Chapter Four

The Productivity of Mature Age Workers

Introduction

4.1 This chapter examines the productivity of mature age workers. While the previous chapters identified that mature age workers face high levels of discrimination in the workforce, many parties to the inquiry argued that mature age workers are just as productive as their younger colleagues.

Research studies on productivity

4.2 In its written submission to the inquiry, DEWR examined three age-related factors that might be expected to influence the productivity of mature age workers relative to younger workers:

a) Education and training: DEWR cited research by the National Institute of Labour Studies (NILS) in 2001 which found that mature age workers are far less likely to have post-school qualifications and are more likely to be working in low skilled blue-collar jobs.[1]

b) Health, mental and physical ability: DEWR cited a study by Warr that there is no significant overall difference between the job performance of older and younger workers. In almost every case, the variations within an age group far exceed the average differences between age groups.[2] DEWR cited some evidence that the ability to perform constant physical work declines with age and that this can affect the employability of mature age workers in some industries (e.g. construction) and occupations (e.g. heavy labouring). However, jobs of this nature can usually be undertaken differently and any lack of

1 *Submission* 29, DEWR, p. 3.

2 See P.Warr, 'Age and Job Performance', in J.Snel and R.Cremer (eds.), *Work and Ageing: A European Perspective,* London: Taylor and Francis, 1994 (reported in Human Resources Development Canada, 1999).

physical strength can be compensated for by skill and experience-related qualities.[3]

c) Absenteeism and accidents: DEWR cited research on aged-related absenteeism and accidents which indicates that unavoidable absence, including sickness, injury and associated costs, rise sharply from 50 years of age in Australia,[4] but that avoidable absences from work decline with age.[5]

4.3 Based on these factors, DEWR concluded that an ageing workforce is not necessarily linked to lower productivity.[6] This was reiterated by Mr Matheson representing DEWR in the hearing on 15 May 2003.[7]

4.4 The Committee notes that various other parties also examined these three age-related factors in their evidence. This is discussed in greater detail below.

Education and Training

4.5 In its written submission, the WA Department of Community Development cited a 2002 Productivity Commission staff research paper which found that younger workers have on average greater educational attainments than mature age workers, but that mature age workers have the greater level of workforce experience.[8] The department expanded on this point as follows:

a) Younger workers have an advantage over mature age workers when it comes to speed and physical strength, and they generally start their working life with a higher average level of formal education than mature age workers did; however

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3 See R.Pickersgill, C.Briggs, J.Kitay, S.O'Keefe, and A.Gillezeau, 'Productivity of Mature Age Workers: Employers' Attitudes and Experiences', *ACCIRT Monograph*, No 13, University of Sydney, 1996 (reported in 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*, Canberra, August 1999).

4 See L.Bennington and P.Tharenou, 'Mature Age Workers: Myths, Evidence and Implications for Australian Managers', *Asia Pacific Journal of Human Resources,* Vol 34, No 3, Australian Human Resources Institute, Sydney, 1996.

5 *Submission* 29, DEWR, p. 4.

6 *Submission* 29, DEWR, p. 1.

7 *Committee Hansard*, 15 May 2003, pp. 277-278.

8 P.Barnes & S.Kennard, *Skills and Australia's Productivity Surge*, Productivity Commission Staff Research Paper, Canberra, 2002, p. xvi.

b) Mature age workers have greater experience (both work-related and general), corporate knowledge and more mature judgment. They also take less time off than younger workers do.[9]

4.6 In his written submission, Professor Lowther cited research evidence which indicates that many older adults possess the ability to gain new cognitive skills or to enhance skills obtained earlier in life. Professor Lowther suggested that employers tend to put more value on the mechanics of the cognitive system (ie processing speed, reasoning and working memory capacity), which tend to decline slightly in mature age workers. However, he argued that any such decline is offset by mature workers' improved capacity to apply their knowledge through acculturation, education and training resulting from their longer job and life experiences.[10]

4.7 The ACTU also noted the study by ACCIRT cited earlier which found that where workplaces adopt a positive approach to integrating mature age workers' skills and experience, those workplaces have become more productive.[11] However, the ACTU also cited research produced for the NSW Office on Ageing by the University of Queensland which showed that employers often offered mature age workers lower levels of training and retraining and lower promotion rates.[12]

Health, mental and physical ability

4.8 In his written submission, Professor Lowther argued that an active 65 year old has the same memory and learning skills as an active 25 year old. In support, Professor Lowther cited a 1986 study which found that mature age workers' 'output level, accuracy and steadiness of work output' were positively related to their increasing age.'[13]

4.9 Professor Lowther also cited the Seattle Longitudinal Study in the USA from 1998 which tracked 18,000 people over 36 years to test verbal ability, spatial reasoning, numeric ability and perceptual speed. The study found that individuals peak in their inductive reasoning and spatial orientation is their 50s, and in their verbal ability and verbal memory in their 60s. However, the study also pointed to overlap in these areas between younger and mature age workers, right up to workers in their 80s.[14]

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9 *Submission* 22, WA Department of Community Development, p. 1.

10 *Submission* 4, Professor Lowther, p. 2.

11 ACCIRT, *Productivity of Mature and Mature age workers: Employers' Attitudes and Experiences*, University of Sydney, 1996.

12 *Submission* 24, ACTU, p. 2.

13 *Submission* 4, Professor Lowther, p. 2.

14 *Submission* 4, Professor Lowther, p. 2

4.10 Similarly, studies by Rix[15] and Shea[16] cited by the COTA National Seniors Partnership found that differences in productivity are much greater within age groups than between age groups, and that changes in physical ability, cognitive performance and personality have little effect on productivity except in the most physically demanding tasks.[17] A Canadian study cited by ACCI made similar findings:

> The productivity of mature age workers remains relatively constant. The findings indicate that variations in productivity within an age group are more significant than variations between age groups. The data show that ability to read and write improves with practice and deteriorates if not used.[18]

4.11 Finally, the ACCIRT study cited by the ACTU found that there is no noticeable loss of productivity as workers age, except amongst mature age workers in demanding physical work. As a result, the ACTU argued that differences in productivity between workers are individual, and there should be no age-based generalisations about ability.[19]

Absenteeism and accidents

4.12 In his written submission, Professor Lowther noted that mature age workers have lower levels of absenteeism, and stay in a position longer:

- Workers aged between 55-69 stay in a job longer than younger colleagues. For example a study showed that in any one year there is a 25 per cent greater turnover of jobs in the 20-24 age group compared with the 55-69 age group;
- A World Health Organisation study showed that attendance records are better for the mature age group; and
- A 1988 ABS data showed that only 14 per cent of employees absent on sick leave were in the 55+ age group.[20]

4.13 The COTA National Seniors Partnership also cited a study by Access Economics which found that mature age workers:

- Are highly productive;
- Possess experience and wisdom;

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15 S.E.Rix, 'Mature Age Workers', in E.Vierck(ed), *Choices and Challenges: An Older Adult Reference Series*, (Santa Barbara CA: ABC-CLIO Inc, 1990).

16 G.F.Shea, *Managing Older Employees*, (San Francisco; Jossey-Bass, 1991), p. 153.

17 Cited in *Submission* 31, COTA National Seniors Partnership, pp. 5-6.

18 Human Resource Development, *Canada Mature Age Workers in the Labour Market: Employment Challenges*, cited in *Submission* 45, ACCI, pp. 3-4.

19 *Submission* 24, ACTU, p. 2.

20 *Submission* 4, Professor Lowther, p. 3.

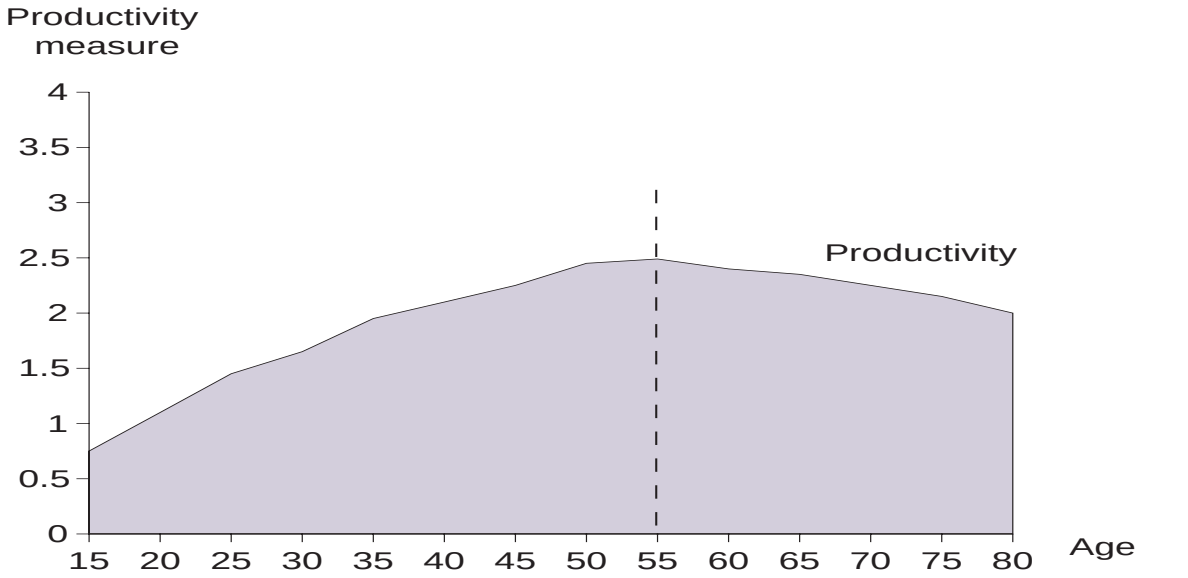
- Produce above average quality work;
- Are loyal to their employer;
- Have a good work ethic;
- Have lower turnover rates; and
- Have lower absenteeism levels.[21]

4.14 Finally, the WA Department of Education and Training argued that productivity declines little with age. The department noted that research shows that turnover rates fall and worker loyalty, work ethic and reliability increase with age.[22]

Research by Dr FitzGerald

4.15 The Committee also notes research presented by Dr FitzGerald to the Committee during its recent inquiry into superannuation and standards of living in retirement. Dr FitzGerald argued that mature age workers are inherently productive, albeit in different ways to younger workers. Dr FitzGerald also presented a chart of productivity by age, reproduced in Chart 4.1 below.

Chart 4.1: Productivity by Age



Source: B.Bacon, *Ageing in Australia: Some Modelling Results and Research Issues,* Retirement and Income Modelling Unit, 1995.

Anecdotal evidence on productivity

4.16 As noted above, there is no objective evidence that productivity decreases with age in most occupations, with a few exceptions such as labouring positions where physical capabilities limit productivity.

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21 Access Economics, *Population Ageing and the Economy*, Commonwealth of Australia, 2001, pp. 6-10.

22 *Submission* 37, WA Department of Education and Training, p. 1.

4.17 A number of parties making submissions to the inquiry also argued anecdotally that the productivity of workers engaged in hard physical duties deteriorates with age, but that the productivity of workers in non-physical labour positions continues to increase up until retirement due to their knowledge and experience:

- The Australian Retired Persons' Association (South Australia) (ARPA(SA)) noted that a judge can work productively to age 75 or beyond, whereas a labourer may become less effective by age 55 or thereabouts.[23]
- The Association of Independent Retirees – Whyalla and Districts Branch noted that some of its members had been engaged in heavy physical work throughout their working lives, and had reached their peak performance fairly early in life (around 40).[24]
- The COTA National Seniors Partnership argued that mature age workers provide mentoring and support to younger workers, are often the bearers of corporate memory, and provide a role model of reliability and diligence to younger employees.[25]
- ACCI noted that mature age workers generally have more experience and other skills which add to their employability and productivity. These attributes include strategic thinking, prudence, a sense of responsibility, fewer absences and loyalty to the employer.[26]

4.18 The Committee also notes that in hearings, Ms Rubinstein from the ACTU argued that many workers, particularly blue-collar workers, are physically worn out by the time they reach retirement age.[27]

23 *Submission* 13, ARPA(SA), p. 2.

24 *Submission* 20, The Association of Independent Retirees – Whyalla and Districts Branch, p. 3.

25 *Submission* 31, COTA National Seniors Partnership, p. 5.

26 *Submission* 45, ACCI, p. 3.

27 *Committee Hansard*, 8 May 2003, p. 116.