



Demography: Driving Employment in South Australia. Are we prepared?

Research undertaken by:
The South Australian Centre for Economic Studies
University of Adelaide

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Introduction

South Australia's future labour force and economy will be significantly influenced by demographic trends, principally growth in the size of the older adult population in parallel and association with higher rates of chronic disease and growth in the disability industry. This reality contains implications, *inter alia*, for public policy, for public and private spending, for the demand for housing (and new styles of accommodation), overseas migration and workforce productivity. The consumer preferences of the older adult population will cause shifts in labour demand, in health and homecare services, in housing and accommodation styles that support greater independent living. In prospect then, some of the fastest growth sectors of employment and industries will be the Health Care and Social Assistance sector, Personal and Other Services, Medical and Allied Health Services.

The aging of the population also suggests, without a boost to international or interstate migration and higher retention rates of younger (and qualified) entrants to the labour force, that South Australia in sync with other States, will experience slower labour force growth and a decline in the labour force participation rate. As an aside, with the population of those 65 years and older expected to be the fastest growing of all groups, public, social and incomes policies, (the later specifically with respect for those in receipt of the aged pension) need to accommodate retention in the workforce for this age group. The South Australian Centre for Economic Studies has previously considered this requirement in an earlier paper.¹ It is important that the tax-transfer system – especially the aged pension – not impose undue financial penalties on labour force participation by this group.

In the next decade and beyond projected employment growth is likely to be concentrated in the Health Care and Social Assistance sectors. This is a situation as noted above that will be driven by demographic trends and it is not unique to South Australia. The US Bureau of Labor Statistics, analysing industry, occupations and employment projections, recently reported that:

*“Along with the management of companies and enterprises sector, the healthcare and social assistance sector is projected to see the fastest employment growth between 2022 and 2032. Employment in this sector is expected to grow 9.7 percent, over 3 times as fast as the average jobs growth for the overall economy. The healthcare and social assistance sector is also expected to add 2.1 million jobs over the projections decade, which represents the most jobs added by any sector and approximately 45 percent of all the projected job gains from 2022 to 2032”.*²

There will be emerging demands for new services for the aged and those with a disability, such as support for home care, community care, 'aging in place', new styles of accommodation along with what we know as the traditional 'nursing homes and retirement villages/places' which will necessitate significant shifts in both public policy and private investment.

Pointing to the future.....

Several issues raised in the *Intergenerational Report 2023 (IGR)*, released on 24 August by the Federal Treasurer, and the *Annual Jobs and Skills Report 2023* released 3 October by Jobs and Skills Australia (JSA), point to a need for more focus by South Australian policy makers and business leaders on industry policy; regulation design and load, particularly in land supply and housing; and labour force productivity.

¹ SACES Report, 65 Years and Over Industry Sector Workforce Participation Published by SACES funded under the Independent Research Fund, October 2022

² US Bureau of Labor Statistics Monthly Labor Review October 2023

In particular, we note the outlook in the IGR 2023 for:

- Continued strong growth in public and private spending and employment in Health Care and Social Assistance combined to become the largest employment sector (and fastest growing) nationally, while that is already the case in South Australia;
- Reduced overseas immigration, limiting potential labour force growth when SA has the mainland's oldest and fastest ageing population; and
- Productivity growth nationally to average a historically low 1 per cent per annum, suggesting broadly stagnant real per capita wages after tax.

In the absence of better policy settings, South Australians face continued labour and housing shortages, further rises in the tax burden and stagnant real per capita incomes.

In SACES August 2021 Report *COVID-19 and Potential Impact on South Australia's Population* we showed how employment growth in South Australia from 2010 to 2020 was largely in areas closely related to Health and Aged and Disability Care, including Personal and Other Services.

Over that decade, the ABS original estimates showed that Health Care and Social Assistance and Personal and Other Services collectively contributed around a net 26,000 jobs, or 64 per cent of total net jobs growth. This was at a time of contraction in Manufacturing employment as the further demise of the Australian automotive construction industry saw employment in Manufacturing fall by just over 7,700, and from 9.7 per cent of total SA employment in 2010 to 8.3 per cent in 2020.

The Health Care and Social Assistance and Personal and Other Services collective share of total employment increased from 15 per cent in 2010 to 17.4 per cent in 2020. Recent upward revisions to the ABS estimates of total SA employment and employment in these sectors (+2,200) have retained the 2020 share of these sectors in total SA employment at 17.4 per cent.

On the basis of the Australian Bureau of Statistics' then, and still current, Series C population projections for accelerating growth in the SA population 65 years and older, we projected further net growth of 30,000 in Health and Aged and Disability Care employment, including Personal and Other Services, by 2030.

That level of net jobs growth was expected to be well ahead of the forecast labour force growth in view of the underlying labour force ageing and COVID-19 impacts on international migration to SA. We noted this could lead, inter alia, to looming labour shortages in health, aged and disability care and associated personal care and other services and rising skills mismatches.

Those shortages and skills mismatches are readily apparent two years later. Despite stronger than anticipated international immigration, as discussed below, this has been more than outweighed by much faster than forecast growth in employment demand and actual jobs in Health Care and Social Assistance and Personal and Other Services.

As shown in Table 1, in 2022/23 employment in Health Care and Social Assistance and Personal and Other Services was 181,300 in 2022/23, an increase of 32,600, or 21.9 per cent, from 2019/20 to 2022/23, so running well ahead of our 2021 projected net increase from 2020 to 2030. This is after making allowance for the ABS's upward revised estimates of employment in these sectors in 2020.

This growth contributed over 40 per cent of total employment growth from 2019/20 to 2022/23 and resulted in its collective share of total employment rising from 17.4 per cent in 2019/20 to 19.4 per cent in 2022/23. As can be seen from Table 1, this share is substantially higher than any other sector, and around double that of either Construction, Retail Trade or Education and Training.

Part of this stronger than expected growth is likely to be a result of the continued impact of COVID-19, with employment in Hospitals up 8,625, or a 29.2 per cent between 2019/20 and 2022/23. However, even this increase is dwarfed by the 18,000 increase, or 83.5 per cent lift, in employment in Other Social Assistance Services to 39,600 in 2022/23. This now exceeds total employment in Hospitals in SA, as shown in Table 1.

Table 1: South Australian Employment by Main Job by Industry Sector

	2022/23				2019/20		2012/13	
	Number Employed '000	% Share of Total	'000 change from 2019/20	% change from 2019/20	Number Employed '000	% Share of Total	Number Employed '000	% Share of Total
4 Qtr average								
Employment Total								
Agriculture, Forestry and Hunting	38.30	4.1%	7.12	22.8%	31.18	3.6%	31.83	3.9%
Mining	13.06	1.4%	1.05	8.7%	12.01	1.4%	12.25	1.5%
Manufacturing	69.61	7.4%	-3.05	-4.2%	72.66	8.5%	71.56	8.9%
Electricity, Gas, Water and Waste Services	11.55	1.2%	-1.07	-8.4%	12.62	1.5%	10.09	1.2%
Construction	81.18	8.7%	8.87	12.3%	72.31	8.4%	66.73	8.3%
Wholesale Trade	24.96	2.7%	-0.56	-2.2%	25.51	3.0%	29.63	3.7%
Retail Trade	90.53	9.7%	3.02	3.4%	87.52	10.2%	92.08	11.4%
Accommodation and Food Services	61.55	6.6%	3.78	6.6%	57.76	6.7%	50.92	6.3%
Transport, Postal and Warehousing	43.17	4.6%	6.20	16.8%	36.96	4.3%	36.00	4.5%
Information Media and Telecommunications	10.51	1.1%	-4.01	-27.6%	14.52	1.7%	13.85	1.7%
Financial and Insurance Services	28.31	3.0%	8.25	41.1%	20.06	2.3%	21.59	2.7%
Rental, Hiring and Real Estate Services	10.35	1.1%	-0.96	-8.5%	11.31	1.3%	12.98	1.6%
Professional, Scientific and Technical Services	69.26	7.4%	9.02	15.0%	60.24	7.0%	49.51	6.1%
Administrative and Support Services	31.77	3.4%	-2.36	-6.9%	34.12	4.0%	26.63	3.3%
Public Administration and Safety	62.52	6.7%	7.43	13.5%	55.08	6.4%	53.48	6.6%
Education and Training	76.50	8.2%	0.60	0.8%	75.90	8.9%	68.87	8.5%
Health Care and Social Assistance								
Health Care and Social Assistance nfd	0.06	0.0%	na	na	na	na	na	na
Hospitals	38.17	4.1%	8.62	29.2%	29.54	3.5%	31.89	3.9%
Medical and Other Health Care Services								
850 Medical and Other Health Care Service	0.83	0.1%	-1.03	-55.3%	1.85	0.2%	5.85	0.7%
851 Medical Services	15.63	1.7%	2.18	16.2%	13.45	1.6%	11.32	1.4%
852 Pathology and Diagnostic Imaging Serv	4.71	0.5%	0.03	0.6%	4.68	0.5%	4.94	0.6%
853 Allied Health Services	21.46	2.3%	4.23	24.6%	17.23	2.0%	11.61	1.4%
859 Other Health Care Services	3.40	0.4%	0.29	9.5%	3.11	0.4%	1.85	0.2%
Residential Care Services	28.47	3.0%	-0.37	-1.3%	28.83	3.4%	21.40	2.6%
Social Assistance Services								
870 Social Assistance Services nfd	1.44	0.2%	1.20	493.1%	0.24	0.0%	1.23	0.2%
871 Child Care Services	8.50	0.9%	-1.59	-15.8%	10.09	1.2%	8.07	1.0%
879 Other Social Assistance Services	39.56	4.2%	18.00	83.5%	21.55	2.5%	17.04	2.1%
Health Care and Social Assistance: Total	162.23	17.3%	31.64	24.2%	130.59	15.3%	115.19	14.3%
Arts and Recreation Services	11.02	1.2%	-0.62	-5.4%	11.65	1.4%	12.28	1.5%
Other Services								
Repair and Maintenance	20.83	2.2%	5.11	32.5%	15.72	1.8%	13.79	1.7%
Personal and Other Services	19.08	2.0%	0.93	5.1%	18.15	2.1%	18.50	2.3%
Undifferentiated Goods- and Service-Producing Activities of Households for Own	0.23	0.0%	0.23	na	na	na	na	na
Total Employment	936.50		80.62	9.4%	855.88		808.12	

Source: ABS Cat EQ06 August 2023

Take up of NDIS.....

This much stronger growth than we forecast in 2021 appears at least in part to be a result of much faster than expected take-up of services under the National Disability Insurance Scheme, in line with the national experience.

Following the full rollout of the NDIS from July 2016, by 30 June 2017 SA had 11,051 NDIS plans approved. By June 2020 there were 35,206 active NDIS participants in SA and 52,501 by June 2023.

This was 8.6 per cent of the national total of 610,502 which is currently 28.5 per cent above the 475,000 expected participants, probably as a peak level, noted in the Productivity Commission's 2019 National Disability Review. An area which appears to have grown much faster than expected when the NDIS was established has been participation by children with developmental delay and autism.

In March 2017 the South Australian Government Submission to the Productivity Commission Review of NDIS costs noted:

“The inclusion of children with developmental delay in the Scheme and high numbers of children with Autism Spectrum Disorder have resulted in higher than expected numbers of children entering the Scheme in SA. 2011 Productivity Commission estimates suggested that approximately 8,500 children aged from birth to 14 years would enter the Scheme in SA. SA is now expecting approximately 11,000 participants in this age range.”³

Nationally, the number of NDIS participants with Autism grew from 151,433 in June 2021 to 214,880 at June 2023. By then SA had 21,332 NDIS participants with Autism. This represented 40.6 per cent of all SA NDIS participants and 10 per cent of participants with Autism nationally, slightly above SA's 9 per cent share of all NDIS participants.⁴

The Job Skills Australia's (JSA) *Annual Jobs and Skills Report 2023* released 3 October forecasts continued strong growth nationally and in SA in demand and employment in Health Care and Social Assistance. This report notes that of the top 20 Occupations in demand in SA in mid-2023, Registered Nurses ranked No.1, Aged and Disability Carers No.2 and Generalised Medical Practitioners No.4.⁵

Nationally, JSA forecasts growth of 12.1 per cent in employment in Health Care and Social Assistance from 2023 to 2028 and 25.1 per cent in the decade to 2033. These forecasts would take into account the already stronger than expected growth in NDIS participation since 2017. In view of SA's demographics, apart from perhaps Childcare Services' worker demand, it would be unlikely SA's projected growth rates would be lower than nationally.ⁱ

Applying those types of growth rates to South Australia would see a projected lift in employment in Health Care and Social Assistance and Personal and Other Services by some 21,000 to 2027/28 and 43,000 to 2032/33.

In Table 2 one scenario is presented using these employment projections and assuming Other Employment grows at 1 per cent per annum. Addressed below are some of the assumptions used for migration and labour force participation.

In broad terms, however, the projected growth in employment is expected to soon be well ahead of the projected labour force capacity. A commentator to this paper noted that “the NDIS does not admit new entrants who develop a disability at 65 years or older, as it is not intended to deal with aging. But there is protest about this among 65-and-overs, and there is/will be pressure to extend NDIS-type services to people developing disability at 65 years of age and older. The 65-and-over group is politically very influential”⁶, potentially placing further upward pressure on employment in this sector.

³ Productivity Commission Review of NDIS Costs, Submission from the South Australian Government March 2017, page 4

⁴ <https://data.ndis.gov.au/reports-and-analyses/participant-dashboards/autism>

⁵ Annual Jobs and Skills Report 2023 Job Skills Australia October 2023

⁶ SACES staff reviewer

Trends in Migration and Labour Supply.....

It appears the strong growth in post COVID-19 employment in South Australia of 80,600 between 2019/20 and 2022/23, on the average of ABS quarterly estimates, has been largely met from the unemployed getting work, with unemployment now at the lowest levels since the 1970s; a large increase in Net Overseas Migration (NOM); and a rise in labour force participation to likely record highs:

- Unemployment fell by around 23,600, with the unemployment rate falling from 6.8 per cent in 2019/20 to 4.0 per cent for 2022/23;
- The Civilian population of 15 years and over grew by 53,900;
 - Much of this would appear, however, to be as a result of Net Overseas Migration estimated at 37,700, although this would likely include some people under 15 years; and
 - Net Interstate Migration gains of around 5,000, noting 4,851 of this was in 2020/21.
- There was an increase in labour force participation from 62.5 per cent in 2019/20 to 64.1 per cent in 2022/23 of the civilian population 15 years and over. This is estimated to have added around 23,000 to the labour force.
 - Part of this increase in the labour force participation rate probably came as a result of the large increase in Net Overseas Migration, as this is likely largely of people intending to work, and the Net Interstate Migration gains of people, often returning to SA during the Pandemic who were also likely young and looking for work.
 - In South Australia both unemployment and underemployment rose sharply in the pandemic but then fell sharply in the recovery and are now below pre-pandemic levels as noted above.

The large increase in Net Overseas Migration post the Pandemic has boosted South Australia's population growth to the highest pace since the 1970s.

Other population growth sources have been weakening. While Net Interstate Migration (NIM) was an inflow of 4,851 in 2020/21, after decades of net loss, that had declined to a 231 net inflow in 2021/22 and what looks like a small loss in 2022/23.

Net natural increase in South Australia has generally continued to decline with the number of births broadly static since 2019 and deaths rising in 2021 and 2022.

Regarding the ageing of the South Australian population and workforce, the current surge in net overseas immigration and the reversal in 2020/21 of population losses interstate will be expected to have been generally of people under age 70.

This increased overseas immigration and the gains of people from interstate would likely have increased the number and share of the population aged 15 to 70 years. In addition, the labour force shortages in 2020 and 2021 drew more people into the workforce, including older South Australians.

These three factors contributed to a rise in the ratio of the ABS estimates of the labour force participation rate, i.e., those employed or looking for work, to the overall population 15 years and over. This ratio rose to an estimated trend level of 64.4 per cent by June 2023, the highest since ABS estimates began in the 1970s.

Other indicators of the pressures on the labour supply at the end of 2022/23 are the ABS trend estimate of the employment to population ratio by June 2023 being at 61.9 per cent, the highest since these estimates began while the trend unemployment rate of 3.7 per cent and 21,700 unemployed looking for full time work are each the lowest since the ABS started these estimates.

The scenario shown in Table 2 assumes NIM will again be negative from 2024/25 but at about half the pre-Pandemic levels. The scenario also uses the IGR 2023 projection of Net Overseas Migration nationally reducing to 235,000 from 2024/25 and SA's share of this being 14,100, i.e., 6 per cent.

Table 2: South Australian Population and Employment Projections

	Population start year (1)	Net natural Population Increase (1)	Net Interstate Migration (1)	Net Overseas Migration (1)	Population end year (1)	Population Growth % pa	Population 15 years and over 30 June (2)	Population 15 years and over 30 June as % of Total	Labour Force June 30 (2) '000	June Labour Force as % of population 15 years and over	Employment Health Care & Social Assistance & Personal and Other Services Average '000	Other Employment Average '000	Total Employment Average '000	Unemployment Rate 30 June %
2012/13	1,656,725	7,363	-4,761	11,678	1,671,488		1,371,192	82.0%	855,968	62.4%	133.8	674.3	808.1	5.6
2013/14	1,671,488	7,192	-3,890	11,640	1,686,945	0.92	1,383,830	82.0%	866,488	62.6%	128.3	668.1	796.4	6.8
2014/15	1,686,945	6,472	-4,570	11,152	1,700,668	0.81	1,395,311	82.0%	874,226	62.7%	135.1	670.7	805.8	7.9
2015/16	1,700,668	6,539	-7,212	11,283	1,712,843	0.72	1,404,440	82.0%	874,329	62.3%	138.5	668.3	806.8	7.0
2016/17	1,712,843	5,683	-6,300	12,175	1,728,673	0.92	1,419,595	82.1%	889,584	62.7%	138.5	681.7	820.2	6.4
2017/18	1,728,673	5,031	-4,672	12,724	1,746,137	1.01	1,436,112	82.2%	903,156	62.9%	154.9	688.9	843.8	5.3
2018/19	1,746,137	4,971	-3,313	15,141	1,767,395	1.22	1,455,940	82.4%	924,228	63.5%	144.6	712.6	857.2	5.8
2019/20	1,767,395	4,818	-1,253	14,938	1,790,355	1.30	1,477,892	82.5%	915,917	62.0%	148.7	707.1	855.9	8.4
2020/21	1,790,355	5,360	4,851	-2,839	1,802,601	0.68	1,487,553	82.5%	937,257	63.0%	153.7	717.4	871.1	5.2
2021/22	1,802,601	4,061	231	14,193	1,821,086	1.03	1,506,229	82.7%	955,665	63.4%	174.5	730.6	905.0	4.3
2022/23 est	1,821,086	3,267	-55	25,619	1,849,917	1.58	1,536,471	83.1%	990,323	64.5%	181.3	755.2	936.5	4.0
2023/24 f'cast	1,849,917	3,500	-200	24,000	1,877,217	1.48	1,559,145	83.1%	997,853	64.0%	184.9	762.7	947.7	
2024/25 f'cast	1,877,217	3,500	-1,000	18,000	1,897,717	1.09	1,576,172	83.1%	1,007,174	63.9%	188.6	770.4	959.0	
2025/26 f'cast	1,897,717	3,500	-2,600	14,100	1,912,717	0.79	1,588,630	83.1%	1,013,546	63.8%	192.4	778.1	970.5	
2026/27 f'cast	1,912,717	3,500	-2,600	14,100	1,927,717	0.78	1,601,089	83.1%	1,019,894	63.7%	196.7	785.9	982.6	
2027/28 f'cast	1,927,717	3,500	-2,600	14,100	1,942,717	0.78	1,613,547	83.1%	1,026,216	63.6%	201.2	793.7	994.9	
2028/29 f'cast	1,942,717	3,500	-2,600	14,100	1,957,717	0.77	1,626,006	83.1%	1,032,514	63.5%	205.7	801.6	1,007.3	
2029/30 f'cast	1,957,717	3,500	-2,600	14,100	1,972,717	0.77	1,638,464	83.1%	1,038,786	63.4%	210.3	809.7	1,020.0	
2030/31 f'cast	1,972,717	3,500	-2,600	14,100	1,987,717	0.76	1,650,922	83.1%	1,045,034	63.3%	215.0	817.8	1,032.8	
2031/32 f'cast	1,987,717	3,500	-2,600	14,100	2,002,717	0.75	1,663,381	83.1%	1,051,257	63.2%	219.9	825.9	1,045.8	
2032/33 f'cast	2,002,717	3,500	-2,600	14,100	2,017,717	0.75	1,675,839	83.1%	1,057,455	63.1%	224.8	834.2	1,059.0	

Sources: (1) ABS Cat. 3101.0 Table 2: Population Change, Components States and Territories (Number) and Table 4: Estimated Resident Population States and Territories (Number). March 2023 released 14/9/2023.
(2) ABS Cat. 6202.0 Labour Force Australia Table 7: Labour Force status by sex, South Australia, August 2023, released 14/9/2023.

With overseas immigration per annum to South Australia projected to be steady to lower on the basis of the IGR 2023 projections, and NIM turning again negative, along with the underlying factor of the population aged 70 and over growing faster than the population over 15 years, the ratio of the South Australian labour force to the South Australian population over 15 years seems likely to gradually fall back in the absence of appropriate policy decisions.

The scenario assumes a decline of the ratio of the SA labour force to the SA population over 15 years to just over 63 per cent by June 2033. This is still, however, above the pre-Pandemic decade average.

The ABS's latest population projections for Australia and South Australia were released in 2018. Table 3 shows the ABS projections for South Australia for the age groups 0 to 14 years, 15 to 69 years and 70 years and over.

Each of the projection series are falling well short of the actual ABS estimated SA population totals since 2017. This appears principally due to Net Overseas Migration being higher and Net Interstate Migration losses being lower through and after the pandemic than used by the ABS in its 2018 projections.

NOM was assumed to range from 15,000 per annum on the higher projections (Series A) to 10,000 on the lower projection (Series C). Actual NOM in each of 2017/18, 2018/19, 2019/20 and 2021/22 was close to 15,000 per annum.

While actual Net Overseas Migration gains higher than assumed would likely mean stronger than projected growth in the potential labour force (ages 15 years and over), it may also be adding now to the age group 70 and over. While it is mainly the young moving interstate, the COVID-19 shutdowns may have also reduced the number of older people moving.

As shown in Table 3, the ABS's estimates of the population in the 70 years and over age group are running ahead of the projected populations in this age group in its higher growth Series. A.

Table 3: South Australian Age Profiles Estimates and Projections

	Total	0 -14	15 - 69	70 and over	70 years and over as % of total population	70 years and over as % of age group 15 years and over
ABS estimates						
Jun-2017	1,728,673	306,186	1,205,921	216,566	12.5	15.2
Jun-2022	1,821,086	311,607	1,250,779	258,700	14.2	17.1
ABS Projection - Higher growth						
Jun-2022	1,789,704	317,768	1,219,408	252,258	14.1	17.2
Jun-2027	1,866,249	329,305	1,248,151	288,793	15.5	18.8
Jun-2032	1,943,797	345,209	1,271,738	326,850	16.8	20.4

Source: ABS Cat. 3222.0 Population projections, Australia. Table A4 Population Projections by Age and Sex, South Australia – Series A. Released 22/11/2018.

Also of note is that the changes to NOM and NIM in recent years would be expected to mitigate to some degree the ageing of the workforce. However, the ratio of estimated population in the 70 years and over group to the total potential labour force age group of 15 years and over is still tracking higher in line with the projections.

So, to the future.....

Several questions remain: will the expected growth in employment in Healthcare and Social Assistance and Personal and Other Services be sufficient to meet the needs of an ageing population; will the growth be sufficient to meet the likelihood of expected continued growth in NDIS related demand and achieve the expected increased service standards (which will largely require increased and more skilled labour inputs) as foreshadowed in the Aged Care and Disability Royal Commissions?

Building on this issue, how does overseas immigration, even at the lower level of 14,100 per annum as implied by the IGR 2023 from 2024/25 or likely closer to 20,000 per annum if national policies were to accommodate South Australia's specific needs, impact the SA housing and land development sector?

This sector is already under high demand strain with reported record low rental vacancy rates of under 1 per cent; continued growth in established home sale prices to new record highs; and reported construction skills and labour shortages contributing to both delays and increased costs. Notably, there was a surge in Adelaide of some 42 per cent from June 2021 to June 2023 in the price index of New Dwelling Purchases by Owner Occupiers reported by the ABS in the June Quarter CPI release.⁷

The scenario presented assuming a progressive reduction in NOM back to 14,100 per annum in 2025/26 would imply a continued high new housing demand for the foreseeable future. By June 2027/28 the projected population growth is some 92,000, after growth of 82,500 in the five years to June 2023.

Part of the response to the expected increased labour demand should be a focus on increased labour force participation by the current population, and particularly those 65 years and over.

In this context, in the lead-up to the Jobs and Skills Summit in September 2022, SACES called for reform of the Income Test applying to Age Pensioners. This test was considered a significant disincentive to labour force participation by Age Pensioners due to the Age Pension pay merits potentially lost by relatively low levels of casual employment.⁸ This Report was covered by The Conversation on 30/8/2022.⁹

In September 2022 the Federal Treasurer announced the implementation of a temporary upfront \$4,000 income bank on top of the Income Test free earnings zone. In September 2023 as a policy decision coming out of the *Employment White Paper*, Ms Amanda Rishworth, the Minister for Social Services, announced this measure was to be made permanent and the income bank was to be increased to \$11,800 and could be carried forward. Other measures to reduce the immediate impact of the Income Test were also announced.

Along with measures to increase labour force participation, there should be a focus on how stronger productivity growth can be achieved in the Healthcare and Social Assistance and Personal and other Services sectors. Within what is expected to be in coming years overall private and public sector funding constraints, higher productivity as at least a part substitute for forecast workforce increases could help to sustainably raise wages and service standards.

The service standards issue should also be considered in the dual contexts of:

- What needs to be done now to improve standards in aged and disability care as brought up in the respective Royal Commissions; and
- How expectations of standards are likely to increase through time. Baby Boomers are showing different expectations of what they want to do post full-time work compared to their Silent Generation parents. It seems likely they will also have different expectations about accommodation, where it is located, types of Aged Care, end of life supports, how much of the estate will be spent now rather than passed on etc.

Stronger productivity growth would also have other benefits to the SA workforce in being able to sustainably accommodate stronger wages growth and a likely lower per capita tax burden.

⁷ ABS Cat 6401.0 Consumer Price Index Australia, Table 9: CPI: Group, Sub Group and Expenditure Class Index Numbers by Capital City

⁸ SACES Report *Possible Impacts of Reducing the Disincentive for Age Pensioners to Increase Paid Employment* August 2022

⁹ The Conversation *A fast fix for the jobs summit: let retirees work without docking their pension* 30/8/2022 <https://theconversation.com/a-fast-fix-for-the-jobs-summit>: let-retirees-work-without-docking-their-pension-188704

For example, if real pre-tax wages were to grow in line with the IGR 2023 projections of national productivity growth of 1 per cent per annum and there was, as expected, no reduction in personal income tax rates, even modest inflation rates would imply static to lower after-tax incomes.²

Better than IGR 2023 projected productivity growth may also work to reduce the growth in building, land and housing prices while stronger productivity growth at a national level would also likely contribute to lower inflation and home loan interest rates.

In following papers, we will consider how this agenda might be progressed through possible regulatory reform, including regarding skilled labour visas and labour force participation; more efficient government decision making and implementation to reduce public and private sector costs; and how the application of new technologies including Artificial Intelligence, Machine Learning and robotics in Healthcare and Social Assistance could assist.

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Endnotes

¹ Clarifying the comment that "In view of SA's demographics ... it would be unlikely SA's projected growth rates would be lower than nationally". Important to note that the focus of this paper is on the immediate and short-term labour force over the next decade out to 2033. Out to 2033 South Australia is projected to age faster on each of the ABS Series when looking at the proportion of the population 70 and over. We start at a higher proportion, and it rises faster. In the longer term (based on ABS population and age estimates out to 2060) the absolute growth of the 65-and-over population will be considerably stronger for Australia than South Australia. On the ABS "medium" series, SA's population of 65-and-overs grows by 1.1% per annum from 2017 to 2066, while Australia's grows by 1.8% per annum.

² The statement is based on several assumptions including legislated personal tax rates on wage growth, real pre-tax incomes rising at 1.0 per cent per annum, CPI growth of 3 percent, the impact of bracket creep into the future subtracting about 0.4 percentage points with the result that real after-tax incomes are rising by about 0.6% p.a. Overall, the key point is the damaging impact on real after tax wages the smaller is the contribution of productivity growth to overall wages growth.