

## POPULATION AGEING AND THE EMPLOYMENT SURGE AMONG OLDER AUSTRALIAN WORKERS

### Ernest Healy

*Over the past ten years labour-force participation rates and employment rates for people aged 55 and over have increased. During the last year from March 2008 to March 2009 employment rates for young people fell but those of the 55 and over group continued to rise. The data show that older people's growing participation in the labour force is a long-term trend and one that runs counter to alarmist talk about the effects of an ageing population on the size and skills of the labour force.*

### INTRODUCTION

The Australian potential labour force (or persons aged 15 plus) grew by approximately 21 per cent in the ten-year period 1998 to 2008. The growth in the number of employed persons was nearly 2.2 million, or 25 per cent (see Table 1). On average, the number of employed persons grew annually by approximately 216 thousand during that decade and the labour force grew in the order of 191 thousand annually. The difference between these two figures is due to a reduction in the unemployment rate and an increase in the participation rate between 1998 and 2008.

During 2008, this extended period of rapid employment growth abruptly ended. Australian Bureau of Statistics (ABS) monthly Labour Force Survey data show that, although the labour force continued to grow strongly between March 2008 and March 2009, employment did not. While the labour force increased by 237 thousand persons, a much larger number than the annual average for 1998 to 2008, the number of employed persons grew by only 23 thousand. By contrast, the number of unemployed persons grew by 214 thousand, a sharp reversal of the long-term trend.

A close examination of labour-force

**Table 1: Labour-force status 1998 and 2008,<sup>1</sup> persons aged 15 years and over and per cent change 1998 to 2008**

	Employed Total '000	Unemployed Total '000	Labour Force '000	Not in labour force '000	Civilian population aged 15+ '000	Participation rate
1998	8618	721	9339	5432	14,771	63
2008	10,777	477	11,254	5954	17,208	65
Change 1998 to 2008 (number)	2159	-244	1915	521	2436	—
Change 1998 to 2008 (per cent)	25.0	-34.0	21.0	10.0	16.0	—

Source: Australian Bureau of Statistics, *Labour Force Survey*, monthly data for years 1998 and 2008

Notes: <sup>1</sup> Annual data presented is the average of each respective year's monthly count.

<sup>2</sup> Data includes persons 15 years and over.

**Table 2: Change in labour-force status for persons aged 15 years and over, by age and sex, Australia, March 2008 to March 2009**

	Employed total '000	Unemployed Total '000	Labour force '000	Not in labour force '000	Civilian population aged 15+ years '000
<b>Males</b>					
15-19	-36	24	-12	20	8
20-24	-1	22	21	-8	13
25-34	-30	34	4	28	33
35-44	-22	19	-3	14	11
45-54	-10	21	11	12	23
55-59	11	-1	10	-3	8
60-64	32	5	37	-15	23
65 and over	19	3	22	19	41
Total 15 years and over	-35	127	91	67	159
15-24	-36	46	10	11	21
25-54	-62	74	12	55	67
55 plus	63	7	70	1	71
<b>Females</b>					
15-19	-4	13	9	0	9
20-24	-28	22	-6	16	10
25-34	-1	21	20	7	27
35-44	20	11	31	-23	8
45-54	12	13	25	-2	23
55-59	30	8	38	-27	11
60-64	30	0	30	-6	24
65 and over	0	0	1	37	38
Total 15 years and over	58	88	146	3	149
15-24	-32	35	2	16	18
25-54	30	45	75	-18	58
55 plus	60	8	68	5	73
<b>Persons</b>					
15-19	-40	37	-3	20	17
20-24	-29	44	15	8	23
25-34	-31	55	24	35	60
35-44	-3	30	27	-8	19
45-54	3	34	36	10	46
55-59	41	7	48	-30	18
60-64	62	5	67	-20	47
65 and over	20	3	23	56	79
Total 15 years and over	23	214	237	70	308
15-24	-68	80	12	27	39
25-54	-31	119	88	37	125
55 plus	122	15	137	6	144

Source: Australian Bureau of Statistics (ABS), Labour Force Survey, monthly data for March 2008 and March 2009

Note: <sup>1</sup> Data include persons 15 years and over.

change from March 2008 to March 2009 shows that, within this overall pattern of slowed employment growth, outcomes varied markedly between age groups and by sex. Table 2 shows the change in the numbers of persons aged 15 plus who were employed, unemployed, not in the labour force and who were in the civilian population from March 2008 to March 2009, by five-year age groups and sex.

The number of employed women increased by 58 thousand, but the number of employed men declined by 35 thousand. Nevertheless, there is a common underlying pattern in employment change when the data for men and women are disaggregated by age.

There was an increase in employment among older men and women (those aged 55 years and over) and a decline in the number of employed persons among the young, those aged 15 to 24 years. For those aged 25 to 54 years, the employment outcomes differed for men and women. Employment among women increased by 30 thousand and among men there was a 62 thousand decline.

As a consequence, the economic contraction since late 2008 has led to the remarkable outcome that employment continued to grow for older men and women (55 years plus), but largely at the expense of younger persons (15 to 24-years-olds). Over the period March 2008 to March 2009, all of the net growth in the employed workforce was among persons aged 55 years and over and most of the increase in the ranks of the unemployed occurred among those aged 15 to 24 years.

The employment success of older persons over the past year or more needs to be put in the context of a longer-term increase in the labour-force participation rates of older persons. This increase in employment among older persons is not aberrational, as the labour-force participation rates of older men and women have

been increasing markedly over the past decade. The implications of this trend are discussed below.

These observations challenge some widely accepted assumptions concerning the relationship between population ageing, labour-force participation and labour-force growth. For instance, as recently as May this year, an analysis of labour force demographics by the *Australian Financial Review* concluded that: '... it is unlikely that delayed retirements would make it difficult for young people to gain a foothold in the workforce'.<sup>1</sup>

The overriding assumption of the Australian government has been that sustained and unprecedented high levels of immigration are required to avoid debilitating supply constraints on labour supply and national economic growth.<sup>2</sup> In part, the rationale for this position is that population ageing in Australia is leading to an imminent contraction of the Australian labour force as older persons enter retirement.

This perspective was spelled out in a speech delivered on behalf of the Minister of Immigration and Citizenship, Chris Evans, in June 2008. Evans was concerned that the minerals and resources boom was fuelling demand for skills in Australia and that this was occurring in a demographic context of population ageing that would limit the supply of labour. Evans considered the 'permanent [immigration] program as a major economic lever of government [that] will grow as demographic pressures begin to impact on Australia's labour force'.<sup>3</sup>

According to Evans, the year 2010 will mark a 'tipping point' after which:

... we will start to see the retirement of baby boomers at a rate that exceeds the numbers of young people entering the job market.<sup>4</sup>

From this time, he expects, the labour force in Australia will begin to stagnate and then decline:

Over the coming decades we will have a shrinking native-born labour force to supply a growing economy ... If we held net overseas migration at 180,000 (in line with [the] program announced for next year) it will ensure the labour force continues to grow, albeit at a slower rate than before

... a large permanent migration program is essential to tackling the impending deficit of skilled workers over the coming decades.

[Therefore]

... It is no longer sufficient for the Australian government to set its migration program on an annual basis.<sup>5</sup>

At this time, the Minister's prescription was to turn on the permanent and temporary skilled-immigration tap full bore and leave it running. Evans also believed that the level of temporary skilled migration to Australia should be essentially self-regulating and employer-driven.<sup>6</sup> The number of workers entering the Australian labour force under temporary skilled-migration provisions has grown markedly over recent years. In 2008, 58,050 temporary-entry 457 visas were issued. In 2007–2008, the stock of persons working in Australia on this visa was 82,500.<sup>7</sup>

The alarm expressed by the Immigration Minister is likely to have been informed by the 2007 *Intergenerational Report*. Commissioned by the Howard Coalition government, the report set out to explore the challenge posed by '... demographic and other factors [which] continue to pose substantial challenges for economic growth and long-term fiscal sustainability'. Particular emphasis was given to the '... ageing of the population (specifically the impact of relatively fewer people of traditional working age) [which] is projected to slow economic growth, with real GDP per person rising more slowly than in the past 40 years ...'<sup>8</sup> The report presented a dire picture of growing child and aged to working-age

ratios, falling overall labour force participation rates and falling rates of GDP growth.<sup>9</sup> Among the factors that the report identified as available to the Australian government to deal with the demographic challenges ahead was population growth, principally through immigration. However, in its modelling through to 2047, the report assumes a level of 110,000 permanent net overseas migration per year, considerably less than the current level of around 180,000.<sup>10</sup>

In part, the purpose of the analysis below is to ascertain whether the Australian government's level of alarm concerning the impact of population ageing on future labour-force growth and participation is warranted. It is therefore important to understand the implications for labour-force growth if the current employment success of older persons were to be maintained over the medium to longer term.

### **HOW ARE THE LATEST LABOUR-FORCE FIGURES TO BE EXPLAINED?**

Although the sudden economic contraction explains the recent abrupt decline in employment growth, it leaves open the question as to why older persons have done so well not just over the past year, but also (as is shown below) over the past decade. In part, this outcome reflects the growing size of the workforce aged 55 plus. This is because the large cohort of baby boomers born in the 1950s and early 1960s is now entering the 55 plus age group. As a consequence, over the past decade, the proportion of the civilian population (persons 15 years and over) comprised of persons aged 55 years and over has increased from 27 to 31 per cent.

However, as we will see, there has also been a remarkable increase in the participation rate of men and women in this age group, even over the past year. For the most part, the increase in participation has meant an increase in the employment rate. The

global financial crisis may have contributed. But more likely, older people are now better equipped via their training and experience to contribute to the workplace and are simply deciding to stay on longer than their counterparts of earlier years.

**THE RECORD OF LABOUR-FORCE PARTICIPATION OF OLDER PERSONS**

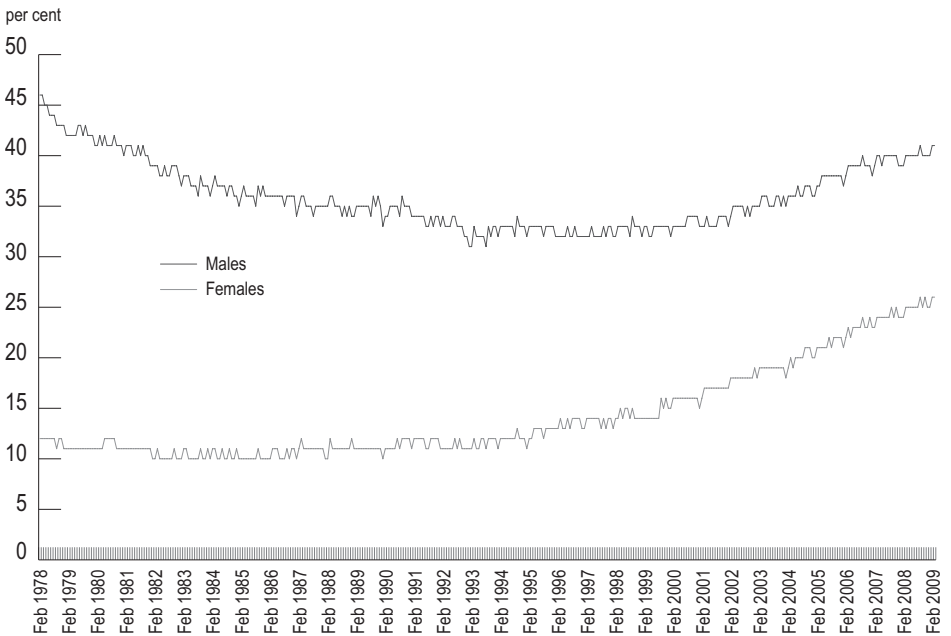
Figure 1, which covers the period February 1978 to March 2009, shows that the participation rate of older persons has been increasing for some time.

The labour-force participation rate of men aged 55 years and over had been in decline from the late 1970s and levelled out at around 33 per cent by the mid-1990s. However, it began to increase from around 2001 and, by March 2009, had recovered to over 40 per cent. The participation rate of women in this age group remained fairly

constant from 1978 to 1993 or so, at around 10 per cent. It has increased steadily from that time to the present level of approximately 26 per cent. The increase in labour force participation among women aged 55 years and over has been more marked than for their male counterparts and the upward trend among older women began earlier.

Table 3 shows labour-force participation rates for the more recent period, 2002–03 to 2008–09. It indicates how rapid the increase in participation has been for persons aged between 55 and 64 years within that period. The most dramatic increase in the labour-force participation rate was among persons aged 60 to 64 years. A disaggregation of participation-rate change by sex shows that the increase in labour-force participation rates in this period was greater for women than for men, in both the 55 to 59 and the 60 to 64 years age groups. The most marked change was among women aged 60 to 64

**Figure 1: Labour-force participation rates, males and females aged 55 years and over, Australia, February 1978 to March 2009, per cent**



Source: ABS, monthly *Labour Force Survey*, labour force status by sex and age, datacube STLM1.

**Table 3: Labour force participation rates by age and sex, 2002–03 to 2008–09, Australia**

	15–24	25–29	30–34	35–39	40–44	45–49	50–54	55–59	60–64	65 and over	Total	Numbers '000s
<i>Males</i>												
2002–03	72	91	92	91	91	90	86	73	49	10	72	7,708
2003–04	71	91	92	91	90	89	86	74	50	10	71	7,826
2004–05	71	90	92	91	90	89	86	75	53	11	72	7,944
2005–06	72	91	92	92	91	90	86	76	55	12	72	8,078
2006–07	72	91	92	92	91	90	86	77	56	13	72	8,220
2007–08	72	92	93	93	91	91	87	77	56	14	73	8,368
2008–09	71	91	93	92	91	90	87	77	59	14	72	8,527
<i>Females</i>												
2002–03	69	74	68	70	75	77	69	50	25	3	56	7,995
2003–04	69	74	68	70	74	77	69	51	27	3	56	8,111
2004–05	69	74	69	68	75	78	71	53	31	4	56	8,228
2005–06	69	75	70	70	77	78	73	56	32	4	57	8,358
2006–07	70	76	70	72	77	79	74	59	34	4	58	8,494
2007–08	70	76	71	72	78	79	75	59	37	5	58	8,636
2008–09	69	76	73	73	78	80	75	62	39	5	59	8,785
<i>Persons</i>												
2002–03	70	82	80	80	83	84	78	62	37	6	64	15,703
2003–04	70	82	80	80	82	83	77	63	39	6	63	15,937
2004–05	70	82	80	80	83	84	78	64	42	7	64	16,171
2005–06	71	83	81	81	84	84	79	66	43	8	65	16,435
2006–07	71	84	81	82	84	84	80	68	45	8	65	16,714
2007–08	71	84	82	82	84	85	81	68	46	9	65	17,004
2008–09	70	83	83	82	84	85	81	69	49	9	65	17,311

Source: ABS, monthly labour force survey, labour force status by sex and age, datacube STLM2

Note: Data are averaged over each 12-month period, May to April.

**Table 4: Employed persons as a proportion of the civilian population by age and sex, 2002–03 to 2008–09, Australia**

	15–24	25–29	30–34	35–39	40–44	45–49	50–54	55–59	60–64	65 and over	Total Per cent	Total Number '000
<b>Males full-time</b>												
2002–03	39	76	81	81	80	80	75	60	36	6	57	7,708
2003–04	40	76	81	82	80	79	76	61	38	5	58	7,826
2004–05	40	77	82	82	81	80	76	62	39	6	58	7,944
2005–06	41	77	82	82	81	80	76	64	42	6	58	8,078
2006–07	41	78	83	83	81	80	76	65	41	7	59	8,220
2007–08	42	79	83	84	82	82	77	65	42	7	59	8,368
2008–09	40	78	83	83	82	81	77	64	45	8	59	8,527
<b>Males part-time</b>												
2002–03	23	9	7	6	7	6	7	10	11	4	10	7,708
2003–04	23	9	7	6	6	7	7	9	11	5	10	7,826
2004–05	23	9	7	6	6	7	7	9	11	5	10	7,944
2005–06	23	9	7	7	7	7	7	9	11	5	10	8,078
2006–07	24	9	6	6	7	7	8	10	13	5	10	8,220
2007–08	24	9	7	6	7	7	8	10	13	6	11	8,368
2008–09	24	9	7	6	6	6	7	10	12	7	10	8,527

Source: ABS, monthly labour force survey, labour force status by sex and age, datacube STLM2

Note: Data are averaged over each 12-month period, May to April.

**Table 4: Employed persons as a proportion of the civilian population by age and sex, 2002–03 to 2008–09, Australia continued**

	15–24	25–29	30–34	35–39	40–44	45–49	50–54	55–59	60–64	65 and over	Total Per cent	Numbers '000
<i>Females full-time</i>												
2002–03	28	50	38	33	37	43	39	25	11	1	28	7,995
2003–04	28	50	38	33	37	43	38	26	11	1	29	8,111
2004–05	28	51	39	32	39	43	41	28	12	1	29	8,228
2005–06	29	52	39	34	39	43	40	28	13	1	30	8,358
2006–07	30	53	40	36	38	45	42	31	15	1	30	8,494
2007–08	30	54	41	36	39	44	43	32	16	2	31	8,636
2008–09	29	53	43	36	39	44	43	33	17	2	31	8,785
<i>Females part-time</i>												
2002–03	33	19	26	33	34	32	28	24	14	2	24	7,995
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2004–05	34	20	27	32	33	32	28	23	18	3	24	8,228
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2006–07	33	19	27	34	36	32	30	26	18	3	25	8,494
2007–08	33	19	27	33	35	32	29	26	20	4	25	8,636
2008–09	34	19	27	34	36	33	29	27	21	4	25	8,785

Source: ABS, monthly labour force survey, labour force status by sex and age, datacube STLM2

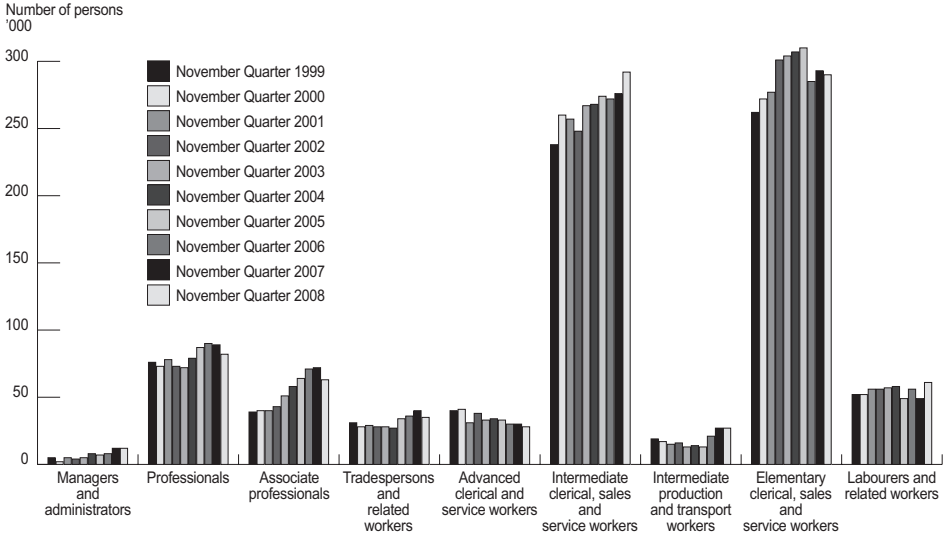
Note: Data are averaged over each 12-month period, May to April



data available do not permit any exploration of the factors causing this increase in participation. However, our analysis of the literature suggests that it mainly reflects a

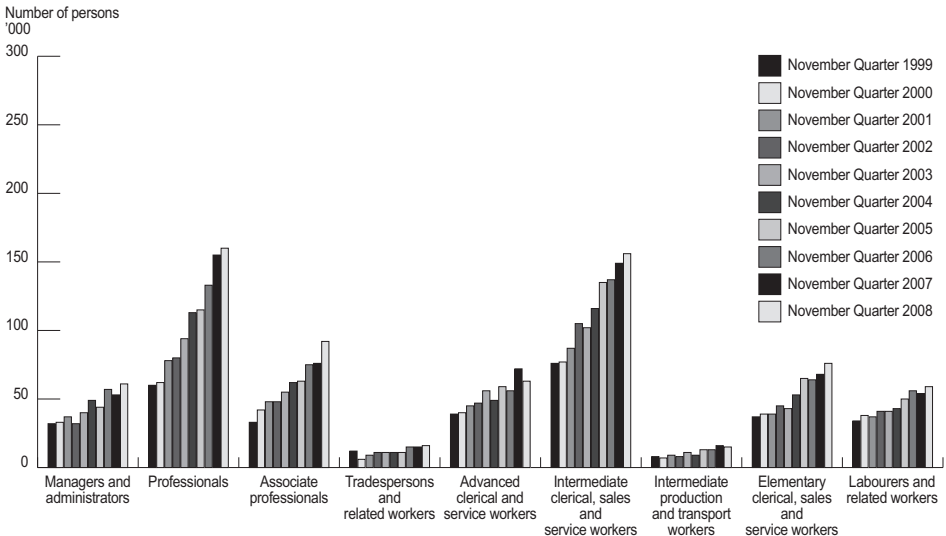
greater tendency for older persons to stay on in their jobs than was the case in the past. Concerns about their financial capacity to provide for a long retirement given the

**Figure 2: Employed females aged 15 to 24 years by occupation, November quarter 1999 to November quarter 2008, Australia**



Source: ABS, monthly labour force survey, employed persons by sex, age and major occupation group, datacube STE13\_August 1996

**Figure 3: Employed females aged 55 years and over by occupation, November quarter 1999 to November quarter 2008, Australia**



Source: ABS, monthly labour force survey, employed persons by sex, age and major occupation group, datacube STE13\_August 1996

years, where there was a 14 percentage point increase.

The increase in participation has been translated into employment. Table 4 shows employed men and women, working full-time and part-time, as a proportion of the male and female civilian labour force, respectively.

The data indicate that, in the case of older men, increased employment has been almost completely in full-time work, with the most marked increase being amongst men aged 60 to 64 years (nine percentage points). The growth in part-time work amongst older women is greater than for men, having grown by three and seven percentage points for women aged 55 to 59 and 60 to 64 years, respectively. Nevertheless, the growth in the proportion of older employed women in full-time work is significant having increased by eight and six percentage points for women aged 55 to 69 and 60 to 64 years, respectively.

The data therefore suggest that, if the recent increase in employment by older

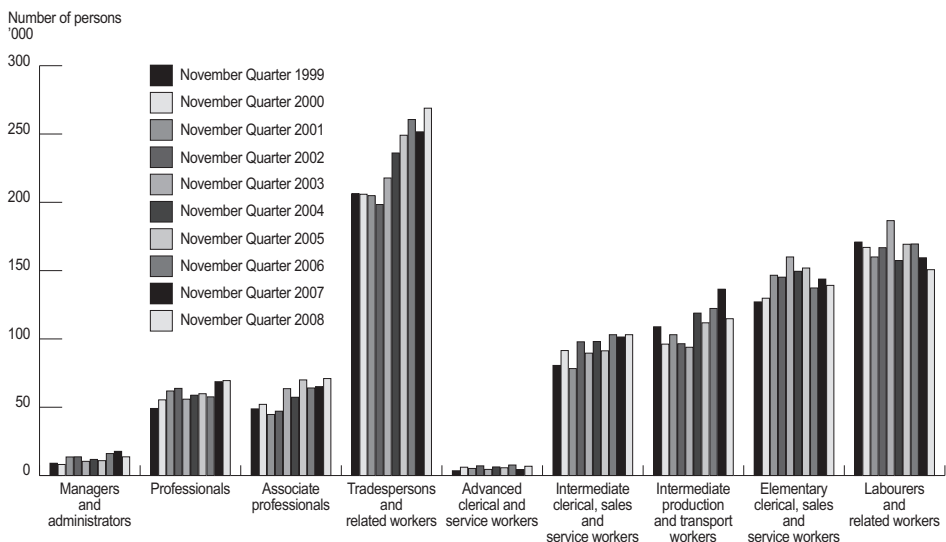
persons and their level of participation in full-time work is maintained over the medium to longer term, the contribution of older persons to labour-force growth and productivity stands to be substantial as the population ages.

### IN WHAT OCCUPATIONS ARE OLDER PERSONS SUCCESSFUL IN GAINING/RETAINING JOBS?

Figures 3 to 6 provide a comparison of both the scale and occupational composition of employment among older persons for the period November 1999 to November 2008.<sup>11</sup>

A comparison of Figures 2 and 3 shows that, whereas the numbers of younger women (15 to 24 years) employed as professionals remained fairly constant over the period examined, the numbers of older women (aged 55 and over) employed as professionals steadily increased. Moreover, at the beginning of the period, the number of older women professionals was less than the number of younger professional

**Figure 4: Employed males aged 15 to 24 years by occupation, November quarter 1999 to November quarter 2008, Australia**



Source: ABS, monthly labour force survey, employed persons by sex, age and major occupation group, datacube STE13\_August 1996

women. However, their numbers had clearly overtaken those in the younger age group by November 2008.

A similar relationship is observed with women employed as associate professionals. By the end of the period, the numbers of younger women employed as associate professionals begins to decline as the number of older women continues to increase.

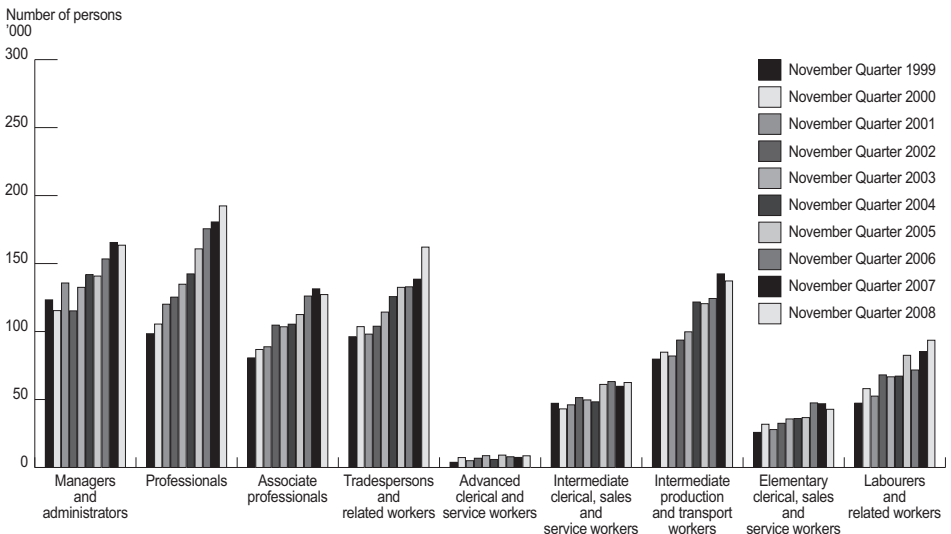
In the case of advanced clerical workers, the comparison is again similar. It is significant that, in the intermediate clerical, sales and service occupations, which are an employment mainstay for younger women, the numbers of older women employed have also steadily increased. This also occurs for occupations in the elementary, clerical, sales and service occupations, but to a lesser degree.

Similarly, the growth in the number of older men in professional occupations overshadows the number of younger men in professional work, which stagnated during the period 1999 to 2008 (see Figures 4 and 5). Associate professional employment

presents a similar picture. Even in some of the occupational areas where the employment of younger men has grown, as in the trades and in intermediate production and transport occupations, the employment of older men has also grown steadily. It is curious that, in the occupations where younger men might be expected to have a natural advantage, in labouring and related occupations, the numbers of employed younger men fell toward the end of the period, while the numbers of older men increased, albeit from a lower base.

This surge in the employment rate for persons age 55 and over is bad news from the point of view of the immediate prospects of young Australian job seekers. At a time when the total number of jobs is shrinking, they face competition from both older persons and from the current record-high migration intake. Newly-arrived migrants are compelled to find employment (as, with the exception of refugees, migrants are not entitled to government welfare for two years after arrival in Australia).

**Figure 5: Employed males aged 55 years and over by occupation, November quarter 1999 to 2008, Australia**



Source: ABS, monthly labour force survey, employed persons by sex, age and major occupation group, datacube STE13\_August 1996

## LONGER-TERM ISSUES

As noted, there has been growing concern within the Australian government and among organisations representing business interests about labour-force ageing and an alleged associated decline in the rate of labour-force growth. The Business Council of Australia, for example, has criticised the culture of early retirement in Australia and in 2003 called on businesses to devise strategies to keep older workers in the workforce:

Australia's population is ageing and growth of the labour force is set to slow sharply in coming decades.

In their view the broad economic implications of population ageing are being compounded by low labour force participation rates among mature-aged Australians.<sup>12</sup>

The recent federal government budget has responded proactively to such concerns

with measures to further enhance the labour force participation of older persons—raising the qualification age for receipt of the Age Pension and floating the idea of lifting the superannuation preservation age.

## THE POTENTIAL CONTRIBUTION OF OLDER PERSONS TO LABOUR-FORCE GROWTH

The above analysis suggests that the increasing contribution of older persons to labour-force growth may have been underestimated in recent immigration and other policy settings.

A comparison of population projections with contrasting assumptions about labour-force participation rates among older persons demonstrates the potential for older persons to contribute to labour-force growth.

Two labour-force projections for Australia for the period 2008 to 2018 were

**Figure 6: Labour-force annual growth rates with and without increasing labour-force participation rates among persons aged 55 years and over, 2008–09 to 2017–18, Australia**



Source: CPUR population and labour force projections, 2008–09 to 2017–18

Note: Projection assumptions—TFR 1.8, medium longevity, net overseas migration 90,000 net

generated. The difference between the two scenarios relates to the assumptions about the participation rates among persons aged 55 years and over. The first scenario applies the 2008 labour-force participation rates for this age group,<sup>13</sup> and then assumes a modest incremental increase in participation rates through to 2018. For men and women, respectively, aged 55 to 59, 60 to 64 and 65 and over, it is assumed that the increase in labour-force participation rates between 2008 and 2018 approximates the increase that occurred between 2004 and 2008. The participation rates for men and women aged 15 to 54 years are held at 2008 levels throughout the projection period. The second scenario simply applies the 2008 participation rates throughout the projection period for all age groups. Each scenario is based on an annual net overseas migration assumption of 90,000 persons per year,<sup>14</sup> half the present level.

The difference between the two scenarios provides an estimate of the number of persons who would be added to the Australian labour force by 2018 as a result of the assumed increase in labour-force participation rates among older persons aged 55 years and over. It is nearly 292,000 persons.

If the increased labour-force participation rates, applied in scenario 1, for persons aged 55 years and over, were to prevail for the period 2008 to 2018,<sup>15</sup> the Australian workforce would increase from approximately 11 million to 12 million persons between 2008 and 2018—approximately one million workers. The increased labour-force participation by older persons (55 years and over) is projected to account for 30 per cent of this labour-force growth. The annual growth in Australia's workforce would be around 120,000 at the beginning of this period and decline to around 75,000 by 2018.

**Table 5: Projected change in labour-force numbers,<sup>1</sup> persons aged 15 years and over,<sup>2</sup> 2008 to 2018, Australia under the assumption of zero and 90,000 net overseas migration, Australia, 2008 to 2018**

Age	2008 <sup>3</sup>	2018	Change
Zero net annual overseas migration			
15 to 24 years	1,969,970	1,857,588	-112,382
25 to 54 years	7,251,244	7,077,682	-173,562
55 years and over	1,692,142	2,335,747	643,605
Total	10,913,356	11,271,017	357,661
90,000 net annual overseas migration			
15 to 24 years	2,011,078	2,006,689	-4389
25 to 54 years	7,364,919	7,646,807	281,888
55 years and over	1,700,781	2,384,126	683,346
Total	11,076,778	12,037,622	960,845

Source: CPUR population and labour force projections 2004 to 2018

Notes: <sup>1</sup> Age-specific labour-force participation, total fertility rate and longevity assumptions are as outlined in the text and endnotes 14, 15 and 17.

<sup>2</sup> The labour-force projections assume a modest incremental increase in participation rates for older persons from 2008 to 2018. For men and women, respectively, aged 55 to 59, 60 to 64 and 65 and over, it is assumed that the increase in labour-force participation rates between 2008 and 2018 approximate the increase that occurred between 2004 and 2008. The participation rates for men and women aged 15 to 24 years are held at 2007 levels throughout the projection period.

<sup>3</sup> The person count in 2008 for the zero and 90,000 migration projections vary because the projection series begins in 2004.

Figure 6 compares the effect of each scenario on labour-force growth rates. Under the high-participation-rate scenario for older persons, the annual rate of labour-force growth declines from 1.1 per cent per annum in 2008–2009 to 0.6 per cent per annum in 2017–2018. Under the low participation rate scenario, the respective annual rates of labour-force growth were 0.8 and 0.3.

These projections indicate that government and business leaders have underestimated the potential contribution of older persons to labour-force growth over the medium term. But Australia is in a new situation now, where jobs growth has been arrested. Even the government expects unemployment to increase to between seven and eight per cent by 2011.<sup>16</sup> Therefore, the Immigration Minister's alarm about a tipping point in 2010, whereby the number of babyboomers leaving the workforce will outweigh the number of younger persons entering it, is misplaced.

The modelling presented here indicates that this is unlikely. Recent labour-force participation trends suggest that the baby-boomer generation may not leave the workforce at the rate the Minister is assuming or that was assumed in the 2007 *Intergenerational Report*. Under scenario 1, the absolute size of the Australian labour force will grow steadily through to 2018, even with a net overseas immigration intake of half the present level. The number of young persons, aged 15 to 24 years, in the labour force during the period 2008 to 2018 will stabilise at around two million workers, while the numbers of older workers, 55 years and over, will increase from around 1.7 to 2.4 million workers.

Even with zero net migration between 2008 and 2018 (see Table 5),<sup>17</sup> the Australian labour force would increase by nearly 360 thousand persons.

## CONCLUSION

The increase in the number of employed older persons since the early to mid 1990s, and during the recent economic downturn, casts doubt over the Australian government's sense of alarm that population ageing is leading to an imminent contraction of the Australian labour force. The longer-term trend for increased labour-force participation rates among persons aged over 55 years, particularly older women, suggests that the recent employment success of older persons is not an aberration, but may be sustained.

The Immigration Minister's fear that without continued, unprecedented high levels of overseas migration, the Australian labour force will soon contract, is unfounded. Labour-force projections for the period 2008 to 2018 indicate that, with moderate continued growth in the labour-force participation of older persons and a lower level of net overseas migration (90,000 per annum), the Australian labour force would grow by around one million persons in that period. A moderate increase in labour-force participation by older persons alone, between 2008 and 2018, would increase the Australian labour force by 292,000 workers. In the present economic environment of employment decline, sustained high levels of overseas migration are not necessary to ensure adequate labour-force growth and such levels are compromising the employment prospects of younger job-seekers.

The growing population share of older persons, their relatively high propensity to undertake full-time work and their demonstrated capacity to perform a broad range of occupations mean that they are likely to continue to make a substantial contribution to labour-force and productivity growth over the medium term.

## References

- <sup>1</sup> 'Later pension aids prosperity', *Australian Financial Review*, 14 May 2009, p. 15
- <sup>2</sup> G. Gray, 'Address to the Committee for Economic Development of Australia about the federal government's plan for meeting the growing demand for skilled labour', speech delivered on behalf of the Minister for Immigration and Citizenship, Chris Evans, 27 Friday June 2008
- <sup>3</sup> *ibid.*
- <sup>4</sup> *ibid.*
- <sup>5</sup> *ibid.*
- <sup>6</sup> *ibid.*
- <sup>7</sup> B. Birrell, E. Healy and B. Kinnaird, 'Immigration and the nation building and jobs plan', *CPUR Bulletin*, Centre for Population and Urban Research, Monash University, February 2009
- <sup>8</sup> Department of Treasury, *Intergenerational Report 2007*, ISBN 0 642 74384 3, p. vii,
- <sup>9</sup> *ibid.*, pp.10–31
- <sup>10</sup> The first *Intergenerational Report*, published in 2002 as part of the 2002–03 Federal Budget, assumed net overseas migration to be 90,000 per year for projection purposes.
- <sup>11</sup> The ABS Labour Force Survey data used to generate these charts uses the Australian Standard Classification of Occupations (ASCO) 2nd Edition, 1996.
- <sup>12</sup> For example see Business Council of Australia, '50+ a business guide for supporting older workers', August 2003.
- <sup>13</sup> The projection modelling commences in 2004.
- <sup>14</sup> Each scenario also assumes a total fertility rate (TFR) of 1.8 and medium longevity through to 2018.
- <sup>15</sup> Again, assuming TFR of 1.8 and net overseas migration of 90,000 persons and medium longevity
- <sup>16</sup> 'Tough new regime for jobless—unemployment to hit 1m', *The Australian*, 1 May 2009, p. 1
- <sup>17</sup> Each of these projections assumes the incremental increase in labour force participation for persons aged 55 years and over indicated for scenario 1 above.