

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates 2012

15 – 17 February 2012

Question: AET 1259

Topic: Drop in participation rates

Hansard Page: 10 (Thursday 16 Feb)

Senator Cormann asked:

There has been a drop between November 2010 and December 2011. Do you have any data around what has caused that drop in participation rates?

Dr Gruen: No, I have not got that level of detail here, but we could—

Senator Cormann: But you could provide that on notice.

Senator Wong: Why do we not take that on notice. Dr Gruen has conditioned his answers by saying that it is too early to tell. When Treasurer Costello put out the IGRs he spoke a lot about the demographic shifts that the country is going through, and, absent other policy change, the effects these are going to have on participation rates. I cannot recall what the last IGR said about when this would be, but my recollection is lower by the end of the decade.

Dr Gruen: Yes, definitely.

Answer:

The seasonally adjusted labour force participation rate fell from 66.0 per cent in November 2010 to 65.2 per cent in December 2011. The seasonally adjusted data are not sufficiently disaggregated to allow a detailed analysis of the drivers of the change in the participation rate.

The unadjusted original data can be used for this purpose, though a twelve month period needs to be taken to avoid seasonal volatility. Over the period from December 2010 to December 2011, the labour force participation rate using original data fell from 66.5 per cent to 65.8 per cent. The original labour force participation data by age cohort show that the ageing of the population accounted for almost half of this fall. The remainder of the fall is accounted for by changes in the labour force participation rates within age cohorts.