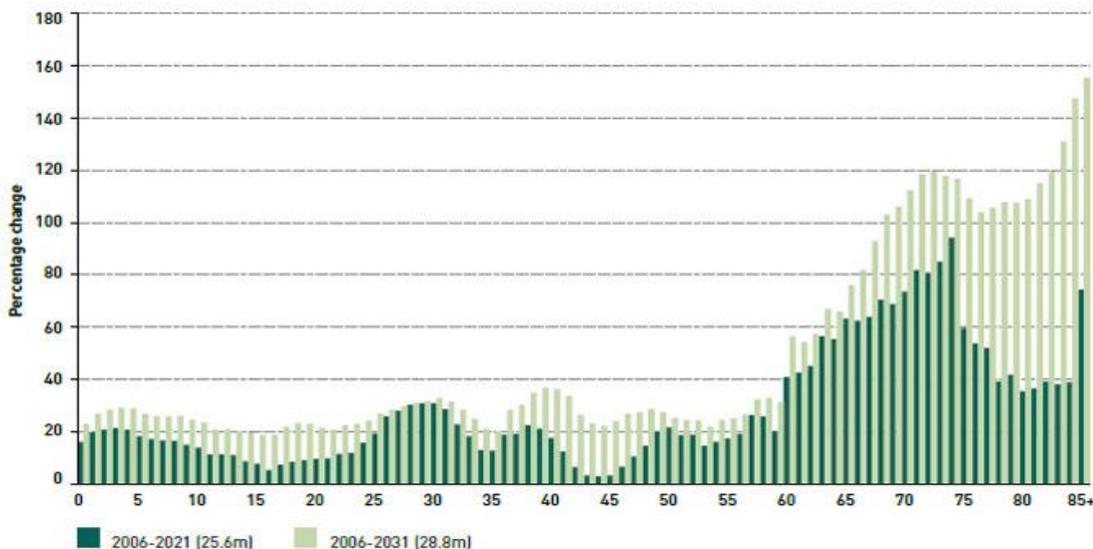


## Can Business Arrest the Inexorable Decline of the Australian Labour Force?

The ageing population refers to the phenomenon that by 2031 it is estimated by federal Treasury that 25% of the population will be over 65 years of age – up from 8% in 1970-71 and 13% in 2001-02. Therefore, there are wide-ranging implications for not only government and society, but business as well.

The labour force represents those of a working age (15+ years) who are either employed or unemployed. In recent times, the labour force participation rate (LFPR)(% of population in labour force) has been historically high, peaking at 65.96% in 2010, reflecting changes in social (eg. women joining the workforce) and economic factors (eg. Flexible labour market encouraging participation). However with the population ageing and moving into retirement, coupled with lower birth rates, it is expected that the LFPR will continue to fall over coming years. In 2002 there were over 5 people of working age to support every person aged over 65 – yet by 2042, this will fall to 2.5 people per person over 65. As shown by the graphic below, the percentage rate of growth of those aged over 65 between 2006 and 2031 is much greater than growth in other demographics, reflecting baby boomers ageing and increases in life expectancy.



Source:  
[www.innovation.gov.au](http://www.innovation.gov.au)

For business, this presents a pressing issue. With proportionally less labour available, business has to find means of increasing production to satisfy the needs of the ever increasing population. A proportionally smaller pool of the labour factor of production inherently means that we produce less real GDP per capita – a fact reflected in a predicted fall in the growth rate of real GDP per capita from 1.9% per annum over the last 40 years to 1.5% p/a over the next 40.

Recent studies have noted that baby boomers, as compared to generations X and Y, have different values vis-a-vis their careers. Whilst the younger generations aspire for promotion and career advancement, baby boomers value job security and autonomy in the work that they are doing. Human resource management that recognises this could ensure that baby boomers, given freedom and a degree of certainty in their work, stay in the labour force and contribute to the production of goods and services.

Another means could be to attract workers from overseas to fill the void left by Australia's ageing population. Business must adapt a more cosmopolitan mindset in its dealings with the global economy, being willing to accept foreign workers where local labour is unavailable. However, migrants of working age will eventually add to the problem of the ageing population as well. Perhaps businesses, working with government, must become more advanced so they can offer attractive opportunities to local talent, who would otherwise pursue career paths overseas – a concept known as 'brain drain'.

However, even if the availability of the labour resource can be made more plentiful, efficiency promoting measures should be at the forefront of business' response to the ageing population. Investing in both human capital (eg. Better 'on the job' training) and physical capital (eg. New machinery in production process) will ensure that greater per unit output can be obtained from the diminishing labour resource, helping to arrest the decline of not the labour force in general, but Australia's future real GDP per capita growth rate. Labour force productivity must be the imperative to achieve this.

It is clear that the ageing of Australia's population will continue to present an ever more pertinent challenge to Australian business. Business cannot control the demographic shift that is leading to the ageing population. Nonetheless, alongside other responses, business should address this challenge principally through efficiency promoting measures that will enhance labour force productivity and ensure strong growth in real GDP per capita in the long term.