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Measuring the age at withdrawal from the labour force

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Abstract

Since 1981, the number of 45-84 year olds in the labour force has doubled. The withdrawal of this cohort from the labour force will have significant repercussions for the Australian labour force and the economy.

At what age do Australian's withdraw from the labour force? How should this age be measured? We investigate three methods of calculating the age at withdrawal the labour force of people aged 45-84 using ABS Labour Force Survey data from 1981-2003.

Two methods produce estimates of the expected age at withdrawal. The third method estimates the average age of people withdrawing from the labour force in each year. The average age shows a strong relationship between withdrawal age and labour market conditions. While the expected age is closely linked to participation rates.

We recommend the use of the average age to describe trends in age at withdrawal, because of it's relative simplicity.

The three methods give some broadly similar results:

- Recently, the age at withdrawal has been rising and is currently around the highest levels seen between 1981 and 2003. Good labour market conditions have contributed to this.
- Men withdraw at an older age than women. However, since 1981 this differential has decreased.
- The age at withdrawal from full-time participation is falling relative to the age at withdrawal from the labour force as a whole. It seems that although people may withdraw from full-time participation they can still maintain contact with the labour force through part-time participation.

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