

Accepted Manuscript

Mature Age Labour Force Participation and the Life Cycle Deficit in Australia:
1981-82 to 2009-10

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PII: S2212-828X(17)30009-9
DOI: <http://dx.doi.org/10.1016/j.jeoa.2017.08.001>
Reference: JEOA 127

To appear in: *The Journal of the Economics of Ageing*



Please cite this article as: J.B. Temple, Mature Age Labour Force Participation and the Life Cycle Deficit in Australia: 1981-82 to 2009-10, *The Journal of the Economics of Ageing* (2017), doi: <http://dx.doi.org/10.1016/j.jeoa.2017.08.001>

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Abstract

With inexorable population ageing, successive Australian governments have sought to implement policies, on both the production and consumption side, that place a greater onus on older citizens to be financially self-sufficient as a means of offsetting costs due to ageing. Over the previous 30 years, a time of considerable labour market growth and policy change, mature age labour force participation increased significantly in Australia. In this paper, we utilise the National Transfer Accounts methodology to examine the impact that the increases in mature age labour force participation have had on the Life Cycle Deficit – the difference between what age groups consume and what they produce through their own labour. We expected and found that the age entering the life cycle deficit is strongly influenced by changing patterns of mature age labour force participation. Both cross-sectional and cohort analyses show that over this 30 year time horizon, the ages at which the life cycle deficit moves from positive to negative territory and vice versa have gradually increased over time. The growth in mature age labour force participation since the turn of this century has led to large increases in mature age labour income, the most important effect of which appears to have been a substantial increase in private saving by mature age Australians. Implications of a recent slowing in mature age labour force participation in Australia are discussed.

Keywords: Ageing; Economic Life Cycle; Labour Force Participation; National Transfer Accounts.

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