

Demography and the new economy

John Quiggin

Australian Research Council Senior Fellow

ANU & QUT

DEMOGRAPHY And The New Economy

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Abstract

The term 'new economy' is used to refer to two distinct developments. The first is the increasing importance of pure services, particularly those related to information, and the corresponding decline in the importance of the goods-producing sector. The second is the liberalisation of product and labour market and the resulting decline of institutions like lifetime full employment. Although there are connections between these two developments, their demographic implications are quite different. An information-based economy implies long periods of education, late child-bearing and a reversal of the trend towards early retirement. Labour market liberalisation implies extensive use of redundancy as a tool for labour flexibility and an accentuation of the trend for workers over 50 to withdraw from the labour market. This trend has been sustainable so far because the baby boom has resulted in an increase in the proportion of the population aged between 25 and 54. Within the next decade, this proportion will start to decline. Whereas an 'old economy' perspective implies that the aging of Australia's population will not be a problem for some time, the 'new economy' implies that an 'aging crisis' could affect the economy in the near future.

Demography and the old economy

- Demographic transition and the aging population
- Dependency ratios
 - working age (15-64)/total population
- Implications for social security, health and education

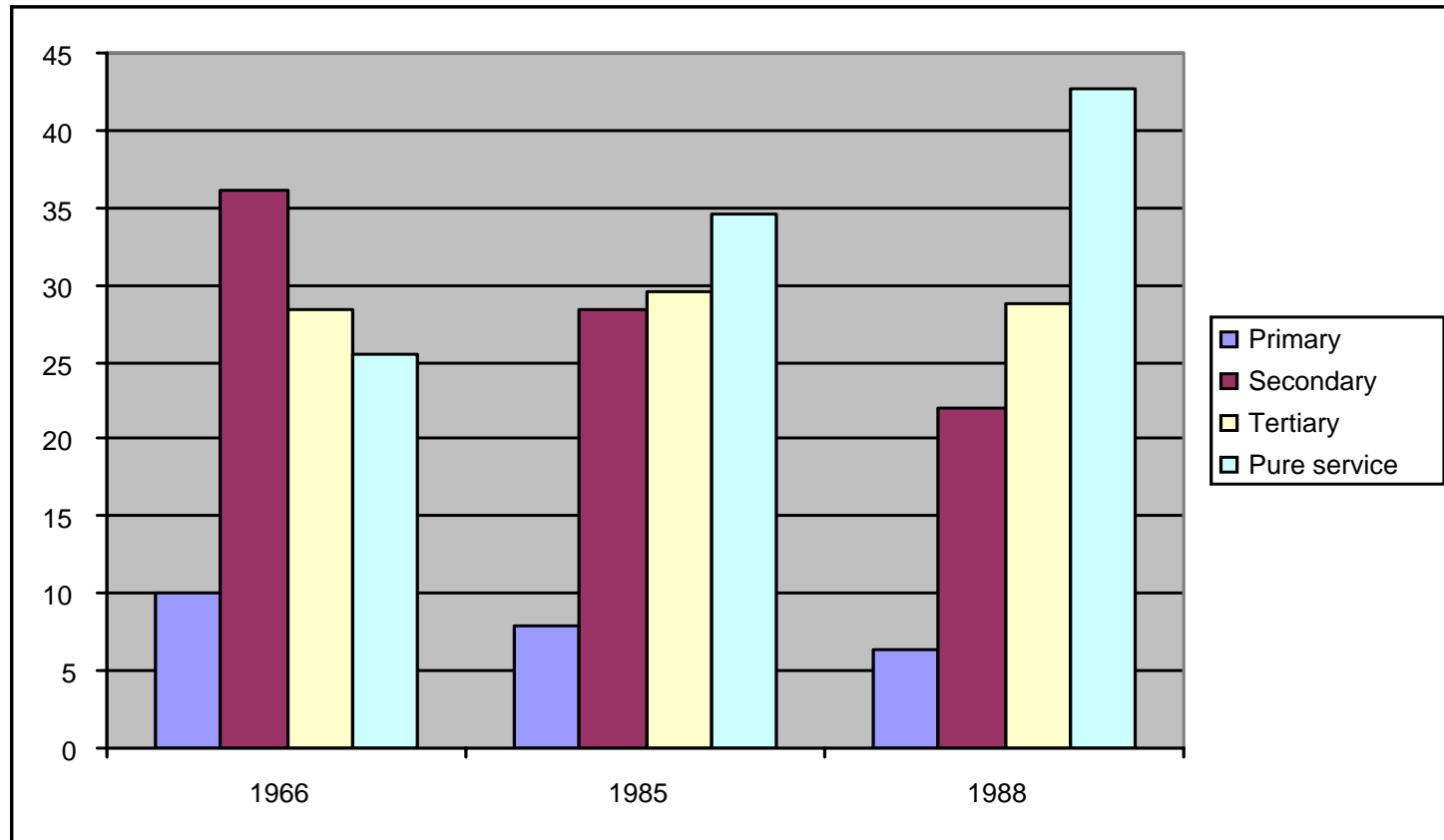
Two versions of the new economy

- Services and information
- Market dynamism
- Two faces of the same coin?

Shift from physical goods economy to service and information economy

- 19th century agricultural economy
- 20th century three-sector economy (primary, secondary, tertiary)
- 21st century pure service economy

Employment by sector 1966-98



Neoliberal new economy

- Shift from big and slow (business, government and labour) to small and fast
- free markets
- globalisation
- end of lifetime employment
- back to the 19th century?

The service/information new economy and the labour market

- Shift from labour to ‘human capital’
- Generalized cognitive skills vs on-the-job learning
- Steeper age-earnings profiles

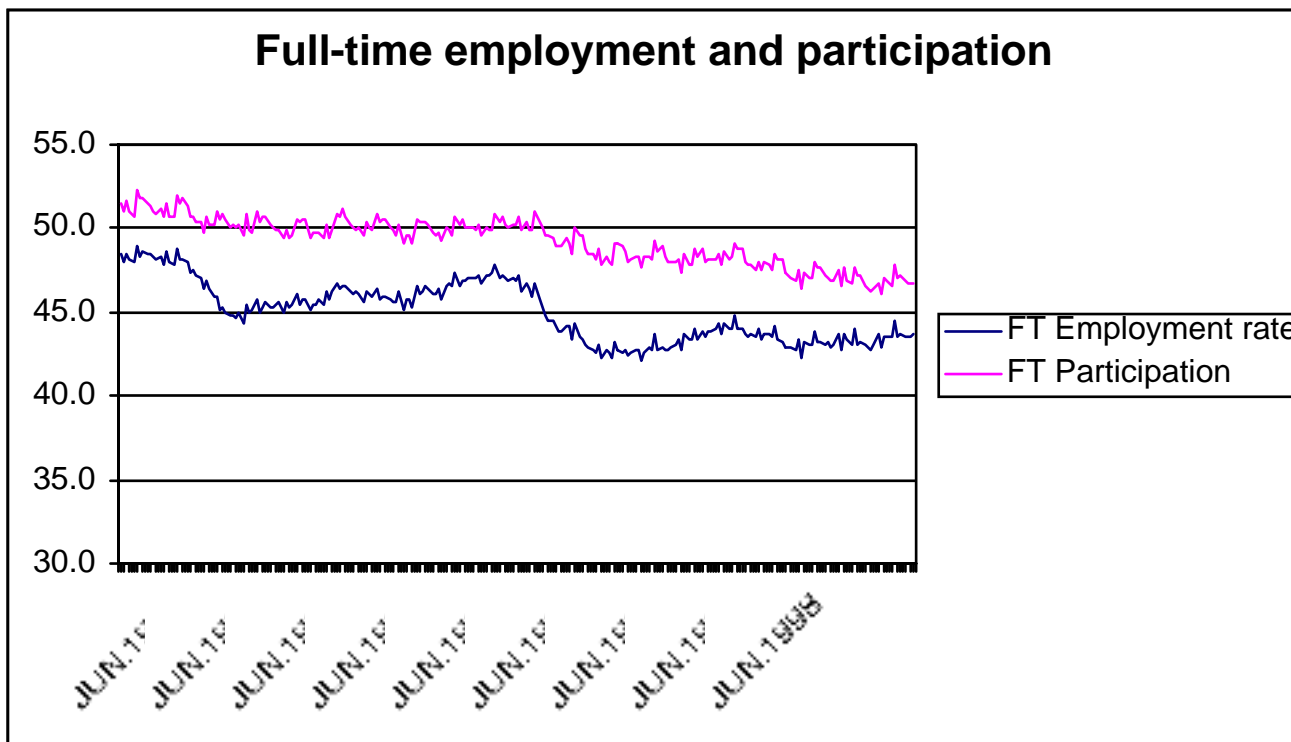
Demographic implications

- Long periods of formal education and dependency
- Late childbearing
- Combined impact implies end of 'empty nest' syndrome
- Optimal response is later retirement
- Traditional dependency ratio no longer meaningful

The neoliberal new economy and the labour market

- Polarization
 - overwork and underwork
 - inequality
 - focus on prime-age core workforce
- Insecurity and impermanence
- Work intensity and competition

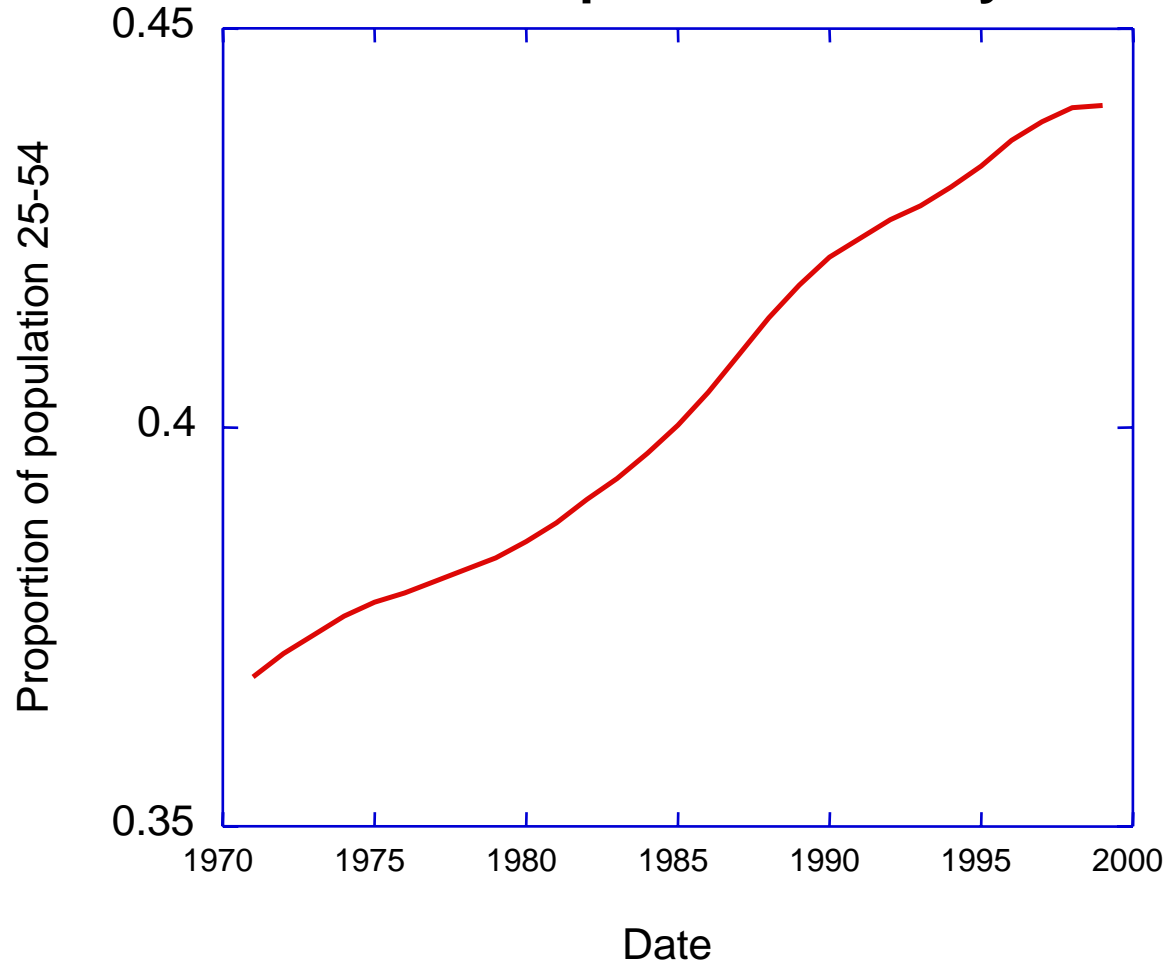
The decline in full-time employment



Demographic implications

- early retirement as a reward for success
- early redundancy as a tool for workforce flexibility
- Declining participation of older men
 - cohort effects offset this for women
- aging crisis may arrive several decades early

The labour force impact of the baby boom



Relative growth of age groups, 1979-99

