

Healthy Ageing Unit

The Committee Secretary  
House of Representatives Standing Committee on  
Employment, Education, and Workplace Relations  
Suite R1 116 Parliament House  
Canberra ACT 2600

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Dear Ms Chan

**Inquiry into the social, economic and industrial issues specific to workers over 45 years of age seeking employment, or establishing a business, following unemployment**

Please find enclosed a submission from the Healthy Ageing Unit, University of Queensland on the above issues.

As Director of the Healthy Ageing Unit I welcome this Inquiry and would be willing to appear before the Committee and/or expand my views if requested.

Yours sincerely

*pp Linda Walley*

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## **THE SOCIAL, ECONOMIC AND INDUSTRIAL ISSUES SPECIFIC TO WORKERS OVER 45 YEARS SEEKING EMPLOYMENT OR ESTABLISHING A BUSINESS FOLLOWING UNEMPLOYMENT**

This submission provides a brief overview of some of the important issues in labour force participation for older people, including the cost of mature unemployment and discrimination in recruitment on the basis of age.

### **Changes in workforce participation**

Although the population is living longer and healthier lives, older workers are leaving the workforce at increasingly early ages. This is partly due to

- restructuring and delayering of organizational management levels: levels with a large proportion of mature workers (particularly men in full time work)
- a decline in jobs in some industries (e.g. manufacturing and agriculture) which have traditionally employed a larger proportion of mature workers at all levels.
- older workers being offered financial incentives to take early retirement during the recessions in the 1980s and early 1990s

### **Mature age unemployment**

#### **Duration of unemployment**

Older people are more likely to be unemployed for 12 months or more than younger people. A substantial proportion (31.1%) of the long-term unemployed is over 45 years (ABS, 1999).

The average duration of unemployment for a 45-54 year old is 73.6 weeks, whereas for a 20-24 year old it is 39 weeks (ABS, 1999). The issue is more severe for those 55 and over. Younger people tend to experience short bursts of employment followed by periods of unemployment, whereas workers over 45 who become unemployed have difficulty becoming re-employed. - for a range of reasons; from employers' attitudes about who and what is an older worker, to a lack of qualifications or skills.

#### **Discouraged job seekers**

There is increasing recognition of older workers among discouraged job seekers - those who wish to work and are available to start work within four weeks but are not actively looking for a job.

According to the ABS nearly two-thirds of discouraged job seekers are over 45 years in age. The number of discouraged job seekers at September 1998 was estimated at 110,900: 69,600 were mature age compared with 41,300 under 45 years. (ABS 1998).

The ABS definition of an unemployed person results in the exclusion from the unemployment statistics of discouraged job seekers.

#### **Perceived age of an ideal workers is "young" in contemporary society**

A Morgan and Banks survey (December 1997) indicated that Australian companies were adopting an attitude that the ideal age of employees is between 25 and 35 years, almost a third of bosses believing the over 40's to be less flexible in their work practices. Steinberg et al's research (1994) indicated minimal interest by employers in recruiting anyone over 45 years for any job (except 13% for managers) and no preference for anyone 56 or over. Hence, an unemployed person over 45

years has limited employment opportunities, reflected in the long term unemployed statistics.

### **Educational and skill levels**

Many employers see the lack of skills among older people (e.g. with technology) as a major barrier to employing them. Older unemployed adults wishing to participate fully in the workforce need to demonstrate their ability to adjust to technological change and acquire qualifications and skills which employers consider important for productivity and participation in the global market place. The rise in knowledge based and higher skilled jobs means that those without sufficient education and skills to compete in the new information led labour market will be limited to unemployment or lower paid service jobs. Technological changes emphasise the importance of life long learning and ability to adapt to the changing labour market.

Training is essential to assist the re-entry of older people into the workforce for three reasons.

1. Older age groups are less qualified than younger age groups, in part due to expansion of education and training opportunities over recent decades. Around 60% of the labour force under 45 years completed the highest level of school or higher in May 1997 (7.9% are still in school), while only around 50% of the over 45 labour force had completed the same level of school (DEETYA, 1998, p4). Approximately 70% of the mature age unemployed did not complete grade 10 or equivalent (ABS 1998 unpublished statistics).
2. Younger people are more likely to hold more qualifications than older people, with some of the latter also regarded as outdated. Lack of qualifications affects employment opportunities and contributes to the duration of unemployment.
3. Industries based on information, new technology or services, which demand an increasingly wide range of new knowledge, and skills (such as the ability to use IT) have replaced traditional manufacturing industries. Displaced manual workers are unlikely to possess the skills required, diminishing their chances of re-employment in the new industries.

The mature aged unemployed may need specifically tailored training programs to (re)train and (re)activate technology skills. These people may suffer special disadvantage because they left school before completion and/or prior to the introduction of computers and their skills have been overtaken by technological changes.

Unemployed people have neither the opportunity to develop skills and confidence to deal with new technology by exposure to it in the workplace, nor the disposable income to purchase such computing equipment for use at home or to access costly training opportunities provided by the private sector and within industry. It appears that in general the new technological needs of older unemployed people are not recognised, let alone met, even partially.

### **Availability of work**

Organisations are increasingly using flexible labour to cover periods of extra demand for their goods and services. In the last twenty years the number of part time jobs has increased at a much faster rate than the number of full time jobs. Older people may take part time or casual employment because there is no other full time alternative. However these jobs may be low paid and not covered by superannuation. This problem of under employment is not captured in conventional unemployment measures.

## **The cost of mature age unemployment**

### **Social cost of mature age unemployment**

Older people may become alienated and marginalised from mainstream society due to lack of employment or financial resources. Unemployed people over 45 years may suffer individually through loss and grief, lower self-esteem, frustration, stress and a sense of insecurity. Poverty may also be an important factor as people living on lower incomes (such as unemployment benefits) report poor health and the incidence of serious chronic illness and severe handicap at much higher rates than those on higher incomes (Brotherhood of St Lawrence Poverty Update, 1998). The health impacts of unemployment are complex. Whilst unemployment causes adverse health outcomes, ill health also causes unemployment (Mathers and Schofield, 1998). Compounding factors include socio-economic status and lifestyle. Although many data do not differentiate on age, such data where available often indicate greater adverse consequences among older than younger workers and for men, more than women (Mathers and Schofield, 1998).

Unemployment has a cost to an unemployed person's family. It may reduce levels of financial support to children, disrupt personal relationships or contribute to family breakups. Loss of income widens gaps in income distribution. While unemployment benefits reduce this gap, unemployment remains a major contributor to income inequality and lower standards of living.

### **Industrial cost of mature age unemployment**

As a result of early retirement schemes, and voluntary or compulsory redundancy, skills and experience gained by older workers over many years are lost to employers. These skills, including the maintenance of corporate memory, are often difficult to replace.

It makes increasing commercial sense as well as sound policy to recruit, train and develop older workers. Changing age structures affect the skills needed for competitive success through the quality, mix and types of products consumed by different age groups within the population.

### **Economic costs of mature age unemployment**

Mature age unemployment imposes a cost on society as pensions, benefits and medical expenses require public funding. Tax losses may also be considerable as a result of loss of income. Older people may become alienated and marginalised from the mainstream society due to lack of employment or financial resources.

## **Discrimination and the recruitment of older people**

Older workers face overt and covert discrimination in the selection process, despite anti discrimination legislation.

Employers' reluctance to recruit older workers may be based on the following stereotypes:

- **Low mobility** :Employers often fear that older people won't relocate in response to organisational needs. However mobility is not an exclusive attribute of youth; older people are often freer to move than workers with school aged children.
- **Unreliability**: Although this may be the attitude of some employers, older workers were rated by employers as excellent or very good in terms of attendance and punctuality (AARP, 1995) and 70% of employers agreed/strongly agreed that older people are more dependable (Steinberg et al, 1994).

- **High cost (because of high salary expectations or age-related pay scales):** Performance-related pay is becoming more common replacing age-related criteria.
- **Inability to fit in with younger colleagues:** Acknowledging and understanding differences in value systems, which are generationally-based may enable an organisation to benefit from balancing youth and maturity. Culture fit is an individual matter and stereotypes are unhelpful (Solomon, 1995).
- **Age prejudice of other employees:** Age stereotypes and misapprehensions about older workers by employers (Kern, 1990) may be overcome through education eg. large public and employer educational programs in the UK (Taylor, 1997). Also, these concerns were not borne out when employers were closely associated with older workers (Kern, 1990).
- **Lack of flexibility:** Employers fear that older applicants are insufficiently adaptable, particularly that they will be unwilling to learn new skills eg. technology (Steinberg et al, 1994) or unable to cope with the pressures of change. Steinberg et al (1999) suggest that it is a lack of opportunity rather than a lack of ability, interest or motivation which is keeping older people from the benefits of computer technology. Indeed recent studies of Internet demographics found that baby boomers are 50 per cent over represented on the Internet compared with the broader Australian community.
- **Limited return on training investment:** (especially with the popularity of early retirement). Research at Tesco in the UK has indicated that once training is completed older people are likely to remain with employers longer than younger employees (Kern, 1992).
- **Older people do not have the capacity to learn new things:** Age is not a reliable predictor of ability to learn, nor of final standard of performance (Warr, 1993). There is no real decline in the capacity to learn until after 75 years of age. Studies of the ability to solve problems, acquire, manipulate and understand new information, show that it remains constant or increases with age.

The Australian Centre for Industrial Relations Research and Teaching, investigating age and dimensions of work related physical and mental capacities, found that where very small average age related declines in performance for workers aged 45 years and over occurred (such as physical strength), it was usually compensated for by a range of tacit skills and experience-related qualities.

There are considerable variations in performance within all age categories. Thus, performance should be judged on an individual basis rather than by using age as a criterion.

- **Older people are not keen to learn:** Many older people are as keen to learn new skills as younger people are, especially if the new skills are necessary for maintaining their employment or improving their circumstances (Lahteenmaki and Paalumaki, 1993).
- **Older people take longer to learn:** If training methods are appropriate and organised so that older people do not risk being embarrassed in front of a younger colleague, the evidence available indicates that they can learn as quickly (Drury 1993); and retain it longer.

In response to these stereotypes employers may screen applicants by age to limit the potential number of interviews.

Employers may also consider that employing older people in particular positions will block career progression for younger staff. Specific organisational or occupational cultures may be ageist.

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