DRAKE

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5th November 1999

Dr Brendan Nelson
Chair EEWR Committee
House of Representatives
Parliament House
Canberra ACT 2600

Dear Dr Nelson

This letter is to confirm my attendance before the Committee for its inquiry into social, economic and industrial issues specific to unemployed mature aged people.

I would like to submit to the Committee the attached information as Drake's contribution to the inquiry into issues specific to workers over 45. The Committee, provided its source is duly acknowledged, may freely use our survey results and accompanying material.

I wish the Committee well in its deliberations and look forward to our meeting on Tuesday the 16th of November.

Yours sincerely

Chris Meddows-Taylor
National Manager

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MEDIA RELEASE

Age discrimination is alive and well

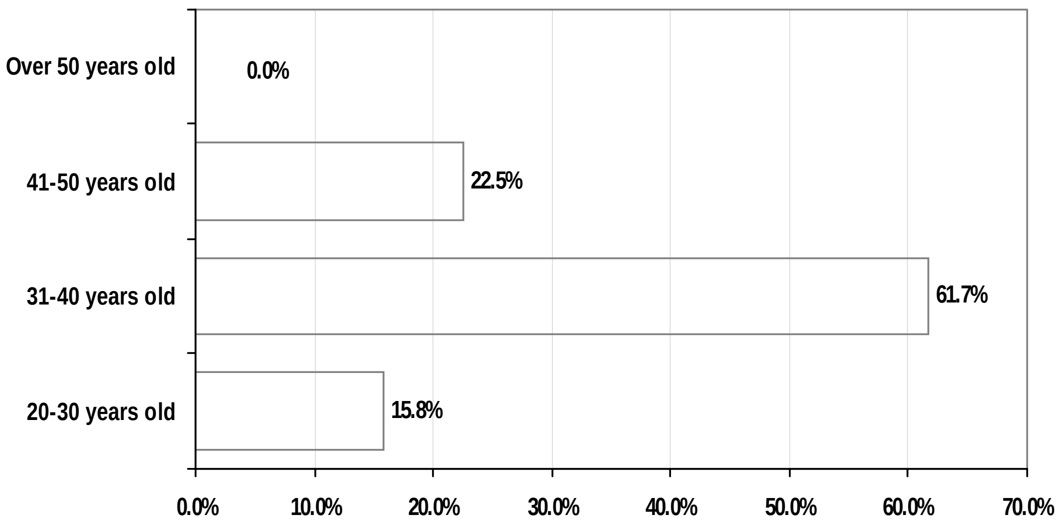

Chart 1: Perferred age group when recruiting and selecting employees [Not reproduced]

IF you're "thirty-something" you're very much part of that chosen group of individuals that companies are falling over backwards to employ as executives and managers.

However, if you're between 40 and 50 your chances of being snapped up to fill these roles is more than halved and if you've passed the half-century mark, you're quite literally out of the running.

These were some of the more alarming results to emerge from some far-reaching research conducted by Drake Management Consulting in which over 500 senior executives and HR managers nationwide were questioned about their age preferences when it comes recruiting, retrenching and training executive staff.

According to the findings, a very sizeable 62 per cent of organisations make most their selections from the 31-40 age-group, while almost a third less (23 pc) having a greater penchant for those in their forties.

Shockingly, none of the 500 respondents would choose to employ managers and execs in their fifties.

Tragically, it is also the fifty-somethings who are most likely to get the boot, with up to 65 pc of companies saying this group would be first to go when retrenching.

According to Drake Management Consulting's national manager, Chris Meddows Taylor, the results were much worse than had initially been anticipated. "While we have long known that ageism is a problem in organisations, we were unaware of just how deep-rooted the problem is.

"We have always recognised that ageism is prevalent in some industries. However, what we now find, it is endemic across the entire workplace – with just a handful of exceptions.

"The results also come at a time when companies are beginning to recognise that knowledge and learning are crucial to their competitive success and instead of retaining our mature workers – our powerhouses of knowledge - we're relegating them to the employment scraphead!"

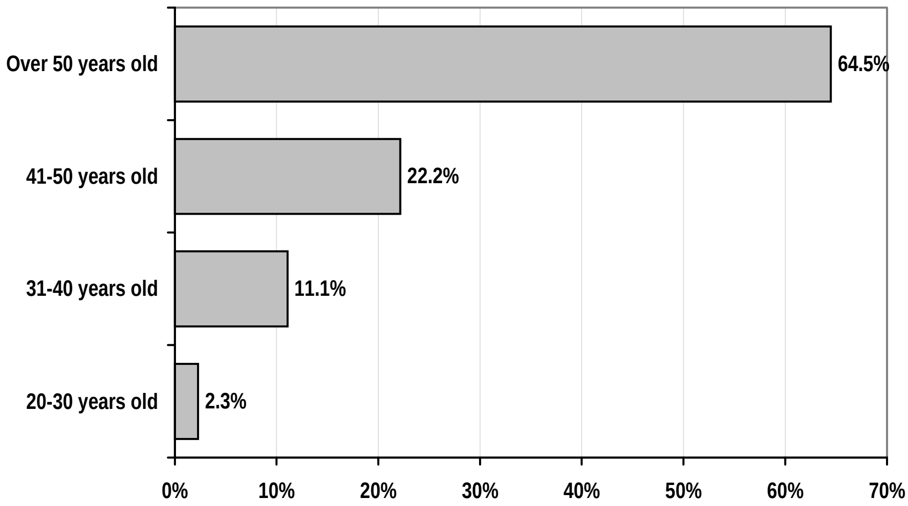

Chart 2: Perferred age group when retrenching employees [Not reproduced]

Mr Meddows Taylor says the current trend by organisations - to rid themselves of mature veterans and make way for younger, dynamic and more energetic management teams – may look good and visibly demonstrate change, but generally these were just band-aid solutions.

"Being seen to get rid of dead wood and bring in the new brooms is often done to appease shareholder demands but do beware. Investment analysts are increasingly looking behind the quick-fix solution and wanting to assess the depth of knowledge, talent and wisdom in the company as well as the strategies to develop these things.

"Simply presenting a young new beaut executive team is no substitute!"

Mr Meddows-Taylor says the demise of maturity and wisdom in organisations is seeing a growing demand for short-term high-level management expertise - better known as interim management.

"This is a huge industry in the US and Europe and is fast catching on in Australia as organisations increasingly find they don't have the people with the necessary skills and expertise to manage company transition and steer organisations through troubled waters.

"It is from Australia's pool of 50-year-old executives that our interim managers are being drawn. Put simply, companies are starting to realise the immense potential interim managers can offer."

Industry attitude to ageism

Age discrimination is more prevalent in some sectors that others.

According to the Drake research, a "young culture" appears to dominate the management and executive teams of the country's banking/finance, public sector and business services organisations (accounting and legal firms).

In the banking and finance arena, the lion's share of organisations (81.5 pc) favour 30-40 year-olds, with just 3.7 pc of survey respondents opting for employees over the age of 40. Similarly in government circles, 90 pc prefer the thirty-something group while in legal and accounting firms, 84 pc draw their executives from this 30-40 year-old pool.

According to Mr Meddows Taylor, a significant focus of the banking and finance sector recruitment activity is on young high-flying graduates who bring with them a portfolio of both specialist and generalist skills – one of the key demands of a rapidly changing industry.

"There is a dangerously simplistic view around that with markets moving so rapidly, many older executives are unable to keep up – the result being that many are forced out once they reach 45."

Mr Meddows Taylor says with increasingly sophisticated recruiting techniques, firms in the business services sector are now quickly able to identify high flyers – the outcome being that young accountants and lawyers are no longer faced with a long wait before becoming partners.

"Fast-tracking is now commonplace."

He believes the focus away from older executive in government circles stems from corporatisation and privatisation as well as ongoing downsizing and restructuring activity in the sector which has seen many people over the age of 45 leave.

"In addition, an increased focus on the more youthful executive is a reflection that the public service is no longer a stable institution. Instead, the rapidly changing dynamics of governments, ministers and the public policy agenda is creating a demand for transparently highly adaptable and flexible senior bureaucrats."

Ironically, while the belief out there is that IT companies have a very young culture, Drake research has shown that the IT industry, in fact, has a more balanced approach to age.

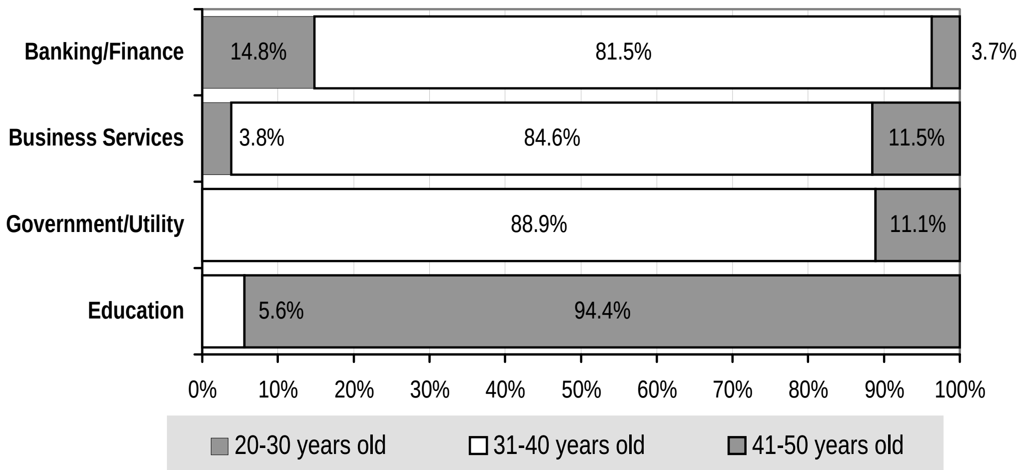

Chart 3: Perferred age group when recruiting employees by industry sector
[Not reproduced]

"While the largest proportion of preferred execs come the 30-40 age-group, only 17 pc of the industry has a preference for 20-30 year-olds, while close on 20 pc say they'd hire a 40-50 year-old ahead of anyone else.

“Although there is a perception out there is that technology companies should be staffed by people in their twenties and thirties - especially where a younger age profile is seen as desirable for succession planning or team planning reasons – this doesn’t appear to be the case.

“Given the challenges of a rapid growth industry like IT, clearly it recognises the importance of maturity.

“Also in situations where these companies have to deal with culture change, volatile markets and a lack of processes and support structures, young teams have a clear need for managers who have experienced these situations.”

Education is the only area where maturity is valued ahead of youth – with almost 95 pc of organisations in the sector stating a preference for employees between 41 and 50, says Mr Meddows Taylor. “It is hardly surprising that we find in this sector, the real acknowledgement of the value of knowledge, learning and wisdom.”

Smashing the stereotypes

Mr Meddows Taylor believes negative stereotypes are driving much of the age discrimination that pervades the Australian workplace.

“The belief out there is that people over the age of 45 are inflexible, unable to adapt to change, they want more money, they’re resistant to training and that they undermine the authority of young people in senior posts.

“Our research certainly bares out some of these erroneous attitudes in that it shows that as many as 70 pc of Australian firms say the reason why they’d retrench executives over the age of 50 ahead of others, is because they’re perceived to be inflexible and unwilling to change.

“The greatest irony is that inflexibility generally has little to do with age. It is usually a state of mind and often people in their 20s succumb to this problem.”

Mr Meddows Taylor says further Drake research shows that negative attitudes about mature executives resisting upskilling and training, don’t stand up to scrutiny.

“Our findings show that as many as many as 86 pc of senior workers are more than happy to take up training opportunities offered to them – crushing any suggestion that they are either too arrogant of too set in their ways to embark on learning.

“Clearly, even old dogs are happy to learn new tricks.”

Mr Meddows Taylor says there is little evidence to suggest that older executives generally want more money that their younger counterparts. “In many instances people in their fifties no longer have the financial responsibilities they did in their 30s and 40s - when they were saddled with mortgage repayments and children’s education.

“As a result they’re more likely to put pay issues in perspective, often taking a cut in salary.”

As for mature workers undermining the authority of younger people in more senior posts, he believes this rarely occurs. “Today’s young leaders have high levels of personal confidence and are highly unlikely to feel undermined by their older colleagues.”

Ultimately, says Mr Meddows Taylor, our more seasoned veterans bring distinct assets to an organisation – experience, knowledge, wisdom, personal stability, confidence and an alternative perspective to that of the young and callow!

Addressing the problem

While some enlightened employers are beginning to change their mindset where the recruitment, retirement and training of mature workers, what we aren’t seeing is the introduction of a major culture and mindset change in organisations.

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“The need for this is imperative and responsible CEOs and HR heads have a key role to play here,” says Mr Meddows Taylor, who points to the longer-term implications of ageism.

“As baby-boomers become pensioners, an ever-smaller proportion of the population will be working to support an ever-growing number of retirees. According to OECD predictions, as a result of falling population levels, over the next 25 years, 70 million people will retire, to be replaced by just 5 million new workers.

“This contrasts very strongly with the past 25 years where 45 million new pensioners were replaced by 120 million baby-boomers. By 2051, between 24-26 pc of Australia’s population is expected to be aged 65 plus, compared with just 12 pc in 1997.

“Holding on to a mature workforce is going to become increasingly crucial!” says Mr Meddows Taylor.

For more information contact Chris Meddows Taylor on 03-9631 6058 or Wendy Parker on 03-9631 6061.

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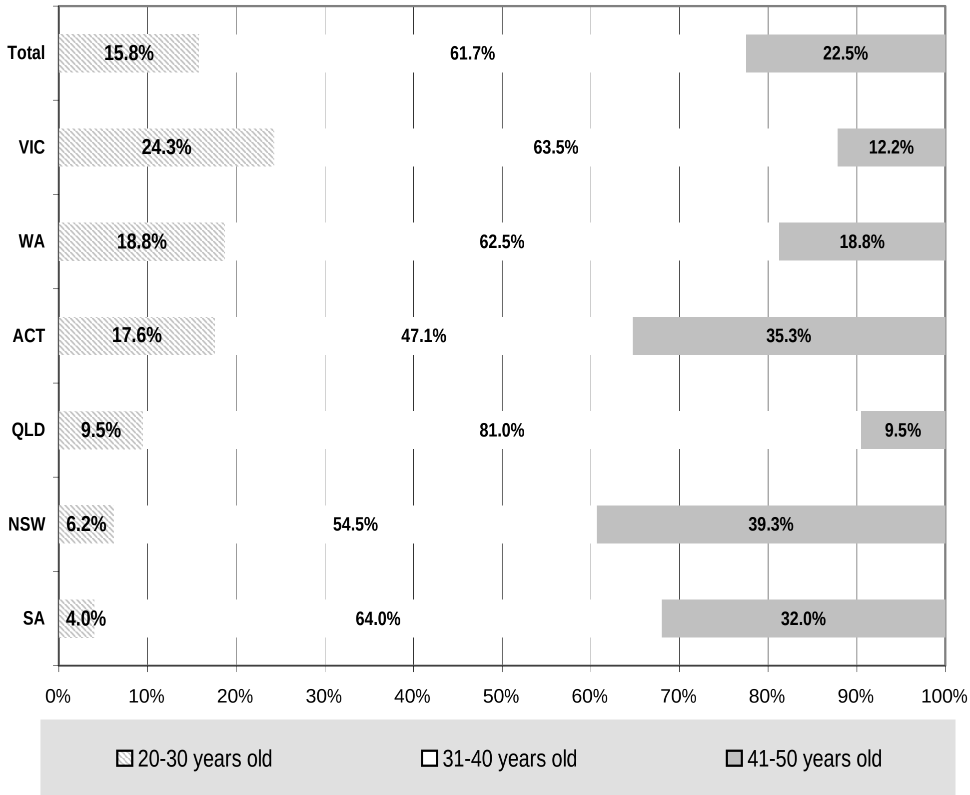
National Findings: Drake Executive Survey, October, 1999

Table 1: Preferred age group for recruitment and selection of candidates – by industry sector

Industry Sector	20-30 years old	31-40 years old	41-50 years old
Education	0.0%	5.6%	94.4%
Government/Utility	0.0%	88.9%	11.1%
Business Services	3.8%	84.6%	11.5%
Health	4.2%	45.8%	50.0%
Manufacturing	5.6%	66.7%	27.8%
Information Technology	11.1%	69.4%	19.4%
Retail	13.5%	61.5%	25.0%
Banking/Finance	14.8%	81.5%	3.7%
Transport/Distribution	17.1%	63.4%	19.5%
Resources	17.3%	69.2%	13.5%
Hospitality/Tourism	29.7%	43.2%	27.0%
Construction	37.0%	50.7%	12.3%
TOTAL	**15.8%**	**61.7%**	**22.5%**

Chart 1: Preferred age group for recruitment and selection of candidates – by State



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