

## Chapter Two

### The Workforce Experience of Mature Age Workers

#### Introduction

2.1 This chapter examines current patterns in the transition from work to retirement for Australians in the 55-64 age group. As indicated in the previous chapter, current labour force participation rates for the 55-64 cohort are very low. This chapter examines the reasons for this low rate.

2.2 The evidence before the Committee, based on material provided by FaCS, indicates that the majority of withdrawals from the labour force for the 55-64 cohort are not voluntary, and come prematurely, often because of ill-health, disability, caring responsibilities or involuntary job loss. Furthermore, many of those who subsequently seek another job are unsuccessful.

#### The workforce experience of people aged 55-64

2.3 In its written submission, FaCS cited a study conducted on its behalf in 2000 by the Wallis Consulting Group. The study was entitled *Workforce Circumstances and Retirement Attitudes of Older Australians*. The study examined the labour market experiences of Australians aged between 45 and 69, and covered people in receipt of an income support payment and those not receiving any payment.

2.4 The findings of the *Workforce Circumstances and Retirement Attitudes of Older Australians* study on the labour force history of persons aged 55-64 are shown in Table 2.1 below.

**Table 2.1: Persons aged 55-64, job history status, 2000**

Job history	Proportion		
	Men	Women	Persons
Worked in same main job for at least nine years	26.8	13.1	20.1
Last left main job in last nine years	57.6	42.7	50.3
Last left main job ten or more years ago	15.5	41.5	28.2
Have not had job	0.2	2.8	1.5

Source: *Submission 38*, FaCS, p. 8.

2.5 As indicated in Table 2.1, of those persons aged 55-64 in 2000:

- 20.1 per cent had been working in the same main job for at least the past nine years. More men had been working in the same job (26.8 per cent) than women (13.1 per cent);
- 50.3 per cent had last left a main job in the past nine years; and

- 28.2 per cent had last left a main job ten years or more ago. More women (41.5 per cent) fell into this group than men (15.5 per cent).<sup>1</sup>

## Reasons for leaving a job amongst workers aged 55-64

2.6 Following on from the results listed in Table 2.1 above, the Wallis Consulting Group asked those aged 55-64 who had last left a main job in the last nine years why they had left. The results are summarised in Table 2.2 below.

**Table 2.2: Persons aged 55-64 who left jobs in nine years prior to 2000, reason for leaving job**

Reason for last leaving a main job	Proportion		
	Men	Women	Persons
Disability/ill-health/caring/stress	26.1	29.8	27.6
Retire/live off investments/income	15.5	16.0	15.7
Involuntary job-related reason	30.0	12.5	22.7
Other job-related reason	20.9	21.0	20.9
Other personal reason	7.6	20.7	13.0

Source: *Submission 38*, FaCS, p. 8.

2.7 Table 2.2 shows that of those 50.3 per cent of people aged 55-64 who left a main job in the nine years prior to 2000:

- 27.6 per cent left because of ill-health/disability, to reduce stress or to care for an elderly or sick relative;
- 22.7 per cent left involuntarily, due to redundancy or dismissal or were otherwise required to leave their job. For men, this was the major single cause of job departure (30.0 per cent), markedly less so for women (12.5 per cent);
- 20.9 per cent left because of other job related reasons, such as the impact of a company restructure, a sale of a business or a desire to move to another job;
- 15.7 per cent left to retire or live off their investments and/or other income support arrangements; and
- 13.0 per cent left for personal reasons, such as a decision to take a break, family reasons or to move to a new location. This factor was more significant for women (20.7 per cent) than for men (7.6 per cent).

2.8 To summarise these findings, of those 50.3 per cent of people aged 55-64 who left main jobs in the nine years prior to 2000, over half left because of ill-health/disability/caring/stress (27.6 per cent) or left involuntarily (22.7 per cent).<sup>2</sup>

2.9 The Committee examines some of these major reasons for leaving the workforce in greater detail below.

1 *Submission 38*, FaCS, pp. 7-8.

2 *Submission 38*, FaCS, p. 8.

### Ill-health and disability

2.10 In its written submission to the inquiry, the Association of Superannuation Funds of Australia (ASFA) noted that one in nine Australians aged 50-64 is on a disability support pension (DSP). ASFA suggested that one explanation for this may be that the DSP is too lavish, however at only \$11,480 a year, ASFA argued that this is unlikely. Rather, ASFA argued that the high uptake of the DSP may be to save face:

There certainly is a core group of individuals who are unable to work because of disability and never would regardless of the level of public income assistance. However, surveys of the retirement intentions and practices of individuals indicate that in some instances loss of job is followed by loss of face and confidence. It is better from the viewpoint of activity testing and means testing to be disabled rather than unemployed. Socially, it is better to be unable to work rather than being unwanted as an employee. This means that some older persons with potential attachment to the paid labour force can spiral downward into a DSP application.<sup>3</sup>

2.11 ASFA further speculated that the government may intend to tighten eligibility criteria applying to receipt of the DSP. However, ASFA suggested that creating more jobs suitable for mature age workers would be more likely to reduce the number of DSP recipients.<sup>4</sup>

### Involuntary retirement

2.12 In its paper *Too Young to Go – A Review of Good Practice in the Employment of Mature Workers*, the NSW Committee on Ageing argued that a majority of mature age workers leave the workforce unwillingly through retrenchment/redundancy.<sup>5</sup>

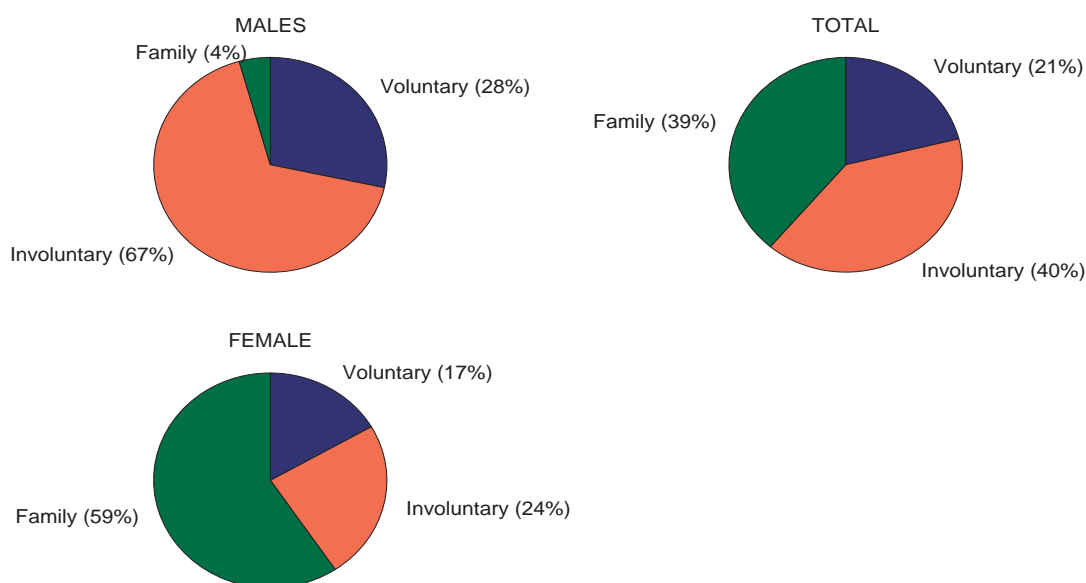
2.13 The Committee notes similar evidence presented by Dr FitzGerald to the Business Symposium on the Economic and Business Implications of the Ageing of the Baby Boomers held on 4 October 2002. Dr FitzGerald presented a chart showing that much of the fall in male participation noted above has been involuntary. This is reproduced in Chart 2.1 below.

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3 *Submission 33*, ASFA, p. 7.

4 *Submission 33*, ASFA, p. 7.

5 *Submission 2*, NSW Committee on Ageing, Attachment A.

**Chart 2.1: Reasons for retirement**

Source: ABS, *Retirement and Retirement Intentions*, Catalogue No. 6238.0, 1997.

2.14 Finally, the Committee also received anecdotal evidence on involuntary retirement during hearings. For example, in the hearing on 8 May 2003, Ms Reeve from the COTA National Seniors Partnership noted that many people call themselves retired because it is more socially acceptable than announcing that they are unemployed. And yet, she argued that a great many people are retired who would love to be employed.<sup>6</sup>

#### Retiring for personal reasons or in order to live off investments

2.15 The Committee notes evidence that while a large number of mature age workers are forced out of the labour force early through redundancy or ill-health/disability, a number of mature age workers retire voluntarily for personal reasons or because they believe they have sufficient savings. As noted in Table 2.2 above, FaCS indicated that the figure is 15.7 per cent.

2.16 While a number of parties to the inquiry argued that it is quite common for Australians to want to retire early, it was suggested that often they cannot afford to retire.

2.17 For example, in its written submission, the Australian Bankers' Association (ABA) argued that too many Australians want to retire at the earliest age possible (that is, age 55 for most) with their Superannuation Guarantee (SG) superannuation, but fail to recognise that these savings alone will not provide enough money for them to

<sup>6</sup> *Committee Hansard*, 8 May 2003, p. 171.

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maintain an adequate standard of living in their extended retirement.<sup>7</sup> This position was reiterated by Mr Rice representing the ABA in evidence on 5 May 2003:

So you would be trying to change behaviour away from this expectation that we can all retire at 55 and play golf and we have enough money to do that, when most do not.<sup>8</sup>

2.18 Similarly, Mr Negline from the Institute of Chartered Accountants in Australia (ICA) noted to the Committee in evidence on 5 May 2003 that it is quite common for Australians to want to retire early, and perhaps pursue more enjoyable pursuits. As stated by Mr Negline:

A lot of people are planning—by accident or maybe even by deliberate design—to be in retirement longer than they have worked. Those people, unfortunately, unless they are prepared to save very heavily, are just not going to have enough money to have their desired retirement income when they finally decide not to work forever.<sup>9</sup>

2.19 That said, Mr Negline noted that a recent phenomenon observed in both the USA and Australia is of people who had retired returning to work because they did not have sufficient assets and income in retirement.<sup>10</sup>

### **The likelihood of finding new work for workers aged 55-64**

2.20 The Wallis Consulting Group also asked those aged 55-64 who had last left a main job in the last nine years and were currently not in the labour force if they had wanted to continue working or had tried to find new work. The results are summarised in Table 2.3 below.

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7 *Submission 41, ABA, p. 5.*

8 *Committee Hansard, 5 May 2003, p. 34.*

9 *Committee Hansard, 5 May 2003, p. 94*

10 *Committee Hansard, 5 May 2003, pp. 88, 91.*

**Table 2.3: Persons aged 55-64 not in the labour force who wanted to continue working when they last left a main job or had looked for work since leaving the labour force, 2000**

Reason for last leaving a main job	Proportion		
	Men	Women	Persons
Disability/ill-health/caring/stress	29.3	21.3	25.6
Retire/live off investments/income	52.1	47.9	50.9
Involuntary job-related reason	47.9	23.8*	33.5*
Other job-related reason	44.5**	21.8	27.9
Other personal reason	17.2	16.9	17.1

\* A small number of cases were excluded from analysis due to missing data on relevant variables.

\*\* Sampling variability too high for most practical purposes.

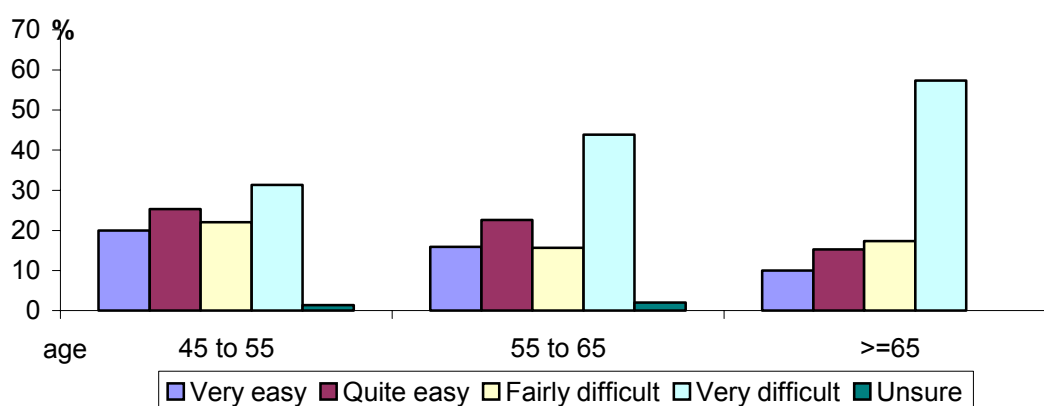
Source: *Submission 48*, FaCS Supplementary, p. 9.

2.21 Table 2.3 shows that of persons aged 55-64 not in the labour force in 2000:

- 50.9 per cent of those who had left a job voluntarily claimed to have sought a new job. A higher percentage of men (52.1 per cent) did so than women (47.9 per cent);
- 33.5 per cent of those who had left a job involuntarily claimed to have sought a new job. A higher percentage of men (47.9 per cent) did so than women (23.8 per cent);
- 27.9 per cent of those who had left a job because of job related reasons – the impact of a company restructure, a sale of a business or a desire to move to another job – had sought a new job; and
- relatively few people who left a job due to disability, illness, to reduce stress or to care for an elderly or sick relative sought a new job (around 17 per cent of both men and women).<sup>11</sup>

2.22 The Wallis Consulting Group also examined the difficulties that people aged 45-55, 55-65 and over 65 faced in finding new work. The results are shown in Chart 2.2 below.

11 *Submission 48*, FaCS supplementary, pp. 8-9.

**Chart 2.2: Difficulty of re-entering workforce rises with age**

Source: *Submission 38, FaCS, p. 9.*

2.23 Chart 2.2 shows that:

- Around 20 per cent of people aged 45-55 said they found it fairly difficult and over 30 per cent found it very difficult to re-enter the workforce. That is, over half of the population within the 45-55 age group found it difficult to re-enter the workforce.
- Around 15 per cent of people aged 55-65 said they found it fairly difficult and over 40 per cent found it very difficult to re-enter the workforce. That is, almost 60 per cent of the population within the 55-65 age group found it difficult to re-enter the workforce.

2.24 The Committee also notes research on high duration unemployment reported by Professor Peetz in a paper entitled *Retrenchment and Labour Market Disadvantage: The Role of Age, Job Tenure and Casual Employment*. This paper was presented to the Association of Industrial Relations Academics of Australia and New Zealand, 7 February 2003.

2.25 Professor Peetz analysed data on unemployment duration by age from the labour force survey. This is shown in Table 2.4 below.

**Table 2.4: Proportion of Unemployed Persons with High Duration Unemployment and Incidence of High Duration Unemployment, by Age (June quarters 1997, 2001, 2002)**

Proportion of unemployed persons with high duration unemployment	1997	2001	2002
Aged 55 and over	67%	57%	57%
Aged 54 and under	44%	34%	33%
Incidence of high duration unemployment – ratio of aged 55+ to 54 and under	1.5	1.7	1.8

Source: ABS, *Labour Force, Australia*, Cat No 6203.0, various months. Cited in D.Peetz, 'Retrenchment and Labour Market Disadvantage: The Role of Age, Job Tenure and Casual Employment', Paper presented to the Association of Industrial Relations Academics of Australia and New Zealand, 7 February 2003, p. 2.

2.26 In commenting on the findings in Table 2.4, Professor Peetz observed that in June 1997, 67 per cent of unemployed persons aged 55 and over were in high duration unemployment, compared with only 44 per cent of the unemployed aged 54 and under. By 2002, the proportion of the unemployed persons in high duration unemployment in both groups had fallen, but the fall for the aged 55 and over (67 per cent to 57 per cent) was proportionally smaller than the fall for the aged 54 and under (44 per cent to 33 per cent).<sup>12</sup>

2.27 Professor Peetz also argued that once unemployed, mature age workers find it extremely difficult to regain work. In support, Professor Peetz cited data that in 1997, 65 per cent of unemployed persons aged 55 and over had been unemployed for 26 weeks or more, compared to 37 per cent of unemployed 24 to 34 year olds.<sup>13</sup> In addition, the Australian Bureau of Statistics (ABS) supplementary survey on successful and unsuccessful job search experiences reveals that jobseekers in older age groups are least likely to be successful in finding a job (ABS Cat no 6245.0, July 2000).<sup>14</sup>

2.28 Finally, Professor Peetz also noted that where mature age workers are retrenched and find new position, those positions are often less secure, less well paid, and more likely to be casual and part-time. As shown in Table 2.5 below, retrenched employees with long prior job tenure are more likely than other retrenched employees to shift from full-time to part-time work.

**Table 2.5: Proportion of permanent employees who changed from full-time to part-time status, by duration in job from which retrenched or made redundant (persons aged 18 – 64)**

Duration in job from which retrenched or made redundant	Proportion of permanent employees who changed from full-time to part-time status	
	1997	2001
Under 12 months	11.0	12.5
Between 1 and 5 years	13.5	12.0
5 years and over	19.4	17.4
All	14.9	14.3

Source: ABS Cat No 6266.0. Unpublished data. Cited in D.Peetz, 'Retrenchment and Labour Market Disadvantage: The Role of Age, Job Tenure and Casual Employment', Paper presented to the Association of Industrial Relations Academics of Australia and New Zealand, 7 February 2003, p. 5.

12 D.Peetz, 'Retrenchment and Labour Market Disadvantage: The Role of Age, Job Tenure and Casual Employment', Paper presented to the Association of Industrial Relations Academics of Australia and New Zealand, 7 February 2003, p. 2

13 D.Peetz, 'Retrenchment and Labour Market Disadvantage: The Role of Age, Job Tenure and Casual Employment', p. 2.

14 D.Peetz, 'Retrenchment and Labour Market Disadvantage: The Role of Age, Job Tenure and Casual Employment', p. 3.

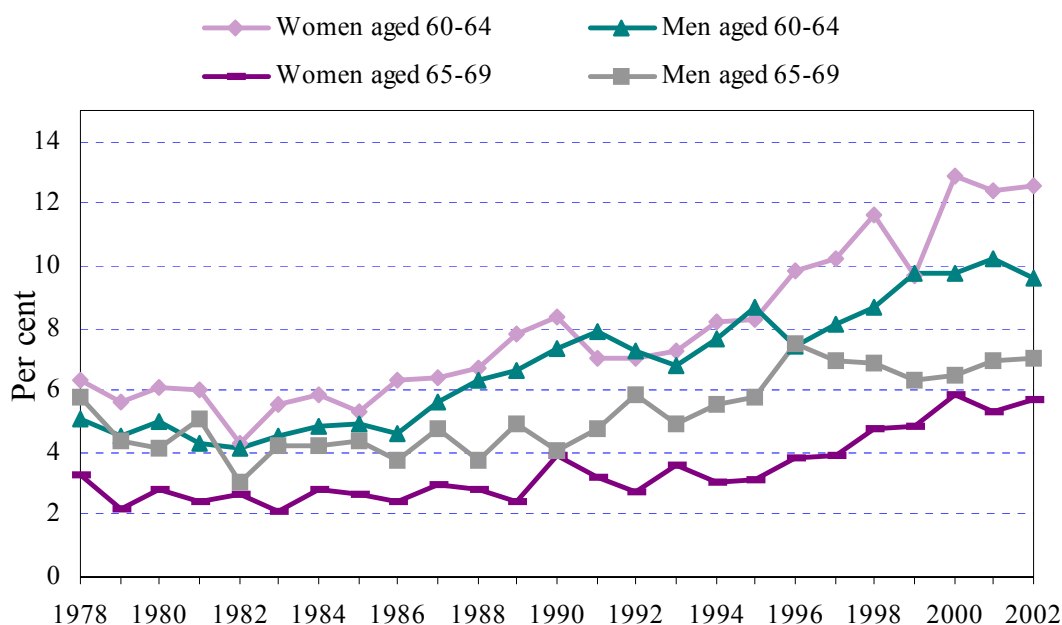


## Encouraging trends in the employment of workers aged 55-64

2.29 In its written submission, FaCS noted that notwithstanding the relatively low workforce participation rates of mature age people, ABS labour force data indicate that there are some encouraging trends emerging. The proportion of people aged 55-64 in employment has picked up over the last five years, reflecting growth in part-time employment. Since 1978:

- there has been an increase in part-time employment for both men and women aged 60-69, but particularly for women aged 60-64. This is shown in Chart 2.3 below.
- there has been a slight increase in full-time employment for women aged 60-64. This is shown in Chart 2.4 below.<sup>15</sup>

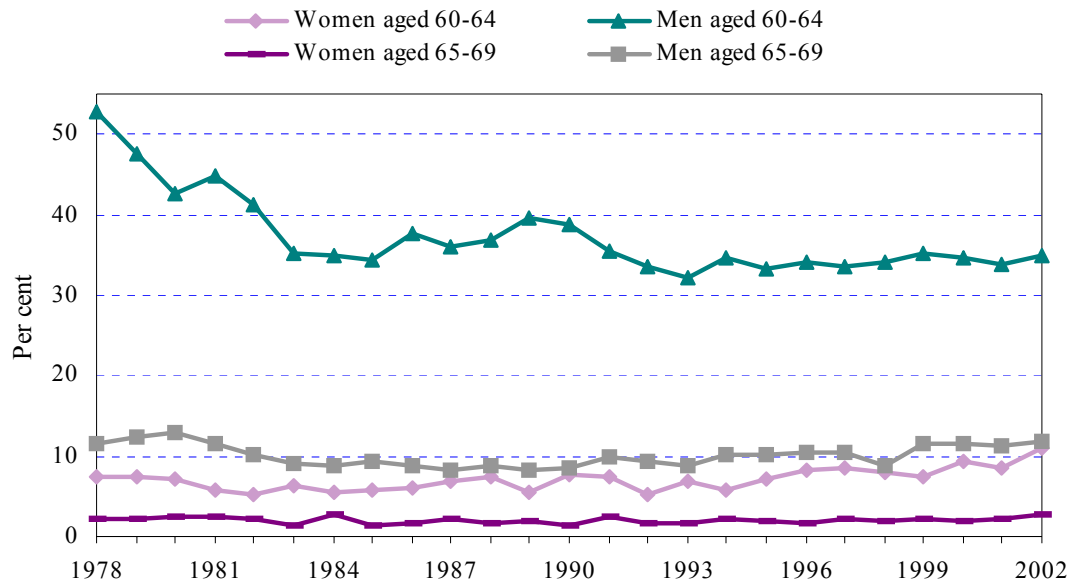
**Chart 2.3: Proportion of older persons employed part-time by sex and selected age group, Australia 1978-2002\***



\* ABS Labour Force data cubes, Selected Summary Tables, Australia, Monthly (Catalogue No. 6291.0.40.001).

Source: *Submission 38*, FaCS, p. 11.

**Chart 2.4: Proportion of older persons employed full-time by sex and selected age group, Australia 1978-2002\***



\*Uses August data points only

Source: *Submission 38*, FaCS, p. 11.