

Australia's ageing workforce

The ageing of Australia's population is a well known phenomenon. It has been particularly apparent since the 1960s and is attributed to falling mortality and fertility rates combined with the effect of a baby boom generation as it moves into the older age brackets. For similar reasons the workforce has also been ageing, but over the past two decades the workforce (and especially the full-time workforce) has been ageing at a rate faster than the general population. The reasons for this, how rates of ageing differ between industries and how ageing might affect the economy, are discussed below.

It should be noted that this Research Note refers only to persons of working age (i.e. 15–64 years). Therefore, the average age of a group of persons (whether in the general population or the employed workforce) is to be understood as the average age of the same group in the 15–64 year age range.¹

The workforce is ageing faster than the general population

The average age of the civilian population is 2.2 years greater than it was two decades ago (up from 36.6 to 38.8 years). This compares with an increase in the average age of all employed persons of 2.8 years (35.8 to 38.6 years) and an increase in the average age of all full-time workers of 3.5 years (35.9 to 39.4 years). The average age of all part-time workers has risen only 1.2 years over the past two decades, slowed down by the influx of teenagers into the part-time labour force.

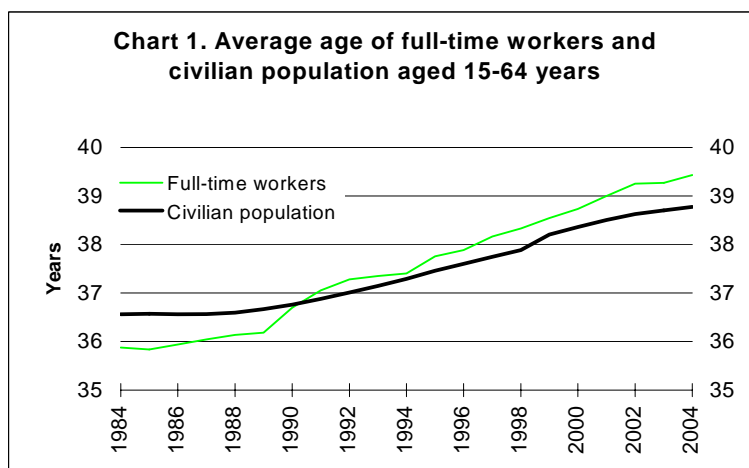


Chart 1 shows that the average age of the full-time workforce has been increasing faster than the general population. It highlights the fact that whereas full-time workers were on average younger than the general population before 1991, the situation has since reversed and in recent years the gap in ages has widened.

Females in the full-time labour force have been ageing at a much faster rate than their male counterparts. Over the past two decades as more older women have entered the job market, the average age of female full-time workers has increased by 5.6 to 38.5 years. This is twice the corresponding increase for male workers of 2.8 to 39.9 years.

Workers in education and health are amongst the oldest workers

Workers in the vital areas of education and health are amongst the oldest workers in Australia. In 2004 when the average age of all Australian workers was 38.6 years, the average age of workers in the education sector was 43.4 years (the oldest of any industry sector) while the average age of workers in the

health and community services sector was 41.7 years.² Significantly, both these sectors are also amongst the most rapidly ageing sectors in the economy. Hence, while the average age of all Australian workers has increased by 2.8 years over the last two decades, the average age of workers in the education sector has risen by 5.2 years and in health and community services it has risen by 5.5 years. (See Table 1.)

An older and ageing workforce in education and health and community services could cause supply problems in the future as increasing numbers of workers reach retirement age. It could be argued that unless something is done to augment labour supply in these sectors, there could be a serious diminution in the quantity and quality of services that these sectors provide.

Fewer younger people and more older women in the workforce

There are two influences which explain why the workforce (and especially the full-time workforce) has been ageing faster than the

Table 1. Average age of employed persons by industry

	Average age in years		
	Nov-84	Nov-04	Increase
Agriculture, Forestry and Fishing	39.7	42.5	2.8
Mining	35.9	40.3	4.4
Manufacturing	36.2	39.2	3.0
Electricity, Gas and Water Supply	37.3	41.9	4.6
Construction	36.3	38.1	1.8
Wholesale Trade	36.4	40.0	3.6
Retail Trade	31.7	32.8	1.1
Accommodation, Cafes and Restaurants	34.8	33.4	-1.5
Transport and Storage	37.5	41.3	3.8
Communication Services	37.4	38.5	1.2
Finance and Insurance	31.7	37.7	6.0
Property and Business Services	36.6	39.0	2.4
Government Administration and Defence	36.0	41.7	5.7
Education	38.2	43.4	5.2
Health and Community Services	36.3	41.7	5.5
Cultural and Recreational Services	35.3	36.1	0.8
Personal and Other Services	34.4	39.3	4.9
Total	35.8	38.6	2.8

Source: ABS Labour Force Survey (electronic data)

general population. The first of these is the rise in education participation with the consequent fall in the number and proportion of young people participating in the full-time labour force. In 1984 for example, persons aged 15–24 years comprised 23.1 per cent of the full-time labour force; by 2004 that figure had fallen to 13.6 per cent.

The second factor that explains why the workforce has been ageing faster than the general population is the increased number of older women participating in the labour market. These are women who previously may have remained outside the labour market but who have either been compelled (e.g. financial pressures) or enticed (e.g. higher wages or social reasons) to enter the workforce in response to the increased availability of jobs for women. The shift in the labour market toward more part-time and more service sector jobs has been particularly advantageous to women. Women aged 40 and above appear to have been the main beneficiaries, their representation in the female workforce increasing from 31.6 to 46.6 per cent between 1984 and 2004.

Some consequences of an ageing workforce

The economic consequences of an ageing workforce are difficult to predict because older workers in the future may not have the same characteristics as older workers today. However, areas in which ageing could have an impact include:³

- Labour supply

Labour force participation rates fall sharply after age 54 years and therefore it might be expected that an older workforce will have a lower average rate of participation. It follows therefore that unless older workers can be persuaded to stay on in the labour force, and assuming that labour force participation rates do not rise for the other age groups, labour shortages could occur resulting in increased pressure on wages.

- Economic growth

By constraining labour supply growth, the ageing of the workforce could also slow down Australia's economic growth performance.

- Productivity

The Productivity Commission has noted that productivity levels initially increase and then decrease with age. At any point in time therefore, the effect of ageing on Australia's average productivity level will depend on the particular age mix of the labour force. It will also depend on the extent to which improved health and higher education levels have lifted productivity levels for older workers. Most research supports the view that there will not be a decline in worker productivity with age.⁴

1. The Australian Bureau of Statistics Labour Force Survey publishes data by single year of age from 15 to 24 years and by 5 year age spans thereafter. The average age of a group of persons was calculated by weighting these ages using the number of persons in each age category, assuming that the midpoint of each 5 year age span is the representative age.
2. For a detailed description of industries see ABS, *Australian and New Zealand Standard Industrial Classification* (Cat. No. 1292.0).
3. For more information see Productivity Commission 2004, *Economic Implications for an Ageing Australia*, Draft Research Report, Productivity Commission, Canberra.
4. See Department of Employment and Workplace Relations 2003, *Submission to the Senate Select Committee on Superannuation: Inquiry into Planning for Retirement*.

Tony Kryger Statistics Section Information and Research Service

Except to the extent of the uses permitted under the Copyright Act 1968, no part of this publication may be reproduced or transmitted in any form or by any means including information storage and retrieval systems, without the prior written consent of the Department of Parliamentary Services, other than by senators and members of the Australian Parliament in the course of their official duties.

This brief has been prepared to support the work of the Australian Parliament using information available at the time of production. The views expressed do not reflect an official position of the Information and Research Service, nor do they constitute professional legal opinion.

© Commonwealth of Australia 2005