

**MANY A GOOD TUNE PLAYED ON AN OLD FIDDLE
WORKING RELATIONS AND THE AGEING WORKFORCE**

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Abstract

The ageing workforce presents an unprecedented challenge for businesses and economies across the world: the impending retirement of the 'baby boomers' born just after World War 2 appears to be the trigger. Simply put, an ageing population puts pressure on systems of social protection such as public pension systems, which in turn affects the functioning of the labour market. Industry will experience the impact of an ageing population on both their demand and supply sides. On the demand side consumer needs will change and on the supply side, labour will contract as the pool of labour aged less than 45 years declines. Another tangential issue of concern is the ageing of trade union membership. If this continues, which on the basis of demographic trends seems feasible, then unions risk approaching a critical mass. In sum, solutions are being sought through diverse measures to increase the employment rates of older workers. This paper looks at measures adopted or advanced in Australia and other economically developed nations to combat age discrimination and promote the employment of older workers.

MANY A GOOD TUNE PLAYED ON AN OLD FIDDLE INDUSTRIAL RELATIONS AND THE AGEING WORKFORCE

INTRODUCTION

The ageing of the population and the workforce has been well documented, not the least in Australia by the Business Council of Australia, the Australian Council of Trade Unions, the Council of the Ageing, ACIRRT, the Committee for Economic Development, The Australian Chamber of Commerce and Industry, federal and state governments, and internationally by the International Labor Organisation and the OECD among others. It is not the purpose here to revisit familiar territory rather to provide a backdrop for this paper.

For more than a century the populations of most economically developed countries have been ageing. Population ageing is an issue that governments, the private sector and individuals are taking seriously: some organisations and governments have identified population ageing as a crisis that will threaten economic stability; social security, pensions, and even national security (Cooke 2003). Cooke's (2003) research into population ageing and the labour force in six countries [including Australia] revealed that the 'crisis' of population ageing is flamed by two threats. The first is a perception that increased public spending is required to support an older population, the costs of which must be borne by a relatively small number of working people. The second is the belief that a shrinking labour force will lead to increased labour costs and reductions in industrial productivity (Cook 2003:8). Hence, population ageing is seen by some as an impending and debilitating crisis.

The last three decades witnessed the ascendancy of the baby-boomers, who are now 'handing the baton' on to the Generation Xers. Many baby-boomers were the 'cannon fodder' when organisations downsized in the late 1980s - mid 1990s. It is ironic that this cohort is now viewed as the potential saviour of economies world wide. In common with many western economies Australia is facing an era of ongoing demographic change. Basically, birth rates are falling short of 'replacement' rates, and there is a continuous rise in life expectancy. Australia has one of the most rapidly ageing populations in the world (Sheen 2001). The life expectancy of Australians has increased to 77 years for men and 83 for women, up from 55 years for men and 59 for women a century ago (ABS 2005). By 2051 over 24 per cent of the population will be older than 65 years (ABS 1999). And, in the UK, the 2000 census revealed that for the first time since records have been available that there were more people aged over 60 than there were aged under 16 and that this trend was set to continue.

The combination of these factors coupled with an almost universal trend toward early retirement [although not necessarily at a time of one's own choosing] has created a tension between welfare systems and the labour market. In the future it is likely that there will be a diminishing proportion of 'younger' workers and a growing proportion of older people, exacerbating what is commonly known as the 'dependency ratio.' It is argued that that the changing balance between the active and non-active segments of the workforce will threaten the viability of social security systems (Krenn & Oehlike 2001). Concerns have been raised world wide as to how to finance spiralling pensions, health care and social support especially with fewer people working and paying taxes.

OLDER WORKERS

The definition of when a worker becomes 'older' varies (Brooke 2003), but 45 years [after this age workers are referred to as 'mature'] is consistent with the usage of the Australian Government and the ABS. Many workers in this cohort are consistently disadvantaged in the labour market in the recruitment/retention cycle, participation in training courses, and their over representation in 'old economy' occupations (Brooke 2003; Patrickson & Hartmann 1995). This situation is not unique to

Australia; indeed it is common throughout the economically developed world. The following section examines briefly some initiatives adopted to address the issue of 'active ageing'.

European Union [EU] Member States: policy responses to population ageing

Active ageing has become a major policy concern in most EU member states over the last decade (TUAC 2003). The approaches to deal with the challenge of an ageing population appear in general to be aimed at changing retirement policies in order to encourage older workers to remain in the labour force (Taylor 2002; Cooke 2003). Other strategies include training and incentive programs and the education of employers.

Retaining older workers in the labour market is regarded as crucial for the sustainability of the social security system and, to some extent, to compensate for tight labour markets (Jepsen & Hutsebaut 2003). A series of EU directives have been issued since the late 1990s aimed at combating age discrimination and promoting the employment of older workers. Indeed, the importance of increasing the employment of older workers and delaying their exit from the labour market is emphasised by the March 2004 policy communiqué from the European Commission. This set a target of an average labour market participation rate of 50 per cent by 2010 for EU workers aged between 55 and 64 years.

Another element of the strategy is to increase the average exit age from the labour market by five years by 2010. (Eironline 2004). It is also worth noting that some governments have attempted to reverse the trend of 'early' retirement. For instance, the U.K. and the Netherlands have scrapped their 'early' retirement plans, and along with Germany have tweaked their unemployment and disability policies to prevent these being used as bridges to retirement (Cooke 2003).

It seems that the initiatives undertaken in the EU member states can be distilled into two approaches (Jepsen & Hutsebaut 2003) In the first, older workers are perceived as a unique cohort for which special solutions need to be proposed: 'soft' jobs and end of career routes within or outside the firm. The second approach is an overall approach covering both working conditions and career pathways. This approach involves adapting work organisation and the management of mobility to suit the diversity of the workforce. A closer look reveals that the adoption of these practices is rather patchy. Few countries have succeeded in reversing the effect of increasingly earlier retirement: most EU member states have a long way to go (Jepsen & Hutsebaut 2003).

AGE DISCRIMINATION

There are systemic barriers facing the recruitment, training and retention of older workers. Policy initiatives have been targeted at combating age stereotypes at the workplace (OECD 2001). In general terms the EU has been making significant moves to combat age discrimination in employment including: a shift toward increasing the level of participation by older workers by reinforcing their employability, reviewing employment rules and promoting equal opportunities. Organisations throughout the EU have been encouraged to reconsider their personnel policies and their training concepts by equipping older workers with skills needed and the knowledge on how to renew them (Eironline 2000).

The European experience

In many European countries new policy approaches to an ageing workforce have been adopted by government (Krenn & Oehike 2001; Taylor and Walker 2003). Nevertheless, most EU member states currently do not have discrete legislation concerning age discrimination although many cover the issue through their state constitution or labour code. For example, Belgium has legislation prohibiting a maximum age limit on recruitment and the state constitutions of Greece, Ireland, Italy and Spain make general reference to discrimination which may include age. This

situation will shortly be redressed as all EU member states been directed to pass legislation against age discrimination by 2006 (Eironline 2001; Cooke 2003).

In Germany according to (Naegele 2001) while the custom of early retirement has been debated at a political level and within academia, neither an explicit public policy nor an explicit collective bargaining in regard to older workers nor widespread company-based age-management strategies exists. Naegele (2001) reports that until recently German unions did not have a concurrent official view concerning early exit. For example, while strong unions such as IG-Metall [steel and iron industry] and ÖTV [public sector] demanded early exit options under financially and socially acceptable conditions, other unions pushed for a focus on flexible working arrangements and lifelong learning. Correspondingly, there are no official guidelines for what Naegele (2001) refers to as a “trade-unionist older worker policy” in Germany. Paradoxically, older workers are an implicit target group for most unions when they are devising policies for fighting unemployment and improving working conditions.

One member state making big inroads is Finland. Age discrimination is prohibited by its constitution and the Employment Contracts Act. The Finnish Co-Operation Act stipulates that the special needs of older workers should be considered in personnel and education schemes (Eironline 2000). Finland has paid particular attention to the 50+ age group. In 1997 a five-year ‘national age program’ [devised by employers and unions amongst others] was launched to improve this cohort’s employability. The purpose of the program was twofold: to promote the training of older workers and to improve the public perception of older workers.¹

The Australian experience

The popular press frequently reports on the difficulties that older workers [men in particular], face in a youth oriented job market, and this is supported by ABS and Treasury Data (ABS 2004; Department of the Treasury 2004). Since 1999 there has been a 10 per cent rise in the number of older males who stopped looking for work because they thought they would be considered too old by employers and thus discriminated against. In 2004, there were around 120,000 unemployed people aged 45-64 recorded in official unemployment data. And as Karavelas (2004) argues, this is despite the Howard Government’s focus on keeping people at work longer and lifting productivity rates among workers over 55 – part of its agenda for ‘active ageing’.

AGEING AND PRODUCTIVITY: POLICY RESPONSES/INITIATIVES

There is a common perception that workers become less productive as they get older. A recent Productivity Commission report found little basis for this. The report found insufficient evidence to suggest that ageing per se would either enhance or erode Australia’s labour productivity. The report concluded that ‘raising participation rates for older workers is unlikely to make any significant difference to economic growth’ (Productivity Commission Research Report 2004:115), rather maintaining productivity performance will depend on a potpourri of policy measures such as investing in new technology, increasing education levels and micro-economic reforms. In some small measure, this mirrors U.S. research which suggests that given the ‘right’ environment and management styles, older workers are just as productive and valuable as younger workers (Prenda & Stahl 2001).

Meaningful work for older Australians: ACTU/Business Council of Australia

Public debate and government policy agenda are becoming increasingly focussed on the older worker cohort (ACIRRT 2003). The 2003 joint ACTU and Business Council of Australia report ‘Age Can Work: The case for older Australians staying in the workforce’ articulated the need for

¹ The Office of Senior Victorians in association with VECCI organised a seminar program drawing on the experiences of the Finnish National Program at Melbourne University in April 2004.

organisations to combat age discrimination, support older workers and promote quality part-time jobs as a transition stage from full-time to retirement. Underpinning these sentiments is the fact that labour force participation rates among Australians aged 55-64 is low relative to other age groups and by OECD standards. Moreover, according to Chairman Banks from of the Productivity Commission participation rates for Australian men and women are lower than the 80th percentile for comparable OECD countries for *all* age groups older than 25 years (Banks 2004). It seems that an important challenge is to make work meaningful and attractive to older workers and as Cooke (2003:16) puts it: for older workers and employers, the incentive structure must be right if older workers are to participate in the labour market.

Federal Level

Some of the abovementioned challenges are contained in a discussion paper released by Treasurer Costello in February 2004. The paper identifies faster economic growth as a key priority in addressing ageing. The paper sets out three complementary policy areas in which Treasury sees a potential to lift labour force participation and productivity: improvements in the capacity for work, through better education and health; better incentives for work; and improved flexibility in the workplace (DCITA 2004). Burgess *et al* (2004) identify a raft of federal government policy reforms that have been initiated to encourage older workforce participation. One of these includes restrictions to social security pensions such as the Mature Age Allowance and increased access to training for the older unemployed, rather than any job creation or subsidies. Perry (2004) challenges past Commonwealth training and labour market programs: almost all have been targeted directly on youth or restricted to people under 50 years. She argues that programs need to be consciously designed for the needs of the older cohort rather than adapted from models used for young unemployed.

It is worthwhile noting that an interesting development in some EU member states is the notion of 'phased' retirement. Germany for example has taken steps to promote a gradual retirement through part-time work agreements and wage supplements. The Netherlands has enacted a bill allowing older workers to work fewer hours (Cooke 2003). To date, Australia doesn't appear to have developed policies promoting 'phased' retirement – although it is anticipated that Treasurer Costello may release details shortly of a policy which will facilitate older workers working part-time or for part of the year- increasing the available workforce and reducing potential draw-downs on the social welfare system (Dixon 2005).

Australian Chamber of Commerce and Industry

The Australian Chamber of Commerce and Industry (ACCI) propose a multifaceted approach. ACCI argues that solutions should avoid a prescriptive legislative and 'one size fits all' approach. ACCI's (2003) proposal resonates with those of the Productivity Commission (2004) and the ACTU/BCA. Their push is to adopt a broad-based approach to segment the mature age workforce into different categories of need and to address these issues specifically. The areas addressed in the ACCI proposal are: an integrated population policy covering the immigration, education and training, health, regional development, infrastructure and transport portfolios; labour market assistance to retain older employees in the workforce; and reforming government policy concerning superannuation, tax funded pensions and subsidised aged care.

In sum, in common with their EU counterparts, Australian policy makers realise that reversing the trend of early retirement will not be straightforward and will demand a complex and multidimensional approach (Jepsen & Hutsebaut 2003). So, does the rhetoric match reality? Have the high-level pronouncements of the importance of encouraging older workers to remain in the workforce translated into improved work conditions or work prospects for older workers?

CHANGING EMPLOYMENT SITUATION OF OLDER WORKERS

There is some evidence in Australia that older people are working longer but not in the conventional workforce. A 2004 study by the Australian Bureau of Statistics revealed that almost 30 per cent of workers aged 45 and over are owner managers and not necessarily by choice. In explanation the National Institute of Labor Studies suggest that older people cannot find employment and are forced to work for themselves (Wong 2004). Cook's (2003) research revealed that older workers still face discrimination within the workplace and in finding employment in the first place. Nevertheless, there is anecdotal evidence that some organisations have re-thought the issue of employing and hiring older workers. Insurance company AAMI has begun to hire older workers and has tailored training programs to fit their needs (Ross 2005). One of the big 4 Banks Westpac, has made a conscious decision to recruit older workers in an effort to ensure their workforce better matches their clients and fast-food giant, McDonald's has also begun to recruit older workers (Lahey 2003).

Australia Post has also taken measures to address the challenge of an ageing workforce. Australia Post recently surveyed its workforce to understand the demographic shape of, and age-based issues in divisional and occupational groups. This revealed that since 1990, the average age of their employees had increased from 32 to 43. Based on the survey, Australia Post reviewed their human resource policies to redress practices in recruitment and retention and the promotion of older workers (Australia Post 2004)

Training and skills provision

One of the measures proposed by policy actors was appropriate training or retraining provisions for older workers in order to increase their chances of promotion or re-entry into the workforce. Recent figures from the ABS show that about 4 per cent of 45-64 year olds were enrolled in courses in 2004 and that only a quarter of these were undertaking a management or commerce course. The ABS report showed that financial constraints were one of the main reasons that older people had not studied. (Murphy 2005).

Trade Union Dilemma

The ACTU has been vociferous in its support of older employees (see for example its submission to the House of Representatives Standing Committee on Ageing). And, while union density is down from 42 per cent in 1988 to 23 per cent in 2003 (ABS 2004), long term employees now aged 45+ years are more likely to be union members than those who have joined the labour force more recently. This may however be a double-edged sword: the encouraging density rates of older workers, coupled with their longer experience in unions and in union life at the workplace, could make them an important source of energy for union renewal and recruitment (Lipsig Mumme 2004). On the other hand, given the reluctance of younger workers to unionise, from an organisational perspective the 'shrinking process' could ultimately lead to a dead-end: industrial relations might only be influenced by the unions' loss of significance (Lesch 2003). This gloom and doom perspective may be tempered somewhat if for example, the ACTU and its affiliates can successfully influence employers to retain/hire older workers so that ultimately older workers are regarded as being fully part of the labour force and not as a sort of reserve 'Dad's army'. [As part of the background research to this paper, several federally registered unions were approached seeking information on their policy regarding older workers: only one proffered information and that was, they had no policy on the older workforce].

CONCLUSION

Governments in many developed countries are seeking ways to keep ageing populations from becoming a drain on future national resources (Wagner 2003). Quite simply, the push is on to keep older workers working and working longer. Drawing on copious research Jepsen and

Hutsebaut (2003) concluded that in order for older workers to stay in the labour market, action should be taken on a life-long basis. They make the point that applying discrete measures to older workers may stigmatise them. They argue that the complexity encountered when dealing with 'early exit' calls for an appropriate mix of measures accompanied by personnel policy reforms involving all actors: an integrated public policy approach considering the link between employment, pensions and training is vital. The measures proposed by the policy actors in Australia reflect this perspective. The jury is 'still out' on their effectiveness.

What is obvious is that Australia needs clear policies on the rights and obligations of the older cohort, their access to meaningful employment and appropriate retirement patterns (Perry 2004). What may prove difficult will be changing ingrained attitudes/biases toward older workers and to convince older workers that there is some value in their working at least up to, or even beyond the conventional retirement age. Finally, it seems that unions will have to have an 'ace' up their sleeves if they are to stave off further union membership decline once the baby-boomers finally ride off into the sunset. Drawing on the revelations in this paper, future research will be directed toward discrete industry segments and individual union policies toward older workers.

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