

# 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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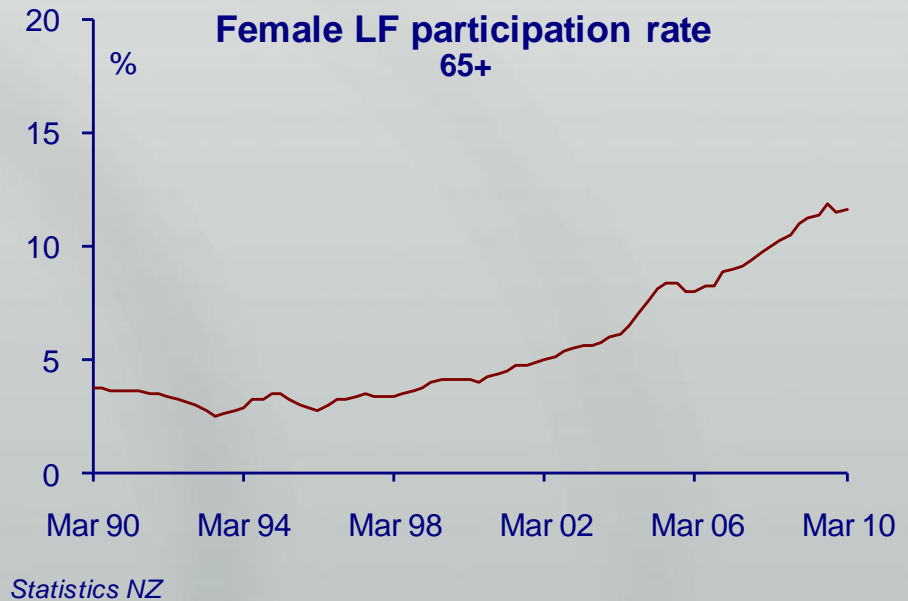
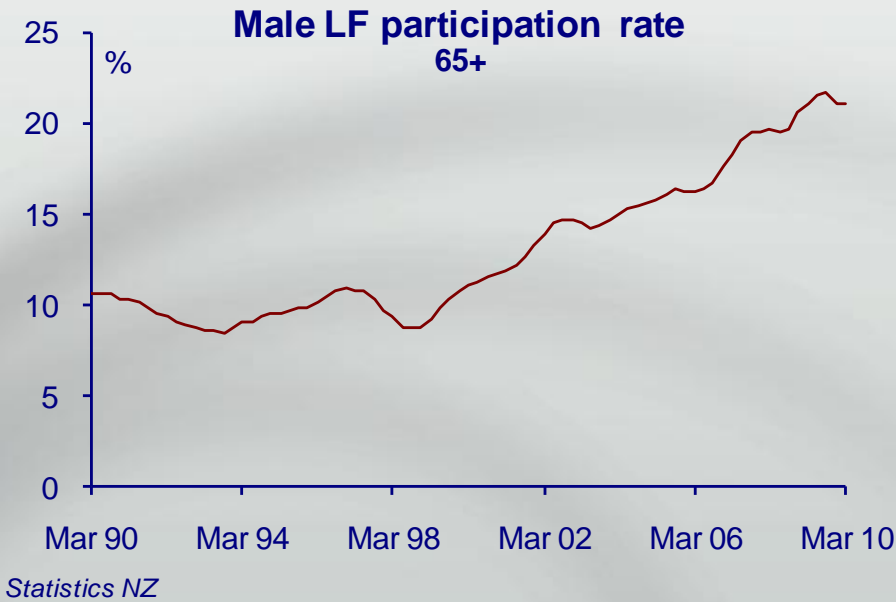
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# Agenda

- 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



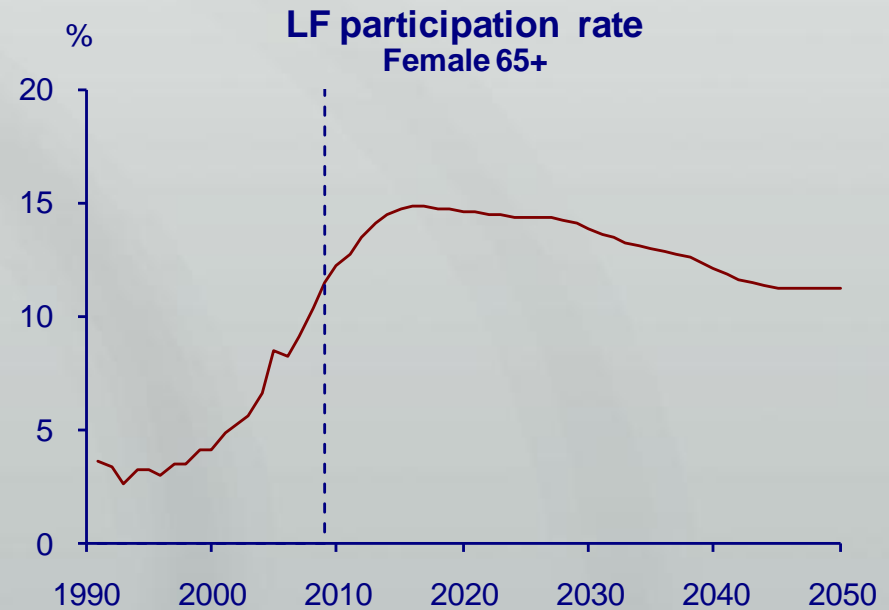
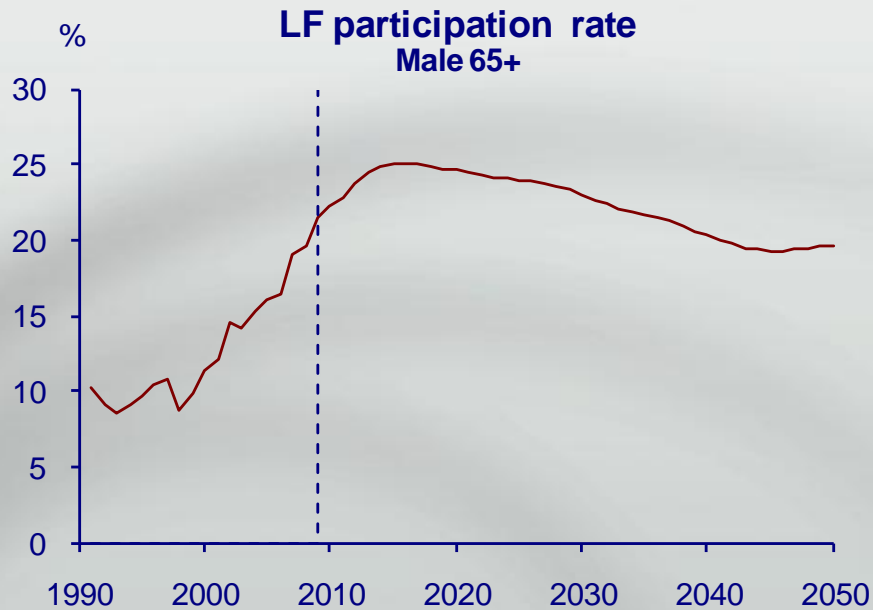
# The 65+ labour force

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

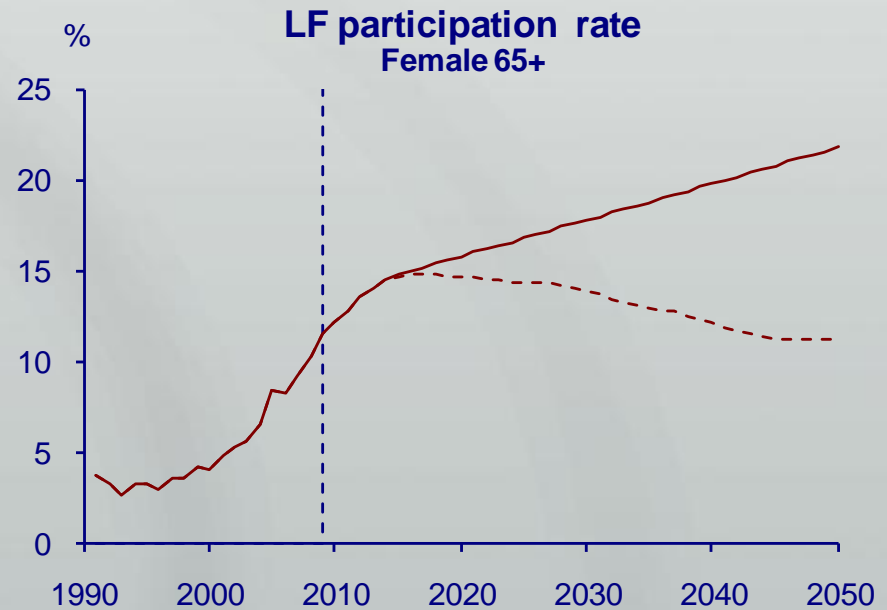
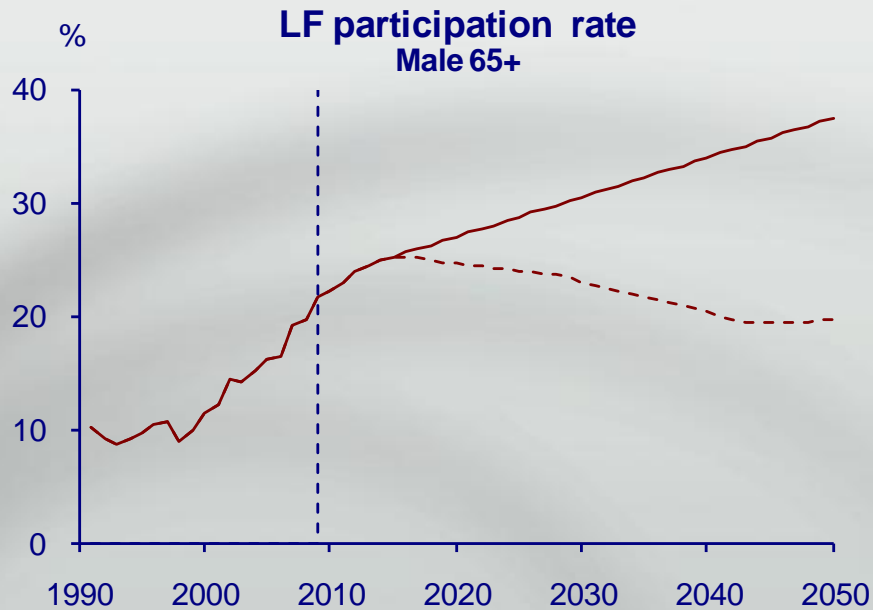
Age	65-69	70-74	75-79	80-84	85+
1991	11.2	5.6	2.7	1.3	0.7
1996	15.7	8.7	5.2	3.5	2.3
2001	21.9	11.4	5.9	3.9	2.7
2006	32.9	15.8	8.4	5.5	4.1



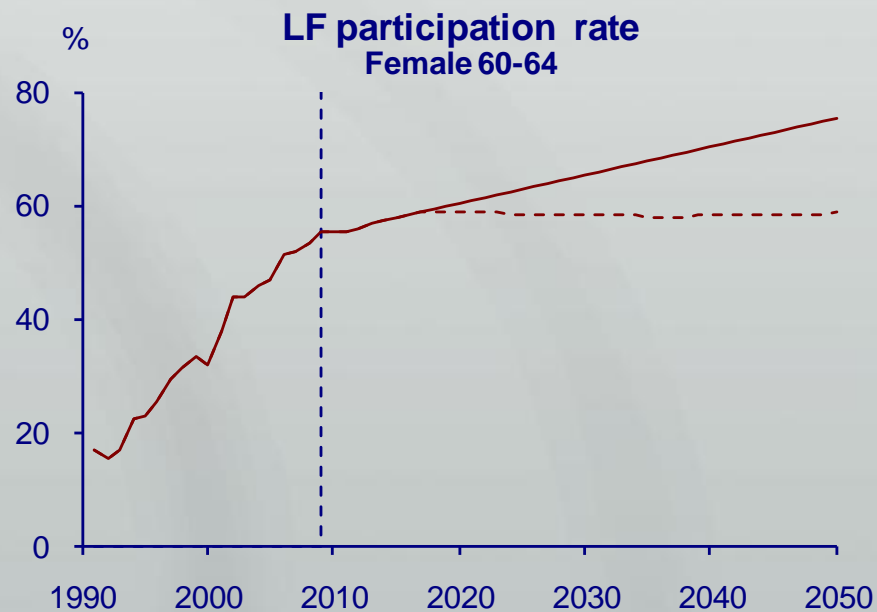
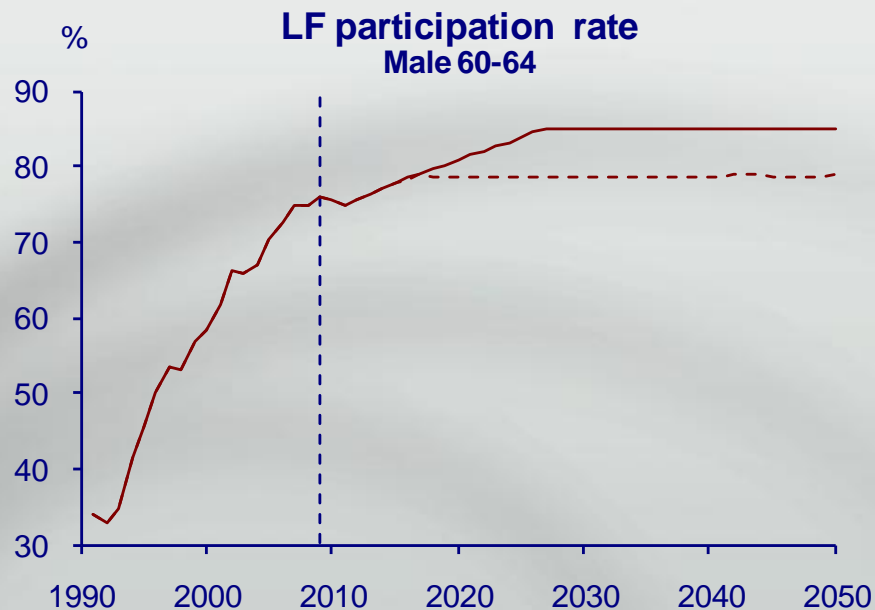
# Assumed labour force participation rate



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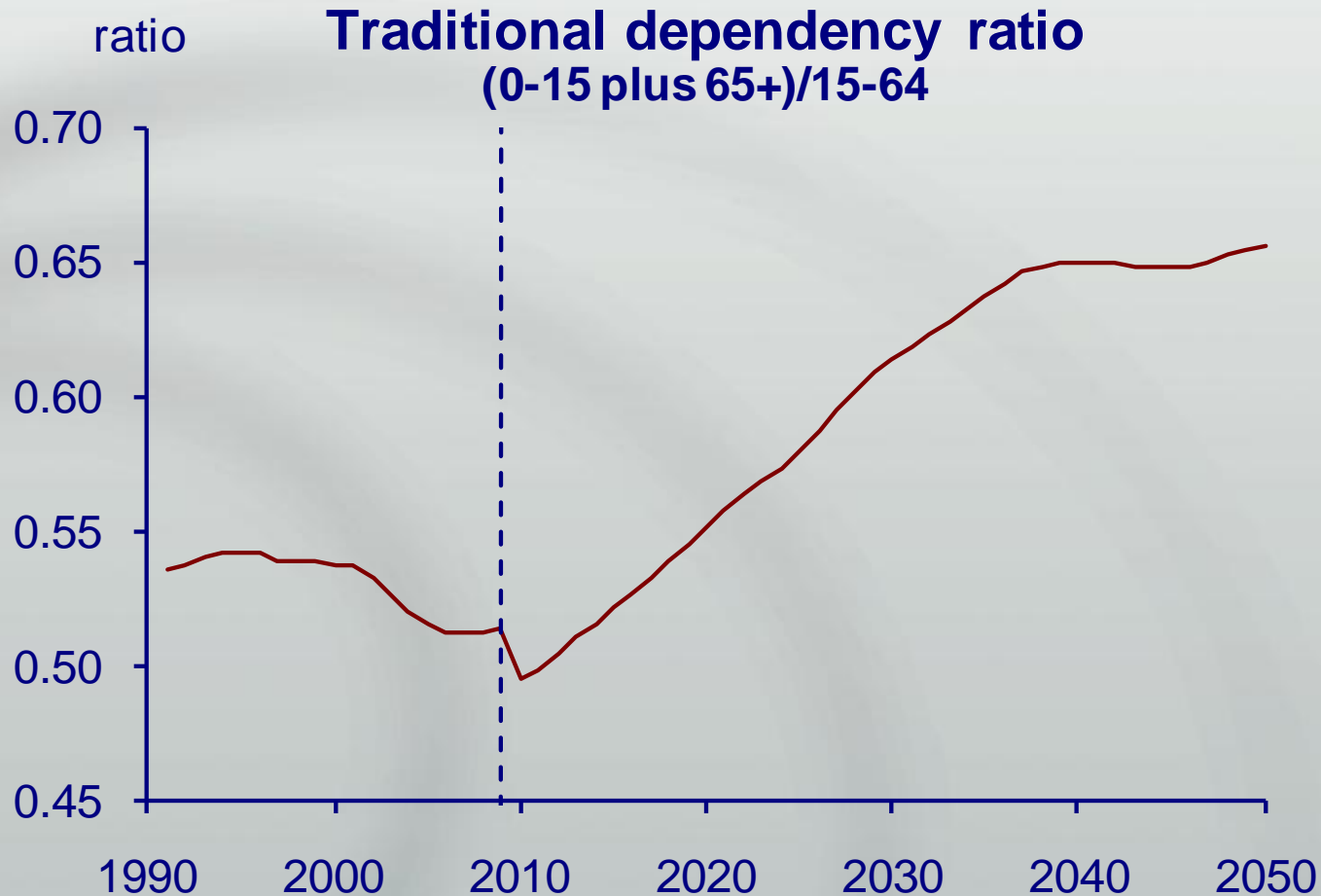
# Impact of LFPR changes

- 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

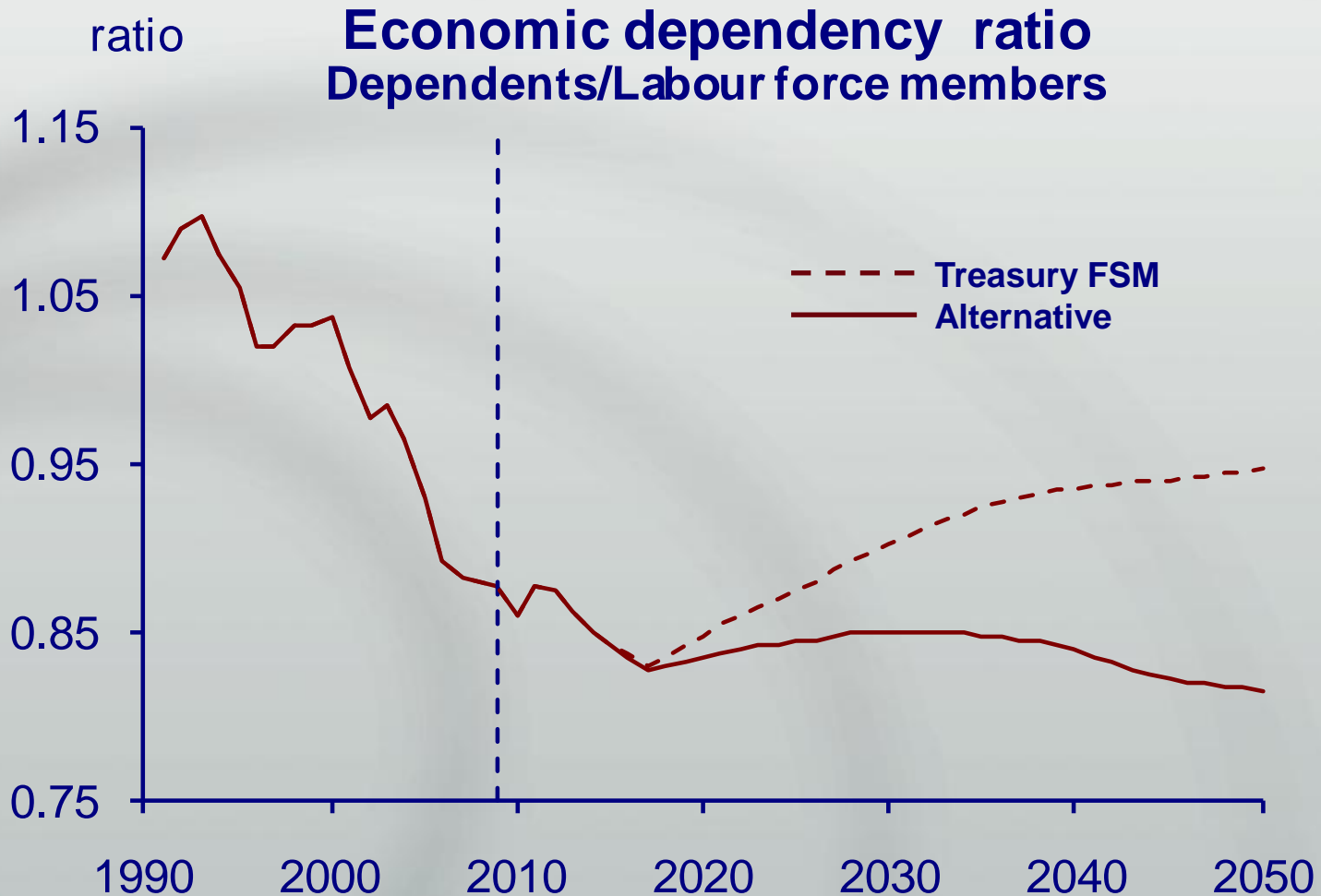
- if BAU, then 'capacity' growth on downward slide
- but, if modestly 'favourable' (and plausible) assumptions then
  - \* capacity growth slide may not be as bad as BAU suggests
  - \* impact on fiscal revenues may not be as bad as BAU

# 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?