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Australia's demographic time bomb: forget the future, it's here

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The economic impact of an ageing population is already being felt.

PETER Costello keeps talking about "the demographic time bomb that's going to hit us in 20 years" and I'm sure most people share his belief that the fabled Ageing of the Population is way off in the future.

But that view is quite mistaken - as I'm sure Costello would find if he checked his briefing notes. Ageing isn't in the Never Never, ageing is now.

Ageing isn't an event that will happen one day, it's a process - one that began more than 40 years ago. It's built up to the point where it's having a barely perceptible effect on the labour market as we speak, and will become noticeable within the next few years.

The ageing process is speeding up and is now evident even over the course of a year. Over the 12 months to June last year, the population grew by 1.2 per cent. Within that, however, the number of children aged up to 14 actually fell by 600, whereas the number of people aged 65 or more rose by 2.3 per cent.

The population of working age - those aged 15 to 64 - grew by 1.4 per cent. But get this: within that, the population of pre-retirement age - 55 to 64 - grew by 4.6 per cent to 2.1 million.

Now do you see what's happening? The fertility rate - the number of children per female - has been falling since 1961, while life expectancy has been rising for more than a century.

These trends are inexorable, but slow. What gives the ageing process its urgency and bite is the progress of the bulge in the population python that's the baby boomers. If you define the baby boom narrowly to cover those babies born in the 16 years after World War II - from 1946 to 1961 - there are now 4.4 million of the blighters, 22 per cent of the population.

The boomers started reaching the minimum retirement age of 55 (the age when the Federal Government will let you get your hands on your super) in

2001. By now, almost 30 per cent of them are 55 or older.

The boomers will start turning 60 next year. And guess what? The average retirement age is 60 for men and 58 for women.

Costello's own budget this year contained two clear indications that the first noticeable effects of ageing are almost upon us. The first was a prediction that the rate of participation in the labour force - the proportion of people of working age who either have a job or are looking for one - will reach its zenith next financial year, 2006-07.

The second was the decision to cut the nation's projected potential rate of economic growth from 3.5 per cent a year to 3.25 per cent from 2008-09 onwards, which is just three years away.

That slowdown in growth may seem minor, but it isn't. What's more, it's the first of many. It flowed from a projection that the annual growth in total **employment** will slow from 1.5 to 1.25 per cent - equivalent to the absence of about 27,000 new jobs a year.

Various professions and industries are studying the likely effects of the baby boomers' retirement. One study of the medical workforce was published this year by Deborah Schofield and John Beard of Sydney University.

Defining baby boomers more broadly as those born between 1946 and 1964, they found that, in 2001, boomers accounted for 55 per cent of GPs, more than 60 per cent of nurses and about 60 per cent of specialists.

"It is widely anticipated that retirement among ageing clinicians will result in workforce shortages within the next five years," Schofield and Beard say.

Turning to the nation's teachers, four years ago 9 per cent of them were 55 or older (indicating that teachers tend to retire early), while a further third were aged 45 to 54.

Turning to manufacturing, 170,000 skilled workers are expected to leave the **industry** in the next five years, which is 34,000 a year, compared with about 21,000 young people completing apprenticeships each year.

Looking more broadly, it gets down to the changing balance between the demand and supply of labour. Over the course of the 1970s, the total population (representing the demand for labour) grew by 14 per cent, whereas the population of working age (representing the potential supply of labour) grew by 18 per cent.

It was a similar story of supply exceeding demand in the '80s. By now, however, the gap between the two has narrowed. Over the first half of the noughties, population growth slowed to 6 per cent and growth in the working-age population to 7 per cent. For the rest of the noughties the gap between the two is projected to fall to just 0.5 percentage points. And from 2010 on demand is projected to outstrip supply.

We're not far from the time when shortages of labour will pop up everywhere. Do you see what this will do to enhance the bargaining power of workers?

And it will be happening not long after **John Howard's industrial** relations changes have sought to shift bargaining power in favour of employers.

Makes you think the workers don't have a lot to worry about.

Ross Gittins is a staff columnist.

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