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## **MATURE AGED WORKERS: AN ANSWER TO THE SKILLS SHORTAGE?**

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## **MATURE AGED WORKERS: AN ANSWER TO THE SKILLS SHORTAGE?**

***Abstract:** Governments and policy makers have been promoting the retention and employment of mature aged workers for the past few years. They have projected a labour and skills shortage which could hinder economic growth and have tried to encourage business to tap in to the largest single working cohort – the baby boomers – who are contemplating retirement. Before 2000 mature age participation in the workforce declined steadily for more than 30 years, but recently there has been an upward trend in employment of 55-64 year olds. Perhaps greater employment of the baby boomers into their 70s is the answer to a labour shortage. To make this happen, business will need to review its attitude, training and employment conditions to attract this demanding generation.*

Keywords: skills shortages, employee training, mature age workers.

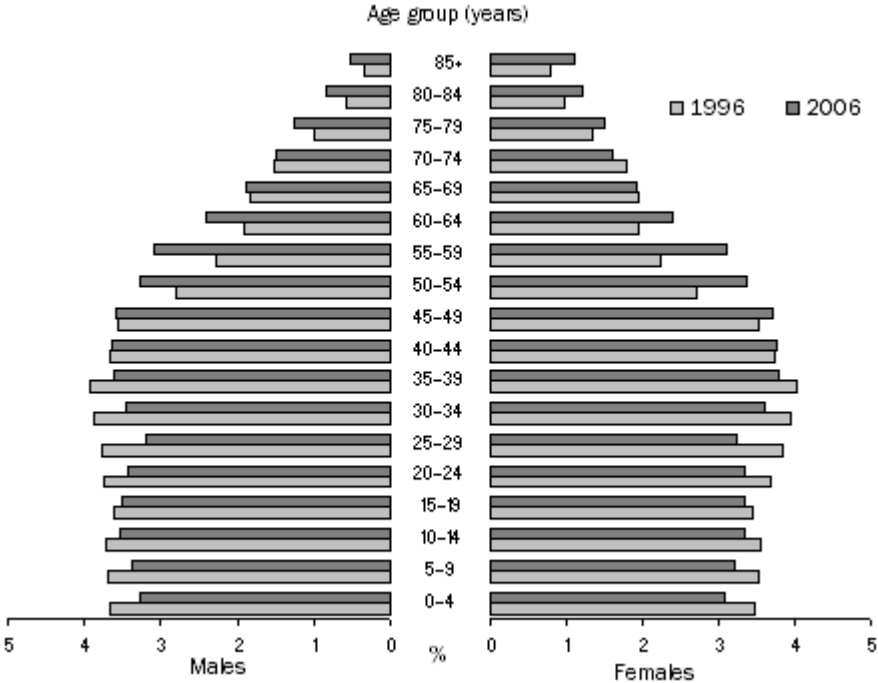
The baby boomers – the post World War II generation born between 1946 and 1964 - have been a large bulge on the demographic chart since they were born. In most western countries they have changed social planning throughout their lives from schools to being rebellious teenagers, from housing to health needs. As they have aged, subsequent generations with lower fertility rates (below replacement level for more than 30 years in Australia) combined with increased life expectancy, has aged the population (ABS 2006). The leading edge of the boomers started turning 60 last year and become 65, age pension age, in 2011, so whether many of them continue to work and for how long is of great significance to the economy and those remaining in the workforce. The principal focus of this paper is Australian workforce change and literature as it relates to older workers. I canvass the effect of the projected demographic transition, highlight an untapped source of labour and discuss how organisations can increase their retention and employment of mature workers through improved training and employment conditions to maximise their competitive advantage. This paper does not review the widely discussed topic of age discrimination in the workplace.

### **GROWING PARTICIPATION**

Recently released figures from the 2006 census graphically illustrate the ageing of Australia's population. Compared with the 1996 census, the proportion of the population aged 65 years or more increased by 500,000 people to 13 per cent of the population. The proportion of the population in the working age group (15-64) remained stable at 66 per cent of the total population but the number of

people in that group increased by 1.51 million (ABS 2007). Between the two census dates the largest age group to increase was those aged between 50 and 59 years – climbing from 10 per cent to 13 per cent of the total population - from 1.8 million to 2.6 million people. Conversely, those entering the workforce (aged between 15 and 24) fell as a proportion of the population to 13.6 per cent (ibid). The ABS Figure 1 below demonstrates the ageing trend with all age groups up to 35 to 39 years being smaller in the 2006 census (the darker bar) compared with 1996, and all those groups above the 45 to 49 cohort being larger in the 2006 census. The 40 to 44 group is about the same for both censuses.

**Figure 1: Age and gender distribution (1996 census and 2006 census)**



Source: ABS 2914.0.55.002 – 2006 Census of Population and Housing

At a time of looming skills shortages, it is surprising that workforce participation among older workers is lower than it was 50 years ago – particularly for men. The male employment rate for 45-65 year olds fell from almost 100 per cent in the 1950s to almost 50 per cent in 2000 (Kerr, Carson and Goddard 2002). But since then it has begun an upward trend, particularly among women. While there was only a marginal increase of older men in the Australian workforce from 1970 to 2004 (2 per cent), the number of older working women increased by 13 per cent to 52 per cent of the cohort over the

same period (OECD 2006). This trend reflects the expansion of part time and casual work taken up by women. In the older age groups the number of working women in the 55 to 64 age group more than doubled between 1985 and 2005 while the increase in men in the same age group increased only 6.7 percent but on a much larger base (ABS 2006). Workers aged 65 years or more have seen large increases of participation in the workforce over the same years but off very small bases as shown in Table 1.

**Table 1: Australian labour force participation rates by age 1984-85 and 2004-05**

**Males**

**Females**

Age group	1984-85 %	2004-05 %	Change %	1984-85 %	2004-05 %	Change %
45-54	90.1	88.0	-2.3	50.7	75.0	47.9
55-64	61.2	65.3	6.7	20.3	43.8	115.2
65 +	9.2	11.1	20.5	2.2	4.0	85.3

Source: ABS 2006, Labour Force, electronic delivery (6291.0.55.001)

Overall mature age workers make up a third of all employed people.

Will delaying retirement (ie greater work participation) among the baby boomers resolve an impending labour and skills shortage? Some certainly think so and have promoted it remorselessly.

The Federal Government's first *Intergenerational Report* (Australian Government 2002) predicted that while the number of people in the labour force would grow 14 per cent over the next 20 years, the number of people aged 55-64 would increase by more than 50 per cent over the same period. But the report also predicted that while participation of women aged 45 to 64 would continue to rise then plateau in 20 years' time, male participation in the same age group had already plateaued. Here was a potential source of labour. Mature age participation in the workforce was a key priority for ensuring fiscal sustainability, the report said (Australian Government 2003, 2). In 2005 the federal government promoted participation by introducing the Mature Age Employment and Workplace Strategy costing \$12.1 million over the next four years, then featured labour force utilisation as one of two key

priorities of the second *Intergenerational Report* (Australian Government 2007). Building on the report in the 2007 Budget Strategy and Outlook, it was estimated that if Australia increased the participation rate of its 55 to 64 years olds to the rate of the leading OECD country, another 600,000 people could be in the labour force. At 55 per cent, Australia is 13<sup>th</sup> in the OECD's older workers participation list, behind Iceland on 86 percent, Sweden 73 per cent, New Zealand 71 per cent, the US 63 per cent and the UK 58 per cent. However, it pointed to a more recent trend of increased participation among mature age workers from 2000 (Budget Paper number 1, 2007).

The increase in participation which is interesting commentators is the 7.2 percentage point growth between 2000 and 2005 - from 48.3 per cent of the total cohort to 55.5 per cent. The total figure is skewed by the larger increase in female mature workers of 9 percentage points from 35.6 per cent in 2000 to 44.6 per cent in 2005, compared with the older male participation increase of 5.5 percentage points to 66.3 per cent over the same period (Kennedy and Da Costa 2006, 33). The rises are led by older females in part time and casual work (part time work accounts for half female participation), whereas men have not favoured this type of employment.

The reasons for the increase in mature age participation are not yet known but suggestions can be divided in to push and pull factors outlined in Table 2 below.

**Table 2: Factors which influencing the 55-64 year cohort to stay in work**

<b>Push factors</b>	<b>Pull factors</b>
Changing attitudes to work participation by the baby boom generation	Lack of restructuring and redundancies which would otherwise force retirement
Improved health of the ageing cohort	Growth in the economy ensuring the retention of needed staff
Satisfaction from work	Availability of flexible employment
Increasing the age at which women can receive the age pension	Changing employer attitudes towards older workers
Reduced access to the Disability Support Pension	Mature Age Worker Tax Offset introduced in July 2004

Family responsibilities	Abolition of a retirement age
Lack of boomers' financial preparedness for a comfortable life in retirement	Simpler and tax free superannuation access for over 60s from July 2007

Adapted from Bartlett (2003), Kennedy and Da Costa, (2006) and Murray and Syed (2005).

Kennedy and Da Costa (2006) believe that the increase in male participation could also be partly brought about by the increase in female participation. The decision to retire or stay in the workforce is usually a family one and with more older women working, the incentive for older men to remain or become employed could be greater. This coupled with greater income expectations to fund a retirement which will be longer and more comfortable, could be keeping older men in the workforce (Kennedy and Da Costa 2006, 39). In support of this view a recent survey found a lack of preparedness for retirement meant that respondents could not retire at the “golden age of 55”. More than 27 per cent of 1700 respondents said they hoped to retire at between 61 and 65 years and nearly 20 per cent said they planned to “work until they drop” (Talent2 2007). A decade ago at least a third of all people over 60 indicated a willingness to continue working (Seedsman 1996) and since then people’s expectations about the adequacy of state pensions have changed and they have come to realise mandatory superannuation contributions, introduced in 1992, will not be sufficiently large to provide adequately for retirement. Average superannuation balances in 2004 were \$56,400 for men and \$23,900 for women and retirement payouts around \$110,000 for men and \$37,000 for women indicating retirees will substantially rely on the Age Pension (Clare 2007). The maturing cohort is also better educated than past generations which of itself increases participation (Kennedy and Hedley 2003). This is reflected in the industries currently employing the largest numbers of people aged between 45 and 64 in 2003-04 – the education industry with 47 per cent and the health and community service industry with 42 per cent of all workers being mature age (ABS 2005).

But whatever the reasons for the trend towards greater participation in the labour market, older workers’ participation is now the highest on record (Kennedy and Da Costa 2006, 32) and some

anticipate it will continue to grow so that there will be no labour shortage. Particularly prominent among these academics is American author Peter Cappelli (2003, 2005) who believes that instead of being concerned about the changing demographics, organisations should be more concerned with changes in employment relationships so as to increase staff retention (Cappelli 2003, 221). He believes it should not be anticipated that the baby boomers are going to retire at the same age as earlier cohorts. For one thing, they may not be able to afford to retire (Murray and Sayed 2005, Ranzijn, Patrickson, Carson and Le Sueur 2004). As well, the cohort has never been healthier nor more active. In much the same way that baby boomers changed what it meant to be a teenager in the 60s and 70s, they will challenge the age stereotypes (Bartlett 2003) and are already reflecting new attitudes to becoming older with the phrase “50 is the new 40”.

Cappelli (2003) also predicts a higher percentage of older workers will be good for the labour force because its average age will increase, experience and training will be greater and the older, more experienced workforce will mean the economy will operate at lower levels of unemployment because younger, less experienced workers leave or are dismissed more frequently (225) and older workers stay longer.

### SKILLS MISMATCH

In Australia, a number of authors have raised concerns that older workers are overly represented in some industries and under represented in others indicating a mismatch between skills and opportunities between areas (Hancock 2006, O’Brien 2005, Ranzijn 2004). And while an attitude towards retaining mature employees seems to be slowly growing with the provision of a variety of new employment conditions, employing a new older worker is more of an issue. First they need to leap the barrier of endemic age discrimination (Bennington and Wein 2000, Buys and Buys 1996, Encel and Studencki 2004, Field 2005, Gringart, Helmes and Speelman 2005, Patrickson and Ranzijn 2004), although an older interviewer will employ an older worker (Patrickson and Ranzijn 2003). Then an older worker is likely to find their task and organisation specific skills, while valued while that person was employed, do not hold the same value when they are competing for a new job because



they are seen as too specific to their past employer (Kerr et al 2002, Ranzijn 2004). Training is the answer to an available work pool lacking the specific skills needed.

## **TRAINING**

If the immediate problem is not a labour shortage, but a lack of skills in particular areas, the difficulty is co-ordinating the needs of three divergent groups – government, employers and potential older workers. Governments want to keep mature age employees in the work force longer so as to minimise pension payouts and maintain tax revenue. Employers want to maximise profitability and not pay too much for labour, while older workers are looking for income for their retirement and satisfaction from their work. The key to aligning these views is through training according (Ranzijn 2004, Patrickson and Ranzijn 2004). Employers must invest in their older workers, which if they do, will be adding to their future competitive advantage (Choo 1999). As well, governments need to assist with training resources, with one author believing that until governments introduce financial incentives to retain and employ older workers, they will remain undervalued and out of work (Field 2005, 98). This call has been echoed by industry organisations suggesting payment to employers of a ‘learning bonus’ to fund training for older workers and tax-based incentives (Encel and Ranzijn 2007). Management practises will also need to change to recognise that an older workforce has different needs, and wants greater autonomy than a younger one (Ranzijn 2004, 300). Autonomy is an important aspect of job design for older workers who need discretion about how they complete the work to meet their own learning styles and comfort zones (Bennington and Tharenou 1996).

Simultaneously, older people who want to work will need to adapt to newer ways of work, be prepared to learn new skills and not link pay with seniority.

Patrickson and Ranzijn (2004) predict that if the proportion of over 55 year olds in the work force does increase, many employers will be managing staff comprising up to four generational cohorts - roughly divided into those 55 years and over, those 40-54, those 25 to 39 than those under 25 - each of which will have differing lifestyles, family circumstances and be at different stages of their careers. There is

little evidence that human resource practitioners have adapted staff management practices to cater for a changing demographic pattern (429). The failure of Australian governments to support skills training previously regarded as a 'public good', means human resource specialists need to give greater attention to skills development to build the 'knowledge economy' according to Lansbury and Baird (2004). In the past some private sector employers have also been reluctant to contribute to the cost of training, regarding it as something which should be provided by government, while some firms have deliberately under invested in training if they believe their competitors were not contributing to workforce development (Kochan 1999). Australia is not keeping up with the level and quality of training provided by most advanced economies (Hancock 2006). In fact, employer training (which tends to favour full time standard work) remained static at 1.3 per cent of payroll from 1996 to 2001-02 and hours of training fell for men from 32 hours a year in 1989 to 22 hours a year in 2001 (Watson, Buchanan, Campbell and Briggs 2003, 158).

Failure to maintain training for mature workers is a vicious circle making them even less relevant to their employer so that a person with outdated skills is more likely to be terminated than retrained. This becomes a self-fulfilling prophecy: 'Because they are excluded from training programs they become disillusioned and unmotivated, which reinforces the notion that older workers are hard to train and lack motivation. Yet, because of their increased loyalty, when compared with younger workers, they cost no more to train' (Choo 1999, 66).

The shorter shelf life of training combined with younger employees' greater mobility and older workers' stability, means employers will benefit from training offered to older workers. In the only research of its kind in Australia, Brooke (2003) established there were moderate cost gains in employing older workers compared to younger workers. The net human resource benefit of recruiting and training mature age employees was greater by \$1956 than the cost of absenteeism and work injuries from this age group compared with younger workers (Brooke 2003, 279). There is also evidence that younger employees are managing their careers by changing their jobs more often (Sheehan, Holland and De Cieri 2006) and retention rates for trained mature workers can be significantly higher than younger workers (Patrickson and Hartmann 1995).

Older workers can be just as keen as younger employees to take up training, particularly if it keeps them in work (Patrickson and Hartmann 1995). The stereotype says the older worker is less adaptable and harder to train, but the evidence is that successful training has to be delivered differently. Teaching methods need to be tailored to older workers' learning styles and incorporate techniques which allow additional time without feelings of inadequacy (ibid). An organisation's future competitive advantage will be partly dependent on retraining its older workers, keeping them motivated and encouraging them to stay at work (Choo 1999, 67).

### **CONDITIONS OF EMPLOYMENT**

A wide variety of options for the retention and employment of mature workers have been canvassed but there is, as yet, little evidence of implementation. They include a range of flexible work options such as part time, job sharing, project consultancy, working in blocks, mentoring, phased retirement and a variety of optional leave.

For the first time in Australia a large company recently gave its 9000 employees access to grandparents' leave. To the surprise of some, St George Bank is offering staff 12 months' flexible unpaid leave to help care for their grandchildren. It can be taken during the first two years of a child's life in a single block or in smaller amounts of, for example, two days a week or one month on and one month off.

The move is designed to retain older staff in the organisation which boasts that nearly 30 per cent of its staff is aged 45 or more (Shaw 2007). The new work condition is said to be an investment in the bank's staff. 'If we provide these flexibilities to staff, they'll stay with us. We don't want to lose those mature-age workers who've got great knowledge,' said St George's human resources group executive, Brett Wright (Shaw 2007, p3).

Grandparents' leave is the latest in a group of St George conditions of employment which include paid and extended unpaid parental leave (taken over two years), up to six weeks leave for child care, 12 days personal/carer's leave a year, volunteer leave and the opportunity to structure work and pay so as to have one year off in five year's work (St George website). As well, staff over 55 years of age is able to arrange 'flexible working hours' which will enable them to extend their careers with the bank while changing their lifestyle (ibid). Seniors' organisations have applauded St George's grandparents' leave saying astute businesses are considering ways to attract and retain older workers. National Seniors Australia (2007) believes that as labour shortages grow because of population ageing, flexible workplace options will promote a healthy work-life balance which will encourage the over-50s to delay retirement.

Flexibility and adaptability are seen as the keys to retaining valued employees. The benefits include the retention of valuable corporate knowledge and an orderly transfer of that information. Job redesign may be necessary, attitudinal change on the part of employers and mature workers will be essential. At the same time an increase in mature workers may more accurately reflect an organisation's customer profile, bringing customer service benefits.

## **CONCLUSION**

In this paper I have reviewed the current Australian literature on mature age employment and highlighted where human resource practitioners need to reassess some of their policies. The recent growth in mature age employment is probably only an indicator of things to come when all the push and pull factors are considered. Although I have not taken the recent increase in immigration into account in this paper, it is unlikely that immigration can rise to the level where it both satisfies employment growth and is politically acceptable. Consequently, tapping into the baby boomer labour pool is a logical and advantageous move. For many organisations an increase in mature employees will give greater stability and lower staff turnover, reduce recruitment and training costs and reflect the age balance of the population and the business's customers. Training needs to be increased for older

workers and training methods and employment conditions adapted – one size no longer fits all. The level of organisations' preparedness to undertake this change – and gain competitive advantage from such a move – warrants more research at all levels of business and government. Policy makers and academics have been calling for the move to greater mature employment for some time now, but there is little evidence that it has been taking place. Further research into organisations' policies and their capacity to retain or employ new mature staff may reveal stumbling blocks which can be addressed.

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