

***AUSTRALIA'S FUTURE LABOUR MARKET  
MYTHS AND REALITIES***

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**FACTSHEET**  
**WILL THERE BE A  
SURPLUS OF WORKERS  
IN THE FUTURE?**

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# WILL THERE BE A SURPLUS OF WORKERS IN THE FUTURE OF WORK?

## KEY POINT

■ Despite some of the alarmist predictions that there will be a surplus of workers in the future, a shortage of workers may be more likely.

Some commentators suggest that improvements in technology will mean swathes of work can be delegated entirely to machines, leading to a massive surplus of labour and potential re-imagining of how people will allocate their time to work or leisure.<sup>1</sup>

Historical evidence suggests a surplus of workers is unlikely. The introduction of information and communication technologies has significantly changed labour markets, but the working week has not changed much:

- » Since the 1960s, hours worked per capita in Australia has stayed fairly stable (outside of economic downturns).<sup>2</sup>
- » Following the widespread adoption of information and communication technologies, there was no discernible negative impact on employment across G20 countries.<sup>3</sup>
- » Treasury projects that hours worked per person will remain essentially stable over the coming decades.<sup>4</sup>

The historic evidence demonstrates that, when labour-saving technology is adopted, labour is re-directed to other areas of demand. Australia's labour markets are reasonably effective at accommodating change. Throughout history, many technologies have taken over tasks that were previously done by people: from the loom and the harvester, to mass textile production and automatic teller machines.

While there will always be some friction in how work is allocated to labour, concerns about large-scale labour surpluses appear unfounded.

Indeed, as the former Reserve Bank Governor, Glenn Stevens noted in 2015:

“It may be that jobs will be ‘robotised’. But on the other hand, in the long run, we may need that to some extent. Demographic factors suggest strongly that, all other things equal, the problem isn’t going to be a shortage of jobs, but instead a shortage of workers.”<sup>4</sup>

## A SHORTAGE OF WORKERS IS MORE LIKELY

While no one can predict the future, well-respected economic agencies like the Treasury or Reserve Bank of Australia suggest a shortage of workers is more likely.

Along with other developed economies, Australia's population is becoming older, and our working age population will become smaller relative to the overall population.

Potential shortages of workers would be exacerbated without a well-managed skilled migration program.

According to the Australian Government's intergenerational report, in 2014-15, around 15 per cent of the Australian population was 65 or older. By 2054-55, this is projected to increase to almost 25 per cent of the population, as a large portion of Australians reach retirement age and as the life expectancies of older Australians increase.

The ratio of working age Australians to Australians over 65 is projected to decrease from 4.5 in 2014-15 to 2.7 in 2054-55.

<sup>1</sup> See, for example, R Avent, *The Wealth of Humans: Work and its Absence in the Twenty-first Century*, 2016, Penguin Books, Great Britain, or M Ford, *The Rise of the Robots*, 2015, Oneworld Publications, Great Britain.

<sup>2</sup> J Borland and M Coelli, 'Are robots taking our jobs?' *Australian Economic Review*, vol 50, issue 4, pp 377 – 397, 2017.

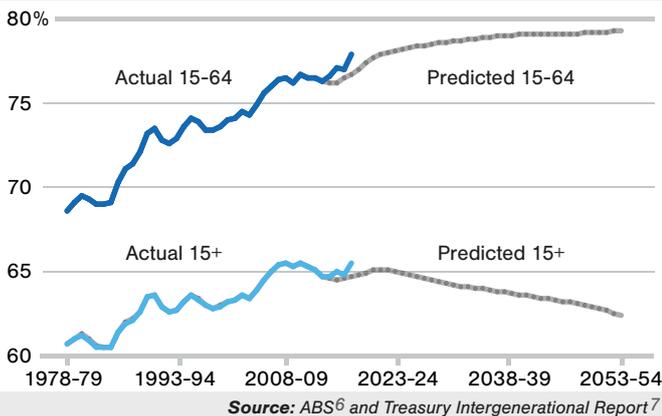
<sup>3</sup> Organisation for Economic Cooperation and Development, *Future of work and skills*, February 2017, [https://www.oecd.org/els/emp/wcms\\_556984.pdf](https://www.oecd.org/els/emp/wcms_556984.pdf)

<sup>4</sup> The Treasury, *2015 Intergenerational Report*, March 2015, <https://treasury.gov.au/publication/2015-intergenerational-report/>

<sup>5</sup> G Stevens, *The Long Run*, speech delivered 24 November 2015.

Treasury has projected the participation rate for Australians 15 years and over will decrease from 64.8 per cent in 2014-15 to 62.4 per cent in 2054-55, largely because of ageing (*Figure 1, below*).

**Figure 1**  
Historical and projected participation rates



To date, the ageing of the population has been offset by the increases in participation resulting from greater female participation in the workforce and more recently an increase in participation in the labour market by older workers.<sup>8</sup>

While any long-range economic projection needs to be viewed with some caution, the ageing of the population is likely to see an end to the longer-term increase in labour force participation. As a result – and everything else being equal – this would tend to make the labour market tighter than it has been.

Indeed, McKinsey noted in their 2017 report *A future that works* that the general consensus appears to be that flat or falling participation rates due to ageing may mean developed economies around the world may experience shortages of workers.<sup>9</sup>

<sup>6</sup> Australian Bureau of Statistics, *6202.0 Labour Force, Australia*, September 2018.

<sup>7</sup> The Treasury, *2015 Intergenerational Report: Australia in 2055*, published 5 March 2015, <https://treasury.gov.au/publication/2015-intergenerational-report/>

<sup>8</sup> Reserve Bank of Australia, *Ageing and Labour Supply in Advanced Economies*, December 2017, <https://www.rba.gov.au/publications/bulletin/2017/dec/5.html>

<sup>9</sup> McKinsey Global Institute, *A future that works: automation, employment and productivity*, January 2017.