

## MEMORANDUM TO THE PRIME MINISTERS COMMUNITY BUSINESS PARTNERSHIP

<b>Date:</b>	20 May 2004
<b>Subject:</b>	Response to "Australia's Demographic Challenges"
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### Purpose

This paper has been prepared in response to requests for submissions to the Australian Government's report 'Australia's Demographic Challenges' which was released in February 2004 providing an overview of the growing issues surrounding Australia's ageing population. Our response focuses on the ageing population. We recognise that adapting and responding to the dynamic change occurring in the Australian Labour market will contribute significantly to the sustainability of our business and the broader economic environment.

Of particular focus for Westpac is the ageing of Australia's workforce. We recently submitted our view to the Prime Ministers Community Business Partnership on the strategies and actions Government should consider in supporting business address the impact of the ageing of Australia's workforce. Those views have been incorporated into this paper and form the focus of our response. Westpac welcomes the opportunity to prepare such submissions as we are committed to furthering dialogue and development on these issues.

### The Westpac Experience

Westpac has demonstrated its commitment to increasing the participation of Mature Age Workers in our workforce, by implementing strategies that will assist us to become more Age Balanced than we currently are. We define Age Balance within an organisation as a workforce age profile that is aligned to that of the broader population. We recognise that partnering with Federal, State and Local government will increase the likelihood that we achieve our goals and contribute to the greater good of the community.

The case for Age Balance at Westpac is compelling. A comprehensive Age Audit of the retail labour market in the bank reveals that we have a significant over representation of workers aged between 26 – 35 years and a significant under representation of those over the age of 56. Initiatives implemented so far have had reasonable success. We believe that it is critical that we continue to proactively address these issues to ensure we continue to build a platform that will aid our long term sustainability as an organisation. We are committed to developing our people; which means ensuring they understand how the changing labour force will impact them personally.

Westpac is striving to be a leader of industry in exploring and analysing this growing issue. Yet the journey is complex and without precedent. Effective responses require considerable resources and funds. Like any business, Westpac has a finite amount of funds available for numerous people initiatives. This issue, though critical, is only one of these initiatives. We believe that as much as the journey is a shared responsibility, so too is the investment required to address the complexity of the issue.

## **“Australia’s Demographic Challenges” - Commentary**

There are numerous sentiments in “Australia’s Demographic Challenges” that Westpac supports. They are;

### **1. Improving the Capacity for Work**

Creating and promoting access to further education and training to support continuing vocational learning throughout working life is essential to individuals and business alike. The benefit of continued learning is unquestioned, as are the fiscal benefits of working. The key to this for Westpac is twofold. We must continue to develop our people over their working lives to ensure their productivity, vitality and skills currency; all of which contribute to the sustainability of the organisation and the individual. The second aspect relates to those in the labour market that form part of the pool from which we recruit – they must also have access to appropriate education and training to aid their probability of employment.

Whilst we have had success in recruiting 386 employees over the age of 45 in the last financial year, this has been due to initiatives we have implemented. As an employer who recruits over 3000 Australians annually, we are yet to perceive a significant improvement in the quality and capability of the candidate pool. We recognise that this is despite significant investment by the Government in training and the development of the Job Network. We are confident this number would increase dramatically if the skills of individuals in this candidate pool were more appropriately matched to industry requirements.

We support the sentiment that current “training opportunities appear to favour those with already relatively high skills” and support the strategy identified where Government is “introducing policies to better target and match in a more timely way the skill needs to the industry”. We believe there is scope for the Job Network to play a significant role in improving the capability of the candidate pool – but this must be done in partnership with industry to assess and appropriately match or develop critical skills. We understand that this is a shared responsibility for Government and Business and are interested in pursuing unique and creative joint approaches to this.

We recognise however that the projected shortfall in supply in the labour market presents us with an opportunity to invest heavily in the people we currently employ, to ensure their vitality is maintained as they age through skill development, better incentives and increased flexibility. However, the changing nature of work and the necessity for people to have longer working lives places business under considerable pressure in relation to training and development costs. We believe Government has a role in matching incentives and investment to assist with this. The training and educational infrastructure must also be adapted to better respond to the need for continual development and the corresponding allocation of funds.

### **2. Better Incentives / Supporting More Flexible Work Options**

We strongly support the sentiment of implementing better incentives to encourage wider labour force participation and the statement that “it is important that government policies do not discourage people from working.”

As stated in the paper, “most people today leave unemployment via part time work...which, over time can lead to more substantial employment”. We acknowledge this pathway to full time employment and the flexibility it can offer to working parents and/or disabled parties.

The challenge for business is that there is a significant cost in Australia to offer this pathway. Legislation such as Financial Services Reform (FSR) has markedly increased the base cost of maintaining the skills currency required to work in the Financial Services Industry. This legislation acts as a disincentive for employers wishing to implement flexible work arrangements, as the requirements are the same for all employees, effectively increasing the relative cost of part time employment.

Government needs to acknowledge that whilst businesses such as Westpac support the notion of better incentives, flexibility and part time pathways to employment, there are logistical and cost barriers to implementation. We ask that other incentives be considered that could possibly increase the number part time positions offered. We don't believe it's tenable to grade the FSR requirement for part time work - but something must be done, such as developing a partnership with a Job Network provider to equip the candidate pool with this knowledge prior to employment.

At the other end of the work life cycle is the need, as outlined in the report, for older people to transition slowly, flexibly and without financial loss out of the workforce. We support the continual monitoring and review of superannuation regulations that inhibit flexible work arrangements in the transition to retirement or that induce early retirement. It is essential that retirement income policies do not "operate as a disincentive" to remaining in the workforce. At the same time, policies must be considered for their unintended consequences. For instance, we do not support encouraging a culture where part time work is the norm for people over the age of 45. An unintended consequence of this situation could potentially be a poverty trap, where employees work in volatile labour markets, for a low wage with no scope for increasing their human capital. Business will always require full time employees.

Government and business have a shared responsibility to effectively educate the community on the importance of planning for their retirement. We endorse the establishment and communication of minimum standards of income required for retirement, as illustrated recently in the work we have published with the Association of Superannuation Funds of Australia.

Westpac operates across both metropolitan and regional Australia. To sufficiently address the demographic challenges Australia faces we must recognise that regional Australia faces a unique set of issues; a "one size fits all" approach will no effect change in regional Australia. We support the investigation of incentives for regional Australia.

## **Our suggestions for consideration**

Implicit in the strategies proposed by Government are the following additional sentiments that Westpac supports.

### **1. Building Awareness**

Industry, business and the community must continue to increase their level of awareness of the shifting age demographics and what it means for them. Government can act as a key communicator to industry, business and individuals, by providing a clearly articulated set of messages tailored to each of these groups and a communication strategy to support their effectiveness.

For example we believe that **Industry & Business** would benefit from the following;

- Regardless of the organisation you work for there needs to be a common language and understanding about retirement complete with standardised planning tools to understand your own position.
- Clear communication of labour supply scenarios over the next decade to industry & business, identifying the potential contribution of migration and underutilised segments of the current population and any associated labour shortfall.
- Challenges of managing an ageing workforce to industry & business, including recruiting, skilling, progressing, retaining and maintaining the health and well-being of workers as they age.
- Communicating and coaching that this is not a simple task – that it will require considerable resources and effort to effect change.

The **Community** would benefit from the following;

- Explaining why working longer is a good idea from a health, financial and social perspectives.
- Encouraging life and career planning, and managing transitions including the transition to retirement.
- Promoting the need for continuing vocational learning across life to ensure the maintenance of skill currency and the development of new skills to respond to a dynamic work environment.

## **2. Enhancement of legislation to accommodate a changing Australia**

As alluded to earlier in this paper, Westpac contends that the legislative and employee relations environment in Australia present significant barriers to the implementation of many of the proposals identified by Government and business to address our demographic challenges, such as the FSR implications for part time work.

As an employer we often want to offer incentives and flexibility, but find industrial instruments such as Enterprise Bargaining limit our capacity to do so. For example, different approaches to work such as seasonal employment and the ability to purchase extra annual leave are benefits that would provide additional pathways into our labour force and options for our current employees. However the negotiating process presents barriers for the sake of negotiation, where the “bigger picture” becomes obscured and we become blocked from implementing such initiatives. Westpac understands the need for a consultative approach and does not recommend the removal of this process but suggests enhancements be investigated to enable a more nimble response from employers.

We recommend that Government assess its employer subsidies to ensure they address the emerging labour market issues in Australia. For instance, perhaps it is necessary to install “gate opener” criteria for Government grants, which include Age Balance quotas and mandatory flexible work options.

### **The Policy Challenge - Response**

In terms of the choices that the paper presents, we support Choice 4 with its focus on increased labour force participation and productivity. Implicit within Choice 4 but perhaps deserving of an additional “Choice”, is what we believe is the central tenet of the appropriate response - the development and capability of people. For employees of all ages to maximise their potential and realise the full benefits of working, there must be a more effective and focused strategy implemented to equip people of all ages with the skills and training that business require.

Support for business in dealing with these issues also needs to be clearly outlined to assist business in understanding the importance of creating working environments conducive to older candidates.

## **Summary**

Westpac is committed to providing leadership for business, government and the community in responding to the challenges and opportunities associated with the ageing of the population and the place of people in work as they age. We recognise that there are components to this journey that are yet to be discovered and that a considerable amount of further research and action must be undertaken to dispel the myths associated with an ageing workforce.

Westpac would benefit from the following Government actions:

- The development and communication of an integrated Australian Government policy agenda that clearly spells out discreet policy and programs related to the transition, progression, development and retention of workers as they age.
- The facilitation of a coordinated policy agenda across all levels of Government would actively assist business operating across state boundaries. For instance, Westpac has been asked to and has attended numerous Government roundtable discussions where the items for discussion have been identical. It would be more valuable to combine these discussions into a coordinated, focused group rather than addressing the same issues in numerous forums.
- As Westpac increasingly focuses on age management issues, new challenges that confront current policy and legislative settings will be identified. This will require ongoing dialogue with government and a commitment to partnership that actively responds to the challenges presented. A number of forums exist nationally where issues of work and ageing are discussed. There is a need for better coordination of these forums and a clear structure to aid a continuing and progressive dialogue between business and government.

Westpac recognises that the initiatives and suggestions we have made in this response imply significant cost to the Government. However, we are not advocating the allocation of significant additional funds. We are in support of a review of the placement of the existing pool of funds to more effectively support the strategies that will need to be implemented under Choice 4.

We welcome the opportunity to partner with government for further discussion and action in this area.