

Brisbane City Council Submission

Australia's Demographic Challenges An Employer's Perspective



Dedicated to a better Brisbane

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Executive Summary

This paper provides feedback and comments to the Federal Government's white papers from the perspective of a local government authority and significant Queensland employer.

It looks at the key challenges faced by Brisbane City Council to manage their workforce in light of Australia's demographic shift and in helping the Government in its quest to grow workforce participation in key demographic groups. It also provides input and thinking based on research and learning from within Brisbane City Council to the three areas for debate as outlined in the paper *Australia's Demographic Challenges*.

For Brisbane City Council, the three key challenges related to the demographic change are:

- Initiatives to create better work options, choice and flexibility for older people in the workplace are being constrained by a framework that supports a model of work and worker that is no longer appropriate.
- It will be difficult to achieve workforce capability for the future due to a "layering up" of competing demographic tensions that cannot be managed in isolation.
- The cost of shifting human resource elements to support a new workforce model and to manage the competing demographic tensions is significant.

Key points in relation to initiatives to increase the workforce participation rate are as follows:

Part A: Improving the Capacity for Work

- Brisbane City Council endorses the Government's planned initiatives for education and skills development and suggests the following additional strategies.
 - Stimulate longer-term work opportunities for young employees that enable them to participate in the workforce in a more meaningful and equitable way.
 - Campaigns to increase older worker interest in lifelong learning, and industry partnership programs that make it easy and attractive for older workers to keep their skills up-to-date.
- In relation to health, the key focus for Brisbane City Council will be programs to prevent and manage age-related illness and injury.

Part B: Better Incentives to Work

- Brisbane City Council's research with older employees suggests that incentives to attract mature age people to join or remain in the workforce will not be needed. Rather it is structural and cultural barriers that prohibit these people from working that need to be addressed. They include disincentives in the retirement income system, ageist views, and difficulty for business and government to cost effectively restructure the workplace to meet the needs of older workers.

Part C: Supporting More Flexible Work Options

- Brisbane City Council's research suggests that many older workers will require full-time work for the future due to financial hardship. The key to work structures for these people will be flexible hours and working arrangements, rather than traditional part-time structures.
- The industrial framework may need to be amended in this context to create an agreed starting point for local level bargaining.

Introduction

This submission is a response to the Federal Government's white papers *Australia's Demographic Challenges* and *A More Flexible and Adaptable Retirement Income System*.

It provides feedback and comments from the perspective of a local government authority and a substantial Queensland employer. It examines the challenges faced by Brisbane City Council, within the current legislative, policy, and industrial relations frameworks, to support the Government in its aims to increase workforce participation. It also highlights the difficulties and costs that Australia's changing demographic will have for organisations, both strategically and operationally.

Brisbane City Council is Australia's largest local government authority, employing some 7000 employees. It provides services including water and sewerage, public transport, urban management and city administration to a population of more than 930 000 people. Within this context, it has a significant older worker profile. 40% of Brisbane City Council employees are 46 years of age or older.

Brisbane City Council has a reputation as an innovative local government employer with significant programs in the areas of work and family/life balance, preventative health and wellbeing, and flexible work arrangements and modes of employment.

For some time, it has been working to understand and respond to the specific opportunities and challenges Australia's demographic changes present for the organisation, given the current age profile of its workforce and future business direction. Within this context, Brisbane City Council has completed significant research with its young employees. In November 2003, it also completed extensive research with its 3000 older employees to understand their:

- needs and beliefs around work and lifestyle in the future
- work and retirement intentions
- interest in a range of modes of work and flexible work options as they grow older.

New modes of work and flexible work options for mature age workers are currently in research and design phase for pilot implementation later in 2004.

In addition, Brisbane City Council is working in the areas of:

- prevention and management of age related illness and injury
- work/environment re-design to meet the needs of older workers and manage WH&S risk
- addressing ageist views at both management and employee level
- knowledge management and retention
- older worker re-training, development and career management
- financial education/lifestyle planning for workers

The comments, insights and feedback provided in this paper are within the context of this substantial body of research and developmental work.

This paper has two sections. The first outlines the challenges of the changing population demographic for Brisbane City Council. The second provides comment to the Federal Government's three areas for consideration as outlined in the paper *Australia's Demographic Challenges*.

Section 1: Australia's Demographic Challenges - Brisbane City Council's Perspective

This section outlines some of the challenges Brisbane City Council is facing to manage the workforce demographic change in the hope that it will stimulate wider understanding and structural/policy change at government and industry level.

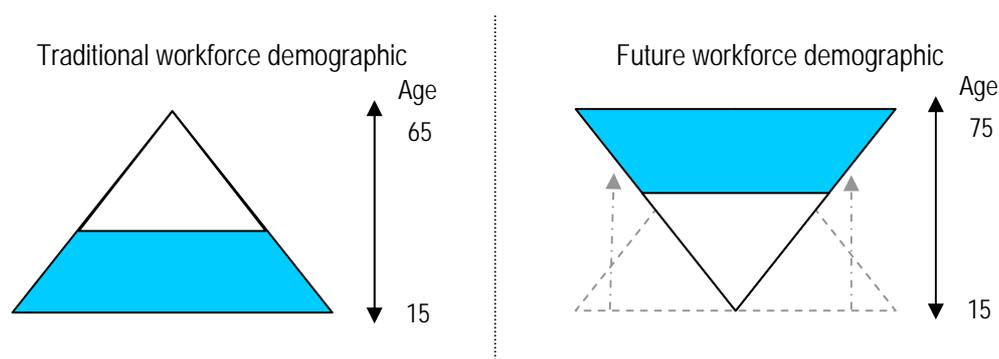
It deals specifically with the difficulty business faces in increasing the participation rate of older workers while managing the wider workforce tensions associated with Australia's demographic change.

There has been much comment from the media and government around the need for business to play a major role in increasing the participation rate of older people in the workforce; however few have actually stopped to consider the hard practicalities of making that happen, and quickly. Brisbane City Council is one of a group of lead organisations who have moved from talking about it, to making it happen. We are committed to providing our older people with more work options, choice and flexibility as they grow older. We also understand that older people will be critical to our own workforce capability in the future and we need to rethink our underpinning organisational systems and framework to ensure they are supportive of older people at work.

The challenges are in three main areas.

1. Structural and Cultural Impediments

In Australia, the demographic shape of the workforce has typically been that of a pyramid, with the majority of workers below the age of 45. As the population demographic has changed and the birth rate declined to below replacement rate, this workforce shape is inverting. For the future, the largest proportion of the workforce could be over the age of 45 (depending on the nature of work in the organisation and geographic location). In addition, a good number of these employees are likely to be aged 65 – 75, as life expectancy and the desire and need to work increases.



The whole concept of employment in Australia, and the various structural, legislative, policy and organisational systems that support it are based on this traditional workforce labour shape and nature of employment that is no longer relevant.

As examples, our industrial relations framework and awards are built on the premise of a much younger employee working standard hours, in terms of conditions and work flexibility. This premise does not

necessarily apply. Work environments and work tasks are designed for a worker who has full range of muscular movement and good eyesight. The organisation of work, leave arrangements and workplace flexibility are based on the concept of a younger traditional nuclear family. Total and permanent disability insurance, provided to employees as part of superannuation, ceases to be available to employees once they reach 65. Given that many of these employees intend to work on until 70, this structural impediment acts as a disincentive for them to continue in work.

As organisations struggle to manage the demographic shifts and achieve workforce capability in this new context, it is managing change within these constraining systems that is creating most difficulty. It is a little like trying to play tennis on a squash court.

These structures are no longer appropriate and need to be updated to reflect new requirements.

Brisbane City Council is working hard to change the elements that are within its control; however many of these are constrained by wider structural impediments, such as the industrial framework.

Others are beyond Council's direct sphere of influence and are based on outdated beliefs in relation to work, age and retirement at government and industry level. Examples are Australia's retirement income system and the superannuation and insurance industries, where system and product design present significant barriers for people to work in older age.

In addition, underpinning all of this are cultural beliefs that go right to the individual level. Not all Australians share the same views as the Federal Government about older people and work. As Brisbane City Council works to reshape the workplace to better support older employees, it is often the individuals at various levels of the organisation, or that interface with the organisation, that are the largest impediment to the business shift.

2. Achieving Workforce Capability

One of the greatest challenges for business associated with Australia's changing demographic profile is the complexity of achieving a workforce with the right capability for future business needs.

The changing demographic profile is creating a layering up effect that is difficult to manage due to the competing tensions. It has the potential for significant impact and cost for business.

For example, our research suggests that many of Brisbane City Council's older workers will continue to work beyond traditional retirement age. This has the potential to block development and career opportunity for younger workers. The obvious solution would be to create new roles for older workers that open up opportunities for younger people to move through. However, research with our older people tells us that they have strong attachment to status and few are willing to step aside to take on a perceived lesser role, whether that is in terms of importance or pay.

The structure of work is also changing, with fewer and fewer entry level and full-time opportunities for younger workers. Unless managed, the replacement rate of our workforce will be compromised and younger workers will be economically disadvantaged. Our future leaders and economic contributors deserve more equitable outcomes.

In addition, as mature age workers grow older, they will eventually ease down and retire from paid work. While the timeframe may be ten years, if the number of these people is significant (Brisbane City Council has 1000 employees in each of the 46 – 50 and 51 – 55 age groups, and 600 in the 56 – 60 age group), the impact of their loss on workforce capability will be significant. Succession planning is critical to ensure future leadership and capability development. Knowledge management/transfer strategies will be required to ensure explicit and tacit organisational knowledge is not lost.

The number of younger people in the working age population as a proportion of the whole is declining over time and competition for available young talent will increase. Younger people today have different expectations about their career, with less aspiring to trades or traditional unskilled labour. Brisbane City Council has a number of work areas where, due to physical demands and workplace health and safety requirements, only physically fit and well people can carry out the roles. Some roles may be able to be re-engineered with supporting technology that enables older workers to continue on in the work; others may not. The increasing shortage of younger people available to fill these roles presents significant business challenges.

When these elements are layered one on top of the other, the tensions are considerable and very complex to manage. Organisations are systems and the resulting ripple out effect of change in different parts of the system often has unintended consequences for the whole.

3. The Costs

The Federal Government's strategy to increase the workforce participation rate will only be successful if it is attractive and economically viable for all parties: government, business and individuals. The tension is difficult, with trade-offs in all areas to find workable solutions.

The cost for business of shifting human resource elements to support a new workforce model, and in managing the competing demographic tensions to achieve the desired workforce capability, is shaping up to be significant.

For government employers, the work will need to be achieved within a constrained revenue base; for private industry, without increasing costs and eroding shareholder return. This will pose significant challenges for both groups.

Some of the likely costs are as follows:

- New modes of work and flexible work options for older people are likely to increase labour costs. Workforce headcount and associated fixed employment costs will grow to complete an unchanged amount of work.
- It will be challenging, time consuming and costly for business to negotiate innovative and flexible work arrangements for older people within the current industrial framework.

- With some mature age people likely to be working into their seventies, business will need to actively implement programs to prevent and manage age-related illness and occupational injuries. The cost for some businesses, depending on the nature of their work, will be significant.
- Work and the work environment will need to be redesigned to match the needs and capability of older workers and ensure they are supported and are able to work to full capability.
- The cost of re-training and development for older workers will be significant. Older unskilled workers will require supportive training programs that build their confidence to take on new work and enhance their literacy, numeracy and technology capability in a non-threatening way. In addition, older employees will need to ensure currency of knowledge and skills. Our research suggests they have little desire or self-direction in this regard. Therefore, the onus and cost is likely to fall on business unless the Government provides support through industry partnerships.
- The cost of labour is likely to rise as the working age population growth slows and competition nationally and internationally increases for available skilled resources.
- In a market experiencing labour shortage, organisations will need to implement programs, at significant cost, to attract and retain talented employees to achieve the workforce capability they need for the future.

When added together, the cost for many organisations will be prohibitive. At best they will implement strategies that are affordable and provide business outcomes, rather the outcomes for the greater social benefit. It is an unfortunate fact of our society that shareholders and constituents do not tend to take the longer-term view.

Section 2: Australia's Demographic Challenges - Comment on the Issues and Proposed Strategies

Part A: Improving the Capacity for Work

1. Education and Skills

The first tier of the Government's strategy to grow the workforce participation rate is education and skill development. The main segments targeted are younger people (particularly those at risk), the low skilled sector and mature age employees. Key areas of focus are literacy and numeracy and support programs/services to help employees move between jobs and transition in and out of the workforce.

Brisbane City Council endorses the focus of these strategies and offers the following as additional input.

1.1 Young Employees

Research within and external to Brisbane City Council shows that the nature of work is changing. Entry level roles for young employees are declining and more and more of these roles are temporary or casual (Lavey, 2004; Watson, Buchanan, Campbell & Briggs, 2003). While the Government's proposed approach provides a better launch platform for young people, it does not necessarily increase long-term workforce participation due to a wider underlying structural issue. Young people may be better placed to participate in work, but they are now less likely than ever to have ongoing permanent full-time employment and be able to easily progress their careers. This is vital for economic growth and development of our future organisational leaders. Our own organisational research shows that young employees want permanent opportunities, rather than temporary placement. In addition, a predictive workforce model developed by Brisbane City Council shows that creating entry-level opportunities for young people will not, in itself, increase the number of young people in the workplace. The answer lies in stimulating longer-term job and career opportunities for younger people through education and awareness raising in organisations and re-looking at structural issues in subsidised employment schemes that encourage poor hiring behaviour.

If the Government is serious about increasing participation rates in this segment and about an equitable opportunity for all Australians, they need to address the structural impediments for young people to find secure employment and careers. Australia has strong attachment to casual and temporary employment and it is highest in this labour segment (Watson, Buchanan, Campbell & Briggs, 2003, pp 67- 68). It is time to question the practice in order to gain wider economic outcomes.

Like many other organisations, Brisbane City Council is experiencing labour shortages in skilled trades and "unskilled" labour areas. It is well documented that these vocations are less attractive for young people today due to perceived low status, pay and conditions. The Federal Government is addressing the issue through the National Skills Shortage Strategy (Department of Education, Science and Training, 2004). From an employer's perspective, these are areas where young labour replacement is critical and where opportunities for employment exist.

Given the rising cost of tertiary education, more young people may elect to enter these trades and vocations if promotion and education at secondary school level is enhanced.

1.2 Older Employees

Brisbane City Council is placing significant emphasis on re-training and development for older workers as part of its older person's *Work and Lifestyle* program. It aims to offer older employees wider work choices as they age and to prevent age related injury through work redesign, training and development, and placement decisions.

One of the largest barriers to achieving these goals is older workers themselves and their beliefs about work and career. Brisbane City Council's research with its older workforce found that as employees age, they have less and less interest in learning new skills or in taking on an alternative role in Council. The findings also show that older people have a general inertia to ongoing learning and self-development in the workplace, particularly if it requires some effort on their part. The older the worker, the stronger the inertia. Creating a culture of self-directed learning and openness to trying new employment opportunities may prove difficult with many older employees.

- Brisbane City Council's 46 – 50 year old workers (the youngest group that took part in the study) had good interest in developing new skills on the job to take on another role within Council. 71% said they would be somewhat (37%) or very likely (34%) to take up the option if it was offered. However, with each progressive age group above this, the interest declined significantly. Only 38% of those over 60 felt they would be somewhat (16%) or very likely (22%) to take up the option.
- Older employees had little interest in a second career that might involve training or formal study with only 32% overall saying they would be somewhat (21%) or very likely (11%) to take up the option. This rated dropped to 23% for those aged 56 years and above, with 17% somewhat likely to take up the option and only 6% very likely.
- Other data collected as part of this research found that older people are less attached to the concepts of a career, making a difference and recognition as they age. The job has become just that, a job. This was consistent across both wages and salaried areas of the workforce and was more pronounced with each progressively older age group.

Federal and State Government campaigns may be needed to stimulate older worker interest in ongoing learning, along with training and funding initiatives in conjunction with industry that make it attractive and affordable for older workers to keep their skills up-to-date.

2. Health

The second tier of the Government's strategy to increase Australians' capacity to work is in relation to health.

The Federal Government is seeking consultation on where best to allocate health resources to grow the capacity for work and participation in life, with a focus on prevention. A large portion of illness and injury as the population demographic changes will be related to ageing and a large percentage of that illness and injury is preventable (Commonwealth Government, 2001).

The issue is who is responsible for prevention.

The Federal Government has questioned redirecting funds from treating current illness to preventative programs, suggesting that individuals themselves might need to be responsible for ensuring their own wellbeing.

Brisbane City Council has extensive preventative programs in the areas of health and wellbeing as part of a workplace health and safety commitment to "zero harm". Our own experience shows that strategies to grow individuals' interest and action to actively manage their own health and wellbeing will not have quick results. The gains will be incremental over time through cultural change. The rate of shift will depend on individuals' awareness and the strength of the drivers for change.

Therefore, if the Government is looking to contain long-term health costs through prevention, the burden of cost is likely to fall on themselves and employers. Despite the pressure on the health care system, the drivers for change currently aren't strong enough at the individual level for self-directed action.

In addition, with the population aging employers will face a range of new health related issues that must be managed and these are likely to have significant cost, depending on the nature of work, types of work environments in the organisation, and age of the workforce. Managing health and wellbeing as employees age is shaping up to be one of the more significant areas of activity and cost for Brisbane City Council in managing the changing population demographic.

For employers with an older workforce, age-related illness such as diabetes, heart disease, cancers, respiratory and mental health problems will increasingly become part of working life as employees continue in the workforce well beyond age 65. To quote the National Strategy for an Ageing Australia (2001), "In Australians aged 65 years and over, cardiovascular diseases and cancers together account for over 60 percent of the disease burden. These diseases combined with respiratory illness, are the major cause of death for both men and women aged 65 years and above".

In addition, studies show that older workers who have worked in physically demanding work environments tend to have cumulative injury that leads to significant musculoskeletal disorders and a higher rate of permanent disability and associated costs (Ilmarinen, Tuomi, & Klockars; B de Zwart, Broersen, & Frings-Dresen as cited in Australian Public Service Commission, 2004).

Wellness of older people as they age is individual and is influenced by a whole range of different factors including genetics, economic and social circumstances and physical environment. However, by the very nature of ageing and the fact that most of these conditions are degenerative, the incidence and severity of episodes is likely to increase.

Preventative and management programs will be expensive for organisations as they try to contain direct and indirect costs such as lost time, rehabilitation/sick leave, medical redundancies and wider workplace health and safety risk to other workers and the public.

Also physical capacity does diminish with age. Older workers typically have decreased range of movement, take longer to complete tasks and have lower ability to do heavy and repetitive work, particularly at speed. (Monk, in Australian Public Service Commission, 2004). Organisations will need to redesign work to support and meet the needs and capabilities of their older workers. In some instances this will include the introduction of new technology. Training and development and new placement of at risk employees will also be critical.

Part B: Better Incentives for Work

The next area of focus for the Government is the structural incentives and disincentives that influence decisions to join and remain in the workforce, such as the unemployment and retirement income support systems.

In this instance, Brisbane City Council provides comment only from the perspective of older people, based on research with our own employees.

Our research shows that incentives for mature age people to join the workforce or to continue working in the future will not be the issue. Rather it will be the structural and cultural barriers that prohibit these people from working, such as:

- disincentives in the retirement income system
- ageist views in business and the wider community
- government and business' difficulty in restructuring the workplace to meet the needs of much older workers in a way that is cost effective and retains community/shareholder confidence.

Brisbane City Council recently conducted research with its 3000 older employees to understand their thoughts around work and lifestyle for the future. The study found that many mature age people feel they will need, or would like, to work beyond traditional retirement age. The main drivers are financial security and health (both good health and concerns about poor health).

When asked, "Do you think you will have sufficient income for your lifestyle in retirement", only 21% of Council's 46 years and above employees said yes. That percentage dropped to 17.5% for wages employees. Six out of ten in the over 60 age group (63% of whom have sought financial planning advice) felt their income would be insufficient for retirement.

When asked about their retirement intentions from Brisbane City Council, 46 – 50 year olds indicated they intend to retire primarily between the ages of 60 – 65. As older groups were canvassed, the upward change in intended retirement age was marked, showing that as people grow older they reassess their intent. 43% of employees aged 61 – 65 intend to work beyond age 65, with 23% saying they will work until they are 70. Moving up an age group, 60% of those aged over 65 intend to work on to between age 70 and 75.

In addition, many employees indicated they would work on after retiring from Council in some capacity. The mean (average) was three years, but some indicated an intent to work on for up to 10 years.

83% agree or strongly agree that they still enjoy working. This increased to 85% for the 56-60 age group, and 96% for those aged over 60.

Employees were asked to select factors that would influence their decision to remain at Brisbane City Council beyond their intended retirement age. 85% said not being financially secure at the time would somewhat or greatly influence their decision to remain, followed by still being healthy at 70%, and not being able to maintain my current lifestyle on the aged pension at 69%. 55% believed their health care costs increasing in the future would also influence them to stay.

When asked to state level of agreement with the statement “ I will retire as soon as I can gain access to my superannuation”, 70% said disagree or strongly disagree. This percentage rose to 84% in the over 60 age group.

1. The Retirement Income System

Australia’s retirement income system, despite proposed changes, has a number of disincentives for older workers to participate in full or part-time work beyond retirement age.

Australia has a three-tier retirement income system: the age pension; compulsory employer superannuation; and voluntary private superannuation and other savings. The majority of proposed reforms are in the area of voluntary private superannuation; however changes need to be considered for the wider system to assist older worker continuing participation in paid work as follows:

1.1 The Age Pension and Flexibility to Work

Systemically, the age pension acts as a disincentive for older workers to participate in the workforce.

The age pension is complex in terms of the income and assets test and reporting and tax legislation. This ensures the pension liability remains manageable and minimises system misuse. On the other hand, it acts as a disincentive for many people to look for work due to the need for fortnightly income reporting (for variable income) and the income threshold. Older people rely on the certainty of a guaranteed weekly income (from the pension or other means). The complexity of fortnightly reporting and the income threshold hold significant fear and stress for pensioners – that working will affect their eligibility or that they will lose their pension or not have enough for a week. This means they are unlikely to pursue paid work unless earnings are below the income threshold, or identical from week to week.

If the pension system could be altered to find a simpler and more flexible way for employees to work part-time and gain a part pension, the number of older people looking for paid work would be likely to increase. The aim should be for older people to feel confident they are free to work as many hours per week as they want, and that they will still receive the correct pension top-up, if applicable. The allowable income threshold (from paid work) and taxation may also need to be reviewed to provide further incentives to work. This would assist the Government in its endeavour to grow the rate of private superannuation savings, stimulate the workforce participation rate, increase self-retirement funding through work and reduce pension outlays.

One suggestion may be a system that is linked to the workplace and new flexible roles created for older people. For the hours or days they don’t work their income is topped up by the pension, if applicable. This suggestion could also be adapted to a top up of superannuation pension. The employer would notify Centrelink, or the pension provider, electronically of income and hours worked, so that pay and pension are paid or deposited into bank accounts simultaneously. Given the complexity of Australia’s industrial and age pension systems, the idea may not be viable. However, thinking outside of the square will be essential to find

answers that easily enable older people to work without them being financially disadvantaged, and that stimulate economic growth without increasing the pension burden for the Government.

1.2 Superannuation and Part-time Work

From July 1, 2005 once people reach 55, they will be able to access their superannuation through a non-commutable income stream without having to leave the workforce. This will enable them to work part-time and top up their earnings with a supplementary pension from their superannuation.

The move, in conjunction with others proposed for the retirement income system, is a strategy to shift older people away from pension reliance to funding their own old age through work and their own private savings. It is hoped that the move will also influence workers to remain in the workforce longer, combining an element of work and retirement lifestyle.

Research with Brisbane City Council's older workers suggests that people will only take up the proposal if they feel they can trust it, have a sense of control, and it provides them with financial autonomy (for future life choices) and certainty of income. In this vein, the Government's strategy has a number of possible disincentives, as follows:

- With non-commutable income streams, individuals are required to forgo their capital lump sum. In return they receive a guaranteed pension for a period of time – either lifetime or life expectancy. Many older people find the prospect of giving away their lump sum daunting, despite the fact that these funds guarantee income for a specified number of years. On examination of the literature, it would also seem that on death the balance of monies might not always be paid out to the spouse or estate.
- As people age, they generally require more certainty around income. From 20 September 2004, the Government will extend "complying" status to a new class of non-commutable income stream that is market linked. The difference with this product is it returns according to the performance of the market and does not provide the individual with a guaranteed income amount.
- Once individuals have chosen to invest their superannuation savings into a complying income stream product, they are locked into that product until the expiry of the term or death. They cannot change their mind outside of a short initial window, and they cannot access their funds when they are in need or have an emergency.

Allocated pensions offer more control, but do not appear to be included in the offer due to the fact that they fall outside the non-commutable category. The Government's exclusion of this product is no doubt in relation to concerns that individuals will spend their superannuation savings quickly and be reliant on the age pension.

- The proposal also assumes that employees have substantial superannuation savings to draw down on. This is not necessarily the case, particularly for older workers (given the

introduction date of the superannuation guarantee); women who have returned to the workforce; and people working only periodically or part-time work.

1.4 Superannuation and Defined Benefit Schemes

Brisbane City Council has a percentage of older employees who remain members of a Defined Benefits Superannuation Scheme. In Council's case, the end benefit is calculated using years of membership, a benefit accrual factor, and their final average salary (average salary of the last three years of employment).

While the method of calculation may differ from scheme to scheme, underlying structural issues such as these will act as a disincentive of older workers to select part-time work. Their end superannuation benefit amount may be significantly reduced if they elect to work part-time.

A significant portion of employees in the wider community are members of Defined Benefits Schemes, particularly those working in government. As a result, this structural impediment has the potential to significantly impact the number of older people that take up flexible hours and part-time work later in their working life.

1.5 Superannuation: Total and Permanent Disability Insurance

An additional barrier to employers working on past traditional retirement age is that Total and Permanent Disability Insurance cover offered to employees as part of superannuation plans ceases at age 65. In light of changing beliefs around retirement, life expectancy and working age, employers and insurance companies need to address the issue.

It is also important to state that superannuation and retirement income/income stream products are very complex, particularly when viewed within the context of the pension assets/income test and taxation law. Some older Australians have low literacy and education levels, or are from non-English speaking backgrounds. The fear they have of these areas is real and a significant barrier to take-up of self-funded retirement options. The issue is larger than understanding. It is trust of the systems and products, and confidence to navigate through the complexities and changing legislation. The decisions on how to structure and access their retirement savings in a way that does not disadvantage them and yet provides a secure and guaranteed future income are complex and daunting. This is likely to affect take-up of income stream products in combination with paid work.

Brisbane City Council is investigating provision of financial education to interested employees as part of the employment package. Research with our 46 years and above employees found strong interest in this service, particularly in one-to-one assistance rather than group sessions. In addition, when asked, "Do you know what you are going to do with you superannuation funds?" 63% of the 46 – 55 year age group said no or not sure. By age 60 and above, that percentage had dropped to 44% but was still significant. The proposed service will build employees confidence to plan for the future and develop their understanding of various retirement and financial product choices available to them.

While business can play a key role in education, the Government must take a stronger stance in simplifying the retirement income system and legislation and increasing the Australian public's understanding of how the systems and various investment products work.

Finally, the Government's decision to remove the work test for those aged under 65, and simplify it for those older than 65 is welcomed; however, it may not achieve its objective of increasing private superannuation saving. Many Australians are unlikely to have discretionary income for superannuation saving due to wider social change and pressures. For example, family structures have shifted with more people living or raising children alone. Some have remarried, are starting second families in middle age and are supporting children from past marriages. Some are carers for their parents and with increased life expectancy, rising health care costs and a shortage of high care placements, the financial burden is significant. In addition, mortgages have grown, and individual debt is climbing (Watson, Buchanan, Campbell & Briggs, 2003; National Strategy for Ageing, 2001; Clitheroe and Gupta, 2004). When layered up, these social tensions leave less and less for discretionary saving.

2. Ageist Views

One of the strongest impediments to increasing the participation rate of older workers are the cultural beliefs that older employees have lower performance capability than younger workers, and they are inflexible in relation to workplace change.

These beliefs have developed in Australia over 20 years of corporate change and downsizing to the point where the participation rate of men aged 55 – 59 in 2004 is predicted to be 71%, and for those aged 60 – 65 just 47% (Australian Bureau of Statistics, 1999, pp15 – 16). Managers, many of whom fall into these age categories, on the surface do not support the practice and are afraid that they too will be caught in the net. Yet they themselves are the key perpetrators of the behaviour – in their attitudes and their beliefs about the capability and value of older people in their workforce and their behaviours in relation to support of older people at work. Access to flexible working arrangements is a good example.

Research shows that performance and capability of older people can be as high as that of much younger workers. The determining factors tend to be physical wellbeing, and how well the work environment and work tasks are matched to and support older workers. Physically demanding environments and those where a number of factors interact have most impact on older worker capability. These factors include heavy and repetitive lifting and carrying; noisy, hot and dangerous environments; and roles where they have poor autonomy and control over pace and content of work (Public Service Commission, 2004). Therefore, it is education of managers, redesign of work and environments, and placement of older workers that will be key.

Brisbane City Council is starting work to break down barriers within its own workplace in relation to these issues.

3. Business and Government's Difficulty in Restructuring the Workplace

This area was covered in some detail in Section 1 of this paper. There are a number of difficulties and substantial costs for business and government to manage the changing population demographic and at the same time, grow the workforce participation rate of older workers.

Part C: Supporting More Flexible Work Options

The final area of the Federal Government's paper relates to creating a more flexible employment system to stimulate job growth and more flexible arrangements for those in work. It raises the question of regulation of the employment system and whether less regulation is appropriate for the future to stimulate more flexibility of work options - particularly in the context of older workers.

Brisbane City Council offers the following input to the debate:

1. The Benefits of Flexible Working Arrangements

Brisbane City Council has long been a champion of flexible work arrangements that enable employees to balance their work and life responsibilities. The organisation first introduced a wide range of flexible work and leave options for employees in the mid 1990s. Approximately 560 Council workers of all ages now work in formalised permanent or flexible part-time, job share, and telecommuting arrangements - double that of four years ago. In addition, many more employees enjoy considerable informal flexibility as part of their normal working week.

Council research conducted with both employees in flexible arrangements and their managers found:

- increased staff satisfaction, morale, and commitment to the organisation
- greater productivity and work quality
- retention of talented and experienced employees
- reduction in labour costs as a result of this retention (less turnover and, therefore, replacement costs)
- employees are less stressed
- decreased absenteeism
- increased desire to remain with Council and propensity to promote Council as an "employer of choice"
- greater ability to attract quality staff.

80% of Managers who took part in the study, rated retention of highly skilled and experienced employees as the greatest single benefit of flexible arrangements. As a result of workplace flexibility, the number of women returning to Brisbane City Council after maternity leave has risen from 69% in 1998 to over 90% at the current time (Downey, 2003).

The benefits of flexible arrangements are clear. Provided the arrangements are well managed they provide significant benefit for employees (of all ages) and employers.

2. Flexible Work Options for Older Workers

Brisbane City Council is currently developing new and flexible work options that will enable mature age workers to continue on in the workforce beyond age 65, should they wish. The choices people make about work and lifestyle as they grow older are individual and influenced by a range of factors such as financial security, life and family situation, health and interests. In 1993, Council conducted significant research with its 3000 older employees to understand some of these needs and drivers in order to develop appropriate work structures and roles for the future.

The research found that a large percentage of older employees will actually be seeking permanent full-time work for the future that offers them the surety of secure employment. They do not have the financial means to choose another option. Some older people will seek permanent part-time work (again with the underpinning security). The key for these older people will be more flexibility of hours and working arrangements. Interest in temporary work options is almost non-existent.

The findings show that as people age, they re-assess their intention to retire from paid work.

In addition, when asked what work/lifestyle options they would like to be undertaking at their current age, the strongest choice for all age groups was permanent full-time work, no matter if they were 46 or 65. They could see themselves working part-time, doing community/volunteer work or retiring at some time in the future, but right now the largest percentage wanted permanent full-time work. The second highest choice for different age groups was permanent part-time, however interest in this option only grew with age 60 and above employees.

Work/Lifestyle Choice	Current Age			
	46 – 50	51 - 55	56 - 60	Over 60
Full-time	84%	81%	78%	57%
Part-time	10%	10%	12%	22%

When 60 + years employees were asked to look further into the future to age 66 - 70, 59% indicated they would like to be working either permanent full-time (37%) or permanent part-time (22%). 20% wished to be partly retired. It is important to note that only 17% believed they would be fully retired.

Interest in temporary work across the board was very low, and decreased with age, suggesting that as people grow older they require a greater sense of permanency/security in relation to work and income.

Qualitative statements provided as part of the research backed up these findings. Many employees felt they could not financially afford to work part-time (despite interest in this option) or retire due to family commitments and financial hardship. They were in good health now and intended to continue to work full-time as long as they were fit and/or enjoyed the work. Key concerns were stress and pressure in the job due to perceived increased workload and some managers' disinclination to allow their workers to take up flexible work options and hours. Some individuals in temporary roles indicated a desire for more certainty of employment – so that they had the means for their retirement. Older worker interest in part-time and reduced hours was quite strong, with many praising Brisbane City Council's current flexible arrangements.

Older employees were asked to indicate likelihood of taking up a range of new work/life options, if they were offered. Interest in all options was lower for employees aged 56 years and older, except for in the area of coaching others.

For those aged 56 and above, the top five options they would be likely or very likely to take up were the following:

- Coaching roles either full-time or part time (63%)
- Community and volunteer work (51%)
- Reduced hours per week over a number of years leading up to leaving paid work (45%)

- Work from home on one or more days per week leading up to leaving paid work (41%)
- Shift and roster arrangements tailored to their needs - reduced or flexible work hours (40%)

Choices that rated least favourably were:

- A second career with Brisbane City Council possibly involving training or formal study
- Reduced level of responsibility over a number of years leading up to leaving paid work
- More leave (time off) with reduced level of responsibility and pay over a number of years leading up to leaving paid work

Overall the findings show agreement with comment in the discussion paper that older people may be less open to taking on different work and new work opportunities. This was particularly the case in the lower skilled wages area. Many older low-skilled workers, particularly those with lower education and literacy levels have undertaken little to no self- development throughout their working life and are not open to doing so in the future. They are not interested in taking on another role with Brisbane City Council. They intend to remain in their current job until they are no longer able to perform in the role and then exit the organisation.

The other interesting finding is that older employees are not interested in options that require them to give up status and take on a lesser role.

The interest in community and volunteer work was surprising and offers opportunities for government and organisations when creating new jobs and combination work/volunteer options that will be attractive to older workers.

Brisbane City Council's research presents clear direction on where flexibility will be required in the employment system and industrial framework/instruments for the future.

It also shows where challenges and opportunities will be for employers in creating more opportunities for older people, while at the same time ensuring a dynamic and capable workforce for the future. Some examples are:

- How do employers create viable full-time or part-time coaching roles and develop older workers so that they have the skills to carry out those roles?
- Older workers intend to work longer and want full-time work with flexibility. They also have no interest in lesser status roles with less take home pay. How do employers structure the workplace so that this is viable?
- How do they do this in a way that does not stifle the development of the younger workforce to step into roles when older workers finally retire?
- How do they interest older lower skilled workers in retraining and alternative work options, particularly if they are currently in physically demanding roles that will be difficult for them to perform as they age?
- In this context, can work be redesigned or technology introduced that enables them to remain in the role? If yes, will they be open to learning new technology?

3. A Flexible Industrial System

The Government's *Australia's Demographic Challenges* paper talks very broadly about reform to create more flexibility in the industrial system, but does not offer any specific strategies for change.

Brisbane City Council suggests that negotiation of further employment flexibility for older workers may not be achievable at the bargaining level without change to the supporting industrial framework. Existing awards will not be flexible enough to achieve the required workplace change and work structures. In addition, the existing bargaining process alone may not be conducive to achieving the required outcomes of meeting older employees' work needs and still being sustainable for business.

The Federal Government needs to broaden the Australian Industrial Relation Commission's powers so that peak groups can run test cases to develop a framework that is better suited to the needs of older workers. The Commission may also need to consider elements of common law and bring them into line with the amended framework.

This would provide an agreed and open starting point for business and unions/employee groups to move forward toward flexible and innovative solutions for older people.

The current industrial system with Federal and State jurisdictions and awards can pose significant challenge for business working across State boundaries and under both Federal and State awards. Work to create better work structures and supports for older workers within this context may be more complex.

The union movement is active in influencing policy in relation to Australia's demographic change at the national level and is supportive of action being taken to increase opportunities for older workers at the local level. However, this commitment is yet to be tested at the bargaining table when faced with proposals for radically different working arrangements for older people. For instance, older workers may be interested in a leave purchase option that offers them three months work, and one month off for leisure on a rolling pattern. The arrangement may offer a package of conditions that are equitable when compared to other employees, but different. Work patterns and structure would need to be significantly changed to accommodate the new arrangement. The challenge to all negotiating parties will be significant.

Older workers themselves may also represent barriers to achieving new work options and flexibility for older employees, due to their attachment to existing awards and conditions. They may be unwilling to consider new work arrangements due to perceived loss of benefits such as overtime opportunities and allowances that supplement their take home wage.

We will all age, therefore the approach taken to developing a guiding industrial framework for older workers needs to be collaborative and inclusive. The outcome will benefit each of us at some stage in our lives through more choices for life, control and economic wellbeing.

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