

Notes in response to: A view from the Treasury- Fiscal Perspectives

**for the Conference on
Retirement Income Policy and
Intergenerational Equity**

22 July 2010

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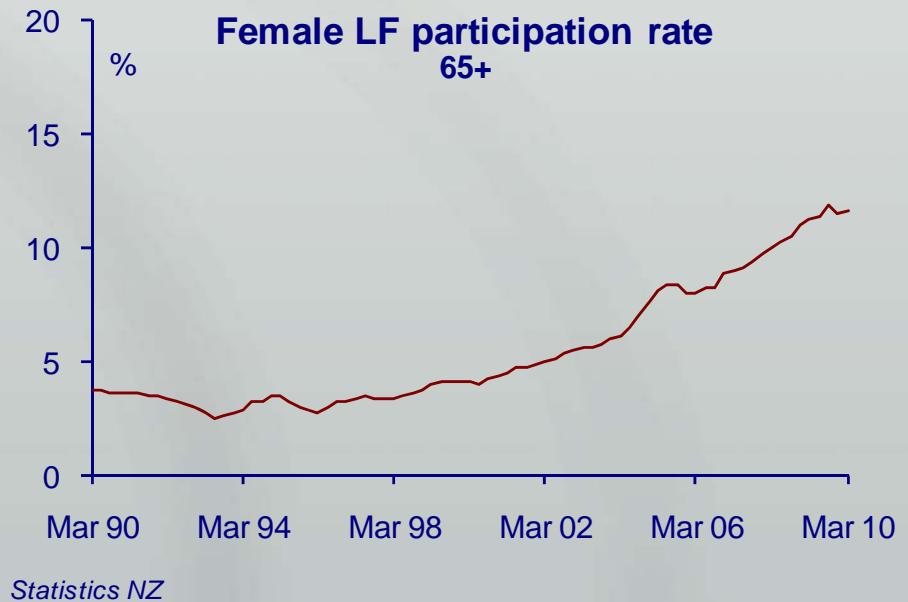
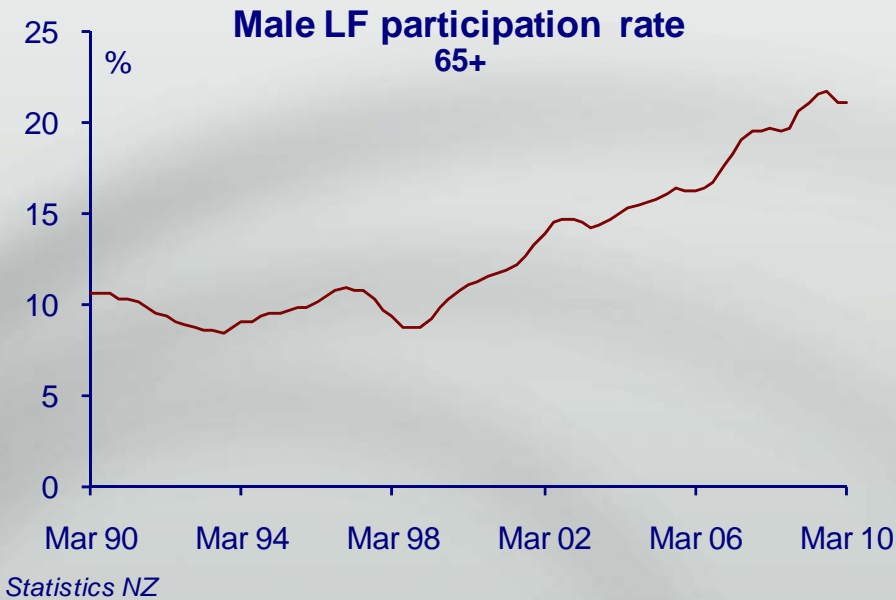
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Agenda

- yes, bleak indeed
 - * but, very bad, or just ordinarily bad?
 - * assumptions matter ...
- participation rate behaviour ...
- dependency ratio – what does it mean?
- is issue expectations, rather than ageing?

Labour force participation rate



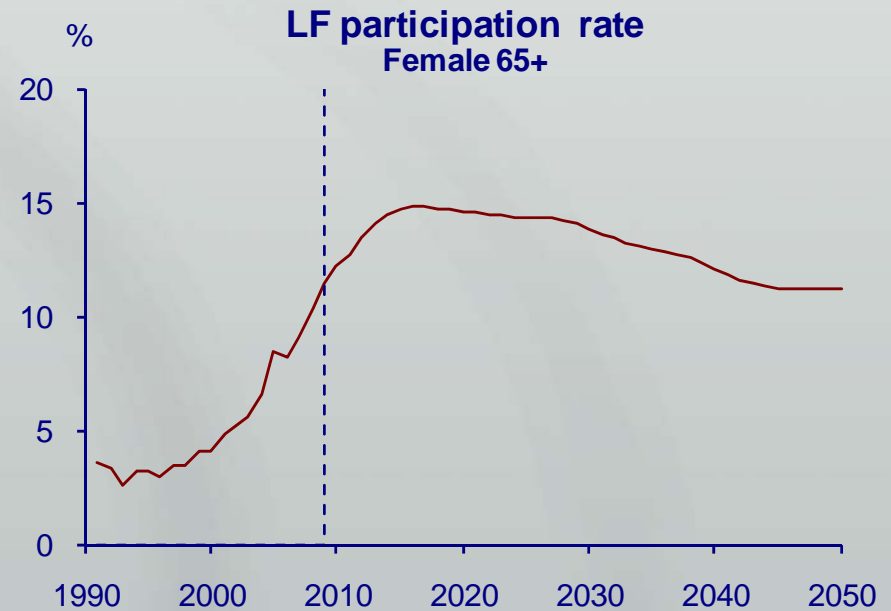
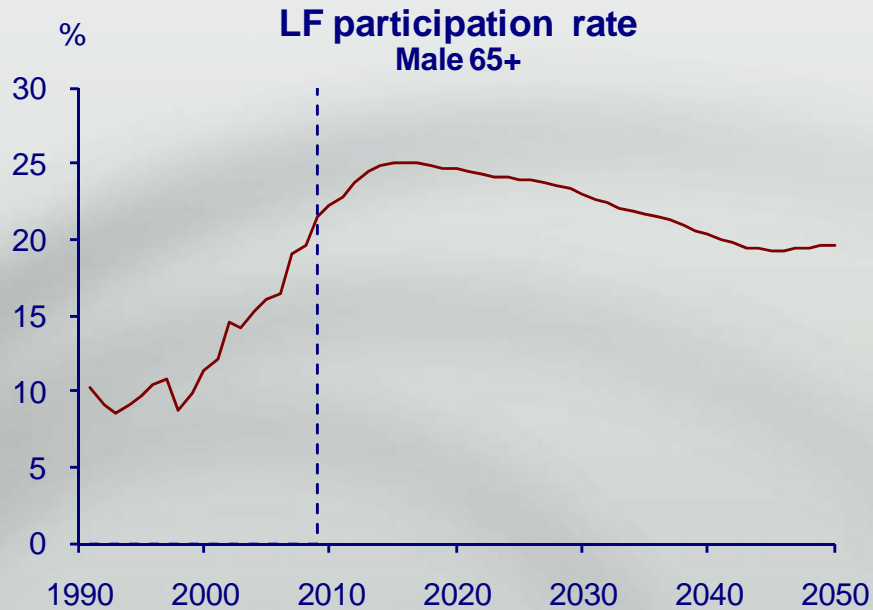
The 65+ labour force

- behaviour change is not recent
 - * has been feature for past 20 years
- census LFPR (%)

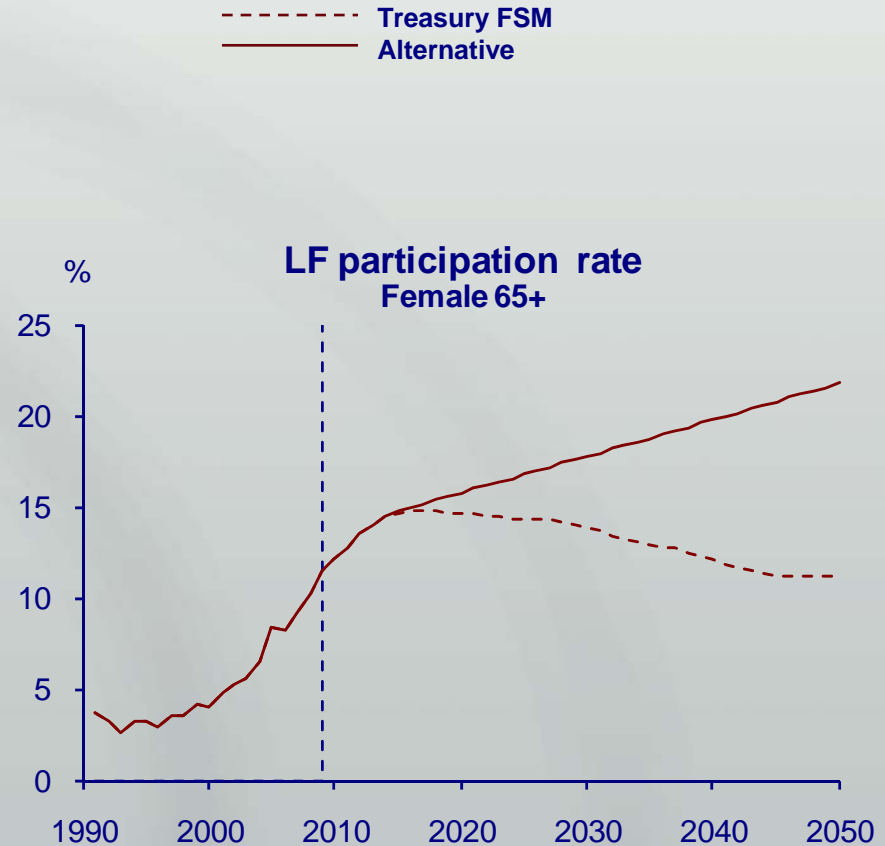
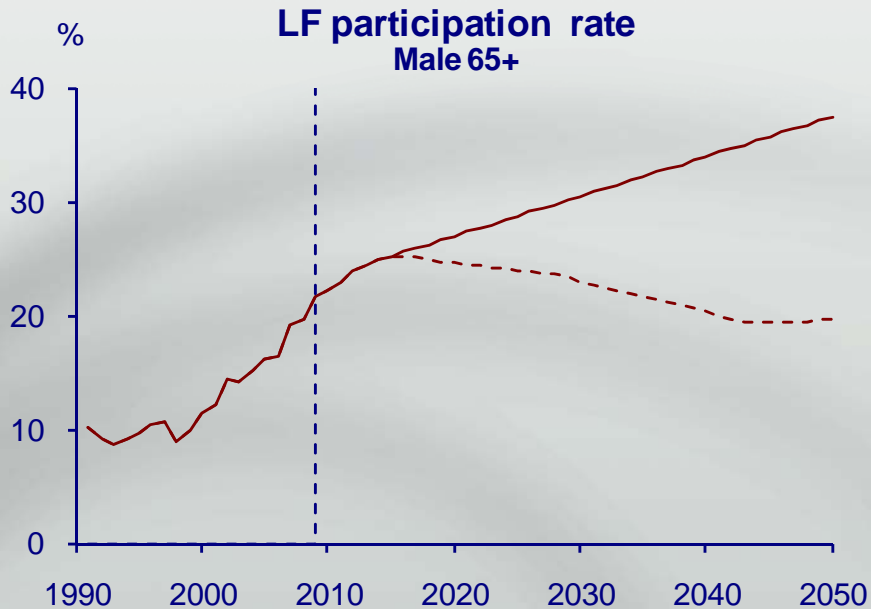
| Age | 65-69 | 70-74 | 75-79 | 80-84 | 85+ |
|------|-------|-------|-------|-------|-----|
| 1991 | 11.2 | 5.6 | 2.7 | 1.3 | 0.7 |
| 1996 | 15.7 | 8.7 | 5.2 | 3.5 | 2.3 |
| 2001 | 21.9 | 11.4 | 5.9 | 3.9 | 2.7 |
| 2006 | 32.9 | 15.8 | 8.4 | 5.5 | 4.1 |



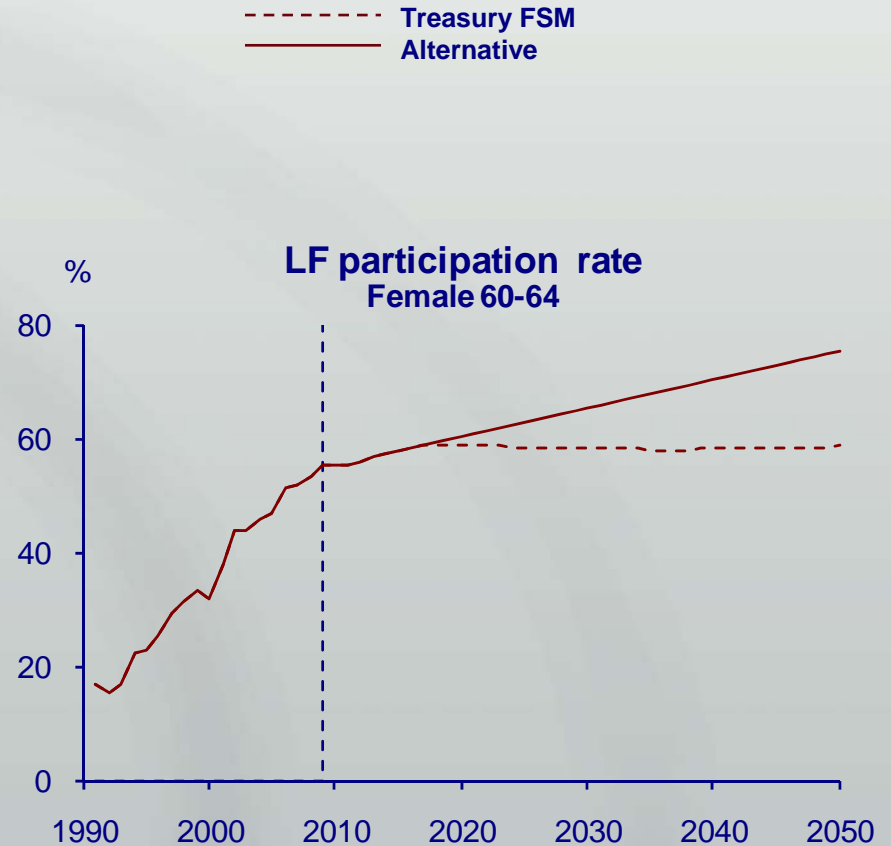
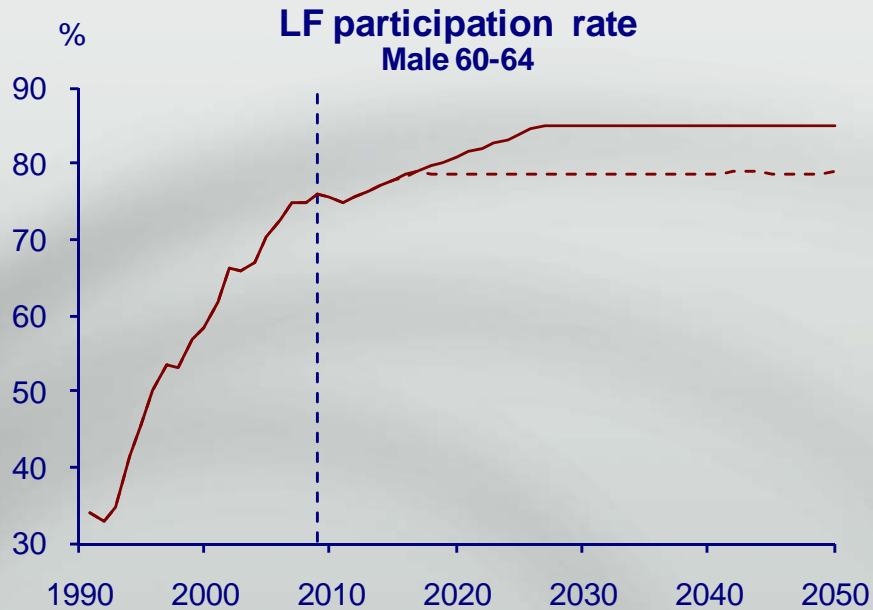
Assumed labour force participation rate



Assumed labour force participation rate



Assumed labour force participation rate



Impact of LFPR changes

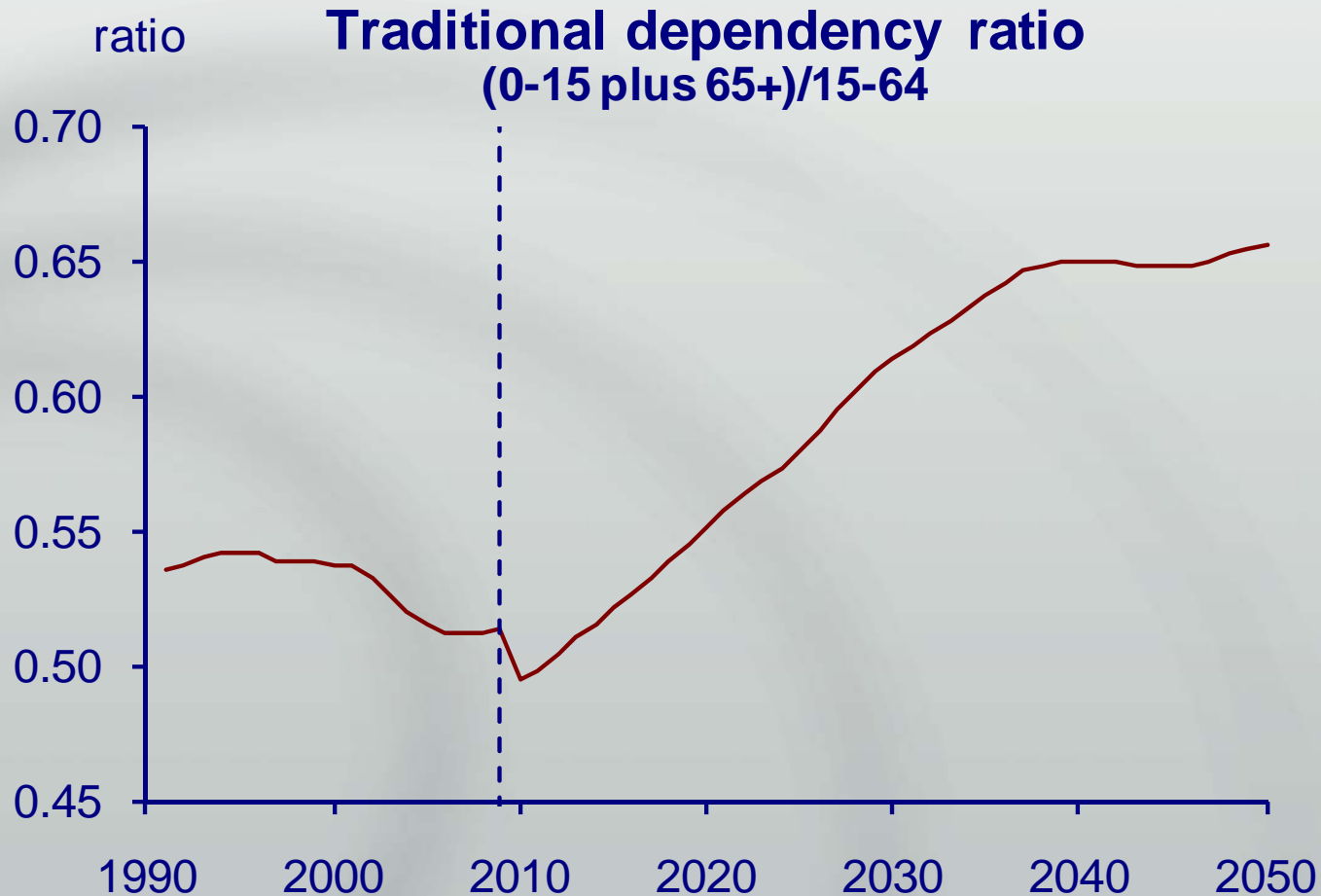
- labour force growth:
 - * from 0.3%pa by the mid-2020s to 0.6%pa
 - * from 0.2%pa by 2050 to 0.4%pa
- noting popn growth (assumed) is
 - * 0.7%pa in mid-2020s
 - * 0.3%pa by 2050
- is issue really ageing? – or is it popn?

Undoubtedly

- if BAU, then 'capacity' growth on downward slide
- but, if modestly 'favourable' (and plausible) assumptions then
 - * capacity growth slide may not be as bad as BAU suggests
 - * impact on fiscal revenues may not be as bad as BAU

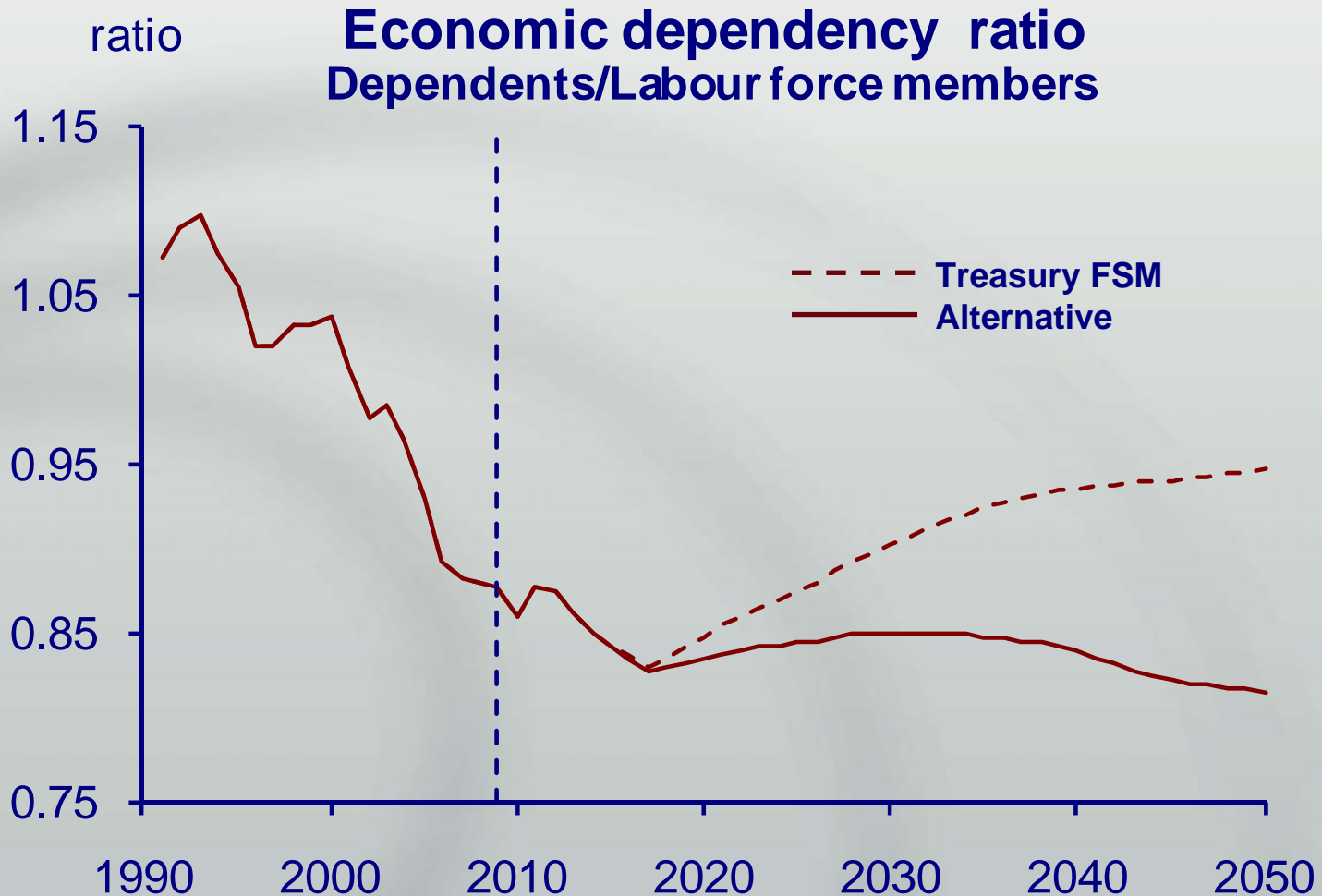


Dependency ratio the traditional definition



Dependency ratio projections

an economic perspective



Thoughts/Questions (1)

- as 65 is not the retirement age (either legally or actually), why is 'retirement income policy' still based on the premise that it is?

Thoughts/Questions (2)

- isn't it about time we re-defined 'dependents' so as to be more relevant to today's (and tomorrow's) world?
- ... and, thereby becoming a more relevant concept for those with a policy perspective?



Thoughts/Questions (3)

- as (many of) those 65+ are not dependents, why do we still consider them to be so; (and set/frame policy accordingly)?

Thoughts/Questions (4)

- as economic dependency ratio is not expected to worsen considerably;
are the fiscal issues not so much about ageing or economic capacity constraints;
but, rather, about (assumed) expectations of service provision?