

12 November 2004

Ageing Impacts Study
Productivity Commission
Collins Street,
Melbourne, Vic, 3000

By email: ageing@pc.gov.au

Dear Sirs/Madams

Re: Aging Study – Submission # 5

One factor that the Productivity Commission could consider in its aging study is the ability of the economy to generate an adequate demand for labour in the future, and to generate the types of jobs that attract job seekers.

In recent years, many of the new jobs that have been created are part-time or casual jobs. This trend has contributed to a decline in the average number of hours worked per employee. Any lack of full-time work may also explain, perhaps only partially, the decline in male workforce participation rates.

The fact is: job numbers and unemployment rates do not tell the full story about the labour market. Another indicator of the demand for and supply of labour is the actual number of hours worked.

Based on ABS Labour Force data*, the average number of hours worked grew at an average annual rate of 1.35 per cent between 1998-99 and 2003-04, compared with growth of 2.12 per cent between 1993-94 and 1998-99. That represents a staggering 36 per cent decline in the annual rate of growth in average hours worked.

But growth in hours worked in the five years to 1998-99 was buoyed by an economy lifting out of a period of recessed activity. So let's use the ten years to 1998-99 as the comparison period. The average rate of growth in hours worked during this ten year period is similar to the average rate of growth in the five years to 2003-04.

*. ABS Cat No. 6291.0.55.001 Labour Force Australia, Table 09: Employed persons by Actual hoursworked and Sex

	Average Number of Employed (000s)	Average Hours Worked per Week	Average Weekly Hours Worked	Change in Average Weekly Hrs Worked
1988-89	7,562.7	261,977	34.6	
1993-94	7,802.0	269,037	34.5	-0.3%
1998-99	8,688.9	298,768	34.4	-0.3%
2003-04	9,559.5	319,557	33.4	-2.9%
Source: Derived from monthly ABS data				

In the five years to 2003-04, the economy was fuelled by an accommodating monetary policy, which promoted a debt-fuelled consumer spending binge. This bolstered economic activity, which helped increase the demand for labour (and create jobs), balance government budgets, and increase capacity utilization and productivity.

There are many questions that need to be resolved. How fast will employment grow when the economy returns to a period of more balanced and sustainable settings? Will this cause unemployment rates to rise and government budgets to blow out? How will this affect supernannuation values? How will economic activity and the employment market be affected by the trend towards off-shoring? If employers cannot attract males into the workforce at a time when there is a reputed labour shortage, how would further labour market deregulation act to improve workforce participation?

Yours faithfully

Nigel Fitzpatrick

*. ABS Cat No. 6291.0.55.001 Labour Force Australia, Table 09: Employed persons by Actual hoursworked and Sex