

**ACTU SUBMISSION  
WORKERS OVER 45 INQUIRY  
JULY 1999**

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## 1. INTRODUCTION

- 1.1 The ACTU represents over two million trade union members in all industries and occupational areas throughout Australia.
- 1.2 The Council has been seriously concerned about high unemployment levels affecting the workforce at large. However one group which is especially at risk in regard to unemployment and the difficulties of re-employment are workers aged over 45.
- 1.3 The ACTU believes that it is not acceptable to regard workers aged over 45 as having reached the end of their productive lives. The necessary policy adjustments need to be made which will facilitate their return to productive paid employment.
- 1.4 In considering the reasons why older workers have difficulty in finding new employment the significant barriers in our view are :
  - i) The level of job creation in the economy generally
  - ii) The failure to adopt mechanisms which allow older workers greater flexibility in working time
  - iii) The failure of most enterprises to adopt good practice in the employment of older workers

## 2. JOB CREATION

- 2.1 Whilst re-employment of workers aged 45 years and over is achieved in a significant proportion of cases there is also a disproportionate likelihood of older workers failing to secure employment and becoming long term unemployed.
- 2.2 Long term unemployment and, with a greater lag, very long term unemployment, increased considerably a short time after the onset of recession. Where Australia experienced strong negative job growth in both 1982/83 and 1990/91 the absolute numbers more than doubled about two and three years respectively after the beginning of both the economic downturns.
- 2.3 Long term unemployment and very long term unemployment fell slowly in the recovery of 1984-90 when the average annual job growth was around 3.3 per cent, which is an unusually rapid employment expansion in Australia for a seven year period. The former decreased from the 1984 peak of about 200,000 to only reach about 110,000 in 1990, and the latter fell from just over 100,000 to about

70,000. Thus while over one and a half million net jobs were created, the implications for long term unemployment and very long term unemployment were increases of only about 90,000 and 30,000 respectively.

- 2.4 There are several factors contributing to the relative position of the long term unemployment numbers when recovery proceeds. As far as the individuals are concerned, it is likely that they eventually reduce job search given a continuing lack of success. Moreover, many of the long term unemployed tend to lose contact with the world of paid work which means that they have less information about upcoming jobs, with the evidence suggesting strongly that contact with mainstream employment is an important job search asset.
- 2.5 Being long term unemployed could also suggest to an employer that these applicants are inferior to either the short term unemployed or those not formally part of the paid labour force. The conclusion can be drawn that the group has been tested for employment potential and been found to be lacking in some respect. With continuing high levels of unemployment, long term unemployed job applicants may have considerable trouble in showing the truth or otherwise of the presumption because of their difficulty in securing an interview for a vacancy.
- 2.6 In practice employers' perceptions and reality are often reinforcing, having the same consequences for the lack of access of the long term unemployed to jobs. Once individuals' unemployment duration starts to increase they become increasingly badly placed as job applicants. Changes in the effectiveness of job search, skill loss, and employers' use of unemployment duration as an indication of adverse characteristics all combine to push the long term unemployment to the back of the hiring queue. The evidence suggests that it is only when the job queues grow very short – after a period of sustained buoyant economic activity – that the re-employment probabilities of the group recover, but even then these probabilities lie below those of other job seekers.
- 2.7 According to research, the main impediment to older workers' employment prospects is the perception that they are less capable than their younger counterparts and that they lack the ability to develop new skills, particularly those with a technological focus.
- 2.8 The above views are supported by recent findings of the Australian Centre for Industrial Relations Research and Training (ACCI RT). ACCI RT's survey of available literature from Australian and international sources, including the Australian Bureau of Statistics, Office of Ageing and the World Health Organisation, show that older workers are perceived on two levels. On one level they are regarded as having more experience and maturity, a more developed work ethic and higher commitment to their jobs. They are also seen as more reliable and loyal, evidenced by their lower rates of absenteeism and turnover.<sup>1</sup>
- 2.9 However, older workers' experience and maturity can also be equated with inflexibility and rigidity. Generally, research shows negative perceptions of older workers as they are seen as having fewer abilities (physical and psychological),

being unreceptive to new technology, more resistant to organisational change, lacking appropriate skills, difficult to retrain, and lacking energy and enthusiasm.

- 2.10 According to ACCIRT research on the actual productivity of older workers, there is no noticeable slowing down in mental ability as workers age. This is confirmed by studies in the US and UK, which show that older workers are quite capable of adapting to new technology and organisational change. The only area in which older workers have been noticed to suffer is in demanding physical work. Apart from that, research shows that differences between workers are individual and that there should be no age-based generalisation about abilities.
- 2.11 The ACCIRT study also demonstrates that where workplaces adopt a positive approach to integrating mature aged workers' skills and experiences, those workplaces have become more productive. However research produced for the NSW Office on Ageing and by the University of Queensland shows many workplaces appear to be denying older workers the chance to learn and progress in their careers. These studies show older workers often receive lower levels of training and retraining, and have lower promotion rates.
- 2.12 A report published by the Consultative Committee on Ageing said it was "fairly clear" that employers used downsizing as a way of eliminating older workers. ACCIRT agreed, stating that industry restructuring has also been seen as a way of ridding the workforce of older workers by targeting them for redundancy because of the belief that it is better to keep younger workers in work.<sup>2</sup>
- 2.13 According to the Australian Bureau of Statistics' recently released catalogue (6286.0) of employment and unemployment patterns, 43% of all Australian jobseekers aged between 45 and 59 had not worked at all for more than two years. Some 50% of those said their main difficulty was employer perceptions that they were "too old". Only 22% of older jobseekers were in stable work for that period.
- 2.14 However recent ABS unemployment figures however indicate that Australia's levels of long-term unemployment are reducing more quickly than total unemployment over the last two years. The reduction in numbers may however reflect other factors besides being successful in job search activity.

**Trend Series**  
**Employment Levels 1998/99**

	February 98	July 98	April 99	% change 98-99
Total unemployed	751,700	757,900	697,100	-7.2%
Long Term Unemployed	111,00	105,600	88,800	-20%
Very Long Term Unemployed	237,800	243,600	214,000	-10%

2.15 The average duration of unemployment for age groups reported in the ABS April 1999 Labour Force was as follows; <sup>3</sup>

***Duration of Unemployment***

Age		15-19	20-24	25-34	35-54	Total
Duration	Average (weeks)	21.4	41.3	48.3	70.2	52.9
	Median (weeks)	13	15	15	26	17

2.16 The trend shows a clear increase in the duration of unemployment as age increases. Whilst the duration of unemployment is not separately supported for the age group 55-65 it is safe to assume that the trend continues and most probably worsens for this age group.

2.17 The actual rate of unemployment for the 45 and over category has been reducing over the last six years.

***% Unemployment Rate – August***

	1991	1993	1995	1997	1998
15-19	21.0	23.0	20.0	19.0	18.8
25-34	9.0	10.2	7.7	7.0	7.2
45-54	5.9	6.9	4.9	6.0	5.4
55 - over	7.5	9.9	6.5	6.3	5.5

2.18 The major difficulty facing those over 45 is the long period of unemployment that they face in a significant number of cases. The factors which influence the difficulty in gaining employment are those outlined above. In the ACTU's view the following steps should be taken to assist the older (45 and over) group overcome the difficulties in obtaining employment.

- i) Those most vulnerable to exclusion from the labour market need education, training and learning to enhance employment chances. This calls for an informed understanding of their needs. It covers knowledge, skills and capacities in vocational fields where there is demand, and the ability continually to extend employment-related learning. Equally important may be participation in activities which boost confidence, broaden horizons, and promote learning skills including in areas outside the workplace.
- ii) There have been important changes to the structure and location of economic activity. There has been a rise in self-employment and the

expansion of small enterprises. Many new jobs involve temporary, part-time or contract work, sometimes carried out in several locations or at a distance from the home by phone or computer. These call, in addition to basic work skills, for new management, self-management and administrative capacities.

- iii) In a market where employers have a bias towards younger employees consideration should be given to the introduction of greater levels of financial incentives to encourage employers to hire older employees.
- iv) The government should reduce the maximum waiting period for unemployment benefits under the liquid assets test. The Howard government extended to a maximum of 13 weeks the time people must wait for unemployment benefits if they have more than \$2,500 in "liquid assets" (\$5,000) for couples. Many workers who lose their jobs and have a small amount of savings in the bank now have to wait up to three months before they receive income support. 16,000 people each year are affected by this unfair measure, which has caused particular hardship for workers who have a small amount of savings set aside for family needs. The government should reduce the waiting period to a maximum of 8 weeks and extend the threshold savings levels to at least \$3,500 for singles and \$7,000 for couples.
- v) The government should reverse the inclusion of superannuation assets in the means test for unemployment benefits. In the past for a worker over 55 and receiving unemployment benefits his/her superannuation assets were not counted in the means test. Superannuation was treated differently from other assets because people were expected to preserve it until they chose to retire. Workers aged over 55 who have been on unemployment benefits for nine months or more now will have their superannuation counted in the benefit means test. This will force many older workers to retire early because they will be forced to use up their superannuation rather than stay in the workforce. 67,000 older workers will be affected each year by this unfair measure which should be reversed.
- vi) Economic policy must continue to focus on maximising the level of economic growth so as to stimulate higher levels of job creation. Only through high levels of growth (4% +) will Australia reduce its unemployment levels significantly.

### 3. FLEXIBLE WORKING TIME FOR OLDER WORKERS

- 3.1 To date in Australia there has not been a great deal of innovation in regard to working time arrangements for older workers.

3.2 Most older workers who remain in paid employment will, until their retirement :

- i) work 38 hours per week
- ii) take the standard 20 days recreation leave
- iii) work on twenty days each calendar month i.e. a five day working week

3.3 In a range of other countries, particularly Europe, a variety of innovations has been introduced to provide for a transition period from full time employment to the point of retirement. Some examples of the changes which have been introduced are :

- i) In Belgium a system of “career breaks” was introduced by legislation in 1985. These enable a worker to be employed half-time provided any substitute hired was unemployed. The income of the worker is then supplemented by the State to a level approaching the previous level of earnings.
- ii) In France early retirement schemes have been introduced to allow workers to reduce their working hours without loss of pay and to access government pension schemes earlier than normal.
- iii) In Germany enterprise based “social plans” offer early retirement benefits to older workers. Employees apply for redundancy/retirement, they collect unemployment (income related) benefits for a year and then collect the old age pension. The enterprise tops up the government benefits to around the level of normal wages until age 63.
- iv) In Sweden any employer recruiting an older worker who has an “invalidity” pension is repaid half the wage cost. In 1976 a scheme was introduced to enable workers 60 and over to retire gradually – they must voluntarily reduce working time by at least five hours a week or work part time for at least 17 hours a week. They are compensated for 50% of the gross income lost by government.

3.4 Reports on initiatives such as those outlined above deserve closer examination to determine whether they have achieved goals which are positive in terms of good public policy.

3.5 The conclusion which can be drawn from a comparison of Australian practices in terms of working time and retirement by comparison to other countries is that we have not been as flexible or as prepared to seek out mechanisms whereby older workers can make the change from full-time work to retirement in a phased manner which also encourages new employment opportunities.

3.6 The ACTU believes that the following actions should be taken in relation to workers over 45 years in terms of employment and retirement options :

- i) A thorough examination should be made of European, Scandinavian and North American initiatives to determine the scope of flexible retirement arrangements, their costs and benefits and whether they may have application in Australia.
- ii) That particular consideration be given to allowing workers over the age of 55 to claim unemployment benefits with a relaxed work test. The amount of income from part-time employment which should be accepted without a discount in the unemployment benefit should be at least \$250 per week so as to enable the over 55 recipient to obtain around the Safety Net wage rate.

#### 4. BEST PRACTICE AND OLDER AGE WORKERS

4.1 The ACTU recommends that the Committee take note of the guide (attached) to Managing an Ageing Workforce produced by the European Foundation for the Improvement of Living and Working Conditions.

#### 5. CONCLUSION

5.1 The ACTU is of the view that the duration of unemployment for older workers is a serious matter. The preferred response to the problem is to generate sufficient employment opportunities for all those who wish to work. We favour this approach above any other policy proposal which may be put.

5.2 As a supplementary agenda the ACTU believes that more work needs to be done to develop new pathways for older workers to exit the workplace through the combination of fewer working hours, government supports and access to superannuation pension entitlements.

5.3 Employers also need to be encouraged to adopt best practice in regard to employment arrangements for older workers.



## ENDNOTES

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1. ACCIRT – Productivity of Mature and Older Workers : Employers' Attitudes and Experiences pa. University of Sydney, 1996
  2. Encel, Sol and Studencki, Helen, Job Search Experience of Older workers Consultative Committee on Ageing, Sydney, 1995
  3. ABS Statistics, 1994-1995