather than age *per se*, are the dominant influences in that trend. Early retirement is far less significant than is now being asserted by the usual quick-fix advocates.

Since 1980, the average age of the Australian labour force has risen from 35.3 to 37.6 years — a significant increase. But what lies behind that? Is it simply a factor of an ageing population? Or is it rather more complex? In this time, participation rates for younger people [15–24] have fallen by more than two per cent. Obviously this is a result of the trend for younger women and men to remain in education for much longer. In itself, it contributes significantly to the overall age increase in the workforce, yet it has nothing to do with ageing. For all other categories, participation has grown strongly: by 7.3 per cent for those aged 25–34; 4.9 per cent for 35–44 year olds; 10.8 per cent for 45–54 year olds; 11.7 per cent for those

aged 55–59; 8.3 per cent for 60–64 year olds and even among over 65s, by about one per cent. Labour market participation has grown in all groups beyond the 25 year olds. Notably, the increase has been larger among those past minimum retirement age [55] than among their 25–44 cohorts. And Australian Bureau of Statistics projections suggest this trend will continue, with even higher participation in the older ranges by 2016.

Even more significant is the massive surge of middle-aged women into the labour market. At 45–54, women's participation has grown by a remarkable twenty-five per cent since the early 1980s. Among women aged 55–59, the increase has been 22.4 per cent; and at 60–64, 13.9 per cent. It is not difficult to conclude from these data that early retirement is not a central factor in our alleged ageing workforce problem. It follows that making retirement more difficult is unlikely to provide a solution.

That said, it remains true that the workforce is ageing, like the population as a whole. But is this a problem? Does it necessarily mean we will suffer aggregate labour shortages in the future? The simple answer is: we do not know. Just as tighter retirement policy is a simplistic answer to supposed problems on the labour supply side, so projections of demand for labour based almost entirely on the past are dubious. The linear extrapolation of past trends undoubtedly makes for easier and tidier forecasting. Whether it proves accurate is quite another matter. Uncertainty is not a fashionable stance these days. But uncertainty is the future's most predictable characteristic. The demand for labour is driven directly by economic performance and productivity. It seems highly unlikely that Australia's economy will continue to grow smoothly at more than four per cent for the next and following decades, just because it has in the last one. Yet much of the hysteria about labour shortages is based on exactly that assumption and its implications for labour demand.

Australia's ageing population — and workforce — is a result of lower birth rates and huge improvements in life expectancy, both arguably positive developments. Why should we see this as predominantly a problem? Already it is apparent that many fitter, healthier people are staying in the workforce for longer. Others are enjoying longer, healthier retirement. These too are surely desirable trends, both for labour supply and in more general social terms. Challenges come with all this, of course. Primarily they call for more genuine attention to workforce planning, active consideration of people's needs — both young and older, employed and retired — and the real flexibility we have all heard so much about in recent years without yet encountering it. Punitive, 'force them to work longer' proposals are the very opposite of a sensible response. ■

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