

## Avoiding the Demographic Demise: A Smith Family commentary on mature age workers

Kristy Muir and Daniel Slack-Smith

The Smith Family welcomes the discussion surrounding mature aged workers. We recognise the widespread implications of Australia's demographic projections. An ageing population presents potential problems not only for our labour force and Australia's GDP, it also has widespread social implications. Inadequate funding for retirement may force older Australians into disadvantaged situations. Decreased government revenue, as a result of increased pensions and a drop in the number of taxable incomes, may also result in a decrease in government expenditure on education and health.

While early retirement is a growing trend, not all disengaged mature aged<sup>1</sup> workers 'voluntarily' leave the workforce. Older workers face significant barriers in regard to staying in and re-entering the workforce. Negative perceptions persist, despite the advantages of recruiting, retaining and providing lifelong learning for mature aged workers. Governments, businesses and communities need to work together to change attitudes and perceptions and implement policies which promote the engagement of mature aged Australians in employment and education.

### Setting the demographic and economic context

A significant proportion of Australia's population is over 65 years of age (12 per cent). By 2016 this group will have increased to 3.5 million (16 per cent).<sup>2</sup> They will continue to increase as the peak group of baby boomers reach 65 years of age (between 2011-2031).<sup>3</sup> While the number of over 65s is increasing, the participation rates of mature aged workers have dropped. In 1971 three quarters of 60-64 year old men were participating in the labour force, by 2001 this had decreased to 50 per cent.<sup>4</sup> Australia remains below the OECD average for the labour force participation of mature aged workers.<sup>5</sup>

Compounding this problem is the increase in early retirement. Between 1960-1995 the average age men left the workforce dropped by four years and five years for women.<sup>6</sup> Early retirement is encouraged throughout society. Popular culture, for example, supports this. Advertising campaigns, movies and television programs portray images of the 'young' retired couple enjoying a leisurely life, whether it be strolling along the beach, four wheel driving, taking holidays, or moving to activity filled 'retirement villages'.

The potential implications of our ageing population, decreasing fertility rates and trends to retire early – a drop in the growth of the working population, a drop in taxation revenue and an increase in pension and health care expenditure – are well cited.<sup>7</sup> In 2002 the Intergenerational Report established that mature aged workers needed to stay engaged in the labour



market to uphold Australia's GDP growth.<sup>8</sup> Even if mature aged workers do not take the overall economic implications into consideration, they still may have to continue working beyond retirement age to uphold their personal living standards.

Studies have suggested that many baby boomers have not saved adequately to finance a comfortable retirement.<sup>9</sup> Superannuation has been found to be an insufficient source of income for many baby boomers.<sup>10</sup> The average super payout is \$70,000<sup>11</sup> and, given life expectancies, this may have to last between fifteen and twenty years. In addition, according to NATSEM, four out of five baby boomers can no longer rely on inheritance because their parents' savings are being spent in their increased longevity.<sup>12</sup>

### The not so voluntary side of early retirement

While much of the discussion around the early retirement of mature aged workers has centred around engaging, retaining and motivating mature aged workers to remain in or return to the workforce beyond retirement age, early retirement is not always entirely voluntary. Mature aged workers are predominantly the group forced out of organisations as a result of restructuring or retrenching. Australian and international research estimates three out of five workers who have involuntarily retired would have preferred to keep working.<sup>xiii</sup>

Mature aged workers continue to be shut-out of the recruitment process. Almost one in three unemployed 45 year olds believe they cannot get a job because of their age.<sup>14</sup> Older unemployed Australians are also known to be unemployed for longer periods than their younger counterparts and are more likely to become discouraged job seekers who pull out of the labour market into forced early retirement.<sup>15</sup> The difficulties faced by mature aged workers in the labour force are heavily influenced by employers' perceptions.



## Perceptions, attitudes and behaviours

Throughout western society mature aged people suffer from stigmatisation and Australia is not immune to ageism. In the labour market, attitudes and perceptions of mature aged workers may influence their status and employability. There is widespread international understanding that an increase in the number of mature age workers in the labour force may only occur if perceptions and attitudes are changed.

Older workers are often stereotyped as 'less adaptable to change, less productive, hard to train, inflexible, less motivated, a risky investment and with potential poor health'.<sup>16</sup> Ageism is further reinforced by the media's depiction of mature aged individuals. They are often portrayed as having cognitive, health, physical, social and work limitations.<sup>17</sup>

Ageism works similarly to other stereotypes where a highly valued familiar mature age worker is taken as the exception, and stereotypical traits are applied to other individuals in that same group. So while a mature aged employee may be viewed by their particular employer as reliable, loyal, skilled and valuable, mature aged workers in general are perceived negatively. This has major implications for older individuals attempting to enter, or re-enter the workforce.

While governments are beginning to address age discrimination in the work place, legislation alone may be insufficient to overcome the attitudinal barriers mature aged workers face. Perceptions do not always change with the legal situation.<sup>18</sup> This has been demonstrated in relation to mature aged workers in the United Kingdom. In 1999 the Blair Government introduced the 'Age Diversity in Employment' Code of Practice. A recent evaluation of the code revealed that solely introducing legislation did not bring about change. While UK employers condemned age discrimination, in practice age bias prevailed, especially in relation to recruitment. Australian research by Victorian, South Australian and Western Australian Equal Opportunity Commissions also found age discrimination was easily masked by employers.<sup>19</sup> Therefore, legislative change needs to be accompanied by attitudinal change.<sup>20</sup>

Negative perceptions about the ability of mature aged employees, may be reinforced by 'learnt' behaviour. If mature aged workers begin to believe their performance and ability is hampered, then their output and work ethic is likely to be affected. A study by a BCA member company revealed that its employees believed 'their careers peaked by around age 40' and they 'began to disengage from work and on-the-job training long before retirement'.<sup>21</sup> The same study, however, revealed that these behaviours reflected the situation mature aged workers faced. They have more difficulty accessing training, promotions and career opportunities and as such feel less valued.<sup>22</sup>

## Reality: the value of mature aged workers

Research has shown that mature aged workers are valuable employees. It is therefore in the interest of businesses to recruit and retain mature aged workers for the following reasons:

- Productivity and skills increase as individuals age;
- Mature aged workers are more loyal to organisations. They are five times less likely to change jobs than their younger counterparts, saving businesses money on recruitment;
- Retaining mature aged workers also benefits organisations because corporate knowledge and training investments remain with the business;
- Mature aged workers are less likely to be absent and have fewer accidents.<sup>23</sup>

It also makes good business sense in regard to service providers and retailers to employ mature aged Australians because a large proportion of the market is increasingly older. Access Economics estimated that over the next decade almost half of the expected increase in retail spending will be attributable to the over 55s, who they called the 'platinum' market.<sup>24</sup>

In Australia, Westpac and Australia Post have found employing mature aged workers to be a positive strategy.<sup>25</sup> One retail company in the UK piloted an entire workforce of employees over fifty years. The results were surprising – happier customers, increased profit, a 3.9 per cent drop in absenteeism and a six fold drop in employee turnover compared to other stores.<sup>26</sup>

In addition, increasing the participation of mature aged workers may result in improved health. There is a direct correlation between physical and mental health and employment. While ill health is likely to result in an individual being out of the workforce, joblessness has been shown to have a direct effect on the health of individuals.<sup>27</sup>

## Challenging perceptions, influencing attitudes and implementing change

Partnerships between governments at all levels, employers, employees and communities are needed to get businesses to understand the benefits of employing and retaining mature aged workers and to successfully change perceptions and attitudes and dispel stereotypes.<sup>28</sup> The benefits, which come with hiring mature aged workers, should make the transition easier for employers. After all, employers want employees with traits commonly found in older workers – reliability, intelligence, teamwork skills and experience.<sup>29</sup>

In looking to address negative perceptions and attitudes, policies should be wary of focussing too strongly on the 'older' or 'mature aged' worker, because this may further reinforce stereotypes or put other interest groups, such as those advocating for youth employment, offside. Encel suggested that one way to combat these problems is to promote 'age diversity' and use an 'age aware' approach.<sup>30</sup>

## 'Learned' employees, not 'older' ones

Although it sounds like a paradox, perhaps the most effective way to change attitudes towards mature age workers is to stop referring to 'mature age workers' at all. The focus should perhaps be on engagement in lifelong learning. If re-skilling

and lifelong learning for all employees (regardless of age) can become active components of workplace culture in Australia, then the labelling issue surrounding mature age workers ceases to exist. The words we use are important, and this entire issue can be re-framed positively in the language of a culture of education. Instead of 'what are we going to do about mature age workers?', the question becomes 'how do we keep all Australians learning?'

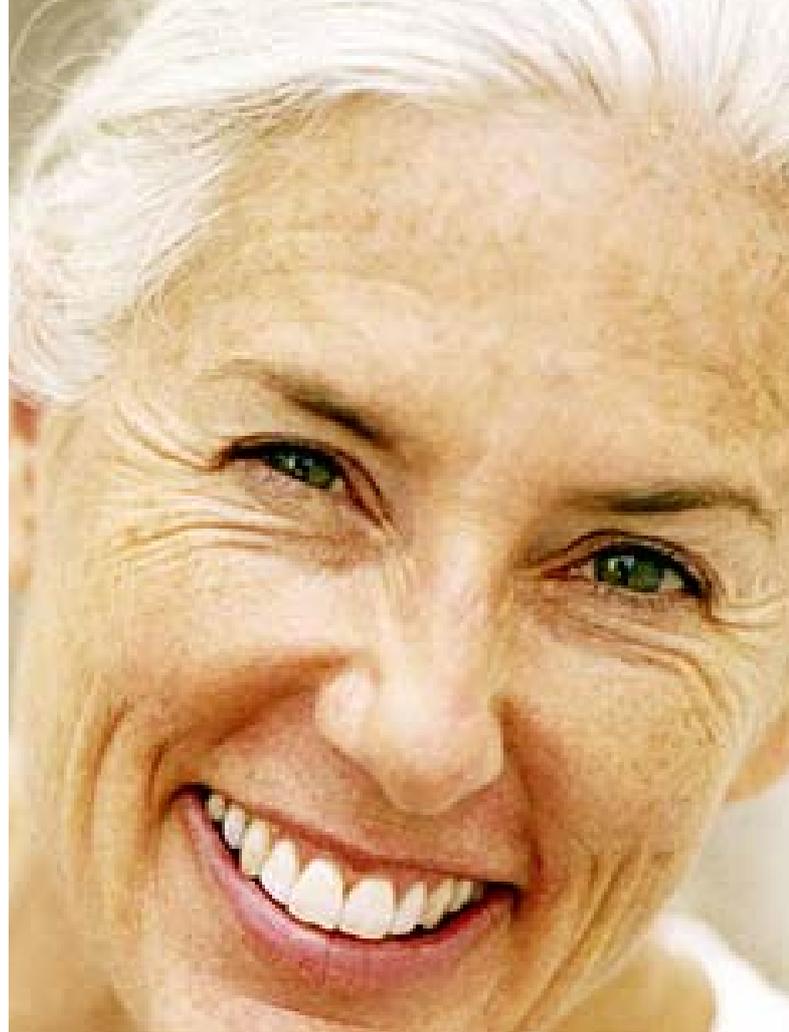
In Australia, we already see lifelong learning primarily as a workplace and labour market concept. According to the OECD, discussions on lifelong learning in Australia 'tend to emphasise skills training and retraining for improving employability and economic competitiveness'.<sup>31</sup> While other nations (such as Japan) may see lifelong learning as a tool for building citizenship or enhancing life enjoyment, the Australian understanding has historically focussed on the role of lifelong learning in the workplace and the labour market.<sup>32</sup>

Education and lifelong learning in the workplace enhance (and maintain) the depth and diversity of skills in an organisation, and signal an investment in the learning potential of employees of all ages, which could in turn positively influence retention levels. While applying these principles across the board, extra attention needs to be paid to enhancing lifelong learning opportunities for mature aged workers. Such a focus would help overcome the attitude that mature age workers are (or soon will be) past their 'use by date', and that employing, training or re-skilling them is not a worthwhile investment.

Introducing a culture of lifelong learning with a focus specifically on mature aged Australians is believed to be economically essential for businesses and the country overall. The Department of Family and Community Services argue that for businesses to be competitive and successful they need to not only focus on 'skills and experience' and effective retention policies, but also on training to 'build and maintain' the skills of the mature age workforce.<sup>33</sup> Access Economics see the issue as a broader economic problem, arguing, 'the establishment of a culture of continuous learning and re-skilling is essential to maximising the contribution of mature age workers to economic growth'.<sup>34</sup> The Treasury and Department of Health and Ageing concur.<sup>35</sup>

### Some issues surrounding policy changes

In addressing the ageing workforce, government needs to take a holistic approach. Policy changes need to be broad to address the issues surrounding 'early retirement'. For example, sufficient and affordable childcare places are essential if grandparents are to continue working, rather than look after grandchildren (in 2002 19 per cent of children under 12 were looked after by grandparent(s) in informal care).<sup>36</sup> And while the Intergenerational Report predicted a decrease in government spending as a proportion of GDP over the next four decades to respond to the pressure ageing will place on the economy, governments should consider the implications of cutting expenditure in certain areas. Education funding, for example, was estimated to drop from 1.8 per cent of GDP in 2001-02 to 1.6 per cent in 2041-2042.<sup>37</sup> At a time when one in four young people drop out of school early,<sup>38</sup> over one in five 15-19 year olds are unemployed and almost one in four 20-24 year olds are not in full time employment or education,<sup>39</sup> we cannot afford to direct funding away from our youth and their education. This is especially crucial as our workforce population shrinks.



### Conclusion

Engaging a significant proportion of mature aged Australians in the workforce will have economic, social and health benefits for individuals and society as a whole. For such a change to occur, not only does the trend for early retirement have to reverse, employers also have to overcome negative stereotypes and start seeing mature aged workers as value adding assets. Businesses need to address recruitment and retention issues at attitudinal and policy levels. A significant step in altering negative perceptions would be to change the terminology we use. Given the fact that workers of other age groups are rarely defined by their age bracket, we should be able to stop talking about 'older' or 'mature aged' workers and begin defining workers by their skills and experience.

### Endnotes

- 1 The ABS classifies those aged 45 years and over as 'mature aged', and those aged 65 years and over as 'older persons'. As this paper does not specifically differentiate between 45-64 year olds and those over 65, it uses both 'mature aged' and 'older workers' interchangeably.
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For further information contact Kristy Muir Research Officer, Research & Development, The Smith Family. Phone: (02) 9085 7213.

Email: [kristy.muir@smithfamily.com.au](mailto:kristy.muir@smithfamily.com.au) or visit [www.smithfamily.com.au](http://www.smithfamily.com.au)

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