



**DEPARTMENT OF EMPLOYMENT, WORKPLACE
RELATIONS AND SMALL BUSINESS**

SUBMISSION TO THE

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON
EMPLOYMENT, EDUCATION AND WORKPLACE RELATIONS
INQUIRY INTO ISSUES SPECIFIC TO WORKERS OVER 45
YEARS OF AGE SEEKING EMPLOYMENT, OR ESTABLISHING A
BUSINESS FOLLOWING UNEMPLOYMENT

AUGUST 1999

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EXECUTIVE SUMMARY

Profile of the mature age labour market

- Mature age persons (those aged 45 years and over) are forming an increasing part of the Australian population and the labour force. Recent strong growth in their numbers is largely derived from the ageing of the 'baby boomer' generation and carries significant implications for the labour market. This group has a high effective employment intensity, involving high labour force participation and low unemployment rates.
- There has been an increase in the employment to population ratio for persons in the 45-64 age group, mainly as a result of the 'baby boomers', a group with high participation and low unemployment rates, taking their established jobs and careers with them as they progress into the older age group.
- Older workers have increased their share of employment in nearly all industries over the past decade, and fared significantly better than workers aged less than 45 years during the recession of the early 1990s. Older workers also tend to be represented in occupations requiring greater skills and experience. On both industry and occupational grounds, prospects for further employment growth for this group are positive.
- Industry restructuring has affected labour market outcomes for the mature aged: the proportion of the mature age labour force who have been in their current job for 10 years or more has fallen from around 51 per cent in 1988 to about 46 per cent in 1998. Mature age workers who had been retrenched and been re-employed were more likely than younger workers to have moved from permanent to casual employment and from full-time to part-time work.
- The number of mature age unemployed persons has increased significantly over the past 10 years. This largely reflects the increase in the mature age population. Older workers as a group have and continue to experience unemployment rates considerably lower than job seekers age less than 45 years of age.
- Older job seekers do not do as well, however, in relation to long term unemployment. Both the average duration of unemployment and the share of unemployment that is long term are much higher than for younger job seekers, each generally rising with age. In part this is a function of characteristics possessed by older workers: many have low levels of education attainment, low literacy and numeracy skills, and live in non-metropolitan Australia where employment prospects are weaker.

Barriers faced by older workers in the labour market

- Mature age people face a number of impediments in retaining and regaining employment, especially the latter.
- With respect to retaining employment, one barrier appears to be the reluctance of employers to re-train older workers based on perceptions that mature age workers are more difficult to train and that the employer is less likely to benefit from the investment. Income support arrangements can also impact on the involvement of mature age persons in the workforce, by encouraging early retirement.

- Impediments to regaining employment are most severe for male mature age job seekers. This is largely a function of their adverse labour market characteristics (such as low levels of educational attainment, poor literacy and numeracy), obsolete skills gained in the declining manufacturing and other non-service sector industries and perceptions that they may be less suitable for jobs in some service sectors. This is compounded by the lack of mobility shown by some mature age jobseekers. Age discrimination could be a contributing factor, but this is difficult to assess.
- Mature age people are highly represented in small business and often move into it following retrenchment, using their redundancy payouts to finance the venture. This has mixed results. Where some retrenched go into a small business venture without adequate preparation or business skills, this could result in loss of their financial investment.

The international experience: mature age employment and unemployment and the ramifications of population ageing

- OECD data allow some comparisons of the labour force status of older age persons in Australia with those of other countries. Almost 42 per cent of the Australian population aged between 55 to 64 years was employed in 1997, somewhat lower than the OECD-wide proportion of 48.3 per cent. The unemployment rate for Australians in this age group was 7.2 per cent, compared with 5.2 per cent for the OECD as a whole.
- Declines in labour force participation evident for older males in Australia have also occurred in many other OECD countries. However, in some countries, older male participation rates have remained relatively stable (such as the United States), or increased (eg New Zealand).
- The decline in labour force participation rates by older persons, particularly males, has fuelled concerns in many countries about a possible increase in the 'aged dependency ratio' (calculated as the number of persons aged 65 and over divided by the total level of employment). This is seen as posing a risk to future economic growth and living standards through increases in government expenditure on aged income support and from an inadequate labour supply.
- The OECD expects that the aged dependency ratio will grow as rapidly in Australia as for the OECD as a whole, but that the Australian ratio will remain about 12 percentage points below the OECD average (which is expected to reach about 57 per cent in 2030).
- To address the problems which are expected to arise from population ageing, the OECD has recommended a number of labour market reforms as part of its approach to population ageing reform and its broader Jobs Strategy for reducing structural unemployment in member countries. The labour market reforms recommended by the OECD include:
 - changes to income support arrangements and possibly tax settings, to curb early retirement and improve work incentives for older people;
 - measures to improve the productivity and employability of older people, including better access to training and lifelong learning by workers and well targeted active labour market programmes for disadvantaged older job seekers; and
 - greater labour market flexibility, both in terms of wage setting to encourage the recruitment of older people, and in terms of working arrangements so older people are

able to strike a more satisfying balance of work and other activities, such as in a phased retirement process.

- Australia has undertaken a range of labour market reforms along the lines advocated in the OECD's principles for population ageing reform and the Jobs Strategy.

Programmes within the employment, workplace relations and small business portfolio relevant to mature age unemployment, employment and small business start-ups

- Governments can best assist mature age job seekers by ensuring strong economic and employment growth. There is also a role in addressing any impediments which prevent mature age job seekers from benefiting from jobs growth.
- A key initiative managed by the Department is Job Network, which provides tailored assistance to disadvantaged job seekers including those who have an idea for a viable new business. Around two thirds of all mature age job seekers receive Intensive Assistance under Job Network. The Department is also planning to promote to employers the advantages of hiring mature age workers.
- The *Workplace Relations Act 1996* has introduced new flexibilities which can be accessed by employees and employers to develop phased retirement approaches. The Act has also generally removed compulsory retirement ages, other than in exceptional cases.

Chapter 1: INTRODUCTION

The Department of Employment, Workplace Relations and Small Business (DEWRSB) welcomes the opportunity to present a submission to the House of Representatives Standing Committee on Employment, Education and Workplace Relations Inquiry into issues specific to workers over 45 years of age seeking employment, or establishing a business following unemployment.

The Department's overall role is to improve the performance of the labour market through removing barriers to its efficient operation, and providing employment assistance to job seekers. A dynamic labour market and flexible workplace relations arrangements will provide support for the recognition and use of the skills and experience of mature age workers, and for the growth of small business.

DEWRSB is responsible for managing a range of initiatives aimed at assisting older unemployed workers. Under the Government's labour market assistance reforms, all job seekers are benefiting from more effective job placement services. DEWRSB is charged with administering Job Network, a national network of approximately 300 private, community and government organisations which have been contracted to provide labour market assistance to the unemployed. The Department is charged with providing the knowledge and expertise to maximise Job Network's benefits across Australia. The particular problems faced by older job seekers are recognised through enhanced access to Intensive Assistance

DEWRSB also administers the New Enterprise Incentive Scheme (NEIS), which provides assistance to unemployed persons seeking to establish a new business. Eligible unemployed people are provided with relevant skills training, income support for up to 12 months and continuing advice and support for the first year of operation.

DEWRSB also operates the Office of Small Business which provides policy advice and support to the Government on small business issues, and plays a significant role in implementing the Government's small business reform agenda.

The Department is responsible for administering the *Workplace Relations Act 1996*, aspects of which are both directly and indirectly related to older workers' prospects of re-entering or maintaining their association with the labour force.

This Submission addresses the Inquiry's terms of reference through four principal chapters:

- Chapter 2 provides an analysis of available data on the nature of the mature age labour market;
- Chapter 3 draws on recent literature and data to examine the difficulties that mature age workers face in keeping or regaining employment, and in commencing small businesses;
- Chapter 4 provides information on programmes and policy initiatives in DEWRSB that relate to the Inquiry's terms of reference; and
- Chapter 5 considers the international context, comparing the labour market experience of mature age workers with that of younger age groups. It also examines the policies adopted by OECD countries to rectify the labour market difficulties of mature age people and the

OECD's concerns regarding ageing populations, and relating these experiences and policy responses to the Australian context.

Each chapter draws broad conclusions based on the analysis undertaken while Chapter 6 sets out some overall concluding comments from the Submission.

CHAPTER 2: LABOUR MARKET PROFILE OF MATURE AGE PERSONS

Introduction

The Australian economy and labour market have undergone significant structural changes over the past 20 to 30 years. The 1970s saw the commencement of reductions in protection levels for Australian import competing goods, which aimed to make industries more productive and better able to compete on international markets, and focus resources on the most productive industries. Rapid technological advances in communications and information technology since the early 1980s have led to greater integration of the world economy, or 'globalisation', which has also fostered increased international trade and competition.

In response to these increased competitive pressures Australian businesses have undertaken extensive restructuring, including labour shedding or 'down-sizing', and Australian governments have undertaken significant microeconomic reforms in order to lower costs to consumers and businesses and further enhance international competitiveness. In addition to tariff reductions, floating the exchange rate, and deregulation of the finance sector, reforms have included the privatisation of government enterprises and assets, increased contracting out of the provision of publicly funded services and labour market reforms.

These changes have occurred at the same time as a number of significant social changes that have impacted on the nature of the workforce. Women have joined the labour force in increasing numbers and remained there longer as a consequence of such factors as reduced fertility, greater access to childcare, greater acceptance of women with children remaining in the labour force and strong growth in those industries and forms of employment which have traditionally favoured women (such as the service industries and part-time jobs). At the same time, young people are more likely to enter the labour force at an older age, as changing educational requirements has led to greater participation in education. Demographic changes are also leading to an ageing of Australia's workforce, as the 'baby boomers' move into older age groups.

Broader changes are also occurring to the nature of work, through firms making greater use of contracting out non-core activities, increasing their use of casual and other non-permanent staff and operating their businesses through more flexible working arrangements.

These changes have affected the labour market conditions facing older workers. Employees are expected to have higher levels of skill, greater flexibility in acquiring new skills and an ability to adapt to new working arrangements. These expectations, in combination with the decline in low skilled job opportunities, are likely to have impacted on the employment opportunities available to older workers. In addition, changing social security arrangements have affected incentives for older workers, both male and female, to maintain their contact with the labour market.

This Chapter highlights some of the major characteristics of the mature age population and workforce, their experience of the labour market and prospects for future growth of the mature age population and labour force.

Population

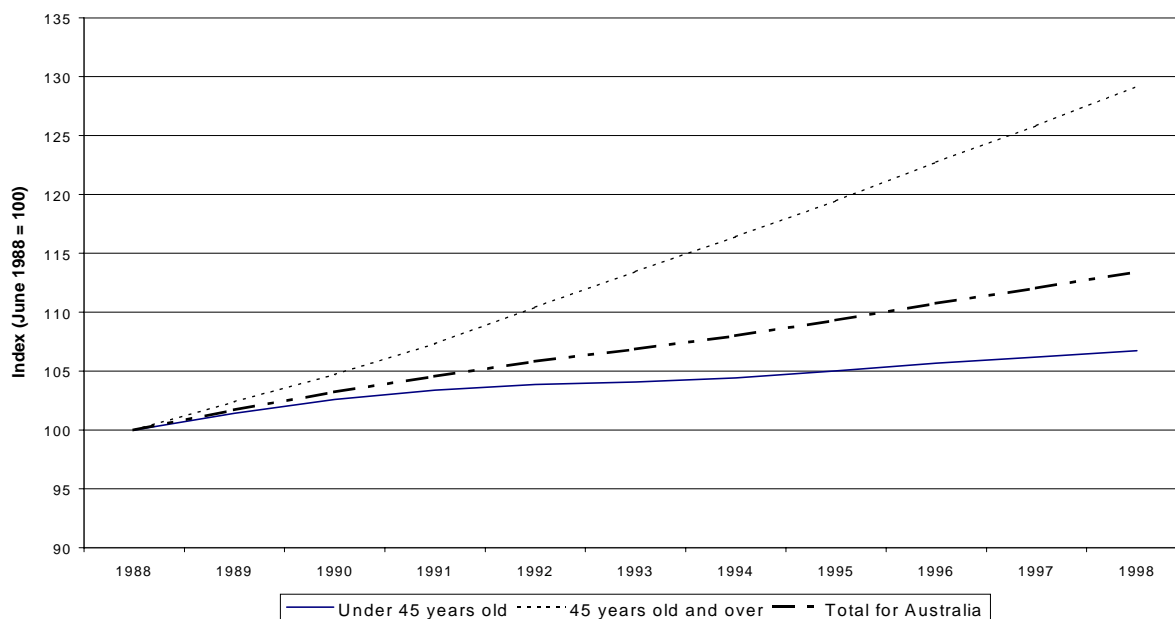
Mature age persons (ie persons aged 45 years and over) make up a significant and growing part

of Australia's population. In June 1998, there were nearly 6.5 million persons in Australia aged 45 years or over, with a fairly even split between males and females.

Over the decade to 1998, the number of people in this age group increased by 29 per cent (1.4 million). This compares with an increase of 7 per cent for persons aged under 45 and 13 per cent for the population as a whole (see Chart 2.1). Persons aged 45 and over currently represent some 34 per cent of the total population (an increase of just over 4 percentage points in the last decade).

The majority (64 per cent) of people in this age group are from the 'baby boom' generation and are aged 45 to 64 years. This group numbers over 4 million and accounts for 22 per cent of Australia's total population. Over the last decade, this has been the fastest growing of any age group, increasing by 30 per cent.

Chart 2.1: Population by selected age groups, June 1988 to June 1998 (Index: June 1988 = 100)



Source: ABS, Population by Age and Sex, States and Territories, 3201.0, various issues

The age profile of Indigenous Australians differs significantly from that of the Australian population as a whole. At the time of the 1996 census (the latest data available) mature age Indigenous Australians accounted for only 13 per cent of the total Indigenous Australian population, numbering 46,000 persons. The vast majority of these persons (80 per cent) were aged 45 to 64.

States and Territories

The age distribution of the population in the States generally reflects the national situation with most States having around 34 per cent of their population aged 45 years or over. The two Territories, however, differ somewhat. The Northern Territory has a much younger age profile with only 21 per cent of the population aged 45 years or over. The Australian Capital Territory also has a lower proportion of its population aged 45 years or over (30 per cent), although the proportion of the population in this age group has increased significantly over the last decade (by

8 percentage points):

- in part, this may reflect the much higher population turnover the Territories experience, and the fact that inter-state mobility rates tend to be higher for younger people, peaking for those aged in the early 20s.

Metropolitan / Non-metropolitan areas

The Australian Bureau of Statistics (ABS) defines metropolitan areas as the six State capital cities, with non-metropolitan areas representing those regions located outside the State capital cities together with the Northern Territory and the Australian Capital Territory.

In June 1998, just over 60 per cent¹ of the mature age population lived in metropolitan areas. Growth in the mature age share of the population has been slightly stronger in non-metropolitan areas over the 10 years to 1998 at 31 per cent compared with 28 per cent for metropolitan areas. To a significant extent, this reflects the trend of younger people looking for work in the major cities.

Mature Age Persons in the Labour Force

In February 1999, almost 3 million people aged 45 years or over were part of the labour force (ie, were either employed or unemployed). Persons aged 45 to 64 accounted for around 95 per cent of the mature age labour force.

Over the 10 years to February 1999, mature age persons dominated the increase in the Australian labour force. During this period the mature age labour force increased by 44 per cent to reach 2,869,900 (30 per cent of the labour force) (Table 2.1 and Chart 2.2). Over the same period, the labour force for 15 to 44 year olds rose by only 6 per cent reflecting, in part, higher educational participation rates amongst 15-24 year olds.

The magnitude of changes in the labour force is the outcome of changes in both the relevant population and changes in the participation rate. As noted above, the mature age population has increased substantially over the last decade. The overall participation rate, however, has also increased. This increase is primarily the consequence of an increase in the female participation rate which, for mature age persons, has risen from around 26 per cent in 1989 to in excess of 34 per cent (Table 2.1). The participation rate for mature age males has been relatively stable over this period.

This outcome, however, reflects opposing trends in full and part-time participation rates (see Attachment B), with full-time participation rates falling for each sub-cohort and part-time participation rates rising. The fall in full-time participation rates over the last decade extends the significant trend downwards evident over the decade to 1988 in mature age male participation rates.

Many reasons have been postulated for this decline, which is likely to have resulted from such factors as:

- within the family context, increased participation of older women in the labour force;

¹ These shares are not directly comparable with the other proportions in this section, as the ABS only publish estimates of the population aged 15 years and over at the metropolitan/non-metropolitan level.

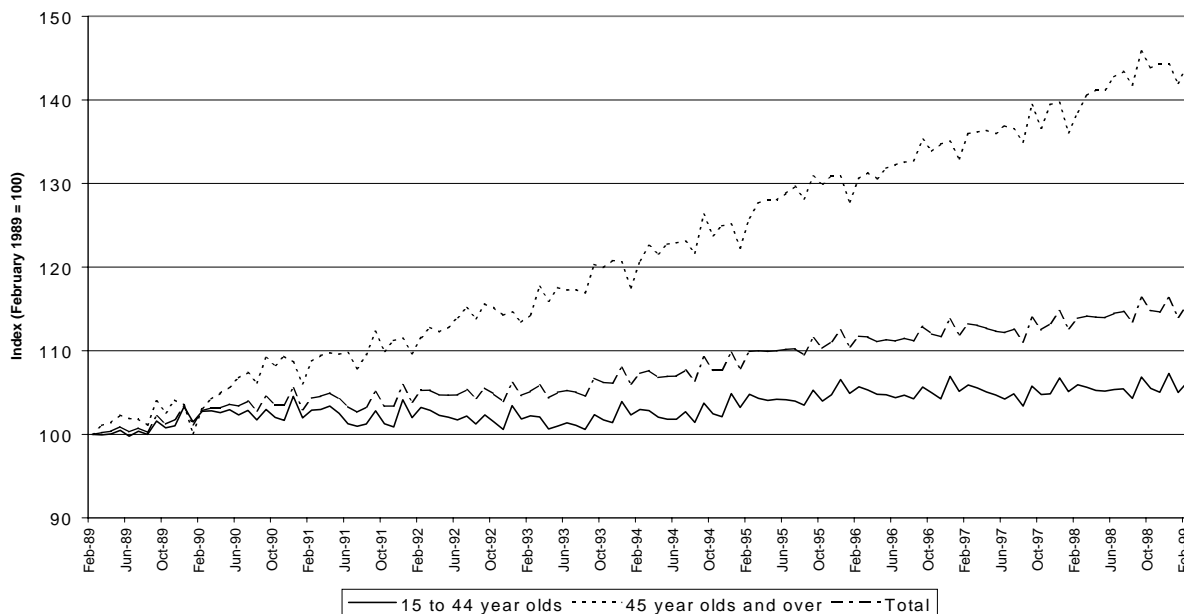
- a decline in the number of job opportunities available to older males from that generation reflecting structural change in the economy; and
- an increase in the availability of pensions and superannuation at a younger age.

Table 2.1: Labour force and participation rates for persons aged 45 years or more

	Feb-89 ('000)	Feb-99 ('000)	Change ('000)	Change (%)
Labour Force				
Male	1306.9	1707.4	400.5	30.6
Female	682.4	1162.7	480.3	70.4
Persons	1989.3	2869.9	880.6	44.3
Per cent				
Participation rate				
Male	54.7	54.9		0.2
Female	26.1	34.6		8.5
Persons	39.7	44.4		4.6

Source: ABS, Labour Force Australia, 6203.0, various issues

Chart 2.2: Labour force by age: February 1989 to February 1999 (Index: February 1989 = 100)



Source: ABS, Labour Force Australia, 6203.0 various issues

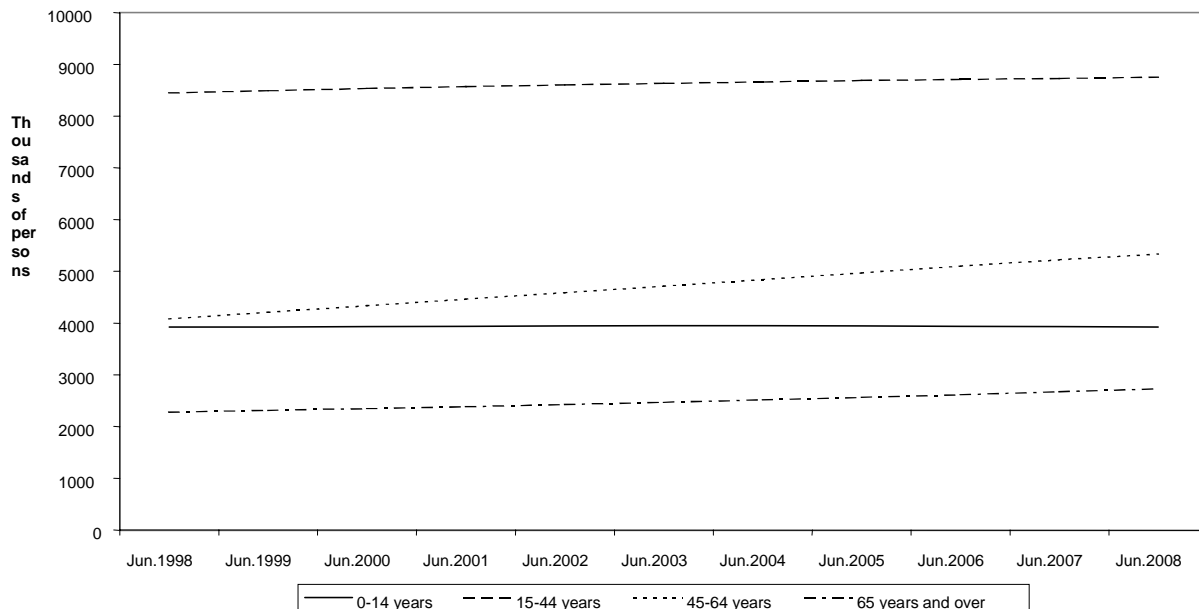
In June 1996 (the latest data available) 17,000 (or 16 per cent) of the 107,000 Indigenous Australians in the labour force were aged 45 years and over. Mature age Indigenous Australians, however, comprise less than one per cent of the total Australian mature age labour force. They have a lower participation rate (36 per cent) than younger Indigenous Australians (54 per cent).

Projections of the Mature Age Population and Labour Force

The mature-age resident population is projected by the ABS (1998) to grow strongly over the

next decade and beyond, both absolutely and in comparison with younger age groups. Population projections to mid-2010, based on ABS Series II assumptions², are shown in Chart 2.3.

Chart 2.3: Projected Resident Population by Age Group



Source: ABS, Population Projections 1997 to 2051, 3222.0, 1998

The population aged between 45 and 64 years of age is projected to grow by 1¼ million (or around 30 per cent) between June 1998 and mid-2008. Population growth in this age group is projected to be stronger than any other age group shown in Chart 2.3, in both absolute and relative terms. This strong growth is in stark contrast to the population of children (0-14 years old), which is projected to be stable, and the population of prime age adults (15-44 years old), which is projected to grow by less than 5 per cent over the forthcoming decade.

Future labour force growth will be driven mainly by this increasing population, and is projected to grow by 13.8 per cent between 1998 and 2008, to just over 10½ million people, assuming a continuation of past and emerging time trends in age-specific participation rates. This rate of growth represents a continued slowing of labour force growth evident over the past two decades and compares with labour force growth of 23.5 per cent for 1978-88 and 17.1 per cent for 1988-98, and has potentially important implications for the labour market as a whole.

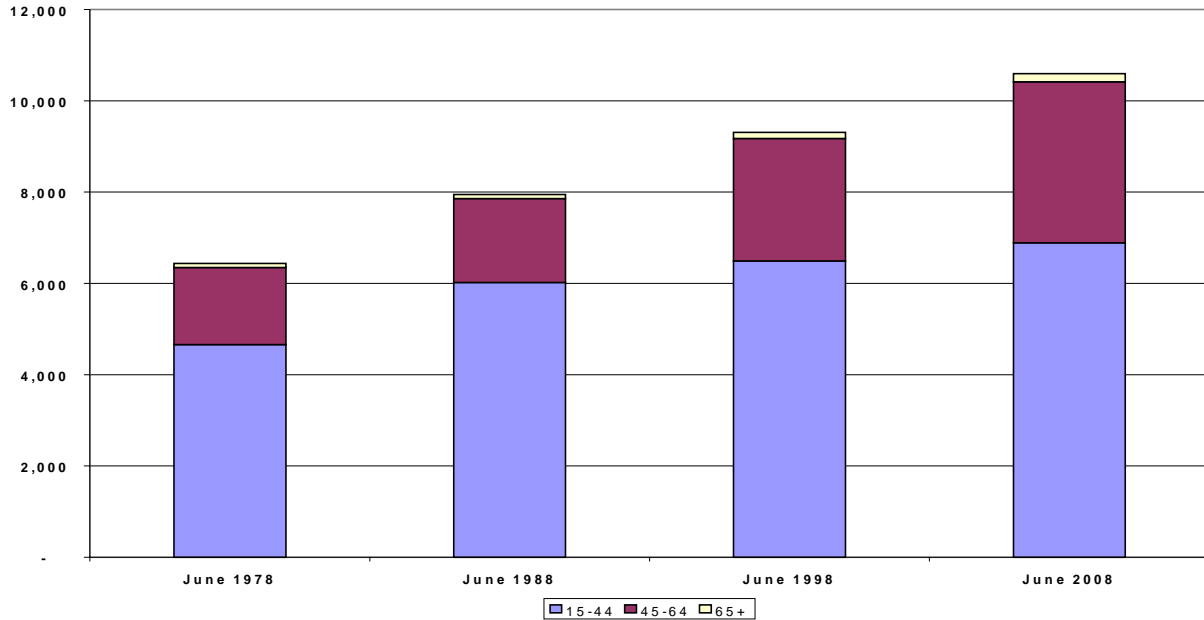
The older age groups are expected to make the largest contribution to overall labour force growth, with the 45-64 age group contributing over 65 per cent of the growth. This pattern of growth will continue the trend of previous years:

- in 1988, 23.1 per cent of the labour force was aged between 45 and 64 (see Chart 2.4). By 1998, this had grown to 28.8 per cent, and is projected to increase further to 33.3 per cent by 2008; and

² For their Series II, the ABS (1998) assumes high fertility (1.75 births per woman), low overseas migration (70,000 pa) and medium internal migration ('medium' net change between States and Territories). Series II is the 'middle' outcome scenario. It should be noted that within the timeframe shown in Figure 2.3, fertility assumptions only influence the size of the population aged 0-14 years.

- younger workers (ie those aged 15-44) are projected to comprise 65 per cent of the labour force by 2008, their share declining from 69.7 per cent in 1998 and 75.7 in 1988. By 2008, the average age of the labour force is projected to be 38.4 years, increasing from 37.8 in 1998, and 35.5 in both 1988 and 1978 (Table 2.2). This increase in average age is occurring for both males and females.

Chart 2.4: Size and Age Structure of the Labour Force (000s)



Source: ABS, Population Projections 1997 to 2051, 3222.0 1998, Labour Force Australia 6203.0 & DEWRSB projections

The increasing share of the labour force comprising older workers is also occurring amongst both males and females. Females aged 45-64 are projected to increase their share of the total labour force, from 11.8 per cent in 1998 to 15 per cent in 2008. Males aged 45-64 are projected to increase their share of the labour force from 17.4 per cent in 1998 to 18.9 per cent in 2008. The female share of the future labour force will rise from 43 per cent in 1998 to a projected 45 per cent in 2008, against a background of a share of only 36 per cent in 1978.

Table 2.2: Average age of the labour force: selected years

	Year			
	1978	1988	1998	2008
			(years)	
Males	36.6	36.5	37.8	38.7
Females	33.4	34.0	36.3	37.9
Persons	35.5	35.5	37.8	38.4

Source: ABS, Labour Force Australia 6203.0, Population Projections 1997 to 2051, 3222.0; DEWRSB projections; Australia's Workforce 2005

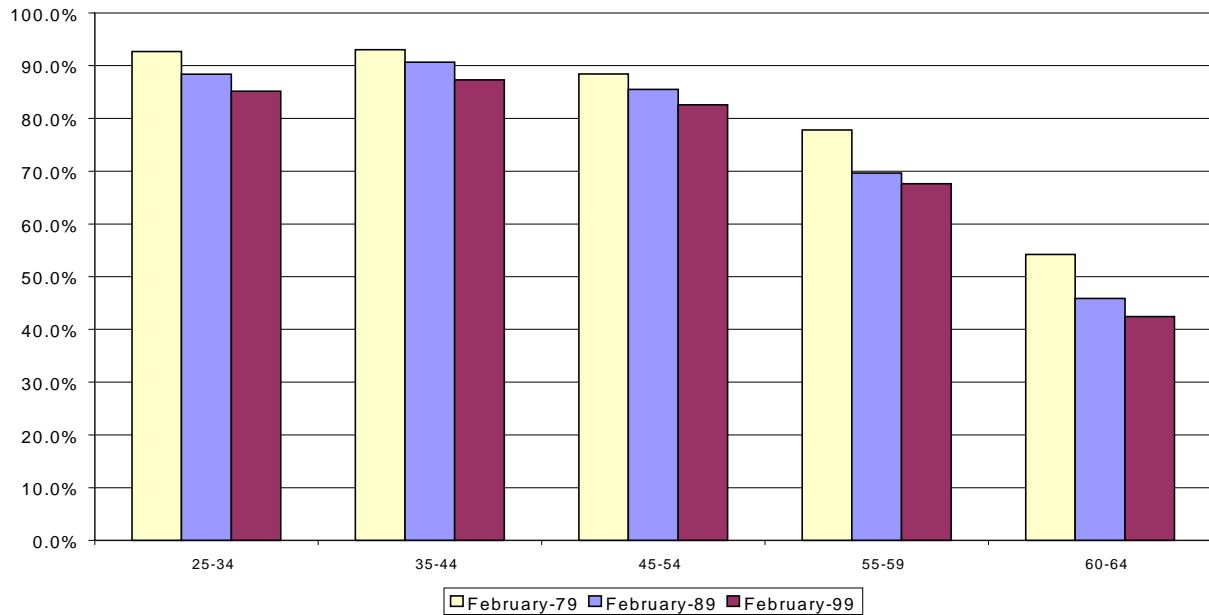
Employment

In February 1999 there were 2.7 million employed persons aged 45 years or over, accounting for some 31 per cent of total employment. The level of mature age employment has increased by 43 per cent over the last ten years, contributing just over 75 per cent of total employment growth over this time, and increasing the share of total employment that is mature age by just over 6 percentage points (from 25 per cent to 31.3 per cent):

- this performance is even more marked for full-time employment, where the mature aged have contributed more than the total increase over the past 10 years (ie growth in the number of mature age full-time workers has more than compensated for the employment reductions amongst younger full-time workers).

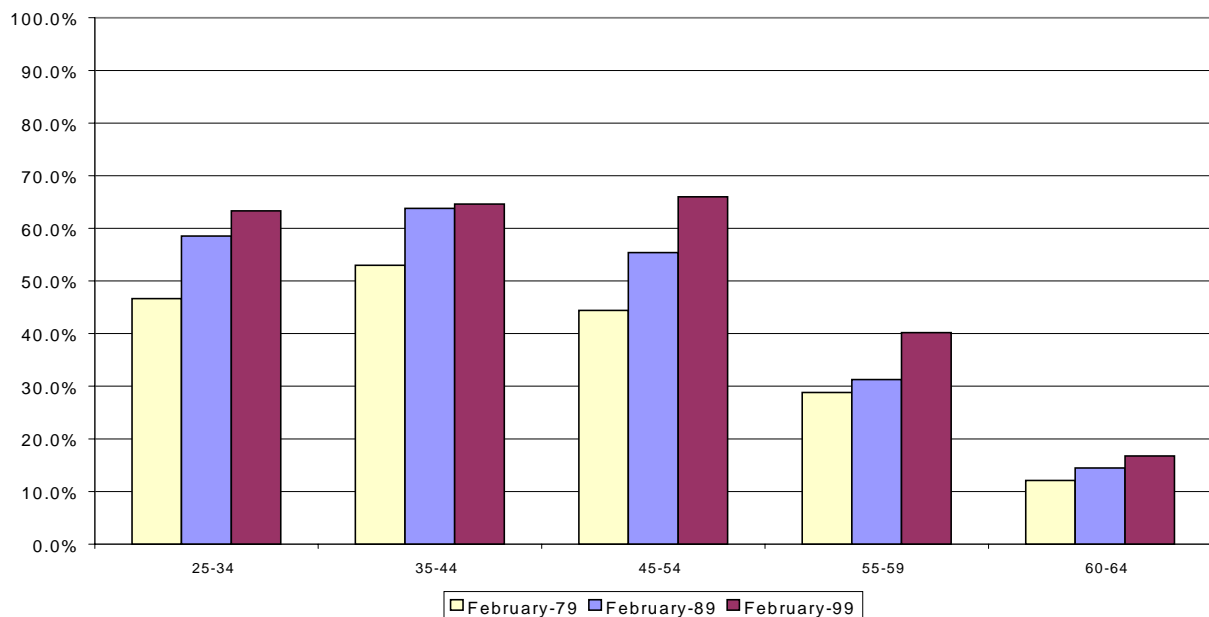
Much of this jobs growth arises from 'baby boomers' - a group with high effective 'employment intensity' (ie high participation and low unemployment rates) - taking their established jobs and careers with them as they progress into the mature age cohort of the labour market. This is particularly the case for males: their employment to population ratios were 90.7 per cent (for 35-44 year olds in 1989) and 82.4 per cent (for 45-54 year olds in 1999) respectively (Chart 2.5). For females, there appears to have been a net gain in employment over that period with 66 per cent of 45-54 year olds in 1999 having jobs compared with 63.8 per cent of 35-44 year olds in 1989 (Chart 2.6).

Chart 2.5: Employment to population ratios - males, February 1979, 1989 and 1999



Source: ABS, Labour Force Australia, 6203.0, microfiche data

Chart 2.6: Employment to population ratios - females, February 1979, 1989 and 1999



Source: ABS, Labour Force Australia, 6203.0, microfiche data

The composition of growth in full and part-time employment over the 10 years has differed significantly between age groups and gender:

- while full-time employment for those aged 15 to 44 years actually decreased, it increased by 36 per cent for the mature aged;
- the share of full-time employment in total mature age male employment has decreased, from

93 per cent to 89 per cent, but for females has increased by 3 percentage points (see Chart 2.7); and

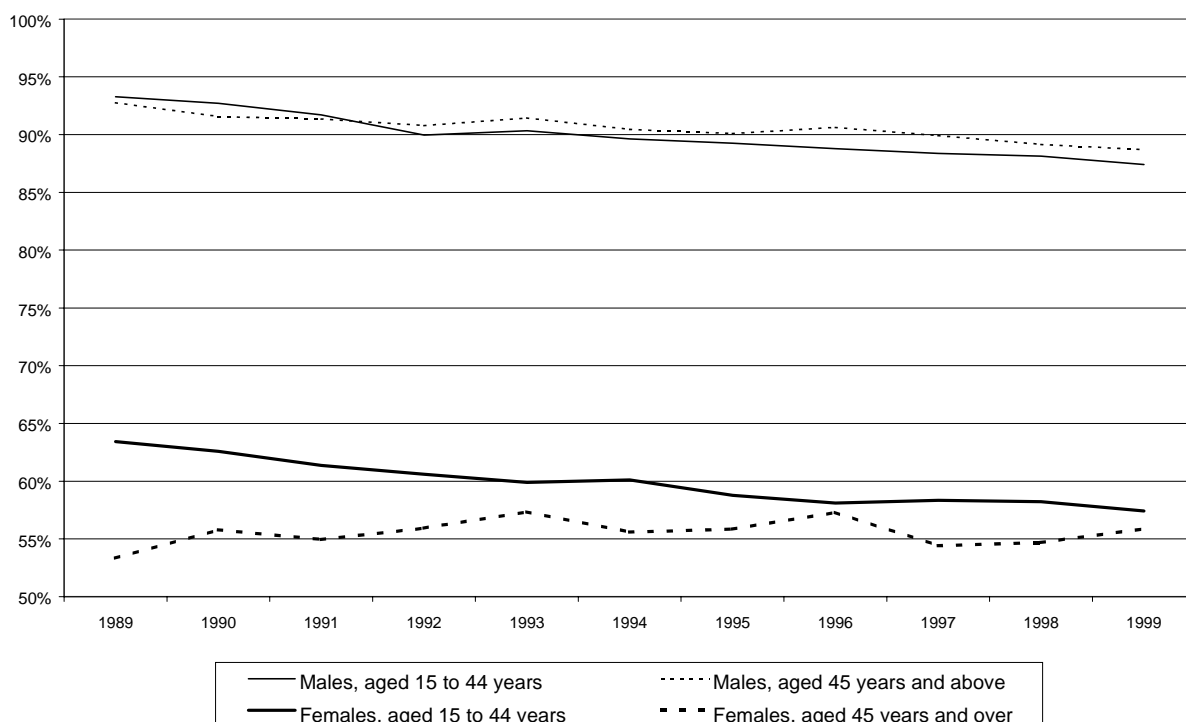
- mature age part-time employment grew by 69 per cent, or 29 percentage points more than the growth of part-time employment for those aged 15-44; and
 - in both age groups the majority of the increase in part-time employment occurred amongst females.

Table 2.3: Employment and employment to population rates for those aged 45 years and over

	Feb-89 ('000)	Feb-99 ('000)	Change ('000)	Change (%)
Employment				
Full-time				
Male	1150.8	1423	272.3	23.7
Female	348.2	616.4	268.2	77.0
Persons	1499	2039.5	540.5	36.1
Part-time				
Male	89.7	181.3	91.6	102.1
Female	304.6	486.6	182.0	59.8
Persons	394.3	667.9	273.6	69.4
Total				
Male	1240.5	1604.4	363.9	29.3
Female	652.8	1103	450.2	69.0
Persons	1893.3	2707.4	814.1	43.0
	Per cent			% pts
Employment to Population ratio				
Male	51.9	51.6		-0.3
Female	24.9	32.8		7.9
Persons	37.9	41.9		4.1

Source: ABS, Labour Force Australia, 6203.0 various issues

Chart 2.7: Share of full-time employment in total employment, by gender and age: February 1989 to February 1999



Source: ABS, Labour Force Australia, 6203.0 various issues

Mature age workers generally did much better during the 1991-92 recession than did younger workers. Between February 1989 and February 1993 (the trough of the employment downturn), total employment fell 0.4 per cent, while employment for the mature aged actually rose by 10 per cent, driven primarily by strong growth in female full-time employment.

The post-recession period has seen employment grow in both age groups. Again, employment growth for the mature age has been significantly stronger, at nearly 30 per cent between February 1993 and February 1999, compared to only 9.0 per cent for younger workers aged 15-44 years of age:

- it should be noted, however, that during the decade to 1999, of those persons who have been job losers³, mature age workers were more likely than younger workers to have been laid off or retrenched. Thus, in February 1999, around 51 per cent of mature age job losers had been laid off or retrenched, compared with 38.9 per cent of younger job losers. These comparative proportions peaked at 63.8 per cent and 53.6 per cent respectively in August 1991, the early part of the recession; and
- the majority of both mature age and younger workers who had found work again following retrenchment had not changed their full-time/part-time or permanent/casual status from their

³ The ABS defines 'job losers' as those unemployed persons who had worked full-time for two weeks or more in the previous two years, and had left that job involuntarily, ie were laid off or retrenched, left the job because of their own ill health or injury, the job was seasonal, temporary or a holiday job and they did not leave that job to return to studies, or their last job was running their own business and the business closed down because of financial difficulties.

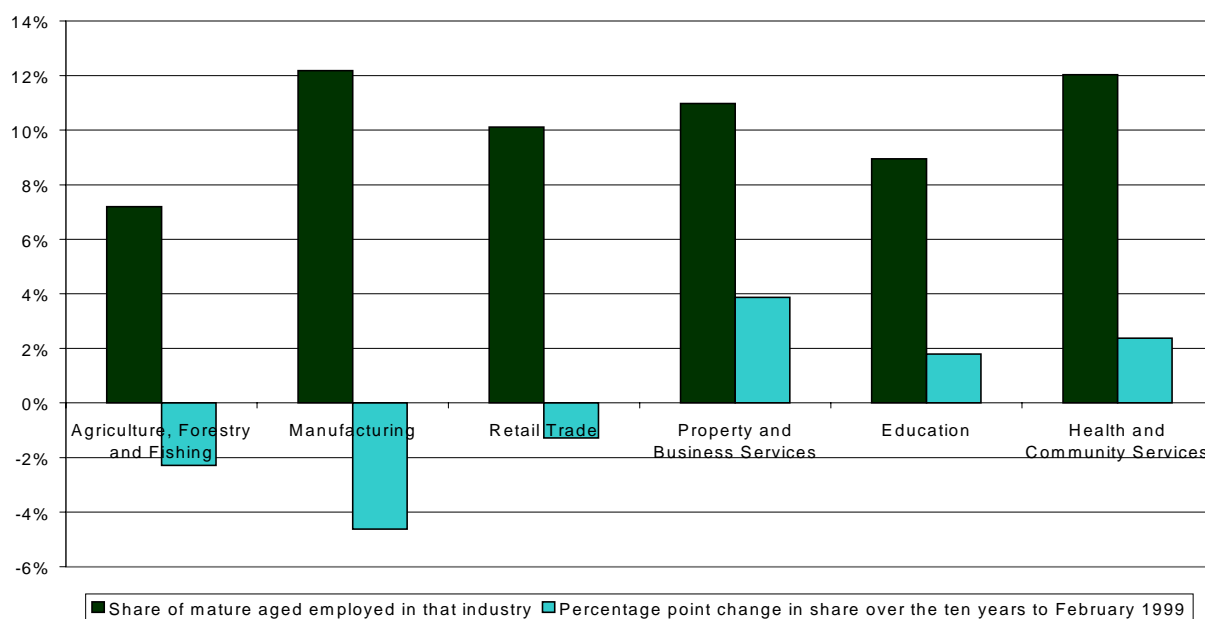
previous job⁴. Mature age workers who had changed status, however, were more likely than younger workers to have changed from full-time to part-time and from permanent to casual.

In June 1996 there were 14,000 mature aged Indigenous Australians in employment, comprising 17 per cent of the Indigenous Australian total and 0.6 per cent of total Australian mature age employment. Mature aged Non-indigenous Australians have an employment to population ratio of 41 per cent, ten percentage points higher than for mature aged Indigenous Australians.

The Industrial Composition of Employment

Almost half (around 45 per cent) of mature age employment in February 1999 was in four industries: Manufacturing, Retail trade, Property and business services and Health and community services. These four industries were also the major employers of younger people, although the importance of each industry varies between the age groups. For example, Retail trade is the smallest of the major employers of mature age workers, and its share of mature age employment has fallen over the past 10 years. In contrast, Retail trade is the largest employing industry for those aged 15 to 44, and employs a larger share of younger workers now than it did ten years ago. The way the distribution of mature age employment has changed over time is shown in Chart 2.8.

Chart 2.8: Distribution of mature age employment by selected industries, February 1999 (per cent), and percentage point change in share since 1989



Source: ABS, Labour Force Australia, 6203.0 various issues

The number of mature aged workers increased in all industries except for Electricity, gas and water. The largest increase was recorded in Property and business services, where the employment of mature aged people doubled between February 1989 and February 1999. Stronger than average employment growth was also recorded in Accommodation, cafes and restaurants, Government administration and defence, Education, Health and community services and Personal and other services.

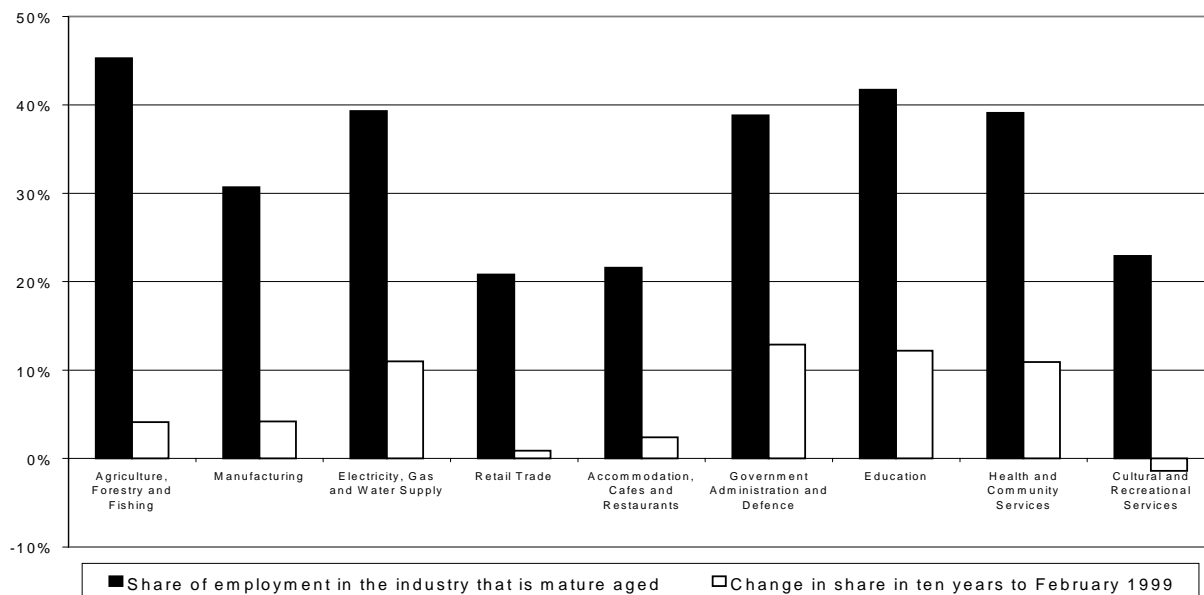
⁴ The ABS conducted a Supplementary Survey in July 1997 seeking information on the experience of persons who had been retrenched or made redundant during the three years to June 1997.

While the mature aged account for around 31 per cent of total employment, Chart 2.9 indicates that this is generally not reflected evenly at the industry level. Mature age workers represented a much higher proportion of employment in four industries: Agriculture, forestry and fishing (45.3 per cent of the workforce); Education (41.7 per cent); Electricity, gas and water (39.3 per cent); Health and community services (39.1 per cent); and Government administration and defence (38.8 per cent). They were particularly under-represented in Retail trade (20.8 per cent) and Accommodation, cafes and restaurants (21.6 per cent):

- a similar pattern exists when looking at the mature age share of employment by gender.

While this pattern of employment share is expected, Chart 2.9 also highlights the fact that the mature aged have increased their share of employment in all industries, including the faster growing service industries except Cultural and recreational services.

Chart 2.9: Share of industry employment that is aged 45 or more, February 1999 (per cent), and percentage point change in share since February 1989



Source: ABS, Labour Force Australia, 6203.0 unpublished data

The four years from February 1989 to February 1993 showed some significant differences between the employment performance by industry of mature aged and younger workers. Across the industries, full-time mature aged workers weathered the recession better than their younger counterparts, while mature age part-time employment also grew over the period, at about the same level as for younger workers:

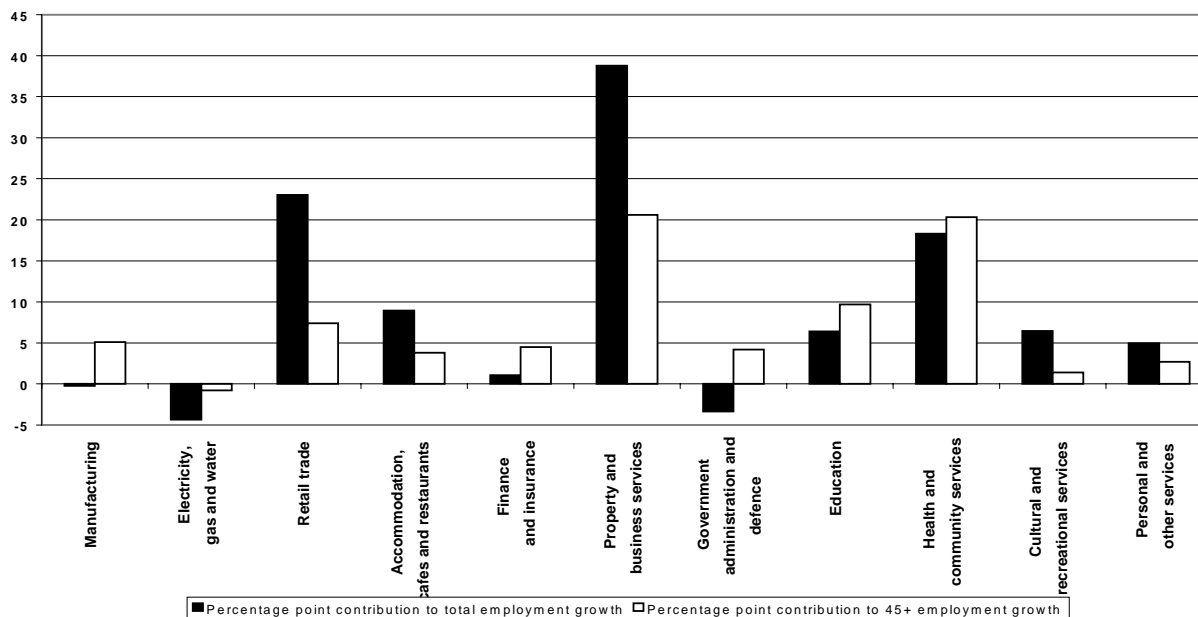
- a number of industries did not increase their part-time employment evenly across the age groups. Electricity, gas and water, Wholesale trade, and Accommodation, cafes and restaurants increased their number of younger part-time workers and decreased their number of mature aged part-time workers.

In the post-recession period, employment growth has occurred in most industries, but unevenly: Property and business services and Retail trade have contributed nearly 50 per cent of employment growth between February 1993 and February 1999, while falls in employment have

occurred in Electricity, gas and water, Government administration and defence, Mining and Manufacturing (see Chart 2.10 for selected industries). Growth in mature age employment has generally followed a similar pattern, although mature age employment has increased in Manufacturing and Government administration and defence, in contrast to the falls experienced in total employment:

- growth has generally occurred in both full-time and part-time employment.

Chart 2.10: Industry contribution to total employment growth and mature age employment growth, selected industries, February 1993 to February 1999 (percentage points)



Source: ABS, Labour Force Australia, 6203.0 unpublished data

Employment growth prospects by industry suggest that employment opportunities over the coming 5 to 10 years⁵ are expected to continue to be concentrated in the services industries, with projected growth for Property and business services and Health and community services expected to be among the five strongest growing industries. Manufacturing is expected to grow only slightly over this period. Chart 2.10 suggests that mature age workers are likely to participate in this growth, if the trend of the past six years continues.

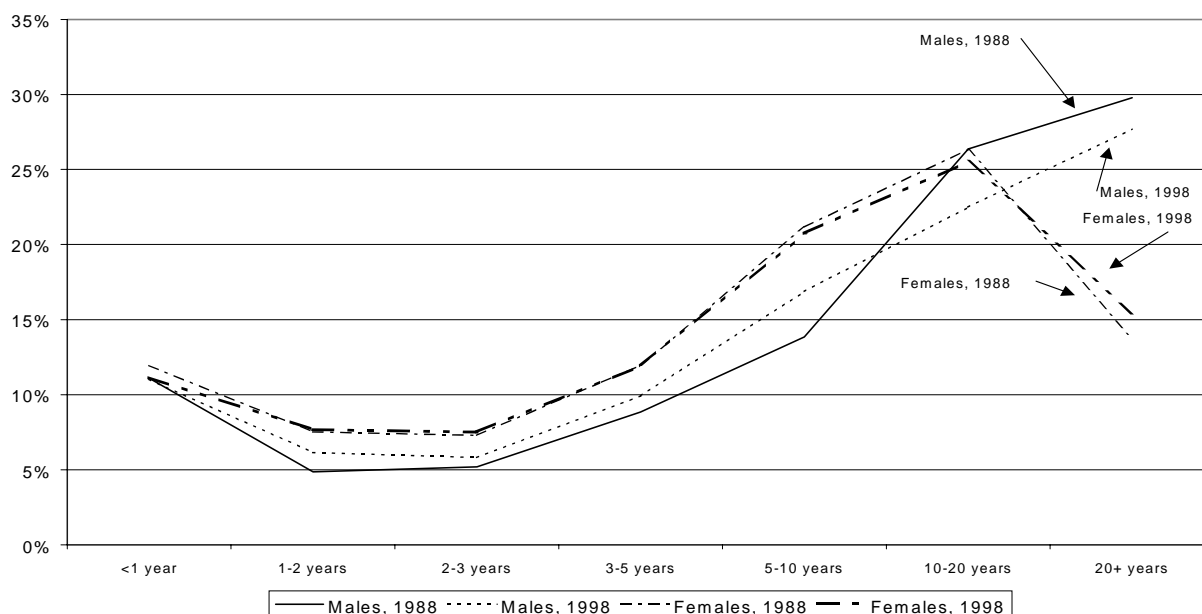
While the discussion above indicates that the mature aged are participating in recent employment growth, it should be noted that the industry restructuring that has taken place in Australia over the past two decades has affected the employment structure of mature age workers. Over the 10 years from 1988 to 1998, the proportion of mature age workers which had been in their current job for 10 years or more dropped from around 51 per cent to around 46 per cent, driven almost solely by male workers (Chart 2.11):

- examination of changes in the duration of mature age job tenure by industry is complicated by a change in the industry classification structure between 1988 and 1998. It is clear, however, that there have been declines in long job tenure (10 years or more) in most industries, with particularly strong falls in Mining (from around 59 per cent in 1988 to

⁵ Information on employment prospects to the year 2004-05 is based on projections provided by the Centre of Policy Studies (CoPS) at Monash University.

around 42 per cent in 1998) and Transport and storage (from around 57 per cent to 46.2 per cent).

Chart 2.11: Job tenure by gender - June 1988 and June 1998 (original data, per cent)



Source: ABS, Labour Mobility Australia, 6209.0 unpublished data

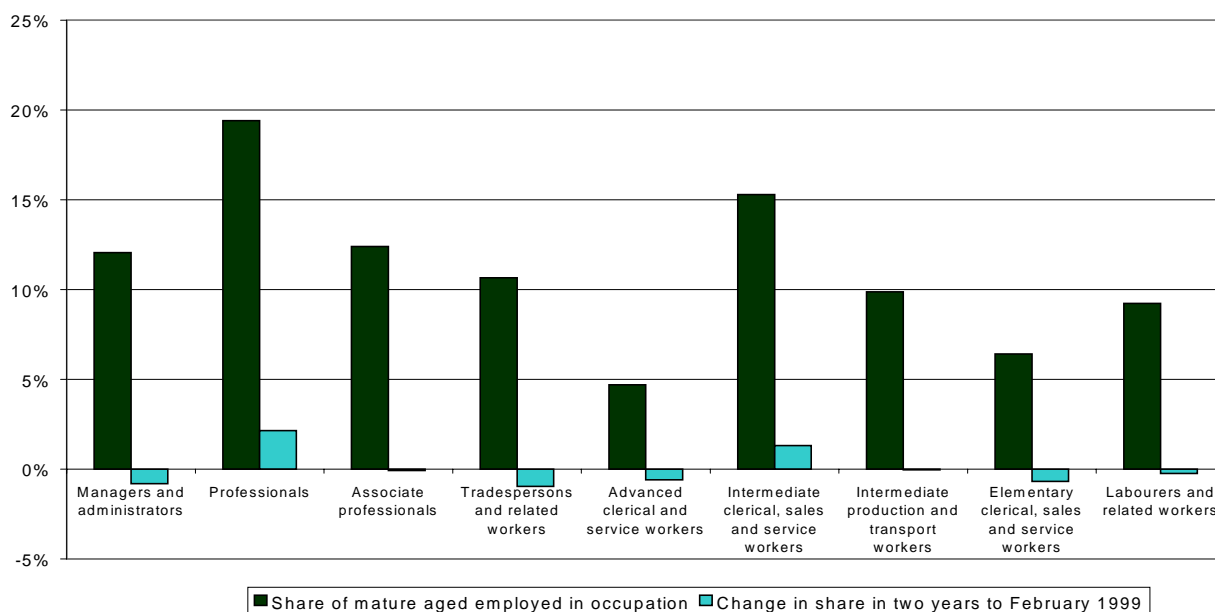
Occupational change

As shown in Chart 2.12, mature age employment is not spread evenly across the occupations, but tends to be higher in those occupations that require higher education and skill levels and more experience. The distribution is changing over time, and there appears to have been a shift, although slight, towards these high skill occupations, with Professionals accounting for the largest increase in employment.

Changes in the occupation classification in August 1996 mean that it is not possible to look at changes in employment by occupation over the last decade. In the last two years, however, there has been strong mature age employment growth in Professionals and Intermediate clerical, sales and service workers. The level of mature age employment has decreased in Tradespersons and related workers, Advanced clerical, sales and service workers, and Elementary clerical, sales and service workers.

The share of mature age employment within an occupation generally reflected the mature age share of total employment in February 1999. The two exceptions to this were Managers and administrators, where the proportion was significantly higher (52 per cent) and Elementary clerical, sales and service workers, where the proportion was significantly lower (19 per cent).

Chart 2.12: Occupation share of mature age employment in February 1999 and change from February 1997



Source: ABS, Labour Force Australia, 6203.0 unpublished data

During the recession of the early 1990s, changes in employment by occupation varied significantly between age groups:

- mature age full-time employment increased in most occupations while younger full-time employment decreased in every occupation;
- part-time employment increased for both age groups and all occupations except for mature age Managers and administrators (which decreased by 13 per cent); and
- the percentage decrease in male employment in Labourers and related workers was slightly greater for mature aged (9 per cent) than for younger persons (8 per cent). It should be noted, however, that overall mature age male employment grew through the recession while overall younger male employment decreased.

As noted above, the change in occupational classification in August 1996 does not allow the occupational dimension of employment changes to be tracked over the entire post-recession period. However, over the two years from February 1997 to February 1999, over 83 per cent of total employment growth occurred in the classifications of Professionals and Intermediate clerical, sales and service workers (see Chart 2.13 below). The pattern of employment growth is similar for mature age workers, although mature age employment grew in Intermediate production and transport even though total employment fell.

The Department has recently published information on job prospects for around 80 occupations⁶. Analysing these occupations by age supports the view that, in general, mature age workers have relatively high shares of employment in occupations requiring higher education, skill levels and experience, such as managerial or professional jobs. It is important to note, however, that there is significant variation in these shares: mature age workers also have around a 40 per cent share

⁶ DEWRSB *Job Futures*, April 1999

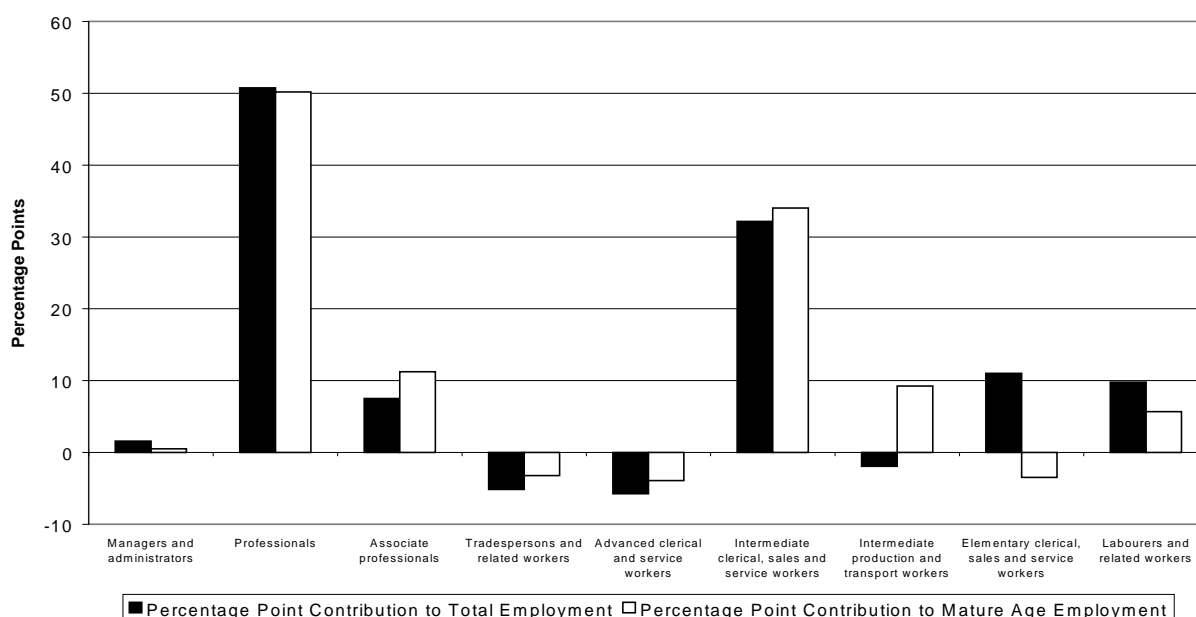
of employment in the Cleaners and the Carers and aides occupations.

In the occupations with the highest share of older workers growth prospects for the next five years are slightly above average⁷. Three occupational groups - Resource managers (47.8 per cent share), Miscellaneous specialist managers (44.5 per cent) and Social welfare professionals (42.7%) - are projected to have 'well above average' growth. Historically these occupations have had 'average to well above average' employment growth.

Other occupations with 'well above average' growth prospects, that have a high representation of older workers are: Miscellaneous business and administration associate professionals (37.8 per cent share), Carers and aides (37.4 per cent), and Sales and marketing managers (36.6 per cent). Historically these occupations have also had 'above average or well above average' employment growth.

Occupations with high proportions of older workers that have 'well below average' projected growth for the next five years include: Miscellaneous generalist managers (47.6 per cent share), Farmers and farm managers (45.8 per cent) and Textile, clothing and related tradespersons (42.6 per cent). All these occupations have had 'well below average' employment growth over the last five years.

Chart 2.13: Share of total employment growth and mature age employment growth by occupation, February 1997 to February 1999



Source: ABS, Labour Force Australia, 6203.0 unpublished data

Mature Age Unemployment

In February 1999, there were around 162,400 unemployed people aged 45 years and over (original data), an increase over the past 10 years of 66,500 persons. This increase compares with an increase of 116,600 in the number of younger unemployed persons:

⁷ CoPS previously cited.

Table 2.4: Unemployment statistics, February 1989 and February 1999 (original data)

	Persons Aged 45 years and Over			Persons Aged less than 45 years		
	Feb-89 ('000)	Feb-99 ('000)	Change (%)	Feb-89 ('000)	Feb-99 ('000)	Change (%)
Unemployed						
Males	66.3	102.8	55.1	259.5	341.2	31.5
Females	29.6	59.6	101.4	242.4	277.2	14.4
Persons	95.9	162.4	69.3	501.8	618.4	23.2
Unemployment rate (%)	4.8	5.7	0.9 pts	8.1	9.4	1.3 pts
Long-term unemployed (000s)	44.1	86.6	96.4%	107.2	166.9	55.7%
Incidence (%)	46.0	53.0	7.0 pts	21.4	27.0	5.6 pts

Source: ABS, Labour Force Australia, 6203.0 unpublished data

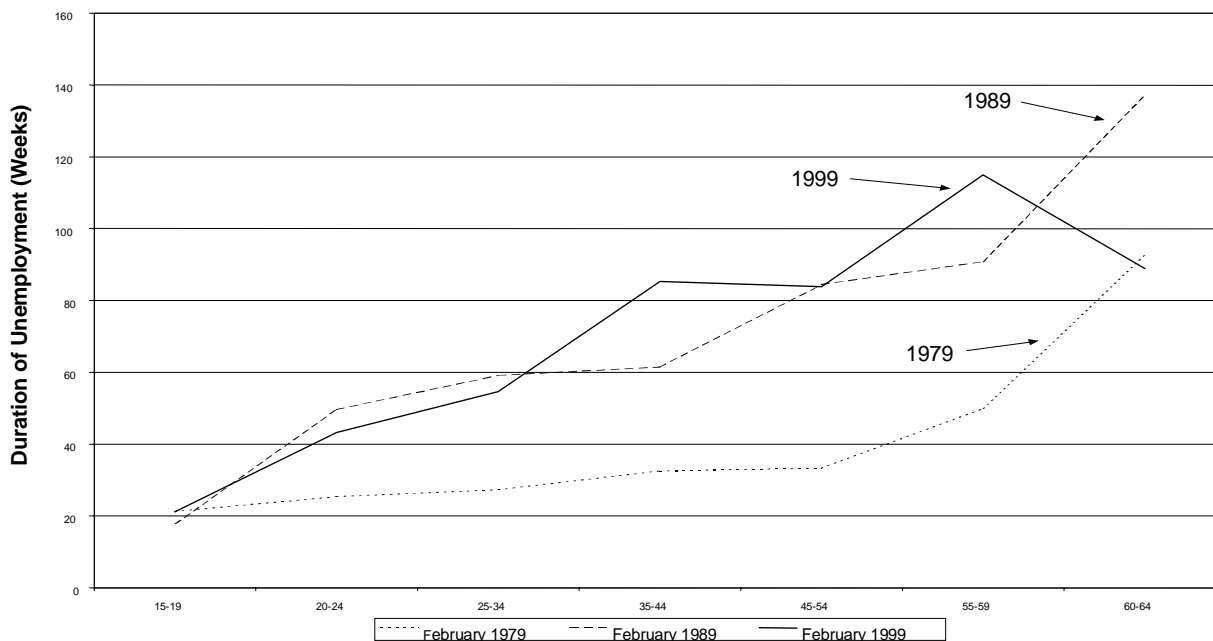
- growth has been greatest amongst the 45-54 year old group. However, the growth in mature age job seekers - like the growth in mature age employment - largely reflects the significant increase in the mature age labour force. The unemployment to population ratio has only increased from 1.9 per cent in February 1989 to 2.5 per cent in February 1999.

Although there have been significant increases in unemployment levels, the unemployment rate for mature age job seekers has been consistently around 3½ - 4 percentage points below the unemployment rate for younger job seekers. In February 1999, the unemployment rate for mature age job seekers was 5.7 per cent, compared to 9.4 per cent for job seekers aged 15-44 years of age:

- this reflects in part the consistently high levels of tenure that older workers have in their current employment. Across all industries, around 46 per cent of mature age workers had been in their current job for 10 years or more in February 1998; and
- in June 1996 mature age Indigenous Australians made up less than 1 per cent of total mature age employment, and accounted for 1.4 per cent of total mature age unemployment. While they had a lower unemployment rate than younger Indigenous Australians (15 per cent compared with 24 per cent), it was still higher than the mature age Non-indigenous unemployment rate (7 per cent).

While the low unemployment rates for mature age workers suggest that unemployment may be less of an issue for this group as a whole than for younger workers, evidence suggests that once mature age workers become unemployed, their ability to regain employment is significantly lower. As the following chart indicates, the average duration of unemployment rises quickly with age (see Chart 2.14 below).

Chart 2.14: Average duration of unemployment by age, selected years



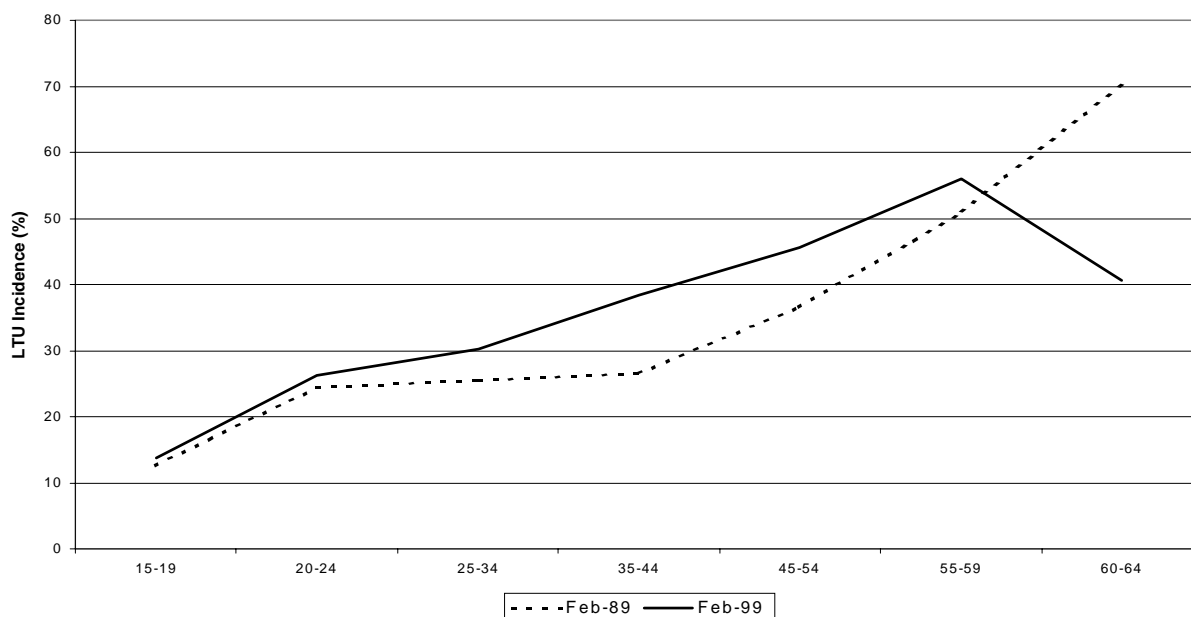
Source: ABS, Labour Force Australia, 6203.0, microfiche, various years

The higher average duration of unemployment in part derives from the higher incidence of long term unemployed in the mature age group. As shown in Chart 2.15, the incidence of long term unemployment (measured as the share of the number of unemployed for a given age who are long term) rises with age, and in broad terms was 53.0 per cent in February 1999 for job seekers aged 45 and over, compared with 27.0 per cent for younger job seekers:

- the gap between the age groups declined during the recession with younger workers faring worse than older groups, perhaps reflecting the situation that older workers are more likely to remain employed during downturns than younger workers.

The fall in the incidence of long term unemployment for those aged 60-64 years dates from 1995. Reasons for the decline have not been determined, but may reflect the introduction of the Mature Age Allowance in 1994. This Allowance is available to persons over the age of 60 years but below the retirement age, and provides income support without the recipient needing to seek work or do training. It may therefore act to reduce the number of people in this age group who report to the ABS that they have been looking for work for 12 months or more.

Chart 2.15: Incidence of long term unemployment by age, February 1989 and February 1999



Source: ABS, Labour Force Australia, 6203.0, microfiche, various years

The difficulties facing older job seekers are also reflected in their high share of discouraged workers⁸. In September 1998 (latest figures available), 63 per cent of all discouraged job seekers were mature aged. The majority of mature age job seekers, 43,000 or 62 per cent, are female. The level of discouraged workers is significantly higher for the mature age group (1 discouraged job seeker to just over 2 unemployed persons) than for younger workers (1 discouraged job seeker to every 15 unemployed persons).

The composition of mature age unemployment and its impact on duration

The mature age unemployed are not a uniform group and their diverse characteristics influence the duration of their unemployment. Significant characteristics that vary amongst the unemployed include: educational attainment; level of literacy; country of birth; and where they live in Australia.

Around half of the mature age unemployed did not complete the highest level of secondary school (see Table 2.5 below), while around 21 per cent had a vocational qualification and 14.3 per cent only completed the highest level of secondary school.

⁸ The ABS defines 'discouraged job seekers' as those persons who wanted to work, were available to start work within four weeks, but whose main reason for not actively looking for work was that they believed they would not find a job for any of the following reasons: considered too young or too old by employers; lacked necessary schooling, training, skills or experience; difficulties with language or ethnic background; no jobs in their locality or line of work; or no jobs available at all.

Table 2.5: Mature age unemployed, by education attainment (May 1998, original data)

Educational Attainment	Persons		
	Number (% of all persons)	Average duration (weeks)	Incidence of long term unemployment (%)
Did not complete highest level of secondary school	49.6	89.3	49.6
Completed highest level of secondary school	14.3	70.1	43.6
Vocational qualification	20.9	90.9	47.3
Diploma, Degree or higher	15.2	58.7	33.2

Source: ABS, Transition from Education to Work, 6227.0, unpublished data

These levels of attainment have a clear impact on the duration of unemployment, with those not completing the highest level of schooling having a significantly higher average duration of unemployment than most other groups. The high average unemployment duration and incidence of long term unemployment for those with a vocational qualification is surprising, and is likely to reflect a high proportion of older tradespeople who do not wish, or are unable, to change occupation.

Nearly two-thirds of the mature age unemployed have low levels of achievement in selected aspects of literacy (Table 2.6). Levels 1 and 2 broadly indicate that the person would have 'some or considerable' difficulty in using many of the printed articles encountered in daily life. As would be expected, this generally leads to a higher average unemployment duration:

- it is also interesting to note that two of the four industries with the greatest proportion of employed persons at Level 1 across all aspects of literacy were subject to significant restructuring - Electricity, gas and water and Manufacturing, along with Agriculture, forestry and fishing and Construction. Given the restructuring that has occurred in these industries, it would seem reasonable to expect that older job seekers from these industries are likely to be facing difficulties in regaining employment.

Table 2.6: Mature age unemployment by aspects of literacy (July 1996, original data)

	Persons		
	Number (% of all persons)	Average duration (weeks)	Incidence of long term unemployment (%)
Literacy			
Prose			
Levels 1-2	67.2	85.9	53.8
Levels 3-5	32.8	50.9	32.6
Document			
Levels 1-2	66.1	81.8	50.9
Levels 3-5	33.9	60.0	39.0
Quantitative			
Levels 1-2	63.6	83.5	51.1
Levels 3-5	36.4	58.6	39.3

Source: ABS, Aspects of Literacy, Profiles and Perceptions, Australia, 4228.0 (unpublished data)

An additional characteristic that appears to make a significant difference to the duration of unemployment is location. Table 2.7 shows that just under 60 per cent of the mature age unemployed live in the State capitals, and experience a lower average duration of unemployment and incidence of long term unemployment than those living elsewhere. In all probability, this reflects access to a greater range and number of employment opportunities.

Table 2.7: Mature age unemployment by region (February 1999, original data)

	Persons		
	Number (% of all persons)	Average duration (weeks)	Incidence of long term unemployment (%)
Region			
Metropolitan	59.5	71.9	46.3
Non-metropolitan, including the ACT and NT	40.5	97.2	48.9

Source: ABS, Labour Force Australia, 6203.0 unpublished data

Just over 70 per cent of the mature age unemployed come from Australia or the other main English speaking countries (the United States, Canada, United Kingdom, Ireland, New Zealand and South Africa)(Table 2.8). It is notable that there appears to be little variation in unemployment duration or incidence of long term unemployment on the basis of birthplace.

The variation in duration outcomes revealed in the above tables suggests that the characteristics of the long term unemployed are important determinants of the extent of disadvantage which they can be expected to face, rather than just age per se.

Table 2.8: Mature age unemployed by country of birth (February 1999, original data)

Country of Birth	Persons		
	Number (% of all persons)	Average duration (weeks)	Incidence of long term unemployment (%)
Australia and Main English Speaking Countries	71.9	84.0	47.3
Other	28.1	78.2	47.5

Source: ABS, Labour Force Australia, 6203.0, microfiche data

Labour market dynamics

Further insight into the nature of the dynamics of the mature age labour market can be derived from an examination of gross flows data. The ABS publishes estimates of month to month flows of people between various labour market states (employed, unemployed, not in the labour force). These gross flows data can be used to calculate the proportion of unemployed people which enter employment or leave the labour force in any month (defined as the 'exit rate probability').

Analysis of gross flows data conducted by the Department for those aged 25 - 44 years, 45 - 54 years and 55 - 64 years of age suggests a number of significant features of the mature age labour market:

- the probability of leaving employment for unemployment in any given month is low for all groups, but *is consistently lower for older age groups*. In 1998⁹ these probabilities ranged from 1.0 per cent per month for 25-44 year olds, to 0.7 per cent for 45 - 54 year olds and 0.5 per cent for 55 - 64 year olds;
- in contrast, the probability of leaving unemployment for employment is much higher for all groups, but *is lowest for the mature aged*: in 1998, the probability for those aged 25-44 years was 19.5 per cent, for 45-54 years was 14.3 per cent and for 55-64 years was 12.7 per cent;
- *the probability of leaving the labour force from unemployment is highest amongst those aged 55-64 years*, while being relatively similar between the two other age groups. In 1998, the probability was 32.7 per cent for 55-64 year olds, 25.8 per cent for 45-54 year olds and 24.0 per cent for 25-44 year olds; and
- the probability of leaving employment and exiting the labour force is also low, although nearly double the probability of leaving employment for unemployment, and is highest among those aged 55-64 years. Probabilities in 1998 ranged from 2.2 per cent for 25-44 year olds and 2.3 per cent for those aged 45-54 years, to 4.5 per cent for those aged 55-64 years.

These figures support the view that older workers tend to have more secure employment than younger workers but, once unemployed, have more difficulty gaining employment.

⁹ The annual probabilities reported here are averages of monthly data.

Conclusion

Mature age persons form an increasing part of both Australia's population and labour force. Recent strong growth in their numbers is largely derived from the ageing of the 'baby boomer' generation, and this is having a significant effect on the labour market. This group has a high effective employment intensity, with high participation and low unemployment rates. The participation rate for the mature aged has risen slightly over the past 10 years, driven primarily by an increase in mature age female participation and a stable mature age male participation rate.

These two factors (employment growth and a rise in the participation rate) have combined to increase the employment to population ratios for persons in the 45-64 age group, and it appears likely that as more of the high employment intensity group move into older age brackets, employment to population ratios and participation rates will rise further.

Evidence presented in this Chapter indicates that older workers have increased their share of employment in nearly all industries, and have participated in the growth of the service industries (although not as strongly as younger workers). Older workers also tend to be represented in occupations requiring greater skills and experience. On both industry and occupation grounds, then, prospects for further employment growth for this group are positive. This is not to suggest that industry restructuring has not affected labour market outcomes for the mature age workforce: job tenure has declined for males; and evidence to hand indicates that those mature age workers who had been retrenched but subsequently found new jobs were more likely than younger workers to have changed from full-time to part-time work, and from permanent to casual employment.

There are clear differences between younger and older workers, however, in their experience of unemployment. Older workers as a group experience unemployment rates considerably lower than the workforce as a whole. They do not do as well, however, in relation to long term unemployment. Both the average duration of unemployment and the incidence of long term unemployment are much higher for older workers. In part this is a function of characteristics possessed by older workers. Many have low levels of educational attainment, low literacy and numeracy skills and live in non-metropolitan Australia.

Examination of gross flows data offers further insights into the operation of the mature age labour market. The mature aged have lower probabilities of leaving employment than younger workers and are more likely to move out of the labour force from employment than into unemployment. This is one reason why their unemployment rate is lower than that of job seekers aged less than 45 years of age. The probabilities of moving from unemployment to employment, however, are significantly higher for persons aged 25-44 years than for older age groups. Taken together, these offer support for the conclusion that mature age workers tend to have more secure employment, but face greater difficulties in regaining work after losing jobs.

CHAPTER 3: BARRIERS FACED BY OLDER WORKERS IN THE LABOUR MARKET

Introduction

The previous chapter provided an overview of the labour market experience of older people. The analysis showed that mature age workers have been able to hold onto their jobs in the face of the continuing changes in the labour market. Mature age job seekers, however, tend to have greater difficulty than younger job seekers in getting a job, and are more likely to leave the labour force, through either early retirement or as discouraged job seekers.

One of the employment options available to mature age persons has been to set up a business. Mature age people continue to be highly represented as small business proprietors and they are more likely than younger people to become self-employed should they be retrenched (ABS 6222.0, July 1997). There are signs, however, that some experience difficulty in taking up this option.

This chapter examines the reasons for, and the nature of, the difficulties experienced by older workers in retaining and obtaining employment, and in setting up and running their own business successfully.

Difficulties experienced by older workers in retaining employment

As suggested by the aggregate statistics presented earlier, mature age workers do not appear to be more vulnerable to losing their job than younger workers. Even in firms where employment may be declining or jobs are undergoing significant changes, mature age workers are often in a better position to retain their jobs than younger workers.

This can be attributed to longer tenure with the employer, greater overall labour market and firm-specific skills and experience, and holding more senior positions. Furthermore, the jobs of older workers may be protected by custom and practice such as last in-first out arrangements. These advantages seem to outweigh (in aggregate) a number of other age-related factors which, by contrast, may constrain the ability of older workers to retain their jobs.

These age-related factors are clearly important barriers for some older workers and therefore need to be examined. The research in Australia on this issue is not extensive, however, and data are limited. Consequently, it is necessary to rely in part on overseas evidence. Age-related barriers may arise as a result of employer attitudes to mature age workers, mature age worker behaviour patterns and because of institutional arrangements in the Australian labour market.

The discussion below deals with each of these three sets of causes in turn.

Employer attitudes to mature age employees

Employer concerns about mature age workers generally relate to the perceived inability of mature age workers to maintain high productivity and adapt to changes at the workplace. The recent *Job Index* survey by Morgan and Banks (1999) asked employers who had identified a decline in the proportion of their employees who were aged over 45 years to indicate the main reason for this change. Of those employers who experienced a decline, 25.1 per cent indicated the main reason was “replaced by younger workers” and a further 18.1 per cent nominated “lack

of current skills/did not adapt to new technology”, hinting at these underlying employer concerns.

The literature suggests that these types of views, where they occur, result in large part from the “stereotyping” of older workers as suffering from deteriorating mental and physical capacities, greater absenteeism, being accident-prone, lack of interest in work, and inability to cope with change. As outlined below, research has led to questions as to whether these stereotypes conform to reality.

Deteriorating mental and physical capacities

Pickersgill et al (1996) note that there is some evidence that the ability to perform constant physical work declines with age and that this can affect the employability of older workers in some industries (eg construction) and occupations (eg heavy labouring). However, they also suggest that jobs of this nature can usually be undertaken differently and any lack of physical strength compensated for by skill and experience related qualities. Bennington and Tharenou (1996) and Pickersgill et al (1996) both found that there is some variation in work-related cognitive abilities with age, but overall the only significant decline was in the cognitive performance of unskilled workers. The performance of professionals actually appears to increase with age. Generally speaking, research into the relationship between age and overall productivity is equivocal, with small declines in some occupations balanced by gains in others.

Greater absenteeism and accident rates

Unavoidable absence, including sickness, injury and associated costs, rise sharply from 50 years of age in Australia (contrary to overseas findings) while avoidable absence from work declines with age (Bennington and Tharenou 1996). The OECD (1998d) has noted that the longer absences due to ill health, experienced more by older workers, can be less disruptive to an organisation than the more frequent avoidable absences experienced by younger workers. According to Pickersgill et al (1996) employers regard older workers as being more reliable and having lower rates of turnover and absenteeism.

Lack of interest in work

Patrickson and Hartman (1992) found some support for the “not interested in work” hypothesis in a survey of workers aged 53 to 64, with many participants indicating they would reduce their commitment to work, and “see out their time” as they approached retirement. A different perspective is provided by Rhodes (1983) and Warr (1993) [cited in Onyx (1998)] who concluded that “older workers consistently express greater job satisfaction, job involvement and organisational commitment at all occupational levels in Australian and American samples”. The “not interested in work” hypothesis is also difficult to reconcile with evidence in Clabaugh (1998) that employers value older workers because of a strong work ethic, experience, loyalty, reliability and a commitment to quality. Bennington and Tharenou (1996) also suggest that older workers are more satisfied with their jobs, because they either have better jobs or have lowered their expectations to match their employment.

Inability to cope with change

Australia has experienced rapid and ongoing structural and technological change and restructuring at the enterprise level since the mid-1980s. The ability of mature age workers to

cope with this changing workplace environment depends to a large extent on their ongoing access to relevant training and development. Using data from ABS surveys, Miller (1992) and others have shown that employer provision of training decreases with employee age.

Mature aged workers' lower participation in training may be a reflection of the fact that they are more likely than younger workers to see no need for training (as reported in ABS 1997). Lower motivation may, however, be attributable to: a perception that they already have the requisite skills; a perception that training is less likely to benefit their careers; unsuitable delivery methods aimed at younger workers; or inappropriate training content.

A number of reasons have been put forward to explain why employers might be reluctant to train older workers. The Human Rights and Equal Opportunity Commission (HREOC) (1999) posits that it may be because older workers on average have less time left in the workforce over which the costs of training can be recouped, compared to younger workers. This argument may be difficult to sustain, however, given that the half-life of training in some areas is as low as 3 ½ years (OECD 1998d). In addition, older workers are less likely to voluntarily leave employment than younger workers (as noted in the previous chapter).

Pickersgill et al (1996) notes that employers tend to view mature age workers as more difficult to train. This may simply reflect past training practices, as reported in Miller (1992) and Curtain (1999), under which low skilled workers were provided with little or no training because of a tendency among some employers to seek the appropriate skills from the "external labour market" rather than retrain their own employees. Low skilled workers may also be disadvantaged by poor literacy and numeracy skills¹⁰, which are important in training. Pickersgill et al (1996) cites studies in the USA and the UK showing that older workers are as capable of learning as younger workers, provided that training is tailored to their needs and delivered in an appropriate environment (ie generally at the workplace rather than in a classroom).

Employer training practices may in fact be changing. An indication of this is provided by the increase in participation in education and training in the last several years (ABS 1997). In the case of workers aged 45-54, for example, participation in all formal education and training (provided by employers and self-financed) rose by around 25 per cent between 1993 and 1997. The increase for the 55-64 year old group was even greater, at around 30 per cent.

Overall, this analysis suggests that while there may well be some mature age workers who fit the 'stereotype' outlined above, it is unlikely to apply to most mature age workers and especially not to those aged 45-54 years. The important issue, however, is not what the actual capabilities of mature age workers may be, but what employers perceive them to be, because this ultimately determines employers' decisions regarding employment. This said, employers are unlikely to hold negative attitudes about their own employees, whose work and abilities they should know well, if these are not justified. It is more likely that unfounded negative views, to the extent that they are held, would affect the employment prospects of mature age job seekers of whom an employer has no previous experience.

¹⁰ The ABS Aspects of Literacy survey showed that the proportion of employed 45-54 year olds who were in the lowest literacy category was around 1/3 higher than the average. For those aged 55-74, the proportion was double the average. The greatest gap was in terms of prose literacy (or reading comprehension). Therefore mature age workers may be at a greater disadvantage with respect to training than younger workers more generally because (a) they have little experience of training due to past training practices; and (b) jobs in the past had lesser literacy and numeracy requirements which therefore did not encourage the improvement of these basic skills over time.

Age discrimination in employment

Age discrimination refers to the situation where older people are treated in a different way from younger people because of the age factor alone, rather than because of other characteristics. One reason this can occur is because the perceptions of employers do not match the actual capabilities and attitudes of mature age workers (called "statistical discrimination" in the economic literature). Research (HREOC 1999) suggests that there could be an element of discrimination in certain employer behaviour, which impacts negatively on mature age workers as described above (eg with respect to training). The extent of age discrimination is difficult to assess. It is discussed in more detail below, in relation to re-employment.

Factors encouraging mature age workers to leave employment

Access to a range of financial incentives can encourage older workers to leave the workforce earlier than they otherwise would. Such incentives (OECD 1998d) include: the availability of generous pension benefits (ie greater than would be consistent with an actuarial assessment based on the actual years of service); redundancy pay based on years of service; the opportunity to "double dip" by maximising private and public benefits; and programmes such as the Mature Age Allowance and Mature Age Partner Allowance in Australia. Barth and McNaught (1991) and Pickersgill et al (1996) argue that access to such benefits contributes to the widely held belief that older people are better placed to cope with retrenchment financially, emotionally and socially. This leads employers to target older workers for retirement, with the added justification that it makes way for younger workers.

While access to these benefits may be considered appropriate when unemployment is high, it is likely to become less sustainable as the workforce ages. Workforce ageing has the potential to lead to significant increases in the proportion of the population eligible for public pensions (ie the dependency ratio) and to put pressure on Government expenditure, calling into question the "affordability" of pensions (OECD 1998d). According to Patrickson (1998), the economic imperatives of expanding production and fewer young recruits will make it increasingly desirable for older workers to delay their retirement. In this context, it is useful to note that the Government improved the flexibility of the Age Pension arrangements through the introduction in 1998 of the Pension Bonus Scheme. This Scheme encourages those eligible for the age pension to continue working past the pension age if they so wish, as the bonus is provided as a lump sum to those who elect to continue working and defer claiming the Age Pension. Superannuation schemes may also discourage mature workers from phasing their retirement and moving from full-time to part-time work. The OECD (1998d) argues, for example, that there may be financial disincentives in pension schemes associated with taking part-time work, gradual exit being more widely praised than widely available. Patrickson (1998) cites international research which indicates a demand for phased retirement among both males and females, but notes that in Australia union resistance has reduced its availability in some industries. Patrickson and Hartman (1992) found that there was not a lot of demand for phased retirement among older males employed in heavy manufacturing in Australia. On the other hand Pickersgill et al (1996) cite a case study indicating that at least some mature age workers prefer a job with flexible hours, even where this entails little training and poor career prospects.

Institutional arrangements

Improvements in the health and life expectancy of older people mean that an increasing number of people are willing and able to stay in the workforce to an older age¹¹. Provisions relating to compulsory retirement therefore have the potential to impact adversely on the labour market choices of more older workers. Compulsory retirement is similar to retrenchment in that it results in the involuntary loss of employment for reasons other than capacity to work. It remains lawful in Tasmania and the Northern Territory, and for some professions in the other States and Territories. The Federal *Workplace Relations Act 1996* effectively restricts compulsory retirement to jobs where there is an “inherent requirement” that employees be under a particular age (HREOC 1999). The Government intends to vary legislation to abolish compulsory retirement for Commonwealth public servants.

It has been argued that where wage setting arrangements are not flexible enough to accommodate either a fall in the productivity, or changes in the circumstances of mature age workers, this can restrict their options to continue in employment. Some consider that the rising age-wage profile reflects the fact that some employers defer an element of pay to encourage tenure and effort as workers age. Consequently, younger workers are paid less than their worth while older workers are paid more. Employers who subscribe to this view would therefore act rationally by letting older employees go if the gap between productivity and wages were to become too great. The OECD (1998d), however, notes that analysis suggests age-related wage increases are rare, with age-wage profiles more likely to reflect greater productivity from increased experience. As chapter 4 points out, this may become a more important issue if the age of retirement increases.

Difficulties experienced by older workers in obtaining employment

Although some mature age workers face difficulties in retaining employment, the evidence presented in Chapter 2 clearly indicates that the greatest problem facing mature aged people in the labour market is getting back into work after losing a job. This is reflected in the longer duration of unemployment experienced by mature age job seekers, their higher incidence¹² of long term unemployment and the relatively high proportion of mature aged people who leave the labour market as discouraged workers.

The primary reason for the longer duration of unemployment among mature age job seekers is the fact that, compared to younger unemployed job seekers, they are more likely to possess characteristics which have been shown to involve longer periods of unemployment and job search (DEETYA 1998). This is demonstrated by the information from Centrelink registrants in Table 3.1. Mature age job seekers are far more likely to be early school leavers, have English language deficiencies, come from non-English speaking backgrounds (and especially from countries whose migrants have high unemployment rates in Australia) and suffer from physical disabilities and other disabling factors. Thus mature age job seekers are more likely than

¹¹ A survey of 55-64 year olds reported by Reark (1990) found 73 per cent disagreed with compulsory retirement ages because retirement should be a personal decision. The main reason for supporting compulsory retirement was that it makes way for younger workers. Also, ABS data show 35.6 per cent (316 100 people) of people who retired aged 60-69 retired because they had reached compulsory retirement, compared to 22.5 per cent who retired because they had reached an appropriate age for retirement or were too old (ABS 1997a).

¹² The incidence of long-term unemployment for a cohort is the number of long term unemployed in that cohort divided by the total number of unemployed in that cohort. Generally speaking, the higher the incidence, the longer the average duration of unemployment.

younger job seekers to possess six of the eight most important factors which the analysis has shown lead to disadvantage in the labour market.

Table 3.1 Proportion of Mature age and non-Mature age job seekers registered with Centrelink possessing key labour market characteristics (May to August 1998)

Characteristic	Mature age job seekers (per cent)	Non-mature age job seekers (per cent)
<i>Gender</i>		
.....Male	68.1	66.0
<i>Educational attainment</i>		
.....Primary school only	7.5	1.6
.....Completed high school	10.8	20.9
.....Diploma or degree	20.9	17.2
.....Vocational qualifications	19.7	19.9
<i>English Language and literacy skills</i>		
.....Very limited skills	9.6	5.2
.....Limited	10.1	10.4
<i>Non-English speaking background</i>	21.6	5.2
<i>Physical disabilities</i>	8.5	4.2
<i>Psychological and other disabling factors</i>	3.6	2.6
<i>Homelessness</i>	1.8	3.1
<i>Resident in a labour market disadvantaged region</i>	44.9	48.6

Source: Analysis by the Department of job seekers registered with Centrelink who had been assessed through the Job Seeker Classification Instrument (JSCI) during May to August 1998.

Empirical analysis has found that the above characteristics by themselves do not explain in full the difference in unemployment duration between mature age and younger job seekers. A significant component of the difference was found to be due to "age" itself, and especially so for mature age males. This finding is interpreted as saying that age matters because it captures the effect of more fundamental underlying factors which are age-related. The challenge is to explain what these factors may be.

The factors discussed earlier which impact on the ability of mature age workers to hold onto their jobs are relevant, but there are other factors that are likely to be equally if not more important. A broad consideration of the literature on barriers faced by mature age job seekers suggests that there are a number of factors that could contribute in one way or another to an explanation as to why age matters. Among these, however, three factors stand out from a priori reasoning as most likely to be very important contributors. These are the mismatch between the skills possessed by mature age job seekers and the needs of the labour market; mature age workers' lack of mobility; and age discrimination.

Mismatch between the qualifications and skills of mature age job seekers and the requirements of the labour market

Structural and technological changes are having a profound on-going effect on the scale and nature of employment within Australia. To succeed in this changing labour market, job seekers generally need to have: good basic skills; preferably higher levels of education and post-school qualifications; the competencies and knowledge required for work in those industries that are growing (ie the service and high technology sectors); and the ability to adapt and be trained in new skills as these emerge.

Existing measures of competency based on educational attainment, vocational qualifications and literacy levels may not fully capture the actual skills and abilities of mature age workers that are relevant in the labour market and that employers are likely to be interested in. There are three main reasons for this: the fact that qualifications depreciate with time; the difficulties in estimating literacy and numeracy levels; and the relevance and transferability of skills across industries.

Depreciation of qualifications

The proportion of job seekers holding certificates and vocational qualifications is higher for older job seekers than it is for younger job seekers. However, in some cases the qualifications of older job seekers may be quite different from qualifications at the same level and in the same subject area obtained more recently (OECD 1998d). Some of the qualifications held by older job seekers may also be in narrow specialisations, and not transfer readily to other jobs. Older job seekers may also suffer from skills atrophy where they have not kept pace with technological advances, through either time out of the workforce or a lack of training.

Literacy and numeracy standards

Literacy and numeracy, together with educational attainment, have emerged as key factors in labour market success in the more skill and service oriented labour market of the 1990s, in which upgrading and re-training has become more frequent. However, data from the ABS *Aspects of Literacy* survey seem to suggest that previous estimates of literacy competence understate the lack of basic skills of the workforce in general and mature age workers in particular.

This survey measured literacy in three categories classified as: prose (essentially reading comprehension); document (the ability to understand diagrammatic information, such as charts); and quantitative (the ability to undertake arithmetic operations and work with numbers). Mature age job seekers are far more likely than younger job seekers to be in the lowest literacy categories (as also indicated for English language skills by the Centrelink data), suggesting that the actual proportions in these categories are much higher than shown in Table 3.1. The survey also suggests that up to 66 per cent of the mature age job seekers have inadequate literacy skills, and only a slightly lower proportion have inadequate quantitative skills. The gap between the mature age group and the 25-44 year olds is greatest in the prose category (14 percentage points).

While these proportions partly reflect the skill standards adopted in the ABS survey, they nonetheless provide an indication of the significance of the problem. It is important to note that this affects both Australian-born mature age workers and those from non-English speaking backgrounds.

Transferability of skills across industries and firms

Mature age workers clearly possess a range of work skills acquired as a result of years of previous employment. A major question, however, is whether skills and knowledge, together with attitudes (not captured in these broad measures) acquired in one industry or occupation can be readily transferred to new and different settings. This is a particularly important issue for mature age male job seekers whose last job was in industries (such as manufacturing, mining, electricity, gas and water, construction and transport and storage) and occupations that are essentially slow growing or in decline.

ABS labour force data suggest that around half of all unemployed mature age males came from these industries. Indeed, this proportion may be an underestimate as the ABS does not collect data on previous industry for those who have been unemployed for more than two years (who represent around one-third of total mature age unemployed). By contrast, only around 20 per cent of all unemployed mature age females came from these industries, as females are more likely to have been previously employed in the service sector.

While job opportunities arise in all industries as part of labour turnover and retirements, Pickersgill et al (1994) conclude that long-term unemployed, particularly males from the “blue collar” sector, are unlikely to get a job in their previous industry. Many would improve their employment prospects by adjusting their expectations and seeking work in the services sector, where job opportunities are greater.

The competencies required in service sector jobs, however, are quite different from those generally required in, for example, the manufacturing, construction and electricity, gas and water industries. It is difficult to assess from the data, however, whether job seekers from these particular industries have greater difficulty getting back into employment. There is some variation in the incidence of long-term unemployment by industry of previous job. The incidence is lowest for the finance and insurance industry and highest for the education industry, but around the average for manufacturing. This suggests that job seekers from the declining industries may not be experiencing greater difficulty on average than job seekers from other industries.

Aungles and Karmel (1993) examined this issue using shift-share analysis, and found that the high incidence of aggregate long-term unemployment among the mature aged was not primarily due to their industry background. This result was confirmed over a more recent period (February 1995 to August 1998) by this Department using the same methodology. A different conclusion might result, however, if the analysis were to be undertaken with more disaggregated data, for example for “blue collar” workers only, who appear to be the group facing the greatest difficulties. Unfortunately the data are unlikely to support analysis at such a high level of disaggregation. The evidence as to the importance of industry background on the probability of re-employment should therefore be regarded as inconclusive.

A somewhat similar issue arises in the context of white collar workers, including those in management jobs. Larger firms, as well as some smaller ones, often develop their own approach to doing business and instil a firm-specific culture into their workforce. It is particularly important for those in management and leadership positions to be attuned to these cultural requirements and to promote them. Employers may therefore have a preference for younger people for these jobs (as well as other jobs in the hierarchy) because mature age job seekers may be seen as having established views and ways of doing things acquired in previous employment which may be hard to change. There is no reliable evidence, however, on how important this factor may be.

In order to better understand the impact of structural change, and other factors, on the labour market outcomes for mature age workers DEWRSB is currently undertaking two analytical projects. The first aims to assess whether the trend to early retirement is voluntary or involuntary and the extent to which it is due to structural change. The second explores the possible future training needs of older workers who may need to change occupation as a result of labour market trends, including structural change. Both studies are due to provide some results

in 1999.

Mobility of mature age workers

An important factor assisting people to gain employment quickly is the preparedness to change industry and/or occupation, or even to move to a different location with better employment prospects. In general, labour mobility in Australia appears to be quite high with around 24 per cent of workers starting a new job over the 12 months to February 1998 period. Of these, 63.0 per cent had changed jobs during the year, but only a small proportion of those who changed jobs (around one-quarter) actually changed location.

Information on the mobility of mature age job seekers is limited. Anecdotal evidence suggests they are often reluctant to look beyond their previous industry and occupation for employment. This would put them at a disadvantage if they came from an industry in decline and/or with few job openings. With respect to geographic mobility, the evidence tends to suggest that those who are most mobile are aged 20-24 years, have high levels of education, and are in skilled occupations. Geographic mobility decreases with age and also tends to be lower for those who have family responsibilities and low levels of skill (ABS 6209.0, 1998).

Decisions to relocate for employment reasons involve trading off a variety of factors. While the direct financial costs of moving for older people may be about the same as for younger movers, the non-economic costs of relocating for a mature aged job seeker are likely to be higher. Such non-economic costs can include: leaving a family home and an established network of friends and family; disrupted schooling for children; and loss of career continuity by a working spouse. At the same time, the potential benefits for mature aged workers are lower because of the shorter time left in the workforce. Such considerations support expectations of lower mobility among mature age workers. For example, in a longitudinal survey covering the three year period 1994 to 1997 jobseekers aged 45-59 said that they would be prepared to move in 23 per cent of their job search episodes compared to 43 per cent for younger jobseekers (ABS 1999).

Age discrimination

Age discrimination is unlawful throughout Australia. Nevertheless, as discussed earlier, research suggests that age-based and other forms of discrimination do occur, particularly in times of labour market slack when there are more job seekers for employers to choose from. According to the HREOC Annual Report 1997-98, age-related discrimination complaints comprised the highest proportion (32 per cent) of the employment-related complaints HREOC received, compared to just 1 per cent each for race and sex. Not all age-related complaints, however, would necessarily relate to older as opposed to younger workers. On the other hand the HREOC data relate to formal complaints, which would probably understate the degree of age discrimination.

Other research suggests that age discrimination in employment is more extensive than indicated by the HREOC data. Encel (1998) and Taylor and Walker (1994) found that employers could have very positive attitudes towards their older employees on the one hand while still resorting to negative stereotyping of older people more generally. Younger employers appear to be more likely to harbour unfounded negative views about the work attributes of older workers that might influence hiring decisions, despite anti-discrimination legislation (Encel 1998, Senate 1995). Whereas employers already know a considerable amount about the capabilities, health and skills of their current workers, they may find age a useful proxy (and therefore potentially

discriminate) in assessing the characteristics of job applicants about whom they know little or nothing.

According to Steinberg et al (1998) and Reark (1994) employers tend to think workers become 'older' at 40, with a second plateau at 50. More skilled workers were seen to become 'older' at an older chronological age. Employers expected applicants for skilled jobs to be no older than 40, while applicants for unskilled jobs were expected to be under 25. Box 3.1 on the following page provides further employer views on employing older workers from a recent round of employer focus groups.

Some research reports that there is a perception among mature age people that age discrimination exists. For example, Reark (1990) used interviews and group discussions to examine the attitudes to employment, unemployment and early retirement of people aged 55-64. There was broad agreement amongst participants as to the existence of age discrimination, with more than half saying it begins at the age of 45 years or before. Participants attributed this discrimination to several key employer perceptions about older workers. These were, in order of importance, that: older workers lacked physical strength/had poor health (28 per cent); older workers had outdated skills/were unable to use new technology (26 per cent); older workers would not stay in the job long (19 per cent); they (employers) could pay younger people less (18 per cent); older people can't learn (17 per cent); and older workers are too slow (16 per cent). Paradoxically, those surveyed felt that some 'discrimination' was valid because it reflected older workers' capabilities, not simply their age (in which case it is not seen to be discrimination).

Research by Encel (1998) and Kinsella-Taylor (1998) recount the experiences of older job seekers who felt they had been discriminated against by employers because of their age. Both researchers interviewed older unemployed people with a range of skills, educational attainment and occupational background who felt that their age was a primary factor in their not being able to get a job.

Data from ABS Labour Force Supplementary Surveys show that mature aged workers consider their age to be their most significant barrier to finding employment, although this may not be because of employer discrimination. Around one-third of unemployed job seekers aged 45 to 54 years and two-thirds of unemployed job seekers aged 55 and over report their main difficulty in finding work is being considered 'too old' by employers (ABS, July 1998). In addition, many older job seekers become discouraged from job search activity because they believe employers will consider them too old. Because they give up looking for work they are not included in the estimated labour force. Almost 60 per cent of "discouraged job seekers" are 45 years old or more (ABS September 1998).

In summary, there is some evidence of age discrimination in employers' hiring decisions, but just how much is unclear. Partly as a response to lack of information about age discrimination in Australia, HREOC has recently issued a Discussion Paper entitled *Age matters?* which identifies some of the gaps in the discrimination legislation, invites individuals to provide information about their experience of age discrimination and canvasses the need for a Federal Age Discrimination Act. This examination by HREOC should assist our understanding of age discrimination issues in the Australian labour market. HREOC will advise the Attorney-General about the comments received and make recommendations based on these views.

Box 3.1: Employability of Mature Aged Workers - Commissioned Research

DEWRSB commissioned work from the consulting firm Keys Young to investigate and report on the employability of older workers. Part of this involved conducting focus group discussions among senior company personnel with responsibility for recruitment. The preliminary findings from the focus groups are summarised below. It is important to note that these findings were obtained from 15 participants from medium to large companies in Sydney.

Participants stated that companies generally sought the best person for the job but that, as some jobs were more suited to older workers while others were more appropriate for young people, employers may have a preference for younger or older workers according to the circumstances. In the view of the participants, industries such as hospitality, information technology, communications, banking/finance and sales/marketing were more suited to young people, although this depended on the jobs themselves. An example given was from the hotel industry: mature people were chosen for the position of sales representative as this required contact with publicans while younger people were selected for promotional activities among hotel patrons.

Because of this, employers often have a preference for people around the median of the expected age for the job and in the recruitment phase may cull those who were considered to be either too young or too old, especially if they were inundated with applications. Overall, however, most firms prefer to have a mix of younger and older workers as this was seen to make for a more harmonious staff culture, so that they were prepared to consider people from outside the preferred age band.

This type of behaviour, which may discriminate against older workers, was thought to be deeply entrenched. The human resource professionals in the group felt that part of their job was to change attitudes among managers where this was appropriate and to make them also aware of their legal obligations. Participants thought that because smaller organisations did not have dedicated staff to manage recruitment procedures, they are likely to exhibit greater bias against older workers.

The participants acknowledged that older workers can bring many positive qualities to the workforce, and especially stability. When questioned about the negative attributes, those mentioned most frequently were: older workers may be set in their ways (particularly if they only ever had one job); difficulty in coping with unfamiliar technology; lack of "fire in the belly"; and the tendency among some to be just "seeing out their years". However, even in those instances where these attributes may be relevant, participants said that redundancy was only offered where the person could no longer perform the task, rather than because he or she was "too old".

Participants had few suggestions to offer as to how older workers could improve their employability. One theme that came through consistently was that older workers often do not interview well. Retrenched workers were more likely to lack motivation, arising from their disappointment at losing their job and also lack of experience in applying for jobs. There was a mixed reaction to the notion of wage subsidies.

Mature age workers and small business

Mature aged workers, particularly those aged 55 and over, are far more reliant on self-employment¹³ than younger workers. Table 3.2 below shows that the proportion of employed people who are self-employed generally increased with age for both males and females in 1989 and 1999. Over the decade to 1999 self-employment grew in importance for males aged 55-64 but declined for females aged 45-64. Overall, there appears to have been little, if any, growth in the importance of small business to mature age workers over the decade.

Table 3.2 Proportions of employed males and females who are self-employed, by age group (February 1989 and February 1999)

	25-44 <i>per cent</i>	45-54 <i>per cent</i>	55-64 <i>per cent</i>	65 and over <i>per cent</i>	45 and over <i>per cent</i>
Males					
1989	14.9	19.0	18.4	40.0	19.6
1999	13.4	18.9	23.1	30.8	20.7
<i>Females</i>					
1989	11.5	12.2	16.4	27.2	13.9
1999	8.4	9.8	14.7	27.7	12.4

Source: ABS *Labour Force, Australia* (Cat. No. 6203.0). Agriculture, forestry and fishing have been excluded.

More detailed ABS data on small business and self-employment show that there has been significant growth over the two years to February 1997. The number of small businesses grew by 51 600 (6.5 per cent), small business employment grew by 7.3 per cent and the number of small business operators¹⁴ grew by 59 800 (4.8 per cent) (ABS 8127.0 and ABS 6248.0). Around 60 000 mature age people started small businesses over the two years to February 1997, contributing to a large increase (around 12 per cent) in the total number of mature aged operators over this time.

Characteristics of mature age small business operators

The ABS data for February 1997 provide information on small business operators by age, by the age of their business, and by other variables such as industry and qualifications. This allows comparisons of new businesses (those less than a year old) by age of operator, as well as comparisons of new businesses with established businesses (ten years and over). Unfortunately there is no information on businesses which fail. Key differences between mature aged operators and younger operators of new small businesses are discussed below.

Industry

Table 3.3 below shows the proportions of small business operators by age, by age of business and by industry for February 1997. Mature age operators are more likely than younger operators

¹³ The ABS does not use the term self-employed. It is used here for simplicity to mean employers and own account workers.

¹⁴ The number of business operators exceeds the number of small businesses because many small businesses have multiple operators.

to be in Property and Business Services and Wholesale Trade and less likely to be in Construction or other industries for both established and new businesses.

Given the scale of the differences between the industry mixes of 'new' and 'established' businesses, it is reasonable to conclude that there has been significant change in the mix of industries in which small business operators start their businesses over time. In keeping with overall trends, the growth areas of small business appear to favour 'white collar' employment, not 'blue collar' employment which has been most affected by retrenchment and downsizing.

Table 3.3 Proportions of small business operators by age, by age of business, by industry (February 1997)

Age of operator - Age of business -	under 45		45 and over		Total	
	<i>new</i>	<i>established</i>	<i>New</i>	<i>established</i>	<i>new</i>	<i>established</i>
	<i>per cent</i>					
Manufacturing	7.7	8.8	8.8	9.4	8.0	9.2
Construction	14.6	34.1	6.4	23.7	12.5	27.2
Wholesale Trade	4.4	3.2	10.2	4.8	5.9	4.3
Retail Trade	18.5	14.2	18.1	18.1	18.4	16.8
Property & Business Services	18.2	9.0	25.1	16.1	20.0	13.7
Other Industries	36.4	30.8	31.6	27.9	35.2	28.8
Total Industries	100.0	100.0	100.0	100.0	100.0	100.0

Source: ABS *Characteristics of Small Business* (Cat No 8127.0), unpublished data. Data are available to split between 45-54 and 55 and over, but small values make the data unreliable, particularly for 55 and overs.

Qualifications

Despite the trend towards 'white collar' employment, operators of new businesses are less likely than operators of established businesses to have a degree or diploma, particularly those aged 55 and over. This could be because operators tend to study and obtain qualifications or because the businesses of those without qualifications are less likely to survive, rather than reflecting a change over time. On the other hand, operators of new small businesses, and particularly older operators, appear to be increasingly recognising a need for small business training. The proportions of operators of new businesses with small business management training were 26.0 per cent for under 45 years olds, 34.0 per cent for 45-54 year olds and 48.2 per cent for those aged 55 and over.

Motivation for starting a small business

The OECD (1992) notes that the tendency for a significantly higher proportion of older workers to be self-employed applies in many member countries. It attributes this to: self-employment providing older people with greater discretion and flexibility in their work patterns (and hence choice regarding retirement); more experience; and reduced access to retirement incomes, with financial security linked to their business. Inkson et al (1998), however, note that self-employed people generally work longer hours and face greater stress than employees, and that the chances of losing one's business are greater than the chances of losing one's job.

There is some evidence in the literature indicating that many retrenched employees are re-employed as contractors by their previous employers (Clabaugh 1998, Encel 1998). Such

opportunities were not limited to higher level occupations.

Barriers to starting a small business

There is little in the literature on barriers to older people who want to start small businesses.

The question of finance is important but in this respect mature age people may be in a better position than younger people, although HREOC (1999) notes that older people may be disadvantaged when applying for a loan because lenders are likely to assess applications on the basis of average characteristics of each age group, rather than on each individual. The Characteristics of Small Business Survey (ABS 8127.0, 1997) reports the source of financing for businesses, using four funding categories: *less than \$1,000 used*, *personal savings/borrowings*, *payout from previous employment* and *company borrowings/other*. Of those who are establishing new businesses, mature aged operators are much less likely than younger operators to have a business with less than \$1 000 funding (20.5 per cent compared to 30.1 per cent), and more likely to use *payout from previous employment* (13.5 per cent compared to 8.2 per cent) or *company borrowings/other* (14.0 per cent compared to 10.6 per cent).

Compared to mature age operators of established businesses, mature aged operators of new businesses are less likely to cite as their source of funds *less than \$1,000 used* or *personal savings/borrowings* and considerably more likely to cite *payout from previous employment*. It would appear these differences reflect different starting positions rather than changes over time, as businesses with the lowest funding would not be expected to have the best survival rates. If this is correct, then there has been a substantial increase in the number of retrenchees using their payouts to go into small business.

Apart from finance, other key barriers identified in the literature for small business starters are lack of business skills and the unavailability of sources of advice and support when the business is being planned or established. In general, these factors are likely to be important for people intending to start up a small business regardless of their age.

Success rate of mature age small businesses operators

There are no readily available data on the levels of small business failure by either age of operator or age of business. The ABS asks operators to rate their business as either 'highly successful', 'moderately successful' or 'unsuccessful', but advise that the 'unsuccessful' category is understated and unreliable because operators are reluctant to give a negative impression about their businesses. There was little difference between mature age and younger operators. Operators of new businesses are less likely to consider their business successful than operators of established businesses.

The success or otherwise of a business is obviously important. To the extent that many mature age people start businesses after retrenchment and use their pay-outs to finance this, whether they are successful or not can have significant consequences for their financial well-being in retirement. Current small business programmes and policies which aim to assist would-be entrepreneurs to avoid just this kind of poor outcome are outlined in chapter 5.

Conclusions

The evidence suggests that, contrary to some media reports which claim that mature age workers are often targeted for redundancy, mature age workers are holding onto their job as they age. This may be because employers value their expertise, commitment to the firm and reliability, and the fact that, apart from jobs which require heavy physical work, age is not a barrier to working effectively and productively for most people well into their late fifties and beyond.

Once mature age workers lose their job, however, they face greater difficulty getting another one than younger job seekers. This is especially true for male mature age job seekers. Evidence suggests that the principal reasons for this are the adverse labour market characteristics possessed by mature age job seekers and possibly age discrimination.

On average, mature age job seekers are less well educated than younger job seekers, have poorer literacy and numeracy skills, and are more likely to suffer some form of physical disability. In addition, half of all mature male job seekers previously had a job in industries such as manufacturing, construction, the public utilities, mining, and transport and storage. Apart from possessing low basic skills, job seekers in this category could be further disadvantaged by possessing largely manual (and often outdated) skills when jobs in today's labour market demand greater conceptual and people skills and other competencies, like communication skills.

It has not been possible to date to ascribe empirically all of the difference between mature age and younger job seekers to differences in skill endowments. This is reflected, for example, in the fact that, while labour market disadvantage is greatest for low skilled mature age job seekers, mature age job seekers with good qualifications also find it more difficult than younger equally qualified job seekers to get another job. This suggests that there may be other age-related factors that also impact on unemployment duration, including possibly age discrimination.

Barriers to the re-employment of mature age job seekers have implications for how they are assisted back into employment, for improving the flexibility of workplaces and income support arrangements to allow older workers to phase their retirement, and for policies on literacy and numeracy, lifelong learning and training which are critical to ensuring that people remain competitive in the labour market as they age. If future cohorts of mature age workers are to avoid some of the negative aspects of the experience of the existing cohorts of mature age unemployed, they will need to be better equipped in terms of basic skills, have access to continuing training to enable them to adapt to changing skill requirements over time, and be employed in fair and flexible workplaces.

CHAPTER 4: THE INTERNATIONAL EXPERIENCE: MATURE AGE EMPLOYMENT AND UNEMPLOYMENT AND THE RAMIFICATIONS OF POPULATION AGEING

Introduction

This chapter examines the policies and programmes adopted by overseas countries to address the labour market barriers of older people. As Chapter 3 of this submission pointed out in the Australian context, the most important of these barriers arise from low levels of educational attainment and poor or outdated skills. This is not only true for older people. Without work-relevant and contemporary skills which are valued by employers, people of all ages are susceptible to insecure employment and unsuccessful job search.

In the case of older people, however, skill related barriers are compounded by stereotypical views that their productivity is limited at the final stage of their working life. Such stereotypes are embedded in a range of attitudes and institutional arrangements which induce many older people to retire early from employment or to abandon unsuccessful job search and withdraw from the labour force.

The twofold nature of the labour market problems confronting older people is reflected in the labour market and income support initiatives for this group. Most governments have taken positive steps to improve the “employability” of older people, ranging from training schemes and labour market programmes to anti-discrimination initiatives. Some countries, however, rely heavily on a various forms of early retirement schemes to ease the unemployment pressures on this group and the wider population.

Before examining the kinds of assistance measures undertaken by governments, the chapter considers the prospect of population ageing and its impact on the labour market. This issue is gaining increased prominence and is beginning to exert influence on labour market and retirement policies. Policy deliberation in this area is also being guided by the OECD *Jobs Strategy* which was devised in the mid 1990s to reduce structural unemployment by improving the productivity and flexibility of the whole labour force, including mature people.

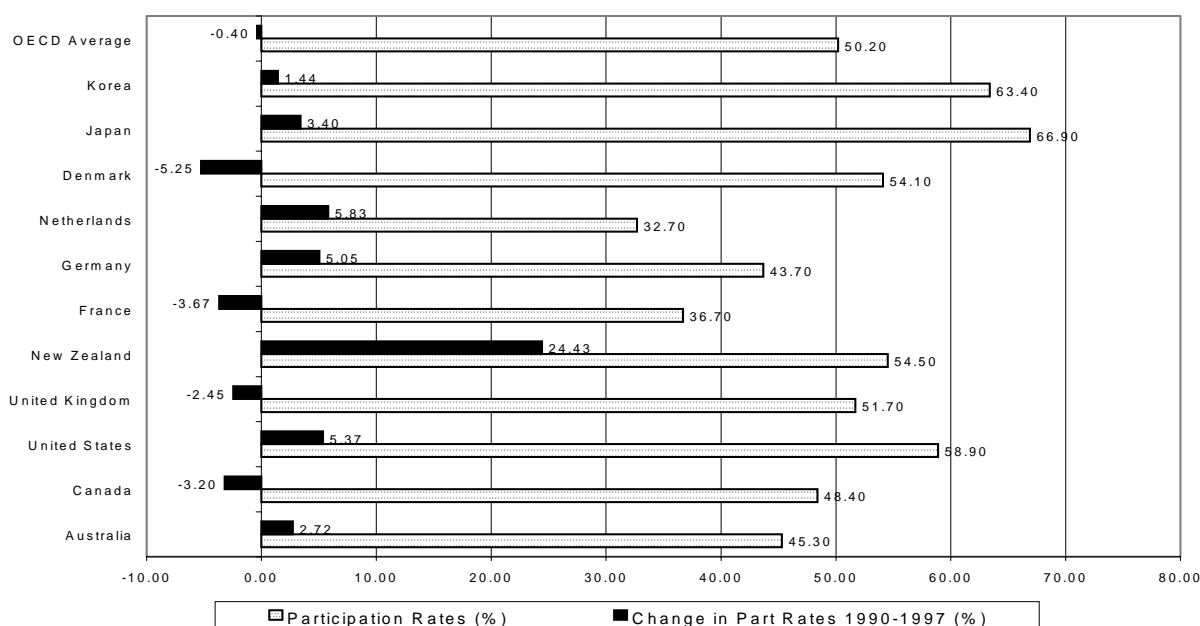
The Implications of Population Ageing for Labour Market Policies

Attachment D of this Submission presents an international comparison of the labour market experience of mature aged people (aged 45 to 64 years) and the older sub group (aged 55 to 64 years), drawing on OECD and Eurostat data. One of the most common and important features of this experience is that the older subgroup are far less likely than younger age groups to be employed or to be actively looking for work. In 1997, the average OECD labour force participation rate for older persons was 50.2 per cent, 30 percentage points lower than the 80.2 per cent figure for those aged 25 to 44 years.

As Chart 4.1 shows, the average participation rate of older persons changed very little between 1990 and 1997, but this is the net result of different trends for males and females. The average OECD participation rate for older males fell from 66.4 per cent in 1990 to 63.5 per cent in 1997. The older female participation rate rose from 35.5 per cent to 37.7 per cent across the same period.

These opposing trends reflect the same kinds of social and economic developments that are at work in Australia. More older males are opting out of the labour market, partly because structural change has made it difficult for them to retain employment or find new work after job loss and partly because many have gained earlier access to income from sources other than wages and salaries. In contrast, older women have become more active in the labour market as family structures and social attitudes to female employment have changed.

Chart 4.1 Labour Force Participation Rates for Persons Aged 55 to 64 Years: Selected OECD Countries: 1997



Source: OECD *Employment Outlook 1998*

The picture of offsetting gender based trends presented above masks a great deal of variation across the member countries of the OECD. For instance, the participation rate of older persons grew by just over 5 per cent in Germany between 1990 and 1997. It fell by 3.2 per cent in Canada over the same period. In both countries male participation declined while female participation increased, but the relative balance of these changes has leaned in different directions. Furthermore, not all countries show a strong divergence in activity patterns of older males and females. In Denmark, participation rates fell for older females (by 4.1 percent) as well as older males (by 7.8 percent), making for an overall decline of almost 5.3 per cent in this group's participation rate between 1990 and 1997. Over the same period, older male participation remained virtually static in the US, allowing increased female activity to lift the overall participation rate in that country by almost 5.4 per cent. As a final example, the remarkably strong increase in New Zealand is due to both older males and older females whose labour force participation rates rose by 16.4 per cent and 40.1 per cent respectively.

Despite the stability of average participation rates for older people across the OECD and significant growth evident in particular countries, concern has mounted at the low levels of participation compared to younger age groups and the common tendency for older males to leave the labour market. This concern has been heightened by the prospect of population ageing and its possible impact on the labour market and economic growth in the first half of the next

century.

Knowledge of the ageing problem has been evident for many years. For example, the UN issued its *Action Plan on Ageing* in 1982. The OECD began to focus more closely on the issue in the early 1990s. In discussing the key issues that may be associated with population ageing in Australia mainly early retirement and health care the OECD (1998a and 1998e) has discussed the general economic costs which it expects will arise from this demographic change:

- the aged dependency ratio (the number of people aged 65 years or over compared to the level of total employment) is projected to rise by around 75 per cent across the OECD between 1995 and 2030. If the balance of living standards between workers and retirees is to be maintained, more will have to be put aside during working years, through savings or taxes, in order to support longer periods of retirement;
- the prosperity of society depends on the amount of goods and services it produces from available resources, including the labour supply. Many older workers have a wealth of knowledge and experience which is not being fully utilised due to early exit from the labour force. The OECD has stated that if the proportion of the population in the work force and the rate of productivity growth remain the same then “. . . growth in material living standards will be cut in half by the year 2010”;
- if outlays arising from pensions continue to grow at their current rate, most member countries risk deterioration in their budget balances. Governments would have to draw on either domestic savings or foreign capital to fund retirement incomes. Draining domestic savings would probably act to stifle investment, exacerbating the slowing of economic growth resulting from lower growth in the labour force. Foreign borrowing would place strain on current account balances;
- if taxes were used as the primary source of funds to cover workforce ageing, they may have to be so large as to discourage work effort and cut deeply into people’s living standards, particularly if this were through payroll taxes or social security levies on employment.

Policy imperatives

The OECD (1998e) advocates a set of seven principles for policy reform to deal with population ageing (see Box 1 below). These principles are consistent with the Organisation’s *Jobs Strategy* that is presented later in this chapter. Principles 1 and 3 are most relevant to this Inquiry’s focus on the labour market status of older people.

Box 1: OECD principles for population ageing reforms

- I. Public pension systems, taxation systems and social transfer payments should be reformed to remove financial incentives to early retirement and financial disincentives to later retirement.
- II. A variety of reforms will be needed to ensure that more job opportunities are available for older workers and that they are equipped with the necessary skills and competencies to make them.
- III. Fiscal consolidation should be pursued and public debt burdens reduced. This could involve phased reductions in public pension benefits and anticipatory hikes in contribution rates.
- IV. Retirement income should be provided by a mix of tax and transfer systems, funded systems, private savings and earnings. The objective is risk diversification, a better balance of burden sharing between generations, and to give individuals more flexibility over their retirement decision.
- V. In health and long-term care, there should be a greater focus on cost-effectiveness. Medical expenditure and research should be increasingly directed towards ways of reducing physical dependence, and explicit policies for providing care to frail people should be developed.
- VI. The development of advance-funded pension systems should go hand in hand with that of a strengthening of the financial market infrastructure, including the establishment of a modern and effective regulatory frame work.
- VII. Strategic frameworks should be put in place at the national level now in order to harmonise these ageing reforms over time, and to ensure adequate attention to implementation and the build-up of public understanding and support.

The OECD (1998a) argues that if labour force participation rates of persons aged 55 and over returned by 2030 to the levels recorded in the 1970s, about one-half of the decline in the proportion of the population in employment would be offset. The implications of such a change for the composition of the workforce are examined using two scenarios:

- the base line, in which age-specific participation rates remain unchanged at their current levels;
- and a 'late retirement scenario', in which the participation rates do return to their 1970s levels by 2030.

Table 4.1 provides the OECD estimates (for selected countries) of labour force shares for older workers.

Table 4.1: Share of Total Employment by Age

	Percentage of Total Labour Force					
	Share of All Workers Aged 45-59			Share of All Workers Aged 60 Years and Over		
	1995	2030 Base line scenario	2030 Later retirement scenario	1995	2030 Base line scenario	2030 Later retirement scenario
OECD AVERAGE	25.6	31.8	30.9	5.0	8.6	17.3
Korea	22.3	33.6	32.4	6.2	16.2	19.0
Japan	39.1	34.5	31.1	12.5	20.7	30.1
Denmark	29.5	29.7	27.8	4.5	7.6	18.5
Netherlands	24.9	29.5	30.2	1.7	4.0	14.9
Germany	28.6	34.8	32.0	2.9	5.5	18.4
France	28.2	35.1	33.7	2.5	4.0	14.0
New Zealand	25.3	30.1	29.9	3.3	5.3	12.7
United Kingdom	28.2	30.6	29.7	5.3	8.1	16.4
United States	25.0	28.9	27.9	5.8	9.8	16.1
Canada	24.3	29.9	29.4	4.2	8.1	16.5
Australia	23.9	28.6	29.4	3.6	6.3	14.5

Source: OECD *Employment Outlook 1998* Chapter 4

These projections imply a historically large shift in the composition of the workforce. In the United States, the share in the 45 to 59 years age group will grow marginally from 25.0 per cent to 28.9 per cent, while the 60 plus age group will increase by over two-thirds from 5.8 per cent to 9.8 per cent, even under the base line scenario. Compared to most other developed nations Australia is a relatively young country. Its people aged 65 and over account for around 12 per cent of the population, while the figure is up to 15 per cent in Germany, Japan and the UK (ABS data, as cited in Walker). Table 4.1 shows that Australia's workforce will age at approximately the same rate as other OECD countries.

The OECD expects that the Australian dependency ratio will grow at about the same pace as that for the OECD as a whole but remain about 12 percentage points lower (so that in the year 2030, the expected aged dependency ratios will be approximately 45 per cent for Australia and approximately 57 per cent for the OECD).

The OECD's analysis raises two issues:

- first, the feasibility of reversing recent trends towards earlier retirement; and
- second, the capacity of firms to adjust to such a major shift in the composition of their workforces.

Increasing Participation Rates

The first of the OECD's principles for population ageing calls for reform of social welfare and pension systems so that they do not encourage early retirement through high effective tax rates on earnings. The financial incentives to work are weakened by generous replacement rates and high effective marginal tax rates as benefits are phased out and earned income becomes subject to tax. This problem may be exacerbated by the prospective loss of health and other benefits, such as pensioner concession cards, which may be particularly important for older persons.

There are a number of possible strands of policy reform, which are being explored in OECD countries, for example:

- tightening access to pensions or other social security programmes to reduce artificial opportunities for early retirement;
 - reforming retirement income funding systems so that pension entitlements are increased for individuals who make contributions at a higher level or for a longer time period while working; and
 - providing in-work benefits or tax reductions, or integrating wage setting arrangements with tax and income support systems, to encourage take-up of low paying jobs.
- This approach can, however, allow those already employed to reduce hours with little if any reduction in net incomes.

The fact that participation rates of older persons have increased to, or have stabilised at, relatively high levels in some countries suggests that declining labour participation among older people is not inevitable and could be reversible if policies provide the right incentives. New Zealand provides a clear example. As part of a raft of reforms to benefits payments beginning in 1990, the age of eligibility for superannuation is being gradually lifted from age 60 in 1992 to 65 by the year 2001. Maloney (1997) estimates that this has already brought about an increase in the participation rate and employment propensity of those aged 55-64 of 8.45 percentage points and 9.08 percentage points respectively. Since the rise in participation was largely matched by growth in employment for this age group, these policies have not caused hardship due to unemployment.

Over coming years, the effect of positive participation policies is likely to be enhanced by far-reaching changes in the characteristics and social roles of older people. Future cohorts of mature age people will have attained higher levels of educational attainment, a characteristic already associated with stronger attachment to the labour force (OECD 1998a). Furthermore, improving health and life expectancy, continued changes in family structure and greater social diversification are all helping to generate a new view of the third stage of life as a vital, active and rewarding time. For many older people, this stronger sense of purpose and vigour will likely lead to stronger desires to remain active in work and in the broader community.

Productivity of Older Workers and the Incidence of Training

By itself, however, increasing labour force participation will do little to ameliorate the expected impact of population ageing. It will be necessary to ensure that older people are successful in retaining employment, or finding new work after job loss. On this issue of the “employability” of mature age and older people, international discussion reflects the same perspective expressed in Chapter 3 of this submission. It appears that workers of different ages are good substitutes in production. While health is an important determinant of productivity, it is becoming less of an issue with increasing longevity, improving health standards and the declining importance of manual occupations.

Training and lifelong learning are necessary, however, so that people can maintain, deepen and extend the skills needed to maintain productivity. A survey of large British firms (Taylor and Walker, 1994) found that employers regard lack of skill as one of the most important factors

discouraging the recruitment of older workers, even more so than the short expected tenure of older recruits which would make it difficult for firms to recoup fixed costs. Seventy-seven per cent of survey respondents regarded lack of appropriate skills as either a “very important” or “important” barrier to the selection of older job seekers. A smaller but still large proportion (49 per cent) referred to the payback period on training in this way.

The OECD (1998a) claims that firms may mispredict the retirement age of individual workers, and thereby wrongly conclude that training them is unlikely to be profitable. According to the OECD, the retention rate for workers aged 45 years and older is higher than that of younger workers in six of the nine countries for which data are available. In Australia, 41.3 per cent of the total work force are with the same employer for five years or more, compared to 48.1 per cent for those older than 45.

Rates of training vary considerably across countries, making absolute comparisons by age difficult. It appears, however, that Australia compares favourably with other countries. Of the countries for which data are available, the proportion of those aged 45-54 years receiving professional and career upgrading training was 21 per cent, compared to 23 per cent for those aged 25 to 54. The rate falls to 15 per cent for the 55 and older age group. The proportions of workers receiving professional and career upgrading training in Australia were similar for the 25-44 and 45-54 years age group (28.1 per cent and 26.2 per cent respectively) and larger than other countries in the case of those aged 55-64 (21.7 per cent).

Labour Market Flexibility

While the OECD argues that older workers may be potentially as productive as those who are younger, it acknowledges that if the degree of actual substitutability between young and older workers is limited, there may be a need for greater wage flexibility to encourage the recruitment or retention of older people. Greater labour market flexibility may have a number of positive effects on aggregate employment and the demand for workers with certain characteristics.

Greater flexibility in working arrangements would seem to be a less problematic way of minimising the incidence of early retirement and redundancy. If employers and employees have the flexibility to negotiate conditions such as working time, it will help older people to strike a better balance between work, other interests and leisure. The ability to “phase-in” retirement gradually has the additional advantage of allowing older workers to pass on their knowledge to younger workers.

- As discussed in greater detail in Chapter 5, the *Workplace Relations Act 1996* will contribute to greater labour market flexibility in Australia, and should provide older workers with more choice in taking up part-time employment and juggling work with other responsibilities and interests.

Policies Adopted by Other Countries to Address Mature Age Unemployment

Although there is room for debate about the severity and tractability of labour market problems associated with population ageing, it is likely to constitute a major structural change to which OECD member countries will have to adjust. Experience shows just how important efficient adjustment to this change will be. The OECD (1994) has argued that failure to respond adequately to past structural change, such as that arising from technological innovation and globalisation, is a major reason for the chronic unemployment problems experienced by many

countries for the last two decades or more.

On the basis of a comprehensive study of the causes of unemployment, the OECD developed its *Jobs Strategy* - a 10 point plan to reduce unemployment permanently by boosting economic growth and improving the productivity and flexibility of labour markets (the 10 principles are listed in Box 2). In addition to these 10 principles, the Strategy incorporates a large set of more specific recommendations that have been selectively applied to member countries after a detailed review. The effectiveness of the Strategy has been assessed in terms of progress made by each country in implementing the specific recommendations and achieving reductions in structural unemployment.¹⁵

While it is neither possible nor necessary to examine the entire range of policies encompassed by the 10 principles here, the Strategy and the individual country assessments provide a useful framework for the assessment of measures which have been implemented overseas to reduce the labour market vulnerability of mature age people.

Retirement policies

Over the past 25 years, many OECD nations have actively encouraged older workers to leave the labour force. Particularly in the 1970s and 1980s, governments, employers and unions favoured early labour force exit. Governments saw early retirement as a way of reducing unemployment and making jobs available for younger job seekers; employers regarded it as a simple way of downsizing; while unions negotiated favourable early retirement packages for their members.

The specific measures adopted were broadly similar. For instance, *Pre-retirement* in Denmark and the *Job Release* scheme in the UK actively encouraged early labour force departure, often as a mechanism for substituting younger for older workers. Older workers received an extra benefit to retire before pension age, and employers received a subsidy for hiring younger workers.

Successively lower retirement ages in a number of countries, along with access to pensions or “preserved” retirement savings funds, have contributed to the phenomenon of earlier labour force withdrawal.

Box 2: The OECD Jobs Strategy

- I. Set macroeconomic policy such that it will encourage growth and, in conjunction with good structural policies, make it sustainable, ie non-inflationary.
- II. Enhance the creation and diffusion of technological know-how by improving frameworks for its development.
- III. Increase flexibility of working-time (both short-term and lifetime) voluntarily sought by workers and employers.
- IV. Nurture an entrepreneurial climate by eliminating impediments to, and restrictions on, the creation and expansion of enterprises.

¹⁵ One of these assessments have been published (OECD, 1997), while it is expected that the other will be released later this year.

V.	Make wage and labour costs more flexible by removing restrictions that prevent wages from reflecting local conditions and individual skill levels, in particular of younger workers.
VI.	Reform employment security provisions that inhibit the expansion of employment in the private sector.
VII.	Strengthen the emphasis on active labour market policies and reinforce their effectiveness.
VIII.	Improve labour force skills and competences through wide-ranging changes in education and training systems.
IX.	Reform unemployment and related benefit systems - and their interactions with the tax system - such that society's fundamental equity goals are achieved in ways that impinge far less on the efficient functioning of the labour market.
X.	Enhance product market competition so as to reduce monopolistic tendencies and weaken insider-outsider mechanisms while also contributing to a more innovative and dynamic economy.

Older workers in many countries are still able to receive various forms of income support without being required to engage in job search. This is most common in some European nations, and the large numbers of persons allowed access to disability pensions exacerbates the problem. In the Netherlands, for instance, the number of people receiving unemployment insurance or social assistance was nearly double the level of registered unemployed in 1996 (OECD, 1998a). Income support arrangements allow unemployment compensation claimants over the age of 57 ½ years to cease job search and facilitate early retirement on the part of those workers aged over 55 who are made redundant.¹⁶ Given that these arrangements would probably act to reduce the number of disadvantaged people who are actively seeking work, the 60 per cent long term unemployment incidence for mature age unemployed people in the Netherlands (see Table 5.1) is even more striking.

As this chapter explains, concerns about the costs of population ageing have sharpened in recent years. The World Bank (1994) noted that using early retirement as a short-term policy measure to reduce unemployment could increase the cost of pensions and may result in unknown economic costs due to a loss of skilled labour. The International Labour Office (1995) has voiced similar concerns.

Such concerns have prompted a majority of European Union States to curtail or restrict access to early retirement schemes and to impose stricter activity requirements for unemployment benefits in recent years. Criteria for disability pensions have also been tightened. In the European Union, the need for these reforms has been made more urgent by the fiscal pressures arising from the economic convergence criteria set by the Maastricht treaty.

Several countries have begun to lift the standard age of retirement at which persons can access their retirement incomes or public pensions. Such changes are implemented gradually to allow

¹⁶ The OECD (1997) also indicates that participation in formal early retirement schemes is less significant in the Netherlands than in Denmark, Belgium, other European Union countries and even Canada and the United States. On the other hand, dependence on disability and invalidity schemes across all ages is much greater in the Netherlands than in many other OECD countries.

individuals to adjust their retirement income plans. For example, the US has commenced increasing the retirement age from 65 to 67, but in such small steps that this will only occur by 2022. Most nations altering incentives between work and retirement have adopted this gradual approach.

Although recognising the progress which has been made, the OECD argues that further reforms are necessary, mainly in Europe, to reduce the generosity and ease of access to income support. In its most recent review of Australia the OECD (1998e) has noted that Australia's Mature Age Allowance and other forms of social security benefits may render early retirement "more palatable". The Organisation suggests that more needs to be done to reduce early retirement, including increased in-work benefits to low-paid workers. However, it has not made any formal recommendations concerning income support or early retirement for Australia under its Job Strategy framework.

Phased retirement schemes are being introduced to actively encourage longer labour force participation. The German scheme, *Partial Retirement*, allows persons to continue working part time, but with access to a proportion of their pension rights. Both workers and employers are eligible for large monetary inducements to participate in the scheme.¹⁷ In general terms, the underlying rationale for this kind of approach is quite compatible with the third Job Strategy principle which stresses the need for greater flexibility in working time. The use of public assistance for phased retirement requires careful design and targeting to ensure that such initiatives do not become a counter productive waste of public funds. Large deadweight costs are possible if such initiatives support workers and employers who would have used phased retirement anyway. On the other hand, if the scheme is too generous, it may encourage workers to take up part-time work when they would have otherwise stayed in the full-time workforce. There is a risk of reducing the *volume* of labour supplied (total hours), even if the participation rate is increased.

Active Labour Market Assistance

The OECD and European Union have asserted that government interventions are likely to have far better labour market outcomes if their focus is on *active* labour market assistance, rather than *passive* support in the form of financial or related assistance necessary for the job seekers' sustenance. Although the level of passive assistance will tend to rise and fall automatically with unemployment numbers, many countries have embraced active assistance as a way of improving the "employability" of job seekers. This move has been motivated by equity concerns, that the burden of unemployment should be shared more equally, and the goal of improving the efficiency of the labour market by increasing the size of the effective labour supply. European Union countries have committed themselves to National Action Plans on Employment, which are multi-faceted strategies taking a whole-of-government approach to increasing employment.

In general, older job seekers do not attract the same degree of labour market assistance as younger persons. Typically, spending on measures tailored to the needs of older persons are far outweighed by that spent on youth. The needs of older unemployed workers are generally addressed by initiatives which are aimed at marginalised groups *across* the age spectrum. These programmes are designed either to prevent workers' progression to long-term unemployment or reintegrate those already part of the long-term unemployed pool.

¹⁷ Employers' social insurance contributions are made significantly lower, whilst employees future pensions are increased.

Preventative strategies are oriented to those at risk of long-term unemployment, providing them with job search assistance, training, vocational guidance, or subsidised work for short periods. These services usually become available to those experiencing medium term unemployment (ie around six months duration). Some countries, including Australia, attempt to individually identify and assist newly unemployed people who are likely to be at high risk of long-term unemployment¹⁸.

Reintegration approaches focus on persons who have been out of employment for longer periods (ie more than 12 months). Usually, older workers can expect to benefit from training, education and subsidised employment, albeit of a more substantial nature than services provided in the context of preventative strategies in recognition of the severity of barriers to re-employment that persons in this group face.

Programmes designed to lessen the impact of structural adjustment on the labour market may also assist older workers. Typical of these is Austria's *Labour Foundations* programme that aims to improve the labour market position of workers affected by industrial restructuring and integration into the European Union (see Box 3). This programme has similar aims to the US *Trade Adjustment Assistance* scheme (designed to aid workers dislocated as a result of the NAFTA and other trade liberalisation), and Australia's *Forest Industry Labour Adjustment Package* (that assists native forest workers made redundant by government decisions to secure other employment).

Box 3: Maintaining the labour market position of workers affected by industrial restructuring - AUSTRIA

In 1987, Austria launched the *Labour Foundations* programme, offering a menu of measures to those affected by collective dismissals, industrial restructuring and company insolvency. The main objective was to provide a bridge between the previous and future job without going through a period of open unemployment. The package consisted of career guidance, active job search, occupational placements, traineeships, training and support in the creation of new businesses. *Labour Foundations* is not limited to the company level, but can also be set up at a regional and sectoral level, covering several companies affected by similar restructuring problems due to industrial change.

Labour Foundations initiatives are funded by the companies, the employees, and the Austrian Labour Market Service, and receive support from the European Union's Social Fund. Participants receive unemployment benefits in the form of training allowances for a maximum of three years, in exceptional cases up to four years, as well as a "foundation scholarship" of approximately A\$115 to A\$175 per month.

The first foundation was set up in the iron and steel industry in 1987. By 1995, 43 different *Labour Foundations* programmes existed. Two programmes, in the foodstuff and transportation sectors, directly address structural problems resulting from Austria's admission to the European Union. The first one plans to retrain 6,000 participants over three years. The foundation in transportation is designed to help 1,000 participants.

The European Union claims that *Labour Foundations* has led to a high re-employment rate in the foodstuff and transportation sectors:

¹⁸ The Australian *Job Seeker Classification Index* (JSCI) makes use of individual profiling to identify the most at risk job seekers. The JSCI is described in Chapter 4.

- after leaving the measures, 83% in the foodstuff industry foundation and 73% in the transport sector foundation were re-employed;
- after six months, the re-employment rate continues to be high at 75%; and
- almost 60% of participants have succeeded in maintaining or improving their former wage income.

It is not known, however, what proportion of programme participants are older persons.

SOURCE: European Commission, *Joint Employment Report*, 1997

Subsidised employment, especially in the private sector, is used as a way of equipping disadvantaged job seekers with work relevant skills and positive work habits. Generally, such subsidies take the form of:

- an income top-up for workers through the taxation and benefit systems, so they have a stronger incentive to take a position paying lower wages; or
- a direct subsidy or a reduction in costs for employers who hire older workers (for example, in some European countries, employers are offered reduced Social Insurance contributions).

There are some examples of subsidy schemes designed particularly for older disadvantaged job seekers. Under Germany's *Integration Subsidy*, long-term unemployed persons aged 55 and above may have 50 per cent of their wage subsidised for up to two years. The subsidy level or duration may be increased in cases of exceptionally low productivity, or where the worker has special induction or integration needs.

The OECD has expressed a number of concerns about the effectiveness of wage subsidies and related forms of active assistance (see Box 4). In Australia, the evaluation of the *Working Nation* programme showed that its achievements generally fell short of expectations. Rather than producing sustainable reductions in unemployment, many of the *Working Nation* initiatives "churned" participants between long and short term unemployment. Such findings, together with lessons learned from overseas experience, contributed to decisions to replace an array of labour market programmes that existed in 1996 with the Job Network¹⁹. A key feature of Job Network is its emphasis on the tailoring of assistance to meet the needs of individual job seekers by providers operating in a competitive environment. The Job Network is described in more detail in Chapter 5.

BOX 4 – OECD Conclusions on wage subsidies

The OECD notes that the effectiveness of wage subsidies in terms of aggregate employment depends in particular on two key factors; dead-weight losses and substitution effects. "*Dead-weight losses arise when people take jobs with a subsidy who would have taken them without it, and substitution effects occur when employers release people who do not get a subsidy to replace them with people who do.*"

¹⁹ For further information see *Reforming Employment Assistance* (1996) and *Working Nation: Evaluation of the employment, education and training elements* (DEETYA, 1996).

By evaluating the experiences of a number of member countries, the OECD has determined that wage subsidy schemes have large dead-weight and displacement effects and thus small net employment gains. This view is based on evaluations of employment subsidy programmes in the UK, Australia, Belgium and the Netherlands which show combined dead-weight and substitution effects as high as 90 per cent. In the UK, employment subsidies delivered through the *Jobstart* scheme were a major form of active labour market programmes during the second half of the 1980s. Evaluations of this scheme are said to have found dead-weight costs in excess of 60 per cent and some evidence of substitution effects.

The OECD tempers these criticisms by acknowledging the importance of other, less tangible benefits than net employment gains. The Organisation notes that

“Evaluations of the effect of subsidy schemes on the targeted group have usually been more positive. Although dead-weight losses are a waste of resources, substitution effects may still leave the economy and society in a better state. As people spend a longer period without work, their skills erode, they become demotivated and employers tend to shun them. To the extent that employment subsidies distribute the incidence of unemployment more evenly and unemployment spells are shorter, higher chances of employability are achieved. This should strengthen competition for jobs, restrain wage inflation and help sustain higher employment. If, on the other hand, employers replace workers whose subsidy has expired with new subsidised recruits, the gains from higher turnover could disappear.”

Additionally, subsidies constitute a significant impost on taxpayers and may distort employment and economic activity in favour of the sectors where they are prevalent.

The OECD acknowledges the difficulties in measuring the macroeconomic and microeconomic impacts of subsidies and other forms of active assistance. It argues, however, that to be effective, active labour market programmes should be closely targeted at those groups facing the greatest disadvantage in the labour market, to minimise substitution effects and deadweight losses. Also, benefit system eligibility requirements should be set to minimise the oscillation of clients between active labour market programmes and unemployment. These recommendations apply equally to assistance targeted across the age spectrum, as to a specific group like older workers.

SOURCE: OECD, *OECD Economic Surveys: UK*, 1998
OECD, *Implementing The Jobs Strategy: Member Countries Experiences*, 1997
Martin, John, *What Works Among Active Labour Market Policies: Evidence from OECD Countries' Experience*, 1998

Another strand of programmes allows disadvantaged and long term unemployed groups (including older workers) to combine work experience and training in socially beneficial activities (work for organisations in the community or public sector). Often such programmes are implemented in sectors that have an unfilled demand for workers (for example, charities, community organisations, sporting clubs). Participants either continue to receive their social security benefit or, in the US experience, the minimum wage (this also acts as a mild incentive to

participate).

Participation is generally on a part-time basis and may or may not involve some degree of compulsion. Analogous to the arrangements under Australia's *Mutual Obligations* requirements, participants may choose to meet their job search commitments by participating in activities of this sort. Two of the larger examples are America's long running *Senior Community Service Employment Programme* (SCSEP) and Ireland's *Community Employment* (CE - see Box 5)²⁰.

These community-based initiatives displace many fewer persons than private sector wage subsidy schemes and are likely to be less costly. According to evaluations conducted by the European Commission, the more successful initiatives of this type tend to be those which:

- offer an environment as close as possible to normal jobs;
- include job-relevant training; and
- are locally organised around activities filling existing demand in the local community.

Despite being limited to the most disadvantaged older persons, the American SCSEP has been regarded as successful, with good rates of progression to unsubsidised employment and further training. Results from the Irish experience, however, have been mixed. Progression rates to employment have been low. Recent revisions to the programme have seen a greater focus on tighter targeting and on training and outcomes rather than simple participation in a work environment. The European Commission has commented that CE has suffered somewhat from having to address the dual goals of improving the employment outcomes of participants *and* of supporting the community sector.

BOX 5: Community Employment – IRELAND

Community Employment (CE) provides part time work in the social and community sector and personal and skill development for the long term unemployed and other disadvantaged groups. CE is Ireland's largest active labour market programme. Participants are paid at a level equal to or greater than the unemployment benefit to work in the public and community/voluntary sectors.

There have been two recent evaluations of the CE scheme. Consultants Deloitte and Touche concluded in 1998 that, although CE was largely meeting its assigned objectives (of providing unemployed persons with worthwhile experiences and contributing to the local community), it was the least effective active labour market programme in terms of progression to employment. It recommended that participants be obliged to obtain more training and not stay on the programme indefinitely, as had occurred in the past.

Drawing similar conclusions, the European Union's Social Fund evaluation argued that normal public services probably should not be provided by these types of programmes because this diminished the importance of improving the job prospects of participants.

²⁰ These schemes can be in great demand: in the US, the *Senior Community Service Employment Programme* limits access to those of greatest disadvantage.

Some of these concerns have been reflected in recent changes to CE. In 1999 there was a reduction of part time places and an increase of full time places. The savings have been used to fund a range of measures designed to increase participation of the long-term unemployed on training and to fund additional training places for them.

SOURCE: European Commission, *Joint Employment Report*, 1997

Life Long Learning and vocational education and training

Vocational education and training assistance is generally available to people of all ages across the OECD. Some nations, notably those in continental European Union, offer older persons access to education for personal interest and development, under the umbrella of Life Long Learning.

The specific approaches and coverage of education and training can vary significantly, largely depending on the needs of the local labour force. There is, however, a strong desire across countries to increase skill levels of all workers. To this end, an increasingly common approach in the European Union is to combine work with learning. In Italy (only in the public sector), the Netherlands, Denmark, and Germany, governments are either subsidising or funding work based training. Typically, firms are offered significant tax subsidies and incentives to carry out on-site and off-site training. In principle, these schemes are available to either skilled or unskilled workers of all ages.

There are, however, several limitations to this approach. For reasons outlined elsewhere in this chapter, employers may curtail the amount of training provided to older workers. A further concern relates to the possible deadweight costs involved in public subsidies for training that firms would have provided anyway. In the US, the subsidy of work-based training is quite limited, tightly targeted, and used in only a few States, perhaps reflecting concerns about deadweight costs.

To some extent, the American approach is distinctive as some federal funded education and training programmes are targeted specifically at older workers. These programmes are provided largely by private and community agencies. They tend to focus on the most disadvantaged older persons in the labour market. For example, various state based Older Worker Programmes (mostly federally funded, under the *Jobs Training Partnership Act*²¹) provide low income individuals 55 years of age or older with training, education, or other services to improve their position in the labour market and assist their transition to employment. The services range from the very basic (such as literacy and numeracy training) upwards. Because of the popularity of these programmes, applicants with the greatest level of economic disadvantage gain access first.

The US strategy, whereby basic education and training services are offered to those in most need, has parallels with a renewed focus, in the UK and a number of other European nations, on the literacy and numeracy needs of severely disadvantaged adults of all ages. This trend also reflects a growing appreciation of training as a key strategy to keep workers in the labour market longer and ensure they retain competitiveness with younger workers.

²¹ The *Job Training Partnership Act* 1983 provides job-training services for economically disadvantaged adults and youth, dislocated workers and others who face significant employment barriers. The act, seeks to move jobless individuals into permanent employment. State and local governments, together with the private sector, have primary responsibility for development, management and administration of training programmes under the JTPA.

A further variant of training schemes are the Job Rotations, used in a number of European nations (see Box 6). These provide employed persons the opportunity to train (and retain their job) whilst giving elsewhere employed or unemployed persons work experience and training opportunities. This approach has the potential to assist older workers to improve their skill levels.

BOX 6: Job rotation schemes – DENMARK

Job rotation projects provide individuals with training and work experience, so that they can temporarily replace employees who are given paid leave to participate in further training. Job rotation has been an important instrument of active labour market policy in Denmark, as it has established a link between active assistance and lifelong learning.

Job rotation is enterprise-based. The aim is to upgrade the skills of the employees with a view to increasing their labour market competitiveness. At the same time, their work is carried out in the enterprises. This arrangement may also be an advantage for the enterprises which establish contact with new potential employees.

The number of persons in each job rotation project may vary from two to several hundred. The duration of the training programme also varies significantly. Projects have been implemented in a flexible way, providing for different sorts of financial support and subsidies.

The general trend has been that more employed rather than unemployed persons participate in job rotation projects. The number of previously employed persons participating in job rotation increased between 1994 and 1996, from 12,200 in 1994 to 30,600. However, the number of previously unemployed persons participating in job rotation remained constant at around 5,500 over the same period.

Although no comprehensive evaluation of the effects of job rotation is available, data from 3 Danish regions indicate that 67 to 75 per cent of the substitute employees are able to obtain employment either in the job rotation enterprise or in other enterprises on completion of the job rotation project. **Importantly, it is not clear what proportion of these people were previously unemployed.**

SOURCE: European Commission *Joint Employment Report*, 1997

Laws and information campaigns to promote older workers

Negative attitudes and perceptions are often seen as a major jobs barrier for older people. To address this problem, governments are using one or a combination of:

- legislation against age discrimination (New Zealand has recently instituted laws incorporating this);
- information campaigns against age discrimination; and
- using Departments, Councils or other fora to bring older persons' issues to prominence and

to disseminate information (for example, publicising the benefits of older workers).

The legislative approach appears not to be extensive due to concerns that this may excessively restrict employers' hiring decisions. The British Government recently considered banning age discrimination, but decided instead on a code of practice embracing age diversity in employment (see Box 7), and offering older people a forum for Government to hear their views through the *Inter-Ministerial Group on Older People*.

Although solid evidence of age discrimination by employers is patchy (see Chapter 3 of this submission), older workers believe they face considerable difficulties in finding and keeping employment, because of negative perceptions. Therefore, improving understanding and attitudes among employers and younger employees towards older workers can be an important strategy, regardless of whether legislation exists.

In the US, awareness of the labour market position of older workers is well developed. Lobby groups for older persons' interests, such as the American Association for Retired Persons²², are well organised and funded, and run prominent campaigns promoting the benefits of older workers. Each State has a body devoted to providing ageing persons' information and services. California, for example, has put in place a *Taskforce for Employment of Older Workers* that works with public and private organisations to "raise public awareness and promote cooperation and coordination of issues regarding employment and retention of older workers."²³

BOX 7 – PROMOTING AGE DIVERSITY IN EMPLOYMENT

The United Kingdom's Code of Practice

The Code covers good practice in six aspects of the employment cycle: recruitment, selection, promotion, training, redundancy, and retirement. A key factor, though, in ensuring success in delivering good practice is a genuine commitment from top management to its implementation, which is communicated clearly throughout the organisation and beyond.

Recruitment

Recruit on the basis of the skills and abilities needed to do the job

Selection

Select on merit by focusing on application form information about skills and abilities and on performance at interview

Promotion

Base promotion on the ability, or demonstrated potential, to do the job

Training & Development

Encourage all employees to take advantage of relevant and suitable training opportunities

²² See <http://www.aarp.org>

²³ See <http://www.sjtcc.cahwnet.gov/OLDERWORKER/>

Redundancy

Base decisions on objective, job-related criteria to ensure the skills needed to help the business are retained

Retirement

Ensure that retirement schemes are fairly applied, taking individual and business needs into account

SOURCE: UK Department of Education and Employment. Internet address: <http://www.dfee.gov.uk>

CONCLUSION

This survey of initiatives taken by OECD countries to deal with the problems of mature age people in the labour market reveals a general shift in policy stance. Governments are moving away from the passive approach of assisting, or at least allowing, mature age people to leave the labour market as a way of easing pressure on unemployment numbers. Instead, greater effort is being made to foster a more active role for older people by encouraging or requiring them to participate more fully in the labour market. Governments are also helping to improve the “employability” of older people through pro-active or life long education and training which maintains and develops workers’ skills, and through remedial assistance for the unemployed in the form of active labour market programmes.

To some extent, this shift in policy may reflect demographic and social change: as the number of older people increases, and they become healthier and better educated, they are naturally expecting to remain active in society for longer. The pressure which has already been exerted on governments to address age discrimination and to eliminate mandatory retirement represents, at least in part, the desire of the more active members of older age groups. The pace of change has been pressed, however, by the prospect of a rapidly ageing population and, with it, concerns that future economic growth and living standards may be diminished by the need to support an increasing number of inactive older people.

The shift in policy towards mature age people is also consistent with broader attempts to overcome the chronic unemployment problem that has burdened many OECD countries over the past 20 years. Governments and communities are coming to the view that an important part of the solution is to develop a well skilled, competitive and adaptable labour force that facilitates productivity improvements and avoids inflationary wage pressures. The OECD’s Jobs Strategy has played a key role in helping governments to identify and implement reforms along these lines, including initiatives relevant to the circumstances of older people.

While reform is being undertaken in many countries, both to reduce general unemployment and to improve the job prospects of older persons, the OECD has pointed to the need for deeper change in some countries. The large international differences in the labour market status of older people illustrate the broad magnitude of improvement which may be achievable with concerted, sustained reform.

Australia has actively implemented reform consistent with the framework of the Jobs Strategy

and the OECD has acknowledged the progress made. The OECD has suggested, however, that more needs to be done to reduce early retirement in Australia. The next chapter provides an overview of relevant policies and programmes administered by the Department.

CHAPTER 5: PROGRAMMES WITHIN THE EMPLOYMENT, WORKPLACE RELATIONS AND SMALL BUSINESS PORTFOLIO RELEVANT TO MATURE AGE UNEMPLOYMENT, EMPLOYMENT AND SMALL BUSINESS START-UPS

Introduction

A key requirement for improving the labour market outcomes of mature age people is strong and sustained economic growth. This creates jobs and opportunities for new businesses, with benefits for all groups in the community.

The Government has in place a comprehensive set of economic policies aimed at maintaining a vibrant economy with sound employment growth. Consistent with the Jobs Strategy advocated by the OECD and discussed in Chapter 4, the key elements of the Government's approach are:

- sound macro-economic management to maintain the Budget in underlying balance and low inflation; and
- structural policy reforms aimed at removing the rigidities in the economy which slow its pace of growth. Very important structural reforms include the reform of workplace relations, which is crucial to improving labour market flexibility and the introduction of the employment services market and effective labour market programmes.

Economic growth in the past year has been strong and over 138,000 jobs were created. During this time Australia has had one of the best performing economies in the OECD. The Budget forecasts indicate that growth is expected to continue into the next year. Economic growth is forecast to be 3 per cent in year average terms in 1999-2000, with employment growth at 1¾ per cent in year average terms.

A dynamic labour market, creating opportunities for the recognition and use of the skills and experience of older workers, is the most effective way in which the Government can assist mature workers to retain and re-gain employment. However, the Government also has a role in assisting older labour market participants by improving labour market operations, addressing barriers and providing catalytic assistance where necessary.

Chapter 3 noted that there are a number of barriers faced by mature age people in being able to retain their job, in getting a new job after losing employment and in setting up a business following retrenchment. At the same time, in discussing the international evidence on mature age policies and programmes, Chapter 4 concluded that improvement in the labour market success of mature age workers, particularly in the context of an ageing population, depends on achieving flexibility and responsiveness in a number of policy and programme areas.

Taken together, those two chapters raise implications for a number of policy and programme areas, in particular:

- labour market assistance for the unemployed, especially mature age unemployed, to ensure that they get the right kind of employment services that meet their particular needs;

- workplace relations legislation, which influences the degree of flexibility available at the enterprise level in working arrangements and working patterns around retirement age. This is important to facilitate provision to mature age workers of access to phased retirement options;
- small business policies and programmes, in order to assist mature age unemployed and employed people to go into business and succeed in it;
- lifelong learning and training, which are key factors in maintaining and acquiring jobs in an increasingly dynamic labour market, characterised by higher skilled jobs and rapidly changing skill profiles;
- pension and superannuation arrangements, to ensure that mature age workers are able to optimise the timing of their retirement according to their needs and circumstances and work longer if they want to, without being penalised financially; and
- age discrimination legislation, which protects mature age workers from possible discriminatory employer practices and provides avenues of complaint.

This submission focuses on areas within DEWRSB's area of responsibility. The rest of this chapter describes and comments on current arrangements in the relevant policy areas (the first three points above).

Labour market assistance for the mature age unemployed

Job Network

Up to the end of April 1998, a range of quite specific employment, training and wage subsidy programmes operated in Australia (collectively referred to as labour market programmes) and these were directed at eligible unemployed job seekers. These programmes had been set up in the late 1980s and were expanded under the Working Nation initiative in 1995. The Commonwealth Employment Service (CES) administered them. A DEETYA evaluation published in 1996 found that many of these programmes were not very effective and that individuals were often placed in them in order to achieve placement targets rather than employment outcomes.

Against the background of these findings, a radical market-oriented system of labour market assistance was introduced on 1 May 1998, replacing the vast majority of labour market programmes and the CES with Job Network. Job Network is a national network of approximately 300 private, community and government organisations that have been contracted by the Government to provide labour market assistance to the unemployed.

The distinctive feature of the new arrangements is that providers have the flexibility to tailor their services to meet the needs of individual job seekers. Job seekers and employers can also choose which provider(s) they wish to use. There is full competition between providers and payments to providers are based on outcomes, so as to give incentives to providers to achieve outcomes for the unemployed. This approach to labour market assistance, focused on outcomes rather than inputs as under the previous arrangements, has drawn favourable comment from bodies like the OECD, as generally meeting criteria of an efficient public employment system.

There are six employment services available under Job Network. These are:

- i. **Job Matching** – delivers labour exchange services to job seekers including canvassing for jobs and matching and placing suitable unemployed people to these jobs, as well as preparing resumes for job seekers;
- ii. **Job Search Training** - training in job search techniques (resumes, interview techniques, presentation) to prepare unemployed people to apply for jobs and give them the skills and confidence to perform well when speaking to employers.
- iii. **Intensive Assistance** - provides individually tailored assistance to eligible job seekers who are more disadvantaged in the labour market to prepare for, and obtain, sustainable employment;
- iv. **New Enterprise Incentive Scheme** - provides support and training for eligible job seekers who wish to pursue the option of self-employment;
- v. **Project Contracting (Harvest Labour Services)** – supplies labour in regions that require considerable numbers of out-of-area workers to supplement the local labour force in order to harvest crops; and
- vi. **New Apprenticeship Centres** - ‘one-stop-shops’ providing integrated and streamlined apprenticeship and traineeship services to employers and job seekers. New Apprenticeship Centres will operate outside of Job Network from 1 December 1999.

Older job seekers can also choose Job Network members who offer specialist services or other organisations tailoring assistance to older jobseekers with particular needs. Almost 30 per cent of Job Network members provide services to disadvantaged job seekers, including mature age job seekers.

Centrelink is generally the initial point of contact for unemployed people seeking access to these services and other employment services. Centrelink staff register, assess and refer job seekers to Job Network providers. In addition, Centrelink provides all job seekers with access to job vacancy touch-screens, facilities for preparing job applications, career information, and Job Network provider information.

Eligibility for most Job Network services is determined by Centrelink. Job Matching is available to most job seekers who are not working more than 15 hours a week and register as unemployed with Centrelink. Eligibility for Job Search Training, Intensive Assistance and NEIS is more tightly defined to ensure that the assistance is directed to those most in need.

Centrelink uses a screening and assessment mechanism to assist in the early identification of eligible job seekers at “high risk” of long term unemployment and who may therefore require Intensive Assistance. Those not assessed for Intensive Assistance may be offered Job Search Training if the assessment indicates that they are job ready but lack job search skills, networks or motivation. Eligibility for NEIS is discussed later in this chapter under the “Small Business Start-Up” heading.

Job Network placement and commencement by mature age workers

Table 5.1 below provides information on access to Job network services by age of job seeker.

Table 5.1 Job Network placement and commencement shares, May to November 1998.

	Registered allowees ⁽¹⁾	Job Matching ⁽²⁾	Job Search Training ⁽³⁾	Intensive Assistance ⁽³⁾
	<i>per cent</i>			
Age				
15-24	30.3	43.4	49.0	24.0
25-44	47.3	42.9	42.6	46.3
45-54	15.1	11.4	7.0	21.6
55 and over	7.3	2.4	1.4	8.3
Total	100.0	100.0	100.0	100.0

⁽¹⁾ As at August 1998. ⁽²⁾ Placements. ⁽³⁾ Commencements.

Compared to their share of the register, mature age job seekers have a higher share of Intensive Assistance commencements and a lower share of Job Matching and Job Search Training commencements. This is because a lower proportion of older job seekers require assistance with job search, but older job seekers are on average more disadvantaged than younger job seekers (so that a lower proportion are successful in being matched into jobs and a higher proportion end up in Intensive Assistance). The performance of Job Network is being monitored to ensure that mature age job seekers receive appropriate access to Job Network.

Eligibility of job seekers for Intensive Assistance is assessed by Centrelink staff using the Job Seeker Classification Instrument (JSCI), a statistically-based device developed to measure job seekers' relative levels of difficulty in getting a job. On the basis of information collected during interviews with job seekers, Centrelink allocates a JSCI score to each job seeker. Scores within a particular bandwidth indicate whether a job seeker is eligible for Intensive Assistance, and whether the job seeker is classified into Intensive Assistance funding 3.1, 3.2 or 3.3.

These levels determine the amount of money notionally tagged to a job seeker, although Intensive Assistance providers may spend more money on some job seekers and less on others. Under Intensive Assistance, payment levels recognise job seekers' different levels of need, with the highest level of funding being available for the most disadvantaged job seekers under funding level 3.3.

The JSCI has been developed through a process of extensive research, expert judgement and wide consultation to ensure that it includes all factors that contribute to labour market disadvantage. Key among the 18 factors included are age, educational attainment, duration of unemployment, recency of work experience, country of birth and disability/medical condition. Each factor is assigned a numerical weight, or 'points', indicative of the average contribution the

factor makes to the difficulty of placing a job seeker into employment.

The increasing levels of labour market disadvantage experienced by older job seekers are evidenced by increases in the incidence of long-term unemployment with age, especially for males aged 45 years and over. This is reflected in the JSCI, which allocates age-related points as follows:

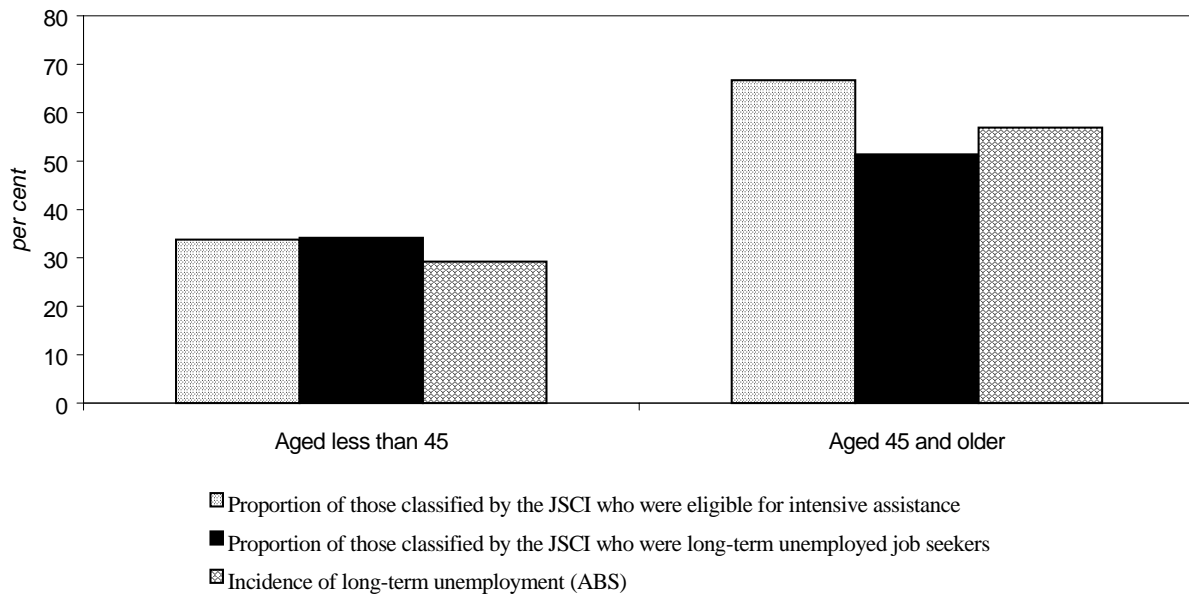
- Less than 25 years 0
- 25-39 years 3
- 40-44 years 5
- 45-49 years 6
- 50-54 years 7
- 55 years and over 9

Males aged 45 years and over receive an additional 3 points in recognition of their greater levels of disadvantage compared to females aged 45 years and over.

Currently, job seekers need a total of at least 26 points in order to be referred to Intensive Assistance. The 'average' mature age job seeker receives around 30 points from the JSCI. In round figures this comprises 9 points for age, 6 ½ points for both educational attainment and unemployment duration/recency of work experience, 3 points for regional disadvantage, and 2 points for family status. The rest of the JSCI factors account for less than 1 point for the average mature age job seeker.

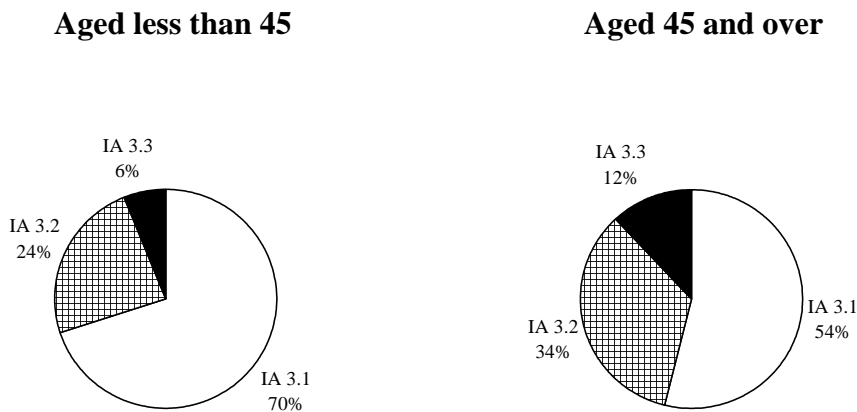
Data on the job seekers who were classified using the JSCI over the period 1 May 1998 to 31 August 1998 (see chart 5.1) show that 67 per cent of mature age job seekers were identified for Intensive Assistance compared to 34 per cent of job seekers aged less than 45 years. Thus, mature aged job seekers were almost twice as likely to be eligible for Intensive Assistance. Mature age job seekers comprised 20 per cent of those who were classified, compared to around one-third of those identified for Intensive Assistance.

Chart 5.1: Proportions of each age group (under 45 years and 45 and over) by selected characteristics indicative of labour market disadvantage



Furthermore, of those job seekers who are classified as eligible for Intensive Assistance, mature age job seekers are more likely to get into the higher levels of assistance, that is 3.2 and 3.3, as clearly demonstrated in Chart 5.2.

Chart 5.2: Job seekers identified for Intensive Assistance by age – proportions by level of Intensive Assistance



Outcomes for mature age workers from Job Network services

Job Network commenced on 1 May 1998. After just over one year of operation, Job Network is consistently outperforming the previous arrangements administered under the CES. For example, in its first 12 months of operation, on a like by like basis, Job Network notified 54 per cent more vacancies and achieved 43 per cent more eligible placements than did the CES in its

last 12 months of operation. Table 5.1 provides information on Job Matching placements by age cohort. However as indicated, it is expected that a lower proportion of older workers would be successfully matched to jobs given that older workers are on average more disadvantaged than younger job seekers, resulting in a higher proportion being referred to Intensive Assistance

For Job Search Training, unpublished post programme monitoring survey data indicate that of those job seekers who completed Job Search Training in May 1998 to January 1999, 3 months after leaving assistance, 48 per cent were in unsubsidised employment or further education or training.

It is too early to assess the full impact Intensive Assistance has had in gaining employment for job seekers. While Job Network has been running for just over one year, job seekers referred to Intensive Assistance are eligible for up to two years of assistance. However, even at this early stage, Job Network members have achieved over 100 000 Job Matching placements of job seekers who have commenced Intensive Assistance. In terms of placements into sustainable jobs that satisfy the conditions for an outcome payment, Intensive Assistance Job Network members are achieving around 60 per cent more outcomes than were achieved under case management .

Within these encouraging results, it is too early to provide specific Job Network performance data for Job Search Training or Intensive Assistance by age cohort or special group. However, it is expected that like all eligible job seekers, mature aged people will continue to benefit from the reforms to employment services in accessing flexible and tailored assistance that delivers real job outcomes.

Mature Age Workers Project

As part of the International Year of Older People 1999, DEWRSB is considering strategies to assist and promote mature age job seekers in Job Network. Initiatives could include investigating and reporting on barriers that mature age job seekers encounter in their search for employment and developing promotional material for Job Network members and employer associations to encourage them to assist older job seekers.

Return to Work Programme

In recognition of the special needs of people who take time out of the workforce to act as carers, the Commonwealth Government is providing \$24 million over the four financial years 1999-2003 to fund the *Return to Work Programme*. It will target those who have been away from the work force for more than two years to meet carer responsibilities, and is expected to be of particular benefit to people aged 45 years and over who want to return to paid employment but feel their skills are out of date. The Programme will provide individual and flexible assistance in such areas as skills assessments, career planning, and assistance with developing training plans and undertaking training in areas such as basic computing skills.

Area Consultative Committees and the Regional Assistance Programme

Significant proportions of the long-term mature age unemployed are in rural and regional areas. In addition to the assistance available through the Job Network, they can also benefit from two other initiatives:

- *Area Consultative Committees* are a national network of Committees comprising business

and community representatives who advise the Government on issues related to employment growth and regional development. Through the development of strategic regional plans, they also identify and facilitate projects for funding under the *Regional Assistance Programme* and other government programmes which aim to promote growth in their regions; and

- the *Regional Assistance Programme* provides seed funding for innovative, quality projects of value to the community and encourages a 'whole of government approach' to improving local employment opportunities, job generation, small business growth and access to regional services.

Forty million dollars will be provided for the *Regional Assistance Programme* and *Area Consultative Committee* operations in 1999-2000.

Assisting mature age people through small business start ups and expansion

General Government assistance to small business

A particular emphasis of current Government policy that can assist mature age people and other groups who wish to start a business or expand an existing one is by creating an environment conducive to small business success. The key requirements are strong economic growth, underpinned by low inflation and low interest rates, and a reduction in the costs of doing business. These are being achieved.

Particular reforms in areas such as taxation, fair trading, red tape reduction, the labour market and workplace relations have been specifically directed at making it easier for small business to carry on their operations. The impacts of these initiatives have been reflected in the good performance of the small business sector, including in employment growth.

While a favourable economic climate is essential to business success, the Commonwealth and state/territory governments believe that potential entrepreneurs should be as well informed as possible before embarking on starting a business. For this reason the Commonwealth, in partnership with state, territory and local governments, has established a Business Entry Point. This service, which is available over the Internet [www.business.gov.au] and via a hotline [phone 13 28 46], brings together a wide range of information relevant to new business start ups, including the information resources from around 50 Commonwealth and 100 state and territory government agencies. It also allows users to: apply online for a tax file number with the Australian Taxation Office; register for sales tax, as a group employer and for the Prescribed Payments system; and register a company with the Australian Securities and Investments Commission. The Commonwealth has set aside about \$4.2 million over the next two years for further development of the Business Entry Point.

States and territories also operate Small Business Advisory Services which offer free information, advice and referral services during the planning and establishment phases of any small business venture.

The 1999-2000 Federal Budget involved three further important initiatives for small business: the *Small Business Enterprise Culture Programme* (SBCEP), the *Small Business Incubators project* and the *Indigenous Small Business Fund*.

The SBCEP aims to develop and enhance the business skills of small business owner-managers,

recognising that such skills are important to small business sustainability and growth. Under this programme, grants will be provided for skills development and mentoring projects. Particular attention will be given to helping women owner-managers of small business. Resources for this programme will be \$6.4m over three years.

Some \$5m in 1999-00 has also been set aside under the Regional Assistance Programme to support the establishment of new small business incubators. These assist new businesses to become established and profitable by providing premises, advice, services and support. This approach is aimed to reduce the failure rate of new business and in the process creates jobs and assists local development.

The Indigenous Small Business Fund, which is set to commence early in the 1999–2000 financial year, combines the resources of the Department and the Aboriginal and Torres Strait Islander Commission (ATSIC) to encourage indigenous businesses and enterprises. Over the first three years the Department will provide \$6 million to the fund and ATSIC will contribute a further \$5 million. The Fund will help indigenous people to develop the business management and planning skills to be viable commercially. It will help them to start businesses and to access further business capital and support services such as skills development programmes, mentoring, networking, advisory services and market development (including export opportunities).

New Enterprise Incentive Scheme (NEIS)

DEWRSB provides special assistance to eligible unemployed job seekers who want to establish a small business through the New Enterprise Incentive Scheme (NEIS). Currently, around 6,000 unemployed people are assisted into self-employment through NEIS each year. Eligible unemployed people are provided with small business skills training, assistance with the development of a business plan, income support for up to twelve months and ongoing advice and support during the first year of business operation.

To be eligible for NEIS, applicants must be unemployed and registered with Centrelink for full-time work, be at least 18 years of age and be receiving a Department of Family and Community Services pension or benefit. The proposed business must also be new, have never operated commercially on a full-time basis and be independent.

NEIS is delivered by Managing Agents who are contracted to DEWRSB through the Job Network. Managing Agents are organisations with an enterprise development focus and the capacity to provide small business training, advice and support.

For mature aged unemployed, self-employment is a very practical option to pursue and their participation in NEIS has been high. Mature age job seekers comprised 22 per cent of NEIS commencements from July 1998 to April 1999 (as shown in Table 5.2), compared to around 20 per cent of Centrelink registrants.

Table 5.2: Commencements in NEIS, by gender, for the financial year 1998-99 to 23 April 1999.

Gender	Total number of commencements to 23 April 1999	Percentage commencements for 45+ yrs
Female	2,322	19 %
Male	3,019	24%
Total	5,341	22 %

Source: DEWRSB analysis (unpublished).

NEIS has proven to be one of the most successful employment services administered by the DEWRSB. The latest Post Programme Monitoring figures show that three months after the cessation of programme support, 82 per cent of participants had achieved positive outcomes (compared to around 79 per cent over the last four years). NEIS also creates additional employment, with eight new jobs created, on average, in every ten successful NEIS businesses. While the rate of positive outcomes decreases for older participants (7 percentage points lower than younger participants for those aged 45-54, and a further 11 percentage points lower for those aged 55), the rates are still quite high in comparison to other labour market programmes.

Workplace Relations

Aspects of the *Workplace Relations Act 1996* and the Commonwealth Government's policies are particularly helpful to older workers' prospects of re-entering or maintaining association with the labour market.

The Act specifically addresses age discrimination at several places. Its principal object is to provide a framework for cooperative workplace relations which promotes the economic prosperity and welfare of the people of Australia. It does this by, among other things, helping to prevent and eliminate discrimination on the basis of age and other characteristics [s.3(j)]. The Australian Industrial Relations Commission (AIRC) is specifically obliged to ensure that awards [s.143(1C)(f)] and certified agreements [s.170LU(5)] do not discriminate on the basis of age and other characteristics, with similar regulations applying to Australian Workplace Agreements (AWAs) [s.170VG(1)]. Further, the AIRC may include a model anti-discrimination clause in an award over and above the 20 allowable matters [s.89A(8)].

Of particular relevance to older workers seeking re-entry into the workforce or phased retirement is a 1997 change to the Act obliging the AIRC to ensure, where appropriate, that awards contain provisions enabling the employment of regular part-time employees [s.143(1C)(b)]. Certified agreements and AWAs are not confined to matters covered by awards, but are increasingly incorporating more diverse patterns of paid work.

More flexible award structures (no longer including retirement ages, for example) and expanded agreement-making options should provide older workers with more choice in taking up part-time employment and juggling work with other responsibilities and interests. Options such as permanent part-time work, job-sharing, home-based work and career breaks can enable later-life

workers to better combine employment with community or family involvement, undertake a graduated transition into the labour market and phase their retirement.

Flexible working hours arrangements which increase the span of hours within which employees can work and give them greater choice as to start and finish times may benefit both older employees and their employers. For employees, more choice in how they manage their time can lead to greater job satisfaction, lower levels of stress and a better balance between work and personal life. Employers can benefit from greater flexibility in how they manage resources to suit business cycle peaks and troughs resulting in productivity improvements.

With respect to the age of retirement, the *Workplace Relations Act* provides that an employer must not terminate a person's employment because of age. There is a provision, however, which allows employers to set a maximum age if this is an "inherent requirement" of the job. This has allowed, for example, QANTAS to argue for the mandatory retirement of its airline pilots at age 60. Note also that there is no uniform prohibition on compulsory retirement in Australia, although most States and Territories have now abolished it (see Chapter 3).

Commonwealth public servants are still subject to the mandatory retirement age set out in the *Public Service Act 1922*. The Government intends to vary this legislation to remove this requirement.

The *Work and Family Unit* within DEWRSB actively promotes the Government's workplace relations policy and raises awareness of best practice work/life issues through a range of activities and publications.

In recognition of the International Year of Older Persons, the Work and Family Unit is producing a *Guide to Issues for Older Workers*, which will look specifically at the issues that affect older participants in the labour force. This practical guide, one of a series of publications produced by the Unit, will assist organisations to better understand and meet the changing needs of older workers. The April issue of the Work and Family Unit's free newsletter also includes a special insert entitled *Issues for Older Workers* to ensure wide dissemination of information on the topic. In addition, the updated *Guide to Elder Care Issues* publication may be of particular assistance to older workers, who are more likely to have aged parents, friends or relatives for whom they have aged care responsibilities.

This year's annual Corporate Work and Family Awards, co-sponsored by the Work and Family Unit, will include a Special Award for the organisation that demonstrates the most outstanding achievement in recognising and meeting the needs of older workers or workers with aged care responsibilities. The successful initiatives of Award winners are used extensively to promote best practice across all organisations. The Unit is organising a one-day conference, *Different Lives, Different Needs* in conjunction with the Awards function in September. The conference will highlight the changing work and family issues over an employee's lifecycle and include workshops on issues for older workers.

Conclusion

The available evidence suggests that the policies and programmes administered by DEWRSB are having a beneficial effect on the mature age population.

Job Network has become an important source of labour market assistance for mature age

jobseekers. Around two thirds of all mature age jobseekers registered with Centrelink get intensive assistance and many of the others are provided with job matching and job search training assistance.

Small business is benefiting from the large range of initiatives. Mature age people as a group are an important beneficiary of this, as they represent a very high proportion of all new business starters. It is too early to comment on the effect of the new programmes announced in the Budget which are designed to assist new ventures through their teething phase.

The *Workplace Relations Act 1996* has facilitated the development in awards and agreements of a new set of options to mature age workers which was not available to them before. As a result, mature age workers should, in future, be able to plan and phase their retirement better.

It needs to be re-iterated, however, that the role of the Government in assisting older labour market participants is substantially one of facilitation and removing impediments which stand in the way of older people being able to access the opportunities which arise in the labour market. While these initiatives are extremely important, they can only complement the primary factor, which is a growing economy with strong job growth.

CHAPTER 6: CONCLUDING COMMENTS

The composition of the Australian workforce has changed substantially over the last few decades. While the most obvious manifestations of this are the increased participation by women and the increased diversity of background of its members, change is also evident in its age structure (the average age increasing from 35 and a half years in 1988 to over 38 years in 1998).

Over this period, growth in the labour force has outstripped the supply of jobs with the result that unemployment has risen from 542,900 (seasonally adjusted data) in February 1989 to 696,500 in February 1999. This trend, which has not been confined to Australia, has led to increased competition for jobs and a perception that older persons have suffered in this process.

Examination of relevant data, however, suggests that the situation of mature age persons in the labour market has, by and large, been stable. Persons aged 45 and over have achieved a greater degree of success in the labour market than has the labour force as a whole, their unemployment rate being some 1.9 percentage points lower than that of the total labour force. They have increased their share of employment in most industries and have participated in the growth of the service industries, though not as strongly as younger workers. Older persons are also represented to a greater degree in the higher skill and higher paid occupations.

To a large extent these outcomes reflect the fact that mature aged persons have, for the most part, carried their jobs with them as they have aged, rather than capturing new opportunities from younger cohorts. This is more true of males than females, however, as the employment to population ratios for females have actually increased over time. This is not to imply that older workers have avoided the consequences of structural change. Job tenure has declined for males and those suffering retrenchment have experienced difficulty in regaining employment or their former employment status. Indeed, the major problem faced by mature age persons appears to arise once they lose their jobs: one of the most striking characteristics of unemployment duration data being how unemployment duration rises with age. This is a consequence of much lower probabilities of finding employment once unemployed offset, in part, by a higher tendency to exit the workforce directly from employment rather than from unemployment.

It would be misleading, however, to attribute longer unemployment duration entirely to the ageing process itself. Evidence suggests that unemployment duration varies with the particular characteristics possessed by individuals including education, locality, and literacy and numeracy. As such it can be argued that it is the nature of these characteristics which are important, rather than simply age per se: in this regard, mature age persons are like any other group.

Nevertheless, there is a concern that the mature aged do face problems in the labour market which are a function of age itself. A survey of the literature of the impediments likely to be faced by older cohorts suggests that these can range from age discrimination to perceptions that older workers are less flexible, less productive, less suitable for jobs in certain service sectors, and less likely to justify an investment in training.

Preliminary data from a range of focus group discussions with human resource managers of medium to large organisations suggest that pinpointing any of this range of factors as being dominant is very difficult. These discussions did, however, appear to reveal an awareness of how older workers can contribute through greater maturity, greater workplace experience and

greater stability, reinforced in some cases by an awareness of anti-age discrimination legislation.

Over coming decades demand factors may play a more pressing role in protecting the position of older workers in the labour market as concerns about the magnitude of an effective labour supply emerge in the context of population ageing. The extent of this concern in Australia is less marked than in many other advanced industrialised countries where the concern is leading such countries to reconsider previous policies of encouraging early departure from the labour force as a way of opening up opportunities for younger cohorts and reducing overall unemployment. A range of policy options now being advanced provides incentives for older workers to stay in the workforce longer.

Attention is also being given to the need to improve the skills and productivity of older people through life-long learning and active labour market programmes. The lack of opportunity to use existing skills and develop new ones seems to be a major cause of the apparent inflexibility and lower productivity which employers sometimes perceive in older workers.

These issues are reflected in legislation and policies being adopted in Australia: the *Workplace Relations Act 1996*, effectively restricts compulsory retirement to jobs where there is an inherent requirement that employees be under a particular age, and allows greater flexibility to negotiate changes in working patterns that may be more appropriate to the circumstances of older workers; the Commonwealth plans to abolish compulsory retirement for its public servants; it is now possible to accrue additional aged pension entitlements through delaying departure from the workforce; the *Age Discrimination Act 1984*, aims to remove any scope for discrimination against older persons in the workplace as well as elsewhere; and in terms of access to employment assistance in Job Network, priority is being given to assisting older unemployed through preferential access to Intensive Assistance.

ATTACHMENT A

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON EMPLOYMENT, EDUCATION AND WORKPLACE RELATIONS - INQUIRY INTO ISSUES SPECIFIC TO OLDER WORKERS SEEKING EMPLOYMENT, OR ESTABLISHING A BUSINESS, FOLLOWING UNEMPLOYMENT

The Terms of Reference for this inquiry are for the Committee to:

“Inquire into and report on the social, economic and industrial issues specific to workers over 45 years of age seeking employment, or establishing a business, following unemployment.”

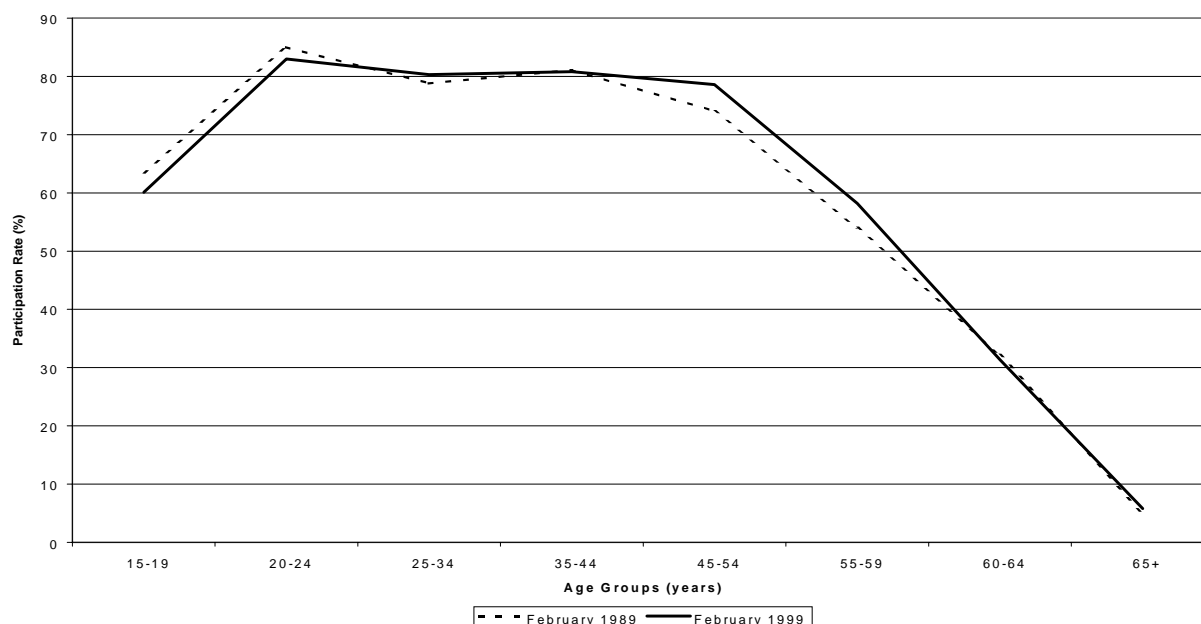
ATTACHMENT B

DETERMINANTS OF THE PARTICIPATION RATE

The proportion of the population which participates in the labour market is known as the

participation rate. The participation rate for the mature age population is lower than that of the younger population (44 per cent versus 78 per cent respectively in February 1999), although this hides considerable differences amongst age groups (see Chart B.1).

Chart B.1: Participation rates by age group: February 1989 and February 1999



Source: ABS, Labour Force Australia, 6203.0, various issues

The participation rate for the mature age group as a whole increased by almost 5 percentage points in the ten years to February 1999, however, compared with almost no increase in the participation rate for the civilian population aged 15 to 44. Most of this increase was due to increased participation by females

Labour force participation rates, as well as demographics, determine the size and composition of the labour force, while in turn the response of individuals to many complex social and economic pressures determine participation rates. Important influences on participation rates are likely to include health status, societal attitudes, superannuation, income tax rates, expected wage levels, the rate of payment and the conditions attaching to allowances (especially unemployment, Mature Age and Widows' Allowances) and pensions (especially ex-service persons' and old age pensions), and the expected return from retirement (which in turn is influenced by interest rates, dividend and bond yields, dwelling rents and expected capital gains).

Determinants of participation rates by age group, gender and full-time/part-time status

The determinants of participation rates differ significantly by age, sex and for full and part time work. For this reason, they are analysed below by age group, gender and full-time or part-time labour force status.

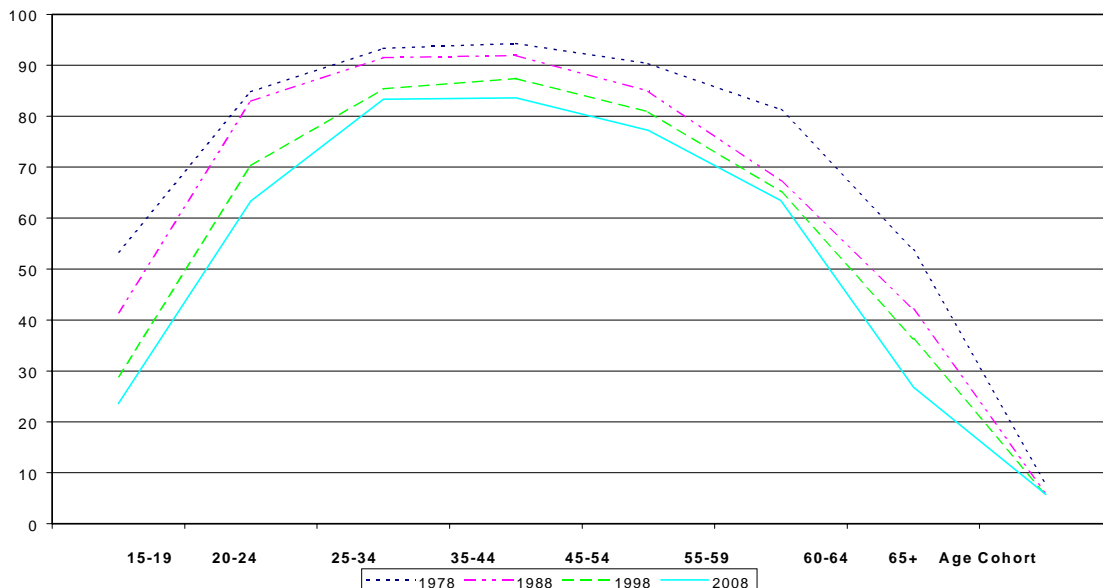
Male full-time participation rates

Male full-time participation rates decline steeply with advancing age (see Chart B.2). The participation rate for the 45-54 year old age group is similar to that for prime-age males. For males aged aged 65 years and older, however, the full-time participation rate is only around 5 per cent. The participation rates declined substantially for all but the oldest age group between 1978

and 1988, with a further slight fall between 1988 and 1998.

Over recent years, the declining full-time participation rate for mature-age men has most likely occurred because of the discouraged worker effect, the increasing availability of superannuation and other sources of retirement incomes (such as inheritances, rental properties, stocks and bonds), the Veteran's pension and the Mature Age Allowance and possibly an increase in the average rate of income tax (see Connolly and Kirk (1996)).

Chart B.2: Male Full-time Participation Rates by Age Group from 1978 to 2008.

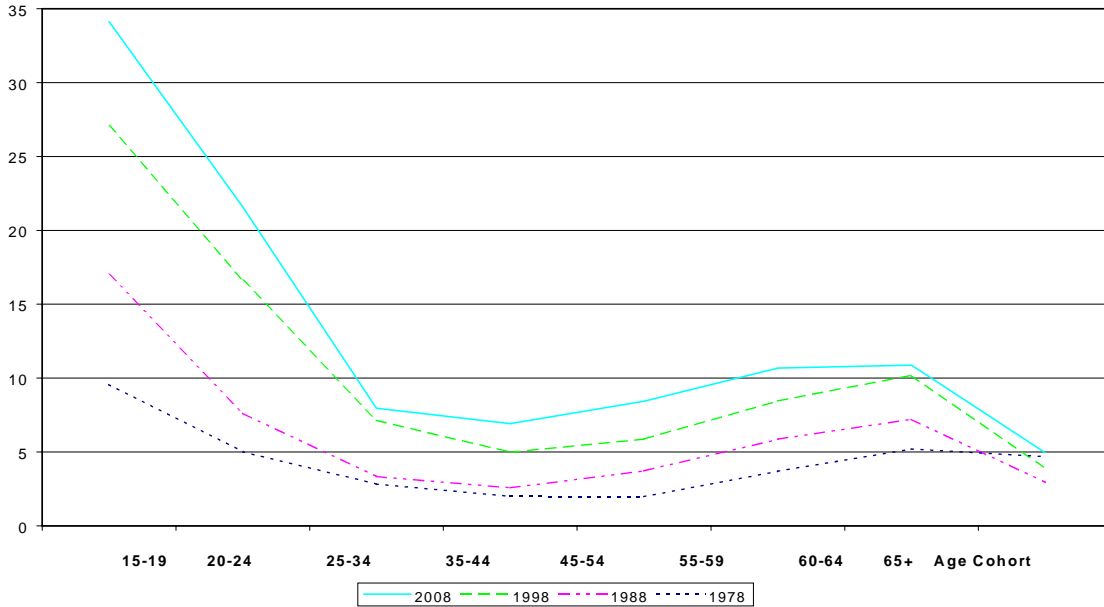


Source: ABS (1999 and previous issues), Cat. No. 6203.0 and DEWRSB projections.

Male part-time participation rates

The male part-time participation rate actually is higher for most older age groups than it is for prime-age males (see Chart B.3), partly counterbalancing the decline in the male full-time participation rate with advancing age.

Chart B.3: Male Part-time Participation Rates by Age Group from 1978 to 2008.



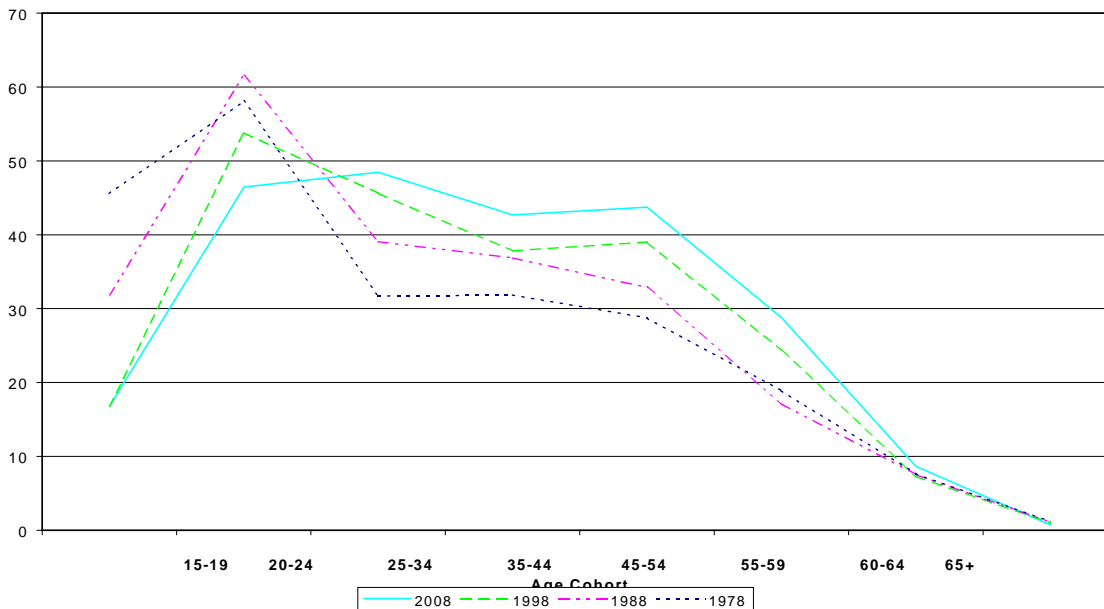
Source: ABS (1999 and previous issues), Cat. No. 6203.0 and DEWRSB projections.

The male part-time participation rate has been increasing over the past two decades for all mature-age groups except for those aged 65 years and older.

Female full-time participation rates

The female full-time participation rate has been increasing over the last two decades for the 45-54 and 55-59 year old age groups, but stable for the older age groups (see Chart B.4).

Chart B.4: Female Full-time Participation Rates by Age Group from 1978 to 2008.

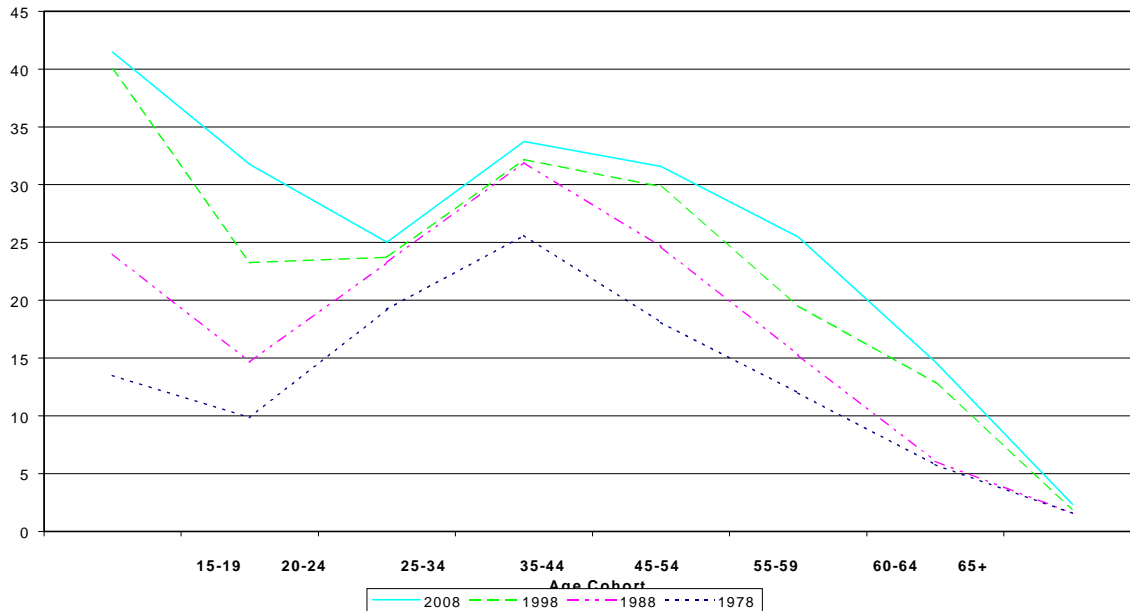


Source: ABS, Labour Force Australia, 6203.0, various issues and DEWRSB projections

Female part-time participation rates

The female part-time participation rate has grown over the past two decades for all age groups except for those aged 65 years and older (see Chart B.5).

Chart B.5: Female Part-time Participation Rates by Age Group from 1978 to 2008.



Source: ABS, Labour Force Australia, 6203.0, various issues and DEWRSB projections

ABBREVIATIONS AND ACRONYMS

ABS Australian Bureau of Statistics

ALMPs Active Labour Market Programmes

CE Community Employment

DEWRSB Department of Employment, Workplace Relations and Small Business

EU European Union

IALS International Adult Literacy Survey

JSCI Job Seeker Classification Instrument

JTPA Job Training Partnership Act

LLL Life long learning

NAFTA North American Free Trade Agreement

NATSEM National Centre for Social and Economic Modelling

OECD Organisation for Economic Cooperation and Development

SCSEP Senior Community Service Employment Program