

An Australian Partnership

WORK BUSINESS

AGEING

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Fact Sheet One:

Ageing in Context

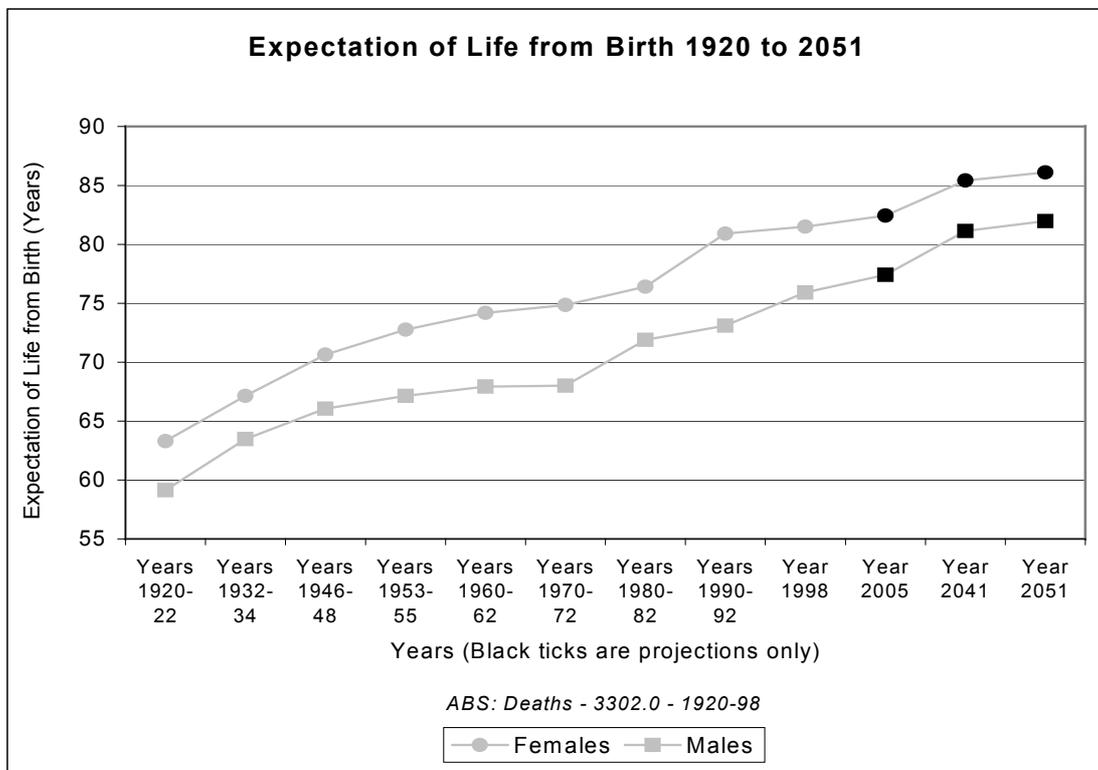
Two thirds of all people who have ever lived beyond 65 are alive today – Business Review Weekly cited by Access Economics

The population of Australia is ageing through the interplay of two key demographic variables – life expectancy rates and fertility levels. The level of immigration, while increasing the volume of people, has had very little impact on the age structure of the population.

Expectation of Life

Throughout the last century the life expectancy of both men and women in Australia has increased substantially and this trend is expected to continue well into the future.

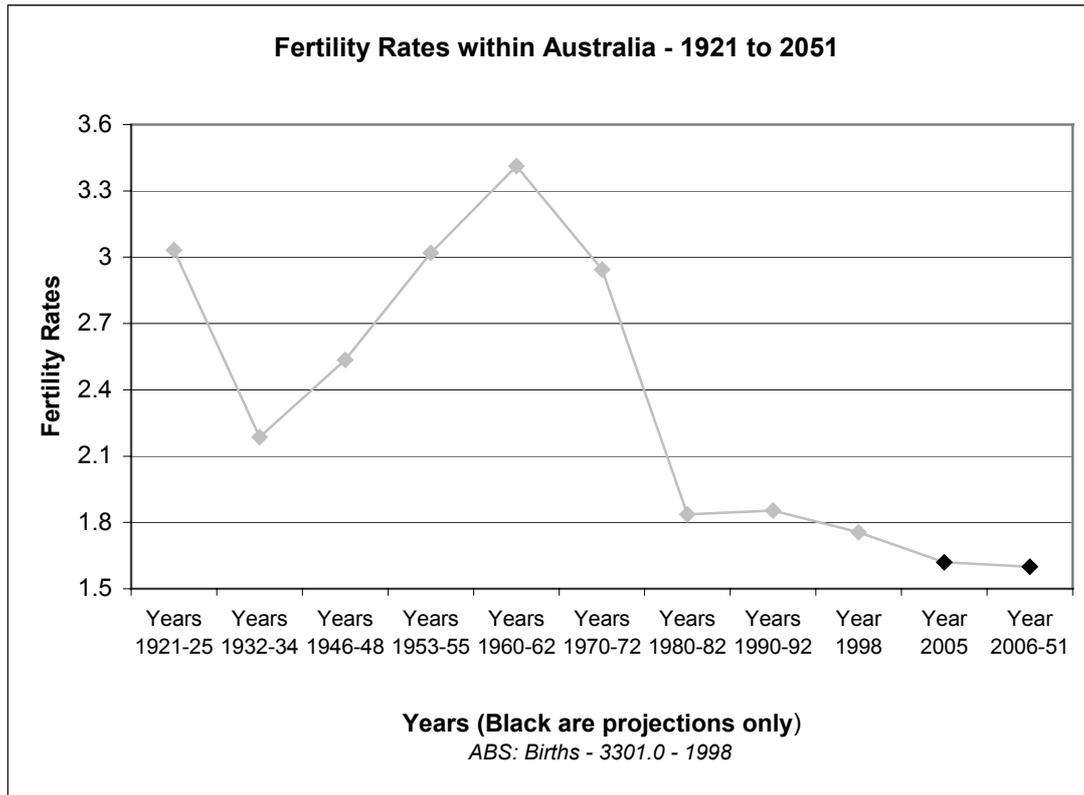
Today the average life expectancy of a female is 81½ years of age and for a male is 76 years. This represents an increase of 10 years of life for both males and females over the last half-century. Furthermore, by the year 2051 the life expectancy for females will be 86 years and 82 years for males.



Fertility Rates

Fertility rates¹ have declined in Australian society since its peak in the early 1960's, when the average fertility rate hit 3.4. Today the fertility rate is just 1.7 and it is expected to fluctuate around 1.6 into the future.

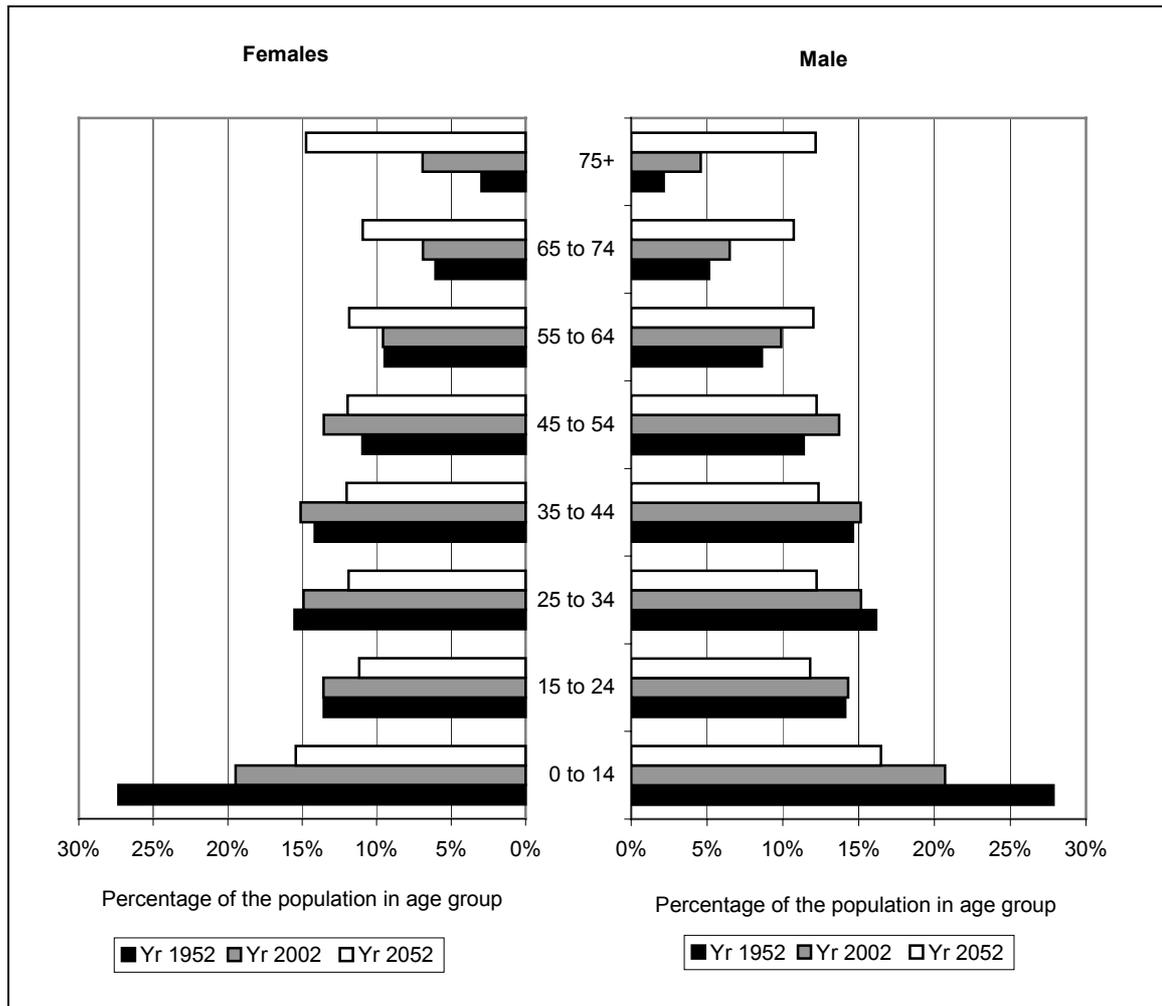
Coupled with the increased life expectancy of Australians, decreasing fertility rates have, and will continue to create, an ageing society.



¹ Fertility rates are calculated on the average number of children born to each woman in the population.

The Age Profile of Australia: 1952 to 2052

The chart below shows that given the trends in fertility and life expectancy the age distribution of the Australian population has shifted from 'bell curve' shaped distribution to a thinner 'hour glass' shaped distribution. The proportion of the population that will be aged under 45 years has declined from close to three-quarters of the population in 1953 to two-thirds of the population today². By 2052, the population aged under 45 years is expected to represent just over a half of the population.



² Australian Bureau of Statistics (1999) Population Projections & Historical Populations ABS CAT NOS: 3105.1 & 4102.0

The implications of an ageing population on Australian industry and government

Australian industry has and will continue to experience the impact of an ageing Australia on both their demand and supply sides. On the demand side consumer needs will change as the baby boomers – the largest age cohort of the 20th century – move into older age. This will affect the volume and type of consumption, as well as businesses' target markets.

The supply of labour will contract as the pool of labour aged under 45 years declines. This change will have implications on human resource practices in relation to recruitment, retention, training and policies toward occupational health and safety and workplace discrimination.

Across all domains of government the demographic shift towards an ageing society is requiring current policies, budgets and programs to be reassessed. The development of comprehensive employment, education and training strategies that realise the implications of demographic change and the potential to retain workers in employment into later life have the potential to offset costs associated with the ageing of the population and shore up precarious labour supply.

Fact Sheet Two:

A Mature Workforce? – The Impact of Population Ageing on the Workforce

Peter Drucker, seminal thinker on and father of modern management, views the ageing of the workforce to be the single most significant issue for Human Resource managers over the next century – Peter Senge, People, Profit and Ageing Conference, 1999

Currently the supply of working age people (15-64 years) grows at 170,000 a year. The growth in the working age population for the entire ten-year period (2020-2030) however, will be only 125,000.³

The population of Australia is ageing. The demographic parameters of the workforce need to mirror this change in order to service the supply of labour and reflect changing consumer needs.

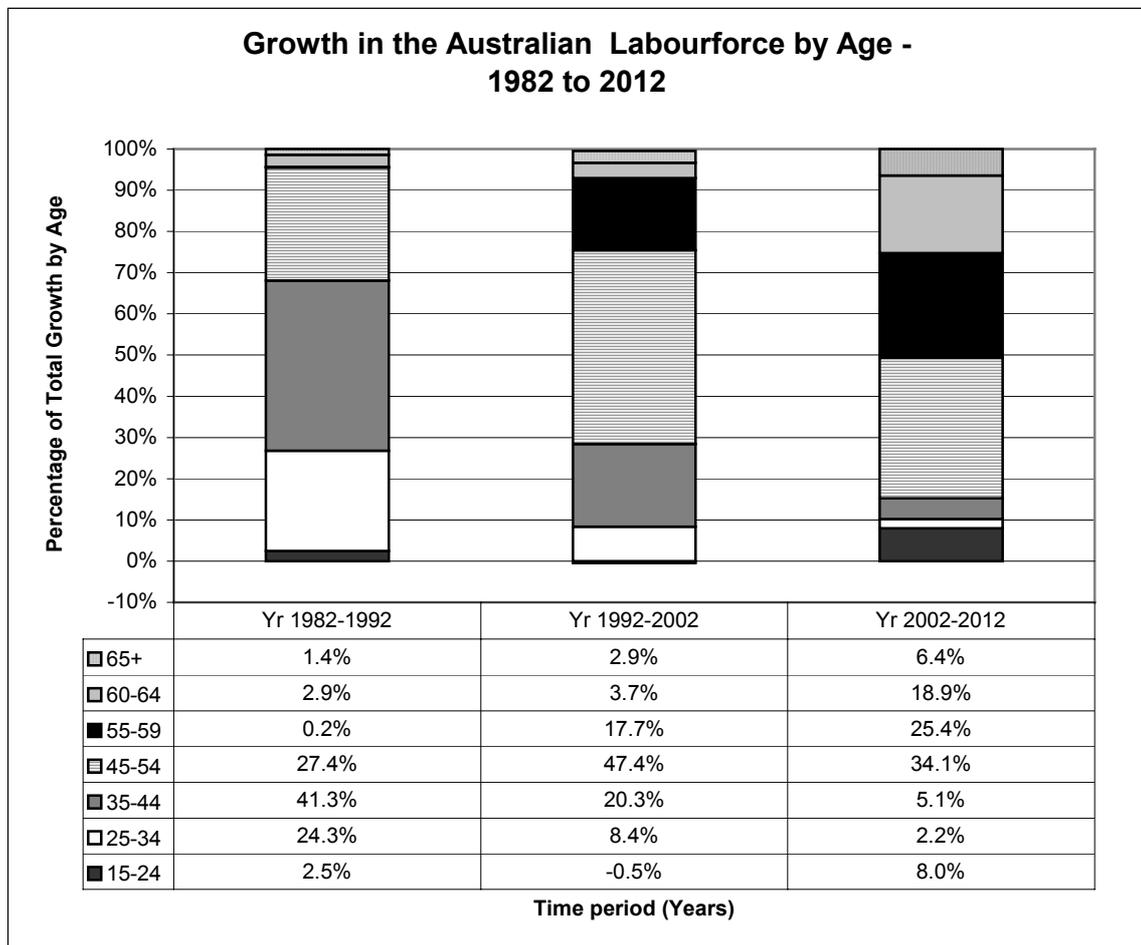
We are experiencing a third age of life from 60 - 80 years for the first time in history. At this point in time there are no models of how we can capitalise this new human resource.

³ Access Economics 2001, Population Ageing and the Economy

The decline of young people in the labour market.

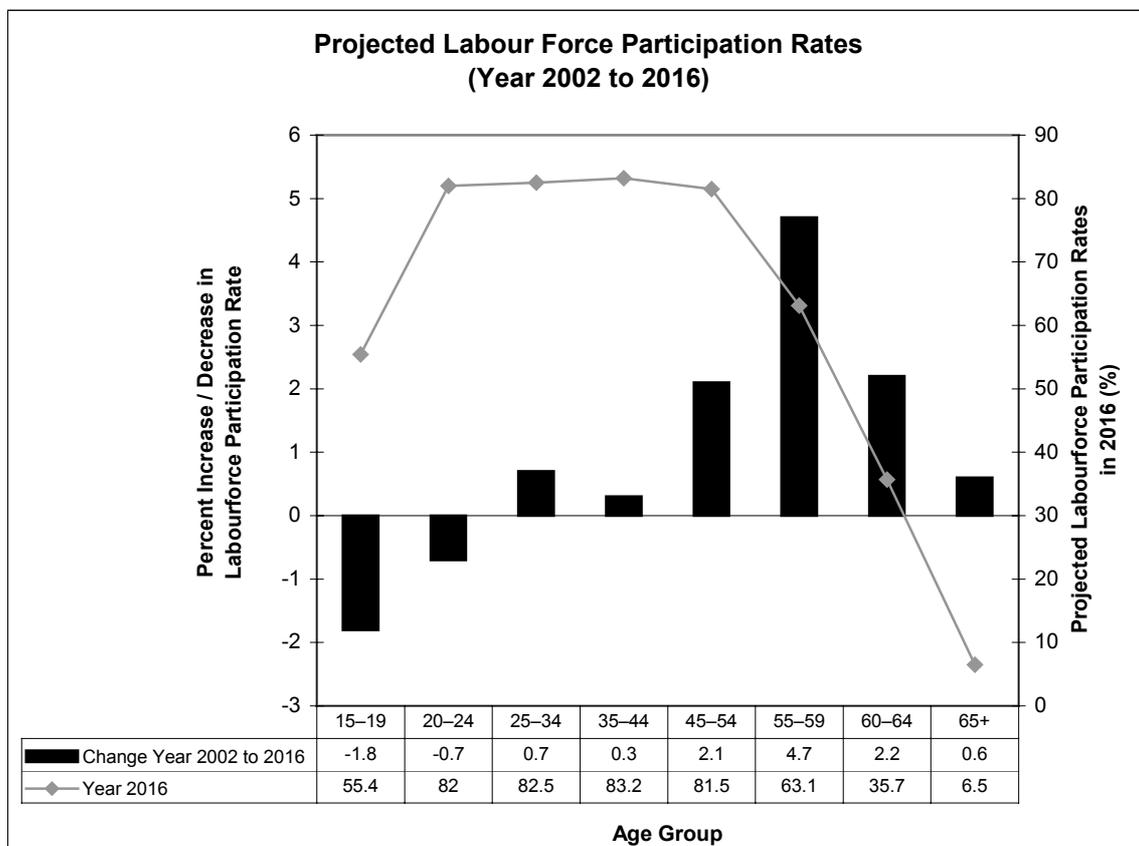
Future projections of the overall increase in the number of participants in the labour market show that the supply of workers will be insufficient to service future labour demand.

Of the growth that will occur, increasingly it will centre on mature aged people. From 1982 to 1992 68% of labour-force growth was concentrated in the 15 to 44 year old age group. However, over the past decade growth has fallen in this age group to 28% with a corresponding shift in growth of 72% in the 45 and over age group. The next decade will see the contribution to labour force growth of 15 to 44 year olds reduce even further to 15.3%.



The low level of mature age labour force participation

As just illustrated the proportion of older workers to younger workers will increase. Yet, in real terms projected labour force participation rates for the year 2016, suggest that the increase in the level of participation by older people in the labour force will be only marginal, as the growth in labour force participation of older people (45+ years) will be three times less than the growth rate of people entering the 45 years and over age bracket. For example, on average there will be a 2.4% increase, in the level of participation by people aged over 45 years between 2002 and 2016. This is in the face of a 7% increase in the proportion of population that will be aged 45 and over in the same time period. On top of this, future levels of labour force participation by older people will not counterbalance the previous under-representation of mature aged people in the labour market, leading to a greater supply deficit.



To a large extent the disparity between the ageing labour force and low participation rates by people aged 45 and over, is a result of a lack of demand for mature aged workers, rather than supply. There is a significant surplus of people aged over 45 years who want to work, but do not participate in the labour market because they are discouraged or involuntarily retired (estimates suggest a further 6% of the 45+ population want to work).

The implications of an ageing population on the workforce

The implication of an ageing population and low labour force participation rates by people aged 45 years and over are increasing skilled labour supply shortages. There will also be a greater dependency on the active economy to support the growing pool of inactive older people. Currently the dependency ratio in Australia is '1 older person supported by 4 employees'. If circumstances remain unchanged, in thirty years the dependency ratio will worsen with '1 older person been supported by 2.5 employees'.

Research undertaken by Access Economics estimates that if participation by people aged 55 to 70 in the workforce increased by 10 percentage points, per capita annual incomes would increase by around 4 per cent.

To effectively manage supply shortages and increased dependency on the active economy the private and public sectors must promote and engage in the recruitment, training and retention of older people in the workforce.

Fact Sheet Three:

The Experience of Older Workers - Recruitment, Training & Retention.

“You feel you should be up-front about your age, but there are institutionalised consequences of putting your age.” – BWA Age Limits: Unemployed ex-media worker.

Recruitment

Older workers experience:

- Discrimination from employers who don't consider the employment of a person over the age of 45 years as optimum;
- Agents that do not tailor the job search process to be responsive to their needs;
- Employers who screen applicants according to age criteria;
- Being 'judged by appearances' and perceived as 'old economy';
- A lack of transparency and feedback, which restricts older age applicant's ability to re-skill or redirect their job search.

As a result motivation to continue job seeking may be undermined as unsuccessful older applicants may internalise negative stereotypes relating to age.

Training

Older workers experience:

- 24% less opportunities to undertake employer supported external training and in-house training, compared to employees aged between 35 to 44 years;
- Structural barriers which impede their access to training due to age-based award wages for training and apprenticeships;
- Negative stereotypes that view older workers as lacking in adaptability, limiting their training in new technologies;
- A lack of access to information about where they can find and gain access to appropriate training;
- Costs that inhibit their access to vocational training.

Retention

Eighty nine percent of workers retire before the age of 65.⁴

Older workers experience:

- Continuing covert and overt pressures to retire early, with over 6% of Australian males retiring through early retirement packages;
- Targeting for redundancy in downsizing and re-engineering to new technologies, with over 12% of males retiring due to retrenchment;
- An internalisation of the stereotype that they are 'too old' and blame themselves for being retrenched;
- A limited range of retirement options;
- A lack of post-retrenchment support.

The implications of workplace age discrimination for business and industry

Australian businesses and industry need to respond pro-actively to age discrimination in the workplace. Organisations can pursue opportunities to understand the issues affecting Australian workers as they age, and address policy and structural barriers that act as vehicles to ageist stereotypes in employment. Overall industry must challenge age stereotypes as well as understand their legal rights and responsibilities in relation to this area.

⁴ ABS Cat 6238.0 1997 Retirement and Retirement Intentions

Fact Sheet Four:

What We Think But Don't Know – Work & Ageing Stereotypes

“Over 45s are perceived as unreliable due to health reasons; over qualified and ...looking for something better; not as flexible as younger workers in hours worked; less presentable / attractive as young people; more expensive to employ; and more expensive to insure.” – Employment Agency Staff Member

“ We can no longer speak of the older person in the labour market, just as we can no longer speak of the younger person’ There are vital older people and worn-out younger people” - De Vries, World Health Organisation, 1994

There is a standardised mental picture held in common by society regarding the capacity of workers as they age. These stereotypes represent ‘oversimplified opinions, prejudiced attitude, or uncritical judgments’.

Why do we think older workers have bad memories; lack productivity; are inflexible; costly; accident prone; technologically inept; absent; dissatisfied with their job; and generally outside of the cultural fit?

Do older workers have memory problems and declining intelligence?

No. Research by the University of Queensland found on average there was no serious decline in memory and intelligence until age 90 years and over.

The Seattle Longitudinal Study directed by Warner Schaie (1998) over a period of 36 years, from 1956 with 18,000 people tested a core battery of five abilities; verbal ability, spatial reasoning, inductive reasoning, numeric ability and perceptual speed.

The study has found that peak ages of performance are occurring in the 50s for inductive reasoning and spatial orientation and in the 60s for verbal ability and verbal memory. There is overlap between the performance of young and old until the 80's are reached. Broad individual differences exist in the speediness of behaviour. The overall conclusion? It depends on individual patterns of use and disuse.⁵

⁵ Warr, 1994: Waldo & Avoglio, 1986

As workers age, do their abilities and performance decline?

No. Studies have not conclusively demonstrated that age and job performance are related. Workers that perform jobs that require heavy ongoing physical labour are faced with declining capacity – but this requires that such jobs be re-engineered to alleviate the physical impact of hard labour.

Are older workers inflexible and not interested in further training?

No. Research by Drake management has shown “that as many as 86% of senior workers are more than happy to take up training opportunities offered to them”.

Are older workers more expensive for employers?

No. Research by BWA has estimated that the human resource management net financial benefits per older worker compared to the rest of the workforce is \$A1956 based on 1999 estimates.

Are older workers unable to adapt to new technology?

No. People over the age of 55 are the fastest growing Internet user segment in Australia. Research has suggested this group develops a more thorough comprehension of new technology than younger workers although older workers may require more intensive assistance during training in new technologies. Support should be given to older workers to help them overcome any fears they have about the technology and their ability to master it.

Are older workers disinterested and dissatisfied with their work?

No. Most studies have found older workers to be more committed to their organisations than younger workers. Many researchers have identified among older workers a high morale and positive feelings about their jobs. The evidence suggests that overall older workers are more satisfied with their jobs than younger workers.

Do older workers have more accidents than younger workers?

No. The number of incidents of workplace related injuries and illnesses among workers aged 45 and over is 28% less than those that occur among younger workers.

Are older workers more likely to have absences from work?

No. Research from the UK Institute for Employment Studies has found that “older workers are more likely to show a high degree of commitment to their work, and are less likely to take time off work for short-term sickness.” Australian data demonstrates that there is very little difference in the number of days absent, workers aged under and over 45 have during a year. Workers aged less than 45 take an average of 9.7 working days absence per year, compared with 10.4 days for those over 45.

Fact Sheet Five:

Developing and Retaining Older Workers – The Business Case

“The great advantage we have is that our older tradespeople are professionals. They have come in and set a high standard. Now the younger one know they have to work to that standard.”
– BWA Case Studies - Employer Don Mathieson of DMS Glass

Profit

Business profits from the employment of workers aged 45 years and over. Research by BWA concludes that there are economics benefits in recruitment and training older workers, which exceed costs that may be associated with absenteeism and work injuries.

Marketing

As the Australian population ages, the importance of certain consumer segments varies. Through the targeted recruitment of workers aged 45 years and over, organisations will be able to adequately reflect the diversity of their customer base.

Skill Shortages

The supply shortage of skilled labour across the majority of industrial and service sectors in Australia will worsen as the population ages. The proactive retention and recruitment of people aged 45 years and over, however would provide an effective corporate and government strategy for reducing skill shortages.

Quality

A case study undertaken with DMS Glass by BWA, found that the employer considered that their older workers provided higher quality standards, which encouraged younger employees to improve, as experienced staff passed on their years of knowledge.

Organisational Culture

Older workers can bring many positive cultural attributes to an organisation. They have a good work ethic, which is demonstrated through their quality performance. Older workers are loyal to employers, remaining with their current employer 2.4 times longer than younger workers. They also act as mentors to less experienced workers.

Assets

Older workers can be the primary resource that reflects the organisation's learning. Maintaining this corporate experience may be critical for future success, particularly when dealing with areas such as organisational and functional strategy and the development of systems.

Sustainability

Older people in the workforce enable the Australian economy to remain sustainable. If however, they continue to be induced out of the workforce, the dependency ratio will continue to worsen. The national expenditure costs of the trend towards the public and private sector forcing older workers into early retirement to date has been considerable – estimated at between \$A43 billion and \$A25 billion (based on 1994 figures). If this trend continues, by 2030 the dependency ratio will tip to 2.5 employees for every 1 older person, crippling the Australian economy.

Fact Sheet Six:

Focus on Workplace Ageing – Pro-active Responses for Business

“Unless organisations adjust their thinking on mature workers, market forces may do it for them.” – Access Economics

“Basing job decisions on age can reduce an employer’s choice of the most suitable candidates by up to a quarter” – UK Department for Education and Employment

Businesses have the opportunity to be strategic and pro-active by directing future planning towards the management of the ageing workplace. A series of strategic directions are provided in this fact sheet that relate to ageing in the context of human resource practice, with a particular focus on organisational cultural, recruitment, retention, training and exit policies.

Human Resource Practice

- Ensure HR information systems inform Human Resource managers about the age profile of their workforce. Including the ability to measure recruitment, training, retention and exit practice by age and gender.

Organisational Culture

- Undertake a review of the current organisational culture to determine how management and staff respond to older workers.
- Educate managers and employees within the organisation about the capacity of older workers, dispelling any stereotypes that are prevalent in the organisation.
- Educate managers and employees within the organisation about age discrimination legislation.
- Reinforce a culture of diversity within the organisation.
- Initiate health and well being programmes that aim to counteract health issues associated with ageing.

Recruitment

- Ensure advertisements do not imply age limitations and think strategically about the media you use to attract a diverse cross-section of the labour market.
- Recruit the best people to drive profit, focusing on competence not age.
- Improve the reputation of your organisation by becoming an employer of choice through employment policies that centre on diversity.
- Address skill shortages, by recruiting and re-training older people.

Retention

- Retain and reward workers that have the best skills.
- Support career planning and intervention to encourage redefinition of the career course.
- Assess the tangible and intangible value of experience and corporate memory in your organisation.
- Re-engineer jobs to reflect the diversity of skills and capabilities within organisations, ensuring adequate training and occupational health and safety measures.
- Offer flexible work arrangements (permanent part-time reduced hours, fixed term contracts, home working, temporary etc.) to those with differing life commitments.

Training

- Promote and implement life-long learning strategies.
- Use the accumulated skills of those in the organisation and encourage skills acquisition on a continuous basis.
- Encourage employees to build their resume, assisting them to document skills developed on-the-job, that may not be formally recognised.
- Implement formal mechanisms in your organisation to identify existing skills of employees, particularly when selecting for a new project/work task.
- Use older employees as mentors to help develop the skills of younger workers.
- Sponsor sabbaticals to encourage retraining at points during the career continuum.

Exit Policies

- Focus exit strategies away from age variables towards business objectives and job related criteria such as worker output, current value and potential value.
- Implement flexible, phased work to retirement transition schemes that equitably service the needs of both employees and employers.