

Australia's Demographic Challenges

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The discussion paper is welcomed and forces public debate and policy to consider the long-term implications of changes to Australia's demographic profile. In this brief submission, I would like to make a number of observations about issues that were downplayed or excluded in the discussion paper.

1. Female participation rates have been increasing and there is scope for further increases. Absent from the discussion paper was any discussion of barriers to female labour force participation, including adequate and affordable child care arrangements, paid parental leave and work and family friendly arrangements at the workplace. An evaluation is required of progress and obstacles to developing work and family friendly arrangements into workplace agreements – this was one of the central tenants behind introducing decentralised bargaining arrangements. The Government is to be commended for addressing childcare issues in the 2004/05 Budget, however it needs to progress an operational agenda for utilising workplace agreements as a mechanism for breaking down barriers to participation and ongoing workforce attachment.
2. Changing demographics will also facilitate changes to required expenditure for public goods and impact on the distribution of public expenditure. The obvious areas for increased expenditure, associated with an ageing population, are health and social security. However, there will be a relative decline in school and pre school expenditure requirements, and a growing need for public transport expenditure with an ageing population. To date there appears to be little systematic analysis of how the changing demographic profile will alter the composition of the demand for public goods across the spectrum.
3. Another area where there will be a shift in the composition of demand as a result of the ageing population will be in the area of housing stock. Retirees will be selling larger houses and looking towards smaller unit/townhouse accommodation close to facilities or in a warmer climate. In turn this will have an impact on the spatial distribution of infrastructure needs. Over the next few decades, those who enter into retirement will be able to realise capital gains on housing stocks that have appreciated considerably over the past decade. Again, this windfall wealth factor does not appear to have been factored in to the implications associated with an ageing population – some sections of the retired population will have access to funds to augment retirement incomes.
4. Over the past two decades there has been a decline and a stagnation of older male labour force participation rates. In part this has been related to the

structural changes in the composition of industry and jobs, and to cyclical downturns in the economy in the early 1980s and 1990s. The policy paper suggests opportunities for staying on in paid work. However, for many older workers there have been barriers to employment access, especially following redundancy. It is older males who have the longest duration of unemployment and who are likely to be channeled into a disability pension. The problem for many older male workers is accessing full-time jobs with that match their skill and experience profile. However, all the new jobs tend to be part-time and have very different skill profiles. These issues tend to be exacerbated in non metropolitan Australia where the job vacancy pool is relatively limited.

5. The government is to be commended for addressing the issue of employee benefit protection through the General Employee Entitlements Redundancy Scheme. Accumulated entitlements affect current and future living standards, and include accumulated superannuation entitlements. The government is also to be commended for changing corporations law in terms of protecting entitlements and making directors more accountable. However, there remains gaps in terms of the coverage of the protection program and its application. Since this has an impact on future retirement incomes I would suggest that the government reviews the operation of the GEERS program.
6. Another important accumulated benefit that has an impact on post retirement income is accumulated long service leave. Apart from the protection issue outlined above one limitation of long service leave is its portability. While portability is assured in some industries, in other industries there are no portability provisions – this especially applies to the private sector, small business and in such sectors as hospitality. Potential post retirement wealth and workforce attachment could be boosted if there were consideration for developing greater portability in long service leave accumulation.
7. There remain gaps in the superannuation system, and once again the government deserves commendation for attempts to consolidate accounts and to provide top ups for low income earners. Two groups who have very low accumulated balances are women workers (by virtue of career interruptions and part-time jobs) and the self-employed (by virtue of irregular and unpredictable income flows), The super system does require accommodation to the needs and problems faced by these two groups, especially given that the subsidies for contributions appear to be directed towards those who already have well funded retirement incomes.

References

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