

AGE CAN WORK:
The Case for Older Australians
Staying in the Workforce

**A Report to the Australian Council of Trade Unions and the
Business Council of Australia**

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EXECUTIVE SUMMARY

All advanced industrialised countries are confronted with the challenges associated with ageing populations. Increased life expectancy and declining birth rates have meant that the average age of the population in these countries, and in Australia, is rising. Within the next ten years the Australian Bureau of Statistics predicts that the population aged over 65 years will be growing at an annual rate of 4 per cent, considerably faster than total population growth. As a result, by 2021 over 20 per cent of the population will be older than 65.

The implications of the ageing of the Australian population are being widely discussed and increasingly take centre stage in policy discussions. The fiscal challenges of providing high quality health and aged care for a growing share of older Australians were highlighted in the Federal Government's *Intergenerational Report* released as part of last year's Budget. Debates about the sufficiency of superannuation savings and potential strains on public pensions are increasingly common place. And greater attention is being paid to the labour supply and economic growth implications of population ageing.

Against this background, the issue of labour force participation by mature-age workers is also attracting increasing attention. Particularly as those born in the peak year of the baby boom have just turned 55. The impact of population ageing is being compounded by relatively low levels of labour force participation among older workers and early exit from the labour market. If this continues as the 'baby boomers' age, the implications for labour supply in particular, will be much more severe.

Australia is not unique in this regard, but our mature-age labour force participation rates tend to be at the lower end of the spectrum when compared with other industrialised economies – particularly for women.

While the labour force participation rate for mature-age women in Australia has increased dramatically in recent decades it remains well below rates recorded in other advanced industrialised countries. Participation rates among mature-age men in Australia match up better with our economic peers although they have fallen sharply over recent decades and only now look to be stabilising.

While the proportion of mature Australians employed is relatively high, and conversely the aggregate unemployment rate for mature-age workers is low it is still the case that around 1 in 3 Australians aged 45-64 is not employed. The low aggregate unemployment rate for mature Australians also masks the fact that older workers without jobs face significant difficulties gaining and re-gaining employment.

The duration of unemployment steadily rises with age, and around 1 in 4 mature job seekers is out of work for over two years compared with around 1 in 10 job seekers under 45. A wide range of factors have been identified as contributing to the barriers to employment for older workers, including employer attitudes, community attitudes, and the behaviour of older workers themselves.



From the perspective of older job seekers, there is evidence to suggest that age is seen as a major impediment to gaining employment. The persistence of age discrimination despite the existence of anti-discrimination legislation in all States and Territories is also backed up by analysis from the Human Rights and Equal Opportunity Commission and State authorities.

It is common to ignore these factors and to attribute relatively low levels of labour force participation among older workers to ‘early retirement’. The implication is clearly that individuals are making entirely voluntary decisions to exit the labour force. However, as noted above, older individuals face barriers to employment and re-employment that may discourage them from continuing to seek employment. In addition, older workers, particularly males, have been vulnerable to downsizing and restructuring. These trends suggest that reference to early retirement can be misleading and can distort our understanding of the important issues underpinning labour force participation and retirement decisions among mature-age Australians.

Nonetheless, it is clear that there is still a widespread ‘culture’ of early retirement in Australia. Surveys indicate that over 75 per cent of males and around 95 per cent of females intend to retire from full-time work before reaching age 65. Over 50 per cent of women indicate that they intend to retire from full-time work before age 45. Against the backdrop of increasing longevity, the realism of these intentions, both at the level of the individual and from the perspective of the broader community, is open to significant doubt.

While obviously it is for individuals to decide when it is right for them to retire, there is a growing recognition in Australia and overseas that some policies and attitudes have encouraged and reinforced a trend towards early exit from the labour force – voluntary or otherwise. It is important to ensure that policies that are balanced and support older workers choosing to remain in the labour force. Most countries are now addressing these challenges.

There are differences in the approaches being adopted in different countries, although in general most include:

- restructuring benefit, tax arrangements and retirement income policies to enhance flexibility and better balance incentives that have encouraged exit from the labour force before retirement age;
- the development of active labour market policies that provide more intensive assistance to support effective labour market participation by older job seekers; and
- age discrimination legislation.

A theme which is also emerging from comprehensive policy approaches overseas is the importance of addressing public attitudes and perceptions about the benefits of ongoing mature-age workforce participation and increasing awareness of age discrimination legislation and its implications.

This message is reinforced by Australian research with some of the general conclusions drawn from a joint study by the State Equal Opportunity Commissions of Victoria, South Australia and Western Australia including that:



- older workers and employers are uncertain about the operation of anti-discrimination legislation;
- age discrimination was commonly covert and evasive and easily masked; and
- community attitudes do not reflect the legal situation – pressures exist towards induced early retirement, commonly justified by ageist stereotypes.

Achieving widespread changes in community attitudes and perceptions is not something that governments can do on their own. This underscores the importance of developing comprehensive strategies that encompass and involve all levels of government, employer organisations and unions – a message that is also emerging from experiences in other countries. In Australia, the Commonwealth Government is addressing concerns regarding mature-age workers and early retirement across a number of fronts including among others:

- changes to retirement income policies including pensions and superannuation arrangements to redress incentives to early retirement;
- changes to superannuation arrangements to make it easier to contribute at an older age and easier for individuals who decide to re-enter the workforce;
- job search and placement assistance has been enhanced for older job seekers; and
- improved coordination among job placement agencies.

While recognising the changes already undertaken in regard to superannuation arrangements, it is likely that more may need to be done to simplify current arrangements and to increase the flexibility of the system to better support ongoing participation and phased retirement.

The Commonwealth Government has also established:

- a National Advisory Council on Ageing;
- an Inquiry into the reasons for the fall in labour force participation of older Australians; and
- an inter-departmental Task Force to address the implications of demographic trends.

Comprehensive initiatives are also being undertaken at the State level and consideration may need to be given to the scope for, and benefits of, greater integration across State and Federal levels.

Among other areas that can be identified for further action are:

- addressing community, business and individuals' attitudes to workforce participation by mature-age people;
- ensuring that individuals keep skills and competencies relevant, so that they can better handle transitions during their working lives;

- working with employers and their organisations on assessing the impact of the ageing of the workforce and developing strategies and practice guidance designed to retain and support older employees, including action in such areas as: greater workplace flexibility through family-friendly policies, employer support for re-training and preventive steps to reduce the incidence of workers' compensation claims;
- raising wider community awareness of the importance of financial planning and retirement planning (with a view to starting early with younger workers);
- consolidating and more actively promoting information about the range of programs and services available to mature-age people;
- providing up-to-date information for mature-age people about the changing nature of employment – for example, what kind of jobs can be secured, and growth industries;
- creating additional incentives to assist mature-age people on income support, or who have been made redundant; and
- improving services and support for mature-age people, based on their varying needs, including enhanced employment services.

1. INTRODUCTION

The issue of labour force participation by mature-age workers is attracting increasing attention throughout the advanced industrial countries, as shown by a stream of academic studies and official reports, both national and international. In Australia alone, there have been at least six substantial official reports since 1999, and a further comprehensive inquiry is currently under way by the House of Representatives Standing Committee on Ageing. Published reports include:

- *Employment for Mature-Age Workers—Issues Paper*. Published by the Commonwealth Minister for Aged Care (1999)
- *Age Matters*, report by the Human Rights and Equal Opportunity Commission (2000)
- *Age Limits*, report by the Equal Opportunity Commissions of Victoria, South Australia and Western Australia (2001)
- *Population Ageing and the Economy*, report prepared by Access Economics for the Commonwealth Minister for Aged Care (2001)
- *Too Young to Go*, report prepared for the NSW Committee on Ageing (2002)

These reports are unanimous in stressing the difficulties encountered by older workers in the labour market, despite the fact that the number of younger people entering the work force is already falling and will fall more sharply as the effects of declining fertility make themselves felt. The recent *Intergenerational Report* (IGR) issued by the Commonwealth Treasurer (Budget Paper 19) emphasises the need for policies designed to increase labour force participation by older workers. The report estimates that higher rates of full-time labour force participation by older workers would reduce projected government spending on health care and age pensions by 0.25 per cent of GDP by the year 2041. Access Economics, in their report *Population Ageing and the Economy*, estimated that the benefits of increasing labour force participation among older workers could be of the magnitude of those delivered by tax reform and competition policy. Ongoing labour force participation also allows people to accumulate greater superannuation, thus enhancing their health and lifestyle in retirement.

The Intergenerational Report notes that the labour force participation rate (LFPR) for women, particularly in the older age groups, remains well below that of men, although it has risen in the past 20 years. The proportion of women aged 55-64 who were in the labour force rose from 20 per cent in 1979 to 36 per cent in 2000. While among men aged 55-64, the LFPR in 2000 was 61 per cent, and in the age group 55-59 the LFPR for men was 72 per cent, compared with 50 per cent for females. The IGR assumes that the LFPR for women over 55 will rise steadily until it approximates the male rate by 2040, but critics of the report point out that such a rise will not be automatic and will depend on policies to encourage greater participation.

It should also be noted that ‘early retirement’, or more correctly, ‘early exit’ from the work force has increased. Between 1960 and 1995, the average age of work force exit for both men and women fell by 4 years for men and 5 years for women. Much of this early exit is involuntary and the term ‘retirement’ can be very misleading. Research on downsizing by Dawkins and Littler at the University of Melbourne has shown how vulnerability to downsizing increases progressively with age. Older workers who lose their jobs also tend to face greater difficulties regaining employment. Correspondingly, the rate of long-term unemployment among older persons, especially men, has risen significantly faster than the general increase in long term unemployment. Apart from early exit, governments are also concerned about the forthcoming decline of entrants to the labour force. The Retirement Income Modelling group in the Australian Federal Treasury has estimated that whereas the working age population currently grows by approximately 170,000 persons per year, the estimated growth for the entire decade 2020-2030 will be no more than 125,000.

1.1 EXTENSION OF WORKING LIFE

Emphasis on the extension of working life has grown in most industrialised countries, as reflected in numerous reports by the OECD, the European Union, the ILO, the World Bank and other national and international agencies. This increase in concern arises partly because of high levels of unemployment among older workers (defined variously as 40 plus, 45 plus, 50 plus, and 55 plus). More important, perhaps, is concern about the impact of an ageing population on the availability of labour and pressure on established pension systems.

More specifically, contributing factors include the following:

- an ageing population and increased life expectancy;
- pressure on public pension systems;
- a shift of responsibility for pension coverage from public schemes to individual saving;
- the popularity of early retirement;
- a general shift from passive to active labour market policies;
- increases in long-term unemployment among older workers;
- a growing view that employment problems require co-operation between government, employers and unions;
- recognition of age discrimination in the labour market; and
- concern about labour shortages.

Together, these pressures are underpinning policies designed to extend working life and to improve employment opportunities for older people before they reach pensionable age.

1.2 PUBLIC POLICY RESPONSE

In this report, I examine trends in labour force participation and the range of public policy responses in seven countries:

- Australia
- Finland
- Germany
- Japan
- Netherlands
- UK
- USA

All of these countries have introduced a range of policies to address the issues mentioned above, including measures to reduce age discrimination, to increase job opportunities, and to reduce pressure on pension systems.

The introduction of age discrimination legislation has been one approach undertaken in a number of countries. Experience in countries with well-established legislation banning age discrimination and mandatory retirement - USA, Canada, and Australia - indicates that it has had little effect on patterns of retirement. Early retirement is still popular, and employers can find other ways of terminating employment for older workers.

Employment subsidies represent another direction of public policy. They have also not been notably successful, although the recent innovation in Britain of employment credits paid directly to workers rather than employers appears to be moderately popular. Arguments against such schemes maintain that they run the risk of deepening age prejudices and of institutionalising discrimination against older workers. Likewise, proposals for schemes aimed at encouraging employers to hire older workers on temporary or part-time contracts may simply disadvantage those seeking permanent full-time positions.

Whatever the desirability of stimulating mature-age employment, it is unlikely to be possible without some costs. While encouraging the employment of older workers will result in savings in terms of pensions, unemployment benefits and increased tax revenues, training and placement costs will likely rise. Employers may be reluctant to carry the cost of retraining older workers and redesigning workplaces.

It could also be argued that treating the issue as one that focuses on ‘older workers’ is a misplaced approach. There would be value in integrating policies regarding older workers with employment and training policies in general. An approach based on the promotion of age diversity might be more valuable. The definition of ‘older worker’ is arbitrary and applying it could be regarded as discrimination. Governments are clearly hesitant to single out older workers when there are large problems of youth unemployment, which attracts much more public sympathy. On occasions, specific support for a particular age cohort may be warranted, but consideration needs to be given to preventing stigmatisation and gaining support for ‘age-aware’ employment policies.

Philip Taylor, of Cambridge University's Interdisciplinary Research Centre on Ageing, has recently completed a comparative analysis of policies in six of the seven countries listed above (excluding only the UK) on behalf of the Joseph Rowntree Foundation as part of its series of reports on 'Transitions after 50' (*New Policies for Older Workers*, Policy Press, 2002). A useful classification of policy settings in these six countries is shown in Table 1 (the UK is dealt with elsewhere in this report).

While providing a useful snapshot of the range of policies in play, as Taylor himself admits, the table does not indicate the extent to which policies are developed in particular countries. To mitigate this shortcoming each country is discussed in detail later in the report.

Table 1
Main Public Policies Related to Older Workers

1. Comprehensive approach to the employment and retirement of older workers	Australia, Finland, Japan
2. Removal of incentives to early retirement, plus encouragement of later retirement	Australia, Finland, Germany, Japan, Netherlands, USA
3. Abolition of compulsory retirement*	Australia, USA
4. Banning of age discrimination*	Australia, Finland, Germany, Japan, Netherlands, USA
5. Gradual retirement schemes	Finland, Germany, Netherlands
6. Consciousness raising campaigns	Australia, Finland, Germany, Netherlands
7. Guidance and training programs for older workers	Australia, Finland, Germany, Japan, Netherlands, USA
8. Support for employers (advice, training, placement programs)	Australia, Finland, Germany, Japan, USA
9. Support for labour market intermediaries	Germany, USA
10. Employment subsidy and other employment incentive schemes	Australia, Finland, Germany, Japan, Netherlands

Source: Philip Taylor, *New Policies for Older Workers*, 2002 (adapted).

* All members of the European Union are required to introduce legislation to ban age discrimination, not later than 2006. The directive issued by the European Commission in November 2000 stipulates that all forms of age discrimination in employment must be prohibited, but is less clear whether this also entails the abolition of compulsory retirement.

The Cambridge Symposium

Some of the information contained in this report is based on material presented to an international symposium on 'Public Policy, Ageing and Work', held at Cambridge University in December 2002, and sponsored by the Joseph Rowntree Foundation. All seven countries described in the report were represented. Participants included government officials, union officials, academics, and representatives of non-government organisations

2. LABOUR FORCE PARTICIPATION TRENDS

The following tables indicate the general trend towards a fall in LFPR for men throughout the seven countries dealt with in this report (and generally throughout the members of the OECD). The LFPR for women has risen during the same period, but this has been largely due to the expansion of part-time employment, which is dominated by women (although there has been some growth of part-time employment among men).

Table 2 indicates similar patterns in all seven countries. Despite fluctuations due to the business cycle, and especially the effects of severe recession in the 1990s, the general trend has been the same in each case. The sharpest falls in male LFPR have been recorded in Germany and the Netherlands. Similarly, there is a universal upward trend in LFPR for women.

Table 2
LFPR for Men and Women Aged 55-64, 1979-2000
(%)

Country	Men			Women		
	1979	1990	2000	1979	1990	2000
Australia	69.5	63.2	61.5	20.3	24.9	36.3
Finland	56.3	47.1	48.1	41.3	40.8	45.2
Germany	66.9	58.3	55.2	28.4	27.5	34.1
Japan	85.2	83.3	84.1	45.4	47.2	49.7
Netherlands	65.3	45.7	50.8	14.4	16.7	26.4
UK*	-	68.1	63.3	-	38.7	42.6
USA	72.8	67.8	67.3	41.7	45.2	51.8

Source: OECD Employment Outlook reports.

* UK figures for men and women unavailable for 1979. The 1983 figure for men was 71.5 per cent.

The decline in LFPR of men has been attributed to a number of factors - economic, social, and political. Older men have tended to be over-represented in declining industries and under-represented in growth areas. Fluctuations in the economic cycle affect different age groups differently. As employers cut back on recruitment, younger workers are more affected. Shedding of staff, however, has a disproportionate impact on older workers. During recessions, older workers have been made redundant as a strategy to reduce youth unemployment. Genuine early retirement has also increased, as increased prosperity, leisure opportunities, and the growth of occupational pensions have encouraged early exit.

In other words, the fall in male LFPR is due partly to voluntary retirement and partly to enforced redundancy and retrenchment as the result of changes in the structure of the economy, and the effects of 'downsizing' by large enterprises, both public and private. Table 3 illustrates the latter point by comparing unemployment rates across the seven countries. For males aged 55-64 the unemployment rate has risen in all countries except the US and the Netherlands. Female unemployment in the 55-64 age group has, however, not changed significantly, except in Finland and Germany. Finland suffered a particularly severe recession in the early 1990s, which is one reason for its outstanding concern with mature-age employment. Germany has been particularly affected by the unification of East and West.

There is also evidence of barriers to employment and re-employment for older workers. It is generally known that aggregated unemployment figures tend to conceal the fact that long-term unemployment (generally defined as lasting more than 12 months) is particularly concentrated among older workers. Table 4 indicates the situation in 2000 across the seven countries, and the disproportion among age groups. Disaggregation by age and gender highlights the vulnerability of older women to long-term unemployment.

Table 3
Unemployment Rates Among Men and Women Aged 55-64, 1979-2000
(%)

Country	Men			Women		
	1979	1990	2000	1979	1990	2000
Australia	3.1	6.3	4.9	2.3	3.0	2.4
Finland*	3.6	5.1	9.3	5.5	2.8	9.4
Germany	5.5	9.9	12.6	5.9	15.2	15.0
Japan	4.4	3.4	6.8	1.2	1.4	3.6
Netherlands	3.3	2.8	1.7	2.7	6.3	2.1
UK**	-	8.4	5.5	-	5.0	2.8
USA	2.7	3.8	2.4	3.2	2.8	2.5

Source: OECD Employment Outlook reports.

* The 1995 figure for men in Finland reached 16.3 per cent, and for women, 2.8 per cent.

** The 1983 figure for men in the UK was 10.1 per cent.

Table 4
Long-term Unemployment Among Men and Women, 2000
(% of unemployed)

Country	Age Group					
	Men			Women		
	15-24	25-54	55+	15-24	25-54	55+
Australia	17.8	36.6	45.5	16.0	28.3	56.0
Finland	8.8	39.1	58.3	8.8	29.6	54.5
Germany	23.7	49.1	69.1	23.2	52.9	69.1
Japan	26.3	29.4	35.6	14.8	13.8	37.5
Netherlands	-	35.5	56.9	12.5	38.6	43.9
UK	17.4	40.3	46.1	9.9	22.9	30.5
USA	-	6.8	-	-	6.4	-

Source: OECD Labour Statistics Database.

Note: The figures for Finland and the Netherlands should be treated with caution because of small numbers. The trend, however, is similar in both cases.

As already mentioned, the problem of mature-age employment and unemployment has attracted increasing attention from international bodies. In May 2002, the Second World Assembly on Ageing, convened by the United Nations, met in Madrid. The ‘Political Declaration’ adopted by the Assembly states (Article II):

‘The expectations of older persons and the economic needs of society demand that older persons be able to participate in the economic, political, social and cultural life of their societies. Older persons should have the opportunity to work for as long as they wish and are able to, in satisfying and productive work, continuing to have access to education and training programs. The empowerment of older persons, and the promotion of their full participation, are essential elements for active ageing’.

Similarly, the European Union has adopted a variety of objectives designed to reduce mature-age unemployment, and has produced a series of publications describing strategies to improve opportunities for older workers, and giving examples of best practice. Much of this work is done by the European Foundation for the Improvement of Living and Working Conditions, based in Dublin.

3. TRENDS AND POLICY DEVELOPMENTS IN AUSTRALIA

3.1 LABOUR FORCE PARTICIPATION

A combination of the declining birth rate and increasing longevity have decisive implications for the size of the future workforce. By 2012, the Australian Bureau of Statistics (ABS) predicts that the proportion of the population aged over 65 will reach a peak growth rate of 4 per cent per annum, which is considerably faster than total population growth. By 2021, nearly 22 per cent of the population will be aged over 65.⁽¹⁾

The Commonwealth Treasury has projected population growth over the ensuing 40-year period, indicating an almost static figure for children aged 0-14, while the fastest growing age cohort are people aged 65-84. At the same time, the standard labour force age group (15-64) will increase only slowly.⁽²⁾ Workforce growth has already been slowing. By the 2020s, the total projected labour force growth for the **decade** is predicted to be 125,000 compared with current growth of 170,000 **per annum**. In some States, e.g. Tasmania, the working age population will actually decline.⁽³⁾ Currently, one-third of all full-time employed persons are aged between 45 and 64.⁽⁴⁾

The recent strong growth in mature-age numbers is largely due to the ageing of the 'baby boomers' generation and has resulted in a marked increase in the labour force participation of this group. Marked differences, however, remain between the rate of participation among the 'relatively younger' and 'relatively older' mature-age cohorts.

For example, over the 20 years to October 2002, the LFPR for those aged 45-54 increased by 10.0 percentage points to 80.9 per cent while over the same period, it rose by 7.7 percentage points to 50.8 per cent for those aged 55-64. By comparison, the LFPR for those aged 15-44 rose by only 3.1 percentage points to stand at 77.2 per cent in October 2002.

This significant increase in mature-age LFPR in Australia over recent decades has been driven primarily by the large increase in the proportion of females participating in the labour force. This has been due, in large part, to a number of significant social changes that have occurred over the last 20 years such as reduced fertility rates, greater access to childcare, greater acceptance of women with children remaining in the labour force, and strong growth in industries and forms of employment that have traditionally favoured women.

Indeed, over the 20 years to October 2002, the LFPR for females aged 45-54 has increased by 24.3 percentage points to 73.6 per cent, while the comparable rate for females aged 55-64 has increased by 18.1 percentage points to 39.3 per cent. This compares with a decrease in male participation rates over the period, of 3.5 percentage points to 88.2 per cent for 45-54 year olds, and 3.8 percentage points to 62.0 per cent for males aged 55-64.

While male LFPR in both mature-age cohorts has declined steadily for most of the last 20 years, they have rebounded, at least to some extent, over the last five years. This suggests that the long-term decline in the male participation rate in both mature-age cohorts may have bottomed and that participation rates for older males may continue to increase in the medium term, particularly as the population ages.

Employment Patterns

As at October 2002, 78.1 per cent of mature-age people aged 45-54 were employed compared with 76.8 per cent of people aged 25-44. Even for the 45-64 cohort (many of whom will have retired), the proportion employed is still relatively high, at 65.8 per cent. Moreover, over the last two decades, employment has grown by 88.1 per cent for mature-age people while for those aged less than 45 it has grown by 31.3 per cent. Note, however, that the large increase in mature-age employment is due, at least in part, to mature-age workers taking their jobs and careers with them as they progress into an older age cohort, rather than because of newly created jobs.

Full-time jobs growth has accounted for the majority (62.5 per cent) of total employment growth for mature-age people. Nevertheless, one of the most striking structural changes that has occurred at the workplace level over the past two decades has been the growing incidence of part-time employment.

For instance, over the 20 years to October 2002, part-time employment has grown significantly, by 140.1 per cent, compared with around 26.3 per cent growth in full-time employment. Part-time employment has been particularly strong for females (up by 211.4 per cent) increasing from 255,200 in October 1982 to 794,600 in October 2002, with much of this increase occurring over the most recent decade. Part-time employment growth rates for mature-age females have also been strong over the period (up by 183.5 per cent) although from a much higher base (from 220,100 in October 1982 to 624,200 in October 2002). These developments have also been mirrored for mature-age males, with part-time employment increasing by 196.5 per cent over the same period.

Part-time employment now accounts for just under 29 per cent of total employment, compared with 17.5 per cent twenty years ago. Part-time employment is still an overwhelmingly female affair, but the rate of part-time employment among men has almost doubled over the period. In October 1982, a mere 6.7 per cent of mature-age males worked part-time. By October 2002, this proportion had increased to 12.9 per cent.

Structural change in the economy has also affected employment patterns among mature-age workers. In 1980, manufacturing industry was by far the largest employer of mature-age persons (17.7 per cent). By 2002, this had fallen to 12.7 per cent although it still accounts for the largest share of mature-age employment, especially among males. Employment of mature-age workers in the property and business services sector has almost doubled in this period, from 6.4 per cent in 1985 to 11.8 per cent in 2002. Health and community services show a similar pattern, from 8.4 per cent in 1985 to 12.1 per cent in 2002.

By contrast, the population of mature-age employees in retail trade has remained almost constant at around 10 per cent, whereas its share of employees under 45 rose from 14.3 per cent to 17.6 per cent in the period 1985-2002. Details are shown in Table 5.

Unemployment

Older workers as a group experience unemployment rates considerably lower than job seekers aged less than 45 years of age. For instance, the unemployment rate for the population as a whole stood at 5.7 per cent in October 2002 (in original terms) compared with 3.4 per cent for those aged 45 and over.



Table 5
Mature-Age Employment by Industry

Industry	% of Employees Aged 45+	
	1985	2002
Retail Trade	11.0	10.5
Health and Community Services	8.4	12.1
Education	7.1	9.9
Property and Business Services	6.4	11.8
Manufacturing	17.7	12.7
Agriculture, Forestry and Mining	9.5	6.1

Source: Dept. of Employment and Workplace Relations

However, once older workers become unemployed they do not fare nearly as well, with their average duration of unemployment being considerably higher than for job seekers aged under 45 years (85 weeks compared with 40 weeks).

In addition, over 35.3 per cent of mature-age job seekers can be classified as long-term unemployed. This compares with around 18.6 per cent of those aged under 45 years. Reflecting their much longer average duration of unemployment, it is also worth noting that 25.7 per cent of mature-age job seekers are classified as very long-term unemployed (over 2 years) compared with only 10.2 per cent of those under 45.

The duration of unemployment rises steadily with age, and the disparity between older workers and the rest of the population has increased steadily since the 1970s. Using ABS figures, Whitfield and Ross showed how the duration of unemployment among workers over 55 climbed steadily over a 15-year period, 1978-1993.⁽⁵⁾

Table 6
Duration of Unemployment by Age, 1978-93

Year	Total Population (weeks)	Persons Aged 55 and Over (weeks)
1978	28	36
1983	43	60
1988	53	99
1993	60	118

Since 1993, the figure for the over-55s has fallen somewhat. In 1999, it was 104 weeks for men and 107 weeks for women.⁽⁶⁾

In 2001-02, the Department of Family and Community Services conducted a detailed study of the very long-term unemployed, covering 1520 persons. Among this group, 89 per cent had been receiving income support for periods ranging from five to ten years. They were, understandably, pessimistic about their chances of finding unemployment. Age was rated as the greatest single impediment to employment (37 per cent). In a parallel study of 3429 mature-age persons, who were all receiving income support, age discrimination was nominated by 81 per cent as the main reason for not finding employment.⁽⁷⁾

Age is also a factor in retrenchment (or ‘downsizing’). A study of downsizing, covering 4,000 firms in the period 1990-1998, found that exit rates increased steadily with age, from 36 per cent at age 20 to 39 per cent at age 40 and 42 per cent at age 60.⁽⁸⁾ Moreover, the chances of re-employment decline progressively with age, as pointed out by Perry, who has estimated the prospects of re-employment for workers aged 45-49 at 79 per cent, falling to 42 per cent for those aged 55-59, and 24 per cent for those aged 60-64.⁽⁹⁾

3.1.1 Employment and Retirement

Much attention is currently being paid to the impending exit of the ‘baby boomers’ from the labour force as they reach their sixties.

Those born in the peak year of the baby boom – 1947 – are turning 55; an age where people realistically consider early retirement. Under some superannuation schemes, the benefits available are maximised either at or before this age, creating a financial incentive for people to leave full-time work.

A 1997 survey of retirement and retirement intentions of persons aged over 45 found that of those who had retired from full-time work, the majority of men retired between the ages of 55-64.⁽¹⁰⁾ A significant portion of the full-time workforce is likely to be retiring in the next decade.

Table 7
Age at Retirement from Full-Time Work
(%)

Age Group	Men	Women
Under 45	6	52
45-54	18	22
55-64	53	21
65+	<u>23</u>	<u>5</u>
	100	100

Source: ABS, Retirement and Retirement Intentions Survey, 1997

As in other countries, pension and superannuation policies have encouraged workers to retire early. A government economist notes that community attitudes have been broadly supportive of early retirement for many years. In turn, these attitudes are reflected in provisions governing access to superannuation and social security payments, and also in employer behaviour and workers' expectations. For example, one effect of the means-tested pension (which has existed in Australia since 1909) is to encourage people to retire early and use up superannuation assets before pensionable age (known as 'double dipping').⁽¹¹⁾

Julia Perry, a former official of the Department of Family and Community Services, argues that double dipping is only available to people with significant assets and accumulated superannuation payments. Nonetheless, in the long run, policies that induce older people to leave the workforce are destructive. Retirement income policies should be complemented by strategies to encourage prolonged employment. Governments, she maintains, are still ambivalent in their attitudes, and the same is true of employers, unions and service providers. She argues for an integrated approach to rebuild a culture of longer working life.⁽¹²⁾

3.1.2 Age Discrimination in Employment

Laws banning age discrimination and abolishing compulsory retirement were enacted by all Australian States and Territories in the 1990s. The Commonwealth Parliament abolished compulsory retirement in the Australian Public Service in 1999.⁽¹³⁾ At present there is no national law banning age discrimination, although the Government intends to introduce legislation in the first sitting of Parliament this year and has sought public comment on a related information paper.

In its report in 2000, entitled *Age Matters*, the Human Rights and Equal Opportunity Commission noted a steady stream of complaints regarding age discrimination in employment, despite the existence of anti-discrimination legislation. The report classifies complaints under five headings:

- age stipulations in job vacancies listed by agencies of the Job Network;
- vacancies and promotional opportunities in the defence forces;
- cases where workers over 65 were refused employment on the grounds of age limits established under legislation;
- age discrimination by trade unions in refusing membership; and
- discrimination in the offer of redundancy packages and the monetary value of the packages.

Analysis of complaints made to the various State authorities suggest that recruitment is the greatest single cause of complaint. A study of 188 cases dealt with by the New South Wales Anti-Discrimination Board over a 3-year period, 1994-97, found that 39 per cent of complaints concerned recruitment, and 27 per cent dealt with dismissal or retrenchment.⁽¹⁴⁾ This contrasts with the situation in the United States, where dismissal or retrenchment are the most important causes of complaint to the Equal Employment Opportunity Commission.⁽¹⁵⁾

The impact of age discrimination legislation on the attitudes of employers has been examined in a detailed study by Bennington & Wein, who investigated a sample of employers and a corresponding sample of job applicants. They concluded that the legislation did not appear to influence employers significantly in the areas of recruitment and selection. And they suggest that multiple approaches, including public awareness campaigns and a more pro-active approach to the monitoring of discrimination are necessary.⁽¹⁶⁾ Another study by Bennington examines the difficulties and uncertainties which surround the operation of anti-discrimination law, especially because of varying interpretations applied by tribunals and courts.⁽¹⁷⁾

The largest study yet undertaken was sponsored jointly by three of the State Equal Opportunity Commissions – Victoria, South Australia and Western Australia. The research entailed consultation with stakeholders in legal bodies, unions, employer associations and other relevant bodies. Focus group discussions with older workers and employers were also held, including specific groups of older women and workers from non-English-speaking backgrounds.

Although the report largely repeats the findings of earlier research, it represents the largest and most systematic study of its kind and its findings are therefore of interest. Its general conclusions were:

- older workers and employers are uncertain about the operation of anti-discrimination legislation;
- older workers commonly reported that recruitment agents screen applicants according to age criteria;
- age discrimination was commonly covert and evasive, easily masked by asking questions such as, ‘How old are your children?’ Another evasion was to describe applicants as ‘too qualified’; and
- community attitudes do not reflect the legal situation. Covert and overt pressures exist towards induced early retirement, commonly justified by ageist stereotypes.

A particular area of complaint related to the practices of recruitment agencies. A recruitment consultant interviewed by the researchers commented that older applicants were often advised to remove their age from applications and truncate their work history in order to disguise their age. An unemployed former customs officer claimed that negative judgments were made by recruitment agencies at an early stage, and observed that recruitment agents were operating with an ‘Identikit’ picture of what employers wanted.⁽¹⁸⁾

3.2 COMMONWEALTH GOVERNMENT ASSISTANCE TO MATURE-AGE WORKERS

A comprehensive discussion of the problems of older workers is to be found in the report of a committee of the Australian Senate, published in 1995.⁽¹⁹⁾ The report criticised the prevailing economic orthodoxy which, the report argued, ignores the reality of a labour market where older persons are affected by prejudice and stereotyping, and also fails to note that older workers have suffered disproportionately with each oscillation of the business cycle.⁽²⁰⁾

The Senate report provides a useful summary of attempts to improve the situation of older workers between 1986 and 1995. In 1986, a review of the social security system drew attention to the disproportionate impact of unemployment on older workers and proposed a number of measures to improve support and expand job opportunities.⁽²¹⁾ Some of these proposals were acted upon. One example was the Adult Wage Subsidy Scheme, which provided a wage subsidy for employers to take on unemployed people aged 45 and over who had been out of work for over a year. Another was the Older Worker Unemployment Project, a pilot scheme which operated in 1988-89. It was replaced by the Older Unemployed Labour Market and Income Support Strategy, which ran for two years. After an unfavourable evaluation, the scheme was abandoned in 1992 and incorporated into the 'Newstart' labour market program. The evaluation report noted that barriers to the employment of older workers were due to a wide range of interacting factors including employer attitudes, community attitudes, and the behaviour of older workers themselves. The evaluation report also recommended that the older unemployed should be treated as a group suffering special disadvantage.⁽²²⁾ As a result, access to labour market programs was made easier. In the 1992-93 Budget, provision was made by which unemployed persons aged 50 and over would be allowed immediate access to 'special intervention' programs, and they were relieved of the necessity to demonstrate that they were looking for work. Those aged 60 and over who had been unemployed for more than 12 months became eligible for a Mature-Age Allowance (in effect, the old-age pension), and the partner of a person eligible for this allowance could qualify for a Mature-Age Partner's Allowance. The age of eligibility was later dropped to 55.

Working Nation

Following an extensive report by an expert committee on labour market programs, the former Labor Government embarked on a strategy entitled *Working Nation*. It included a Job Compact, which guaranteed a job offer for all people who had been receiving unemployment benefits for 18 months or more. Recipients of such benefits were required to accept the offer. Case management for the long-term unemployed, already part of the Newstart program, was expanded, and early intervention programs were introduced for those assessed as being at risk of long term unemployment. Although older workers were not specifically mentioned in these programs, the effect of the changes was to increase the level of assistance for the older unemployed.⁽²³⁾

3.2.1 Changes Since 1996

The 1996 general election resulted in a change of government. The Coalition outlined a comprehensive policy approach in their election platform that included:

- a network of Career Transition Centres to provide mature-age people with a range of services;
- funding for community-based organisations to develop job skills and undertake training;
- immediate eligibility for people aged 45 and over to enter labour market programs and receive case management services;
- removal of restrictions on voluntary work;
- a pension bonus plan to encourage people not to retire at 65, but to work for an extra five years, which would entitle them to a bonus on top of their pension; and
- abolition of compulsory retirement in the Australian Public Service

Progress has been made in implementing this policy agenda. Compulsory retirement in the Australian Public Service was abolished in 1999, bringing the Australian Government into line with the States and Territories, all of which abolished compulsory retirement in the 1990s.

The pension bonus scheme, which provides for an additional payment of 9 per cent on top of the standard pension for those remaining in employment beyond age 65, was introduced in 1998. Up to June 2002, 42,700 people had registered for the scheme. In the financial year 2001-02, a total of \$A21.7 million was paid to 4,535 people. By comparison, there were 1.8 million persons receiving the old-age pension in June 2002. An evaluation of the scheme was carried out by an external consultant in 2001, but the results have not yet been released.

In 1997, a single agency, Centrelink, was set up to bring together income support and labour market assessment. The Department of Social Security, was replaced by the Department of Family and Community Services, and some of its functions were transferred to Centrelink. In 1998, labour market assistance was contracted out through the Job Network, comprising public, commercial and non-profit agencies, of which the largest are church-based (Mission Australia, the Salvation Army, and the Uniting Church). Contracts are let through competitive tendering. The Commonwealth Employment Service (CES) was abolished.

The Job Network is strongly focused on outcomes, which means that older job seekers are disadvantaged because of the difficulties they face in gaining and re-gaining employment. As noted earlier, the latter reflects a wide range of interacting factors including the negative attitudes of employers. The introduction of competition has had both positive and negative effects, and the success rate of the Job Network has not been significantly different to that of the Working Nation programs.⁽²⁴⁾

Job Network contracts offer three levels of service:

- job matching;
- job search training; and
- intensive assistance, which provides case management for 12-18 months, depending on the level of disadvantage.

The data published by the Department of Employment and Workplace Relations indicate that older workers do not do well at any of these three levels, as follows:

- a relatively low placement rate for job matching;
- relatively low rates of eligibility and positive outcomes from job search training; and
- relatively high rates of eligibility and participation in intensive assistance, but a relatively low rate of positive outcomes.⁽²⁵⁾

In response to these revelations, the Government has acted to improve services for mature-age workers, who constitute 30 per cent of Job Network clients. A job seeker aged 45 years and over is now allocated a greater number of assessment points, thus giving greater access to intensive assistance measures. The Job Seeker Classification Index, used as the assessment mechanism, now gives greater weight to factors such as age and duration of unemployment. Official statements claim that 85 per cent of the mature-age unemployed will gain greater assistance to find jobs.

3.3 WELFARE REFORM AND MATURE-AGE EMPLOYMENT

In 1999, the Government announced its intention to embark on an extensive reform of the welfare system. A reference group comprising representatives of the community sector, private business, government and the universities was set up, and produced a report in 2000 after receiving a number of submissions and undertaking a round of consultations. The resulting document is generally referred to as the McClure report after the chairman of the reference group, Patrick McClure, Chief Executive of Mission Australia. (Mission Australia, a non-denominational Christian charity, incorporates a number of the city missions set up in the 19th Century).

The keyword in the McClure report is ‘participation’, which was to be achieved through five principles:

- individualised service delivery
- simplified income support
- incentives and financial assistance
- mutual obligation
- social partnerships

The Government’s response was given in the 2001-2002 Budget, which announced a program entitled *Australians Working Together* (AWT), based on the recommendations of the McClure report.⁽²⁶⁾ The AWT program contains a section dealing specifically with mature-age persons, defined in this instance as people aged 50 and over. Measures to be introduced under this program include the following:

- Transition to work – entailing practical help such as career counselling, courses to upgrade skills, and assistance with job applications;
- Training credits – payments between \$A500 and \$A800 for accredited training courses undertaken by job seekers who have completed minimum participation requirements (i.e. ‘mutual obligation’);
- Training accounts – available to assist job seekers to gain work-related skills;
- Language, literacy and numeracy supplement – an extra payment of \$A10 per week to help meet the incidental costs associated with approved training courses;
- Changes to the Newstart Allowance to make it more flexible for mature-age applicants. The official statement notes that ‘people will only be asked to do things they are able to do’ while searching for employment. The Newstart Allowance will also replace (in 2003) the Mature-Age Allowance and the Mature-Age Partner Allowance; and
- Personal Advisers. Several hundred of these were appointed during 2002, to provide more intensive individual assistance to unemployed people with special difficulties.

Further changes designed to improve services for mature-age workers are due to start in July 2003, under the general title of the 'Active Participation Model'. This model includes the following items:

- A single provider working with each job seeker. This is a response to the widely reported complaints by mature-age job seekers about their treatment by the staff of Centrelink and some Job Network agencies. Under the new model, every mature-age job seeker will be referred by Centrelink to a single Job Network member;
- Job Seeker Accounts. Job Network agencies will be able to purchase a wide range of assistance for their clients, including work clothes and training programs. This supplements the Training Accounts mentioned above;
- Internet Servicing. Information is provided through two websites. Australian Workplace (<http://www.workplace.gov.au>) provides information on employment, workplace relations, government assistance, jobs, careers, training and wages. Australian Job Search (www.jobsearch.gov.au) allows people to search for jobs online, create an online resumé for viewing by employers, and access information on demand for skills and opportunities for volunteering;
- Green Reserve. This is a voluntary program for job seekers aged 35 plus, with an emphasis on activities of an environmental and heritage character. Job seekers can qualify for training credits up to \$800, to be used for purchasing training which extends the work experience gained through Green Reserve activity. Although precise details are not available, the Government claims that the program has been well received and is delivering positive outcomes for the majority of participants;
- ICT Skills for Older Australians. The Government has committed \$23 million for the period 2002-2006 to fund an estimated 46,000 training places in information technology for persons aged 45 plus, whether they are in the labour force or are welfare dependent;
- New Apprenticeships. This scheme, introduced in 2001, removes the age restrictions that apply to traditional forms of apprentice training. In December 2001, 11.6 per cent of new apprentices were aged 45 plus. From July 2003, extra financial incentives will be offered to employers for taking on apprentices aged 45 plus who are welfare dependent, or unemployed through redundancy, or have attempted to return to the workforce; and
- The Career Counselling Program is a small initiative (funded to the tune of \$2.6 million over three years, 2002-2005), for career counselling of parents caring for children entering the work force, and for older workers aged 50 plus.

Improved Co-ordination

With the growth of concern about the special difficulties faced by mature-age workers, the Department of Employment and Workplace Relations is endeavouring to improve linkages with State and Territory government agencies that provide labour market programs. The Government is also endeavouring to improve conditions for mature-age clients of Job Network agencies. The National Employment Services Association, established in 1997, embraces 120 Job Network Agencies and is in contact with 350 others. The Association has set up a mature-age special interest group to identify the particular needs of mature-age job seekers.



3.4 STATE-BASED PROGRAMS FOR MATURE-AGE WORKERS

The first State government to introduce a labour market program aimed specifically at the mature-age unemployed was New South Wales, which set up the Mature Workers Program in 1989.⁽²⁷⁾ Since then, all other States except Tasmania have introduced their own programs, generally as part of more comprehensive policies to address the ageing of the population. A brief description follows, taking each State in turn.

New South Wales

The Mature Workers Program (MWP) aims to maximise the retention of mid-life and older workers in the labour force, and to facilitate the entry of unemployed mature-age persons into the labour force. Its objectives are officially defined as:

- funding of community based projects to provide training and job opportunities;
- encouraging employers to create workplace opportunities; and
- placement of mature-age persons in jobs or training in growth industries.

For the first ten years of the MWP, it had two strands. Strand I included assistance with job search skills, training, finding suitable vacancies and facilitating placement with employers. Strand II was originally intended to deliver accredited vocational training courses to upgrade the skills of mature-age workers who were unemployed or facing unemployment, and/or to retrain unemployed workers in new skills. An evaluation by an external consulting group in 1999 recommended that Strand II be discontinued, enabling more funding for Strand I. Since 2000, Strand II has been largely replaced by the provision of coupons or vouchers that enable clients to purchase training programs from accredited providers. Community based organisations are funded to provide job search skills or training, group support sessions, find vacancies and facilitate work experience placements or placements into paid work. In addition, the technical education system (TAFE) provides training programs free of charge.

It may be noted that the MWP was originally established under a Liberal-National coalition government. When the Labor Party took office in the State in 1995, the fate of the MWP was in some doubt, as the incoming government took the view that labour market programs were primarily the concern of the Commonwealth Government. Since 1995, the role of the State government in employment policy has been reduced, although the MWP survived. Its budget, however, has not increased since 1995. In 2001-2002, it received a budgetary allocation of \$A3.13 million, which was estimated to provide assistance for 7500 people.

Evaluation reports indicate that 60-70 per cent of clients are successfully placed, two-thirds in employment and one-third in training. The most successful age group are those aged 45-54.

In 1999-2000, 48 per cent of participants aged 45-54 were placed in employment and 16 per cent in training programs, compared with 37 per cent and 12 per cent, respectively, for the 55-64 age group. These figures compare favourably with the results of the Commonwealth Job Network, where the corresponding employment figures were 36 per cent for the 45-54 age group, and 25 per cent for those aged 55-64.

Victoria

In October 2002, the State government published a report dealing with the impact of an ageing population.⁽²⁸⁾ The report emphasises the contribution of older workers to the economy, and notes that ‘employers with discriminatory attitudes and rigid ideas about retirement age are missing out on the substantial benefits that can flow from employing mature-age workers’. It goes on to list the following initiatives:

- the Community Business Employment Program, which has placed 4,000 job seekers aged 45 and over into work since 2000;
- the Community Jobs Program, aimed at providing access to jobs and training;
- the Private Sector Skills Development Program, available to job seekers aged 40 and over;
- the Working for Ages project, aimed to raise employer awareness;
- the 45 Plus Workforce Inc. to provide support and training to mature-age job seekers; and
- the Retrenched Workers Hotline.

The report also announces the Government’s intention to undertake further actions in this area:

- development of ‘best practice’ schemes to improve retention of mature-age employees in the public sector;
- development of positive attitudes to mature-age workers through the promotion of ‘Age Aware Employer Champions’; and
- working in partnership with industry groups to encourage small and medium sized enterprises to age-profile their workforces.

VicHealth, a government agency concerned with health promotion, has also included the promotion of mature-age employment in its Mental Health Promotion Plan, on the grounds that economic participation contributes to mental health. A strategic plan has been developed in consultation with a number of interested parties, including the Council on the Ageing, the Victorian Chamber of Commerce and Industry, and union groups. The program, entitled *Working for Ages*, includes a study of the mature-age employment policies of four large employers in both public and private sectors.

Queensland

In 1998, the State government established a six-year program called *Breaking the Unemployment Cycle*, which is the largest State-based labour market program. It aims to create 56,000 apprentice, trainee and job placement opportunities during the lifetime of the program. Since 2001, the scheme has focused more intensively on mature-age job seekers, with the introduction of the *Back to Work Program* and the *Experience Pays Program*. *Back to Work* targets people aged 45 and over who have been unemployed for at least 3 months. The program is currently operating in 51 locations throughout the State, many of them in rural and remote areas, where unemployment is particularly high. *Experience Pays*, which provides a wage incentive for employers, has been less successful, perhaps because the program does not also provide a job matching service.

Three other programs have also attracted significant numbers of mature-age job seekers:

- *The Community Jobs Plan* provides funded job placements for community and public sector organisations to employ long-term unemployed people for periods of 3-6 months on a variety of projects. Up to June 2002, 7,500 people had been assisted, 19 per cent of whom were mature-age job seekers;
- *The Community Employment Assistance Program* funds community organisations to provide a range of training, job search, work experience and other assistance to long-term unemployed persons. Up to June 2002, over 15,000 job seekers had been assisted, 31 per cent of whom were over 40; and
- *The Community Training Partnerships Program* operates through identifying skill shortages and future employment needs. More than one-third of participants have been aged 40 and over.

An interesting local project has been set up in South Brisbane, billed as creating ‘45 jobs in 45 weeks for the over 45s’. The scheme was initiated by the local State MP, and represents a partnership between the State government, the local Chamber of Commerce, community groups, and the local newspaper. The local Training Centre has been funded to co-ordinate the campaign, including a call centre for employers and job seekers, and the provision of employment assistance and job matching services.

South Australia

In 1999, the SA Government introduced several labour market programs. The Mature-Age Employer Incentive Scheme offers a subsidy to employers who take on an unemployed older worker for an average of 20 hours or more per week for a minimum of six months. The Mature-Age Skills Training Grant provides subsidies for unemployed people aged 40 and over to undertake retraining.

In addition, the SA Government has, since 1982, supported a community organisation, DOME (Don’t Overlook Mature Expertise), which provides specialist employment assistance to mature-age persons. It maintains a job bureau; mutual support, information and referral services; training in office skills; contact with employers; and newsletters. DOME’s success rate has fluctuated between 500 and 1,000 placements per year.



Western Australia

The WA Government also launched a program for mature-age workers in 1999, under the slogan 'Profit from Experience'. It provides five elements:

- a network of access offices;
- a career restart scheme for retrenched workers;
- a skills redirection program;
- a 'cyber job link' for remote communities; and
- a skill recognition process, which may lead to formal retraining.

An evaluation of the program by a private consultant found that 40 per cent of clients had been placed in employment. Following a change of government in 2001, the program's life has been extended to at least three years, and its work has been integrated into the broader framework of State government employment policies. In the longer term, the fate of the program will depend on the outcome of a policy review by an 'Active Ageing Task Force', which produced an issues paper in November 2002. The issues paper describes the importance of developing a mature-age employment strategy, and emphasises the need to deal with barriers inherent in current taxation, superannuation and income support policies, which will require reforming legislation to retain sufficient numbers of older workers.

3.5 RECENT DEVELOPMENTS AT THE COMMONWEALTH LEVEL

There are indications that the Commonwealth Government is increasing its concern with workforce participation by mature-age persons. The Job Network scheme is now taking more account of the special needs of the mature-age unemployed. In addition, the Government is also turning its attention to the importance of retaining mature-age persons in the workforce and reducing existing incentives to early retirement.

The Prime Minister, John Howard, has expressed his concerns about early retirement in several speeches during the past two or three years. Most recently, he told a conference of financial planners in Sydney that the ‘cult of early retirement’ should be abandoned.⁽²⁹⁾ He noted that the LFPR among people aged 55-64 was relatively low in Australia (49 per cent, compared with 60 per cent in the US). Companies would need to abandon current retirement policies, and more flexible working hours were needed.

The Prime Minister’s speech comes on the heels of an address by the Minister for Ageing, Kevin Andrews, to the 6th Congress of the International Federation on Ageing in Perth in October 2002.⁽³⁰⁾ The Minister stressed that his portfolio, previously entitled Aged Care, had been renamed to indicate a more comprehensive approach to issues related to the ageing of the population. The address refers several times to the importance of retaining older workers in the labour force, quoting the estimate made by Louise Rolland of the Business Work and Ageing consortium that an annual growth of 180,000 in the labour force would be required between 2020 and 2030 to sustain annual GDP growth of 2-3 per cent.⁽³¹⁾ Since this address, the Minister has announced the establishment of an inquiry into the reasons for the fall in LFPR among older Australians. Concurrently, the recently established Federal parliamentary committee on ageing is conducting a comprehensive inquiry into the probable impact of ageing on Australian society during the next 40 years. In addition, the Minister has announced the formation of a national Advisory Council on Ageing, which is scheduled to hold a forum on mature-age employment during 2003.

The need to retain mature-age workers in the labour force has also been examined in the IGR, released as part of the supporting papers in the 2002 Commonwealth Budget. The report addresses itself to questions of fiscal policy and the impact of demographic change on government finances. One of the seven priorities identified in the report is to encourage mature-age workforce participation.

The Intergenerational Report predicts a continued fall in LFPR for men aged 45-54 and 55-59 during the next 40 years. However, it expects this to be compensated by an increase in LFPR for women in all age groups. According to these projections, participation rates for men and women aged 45-59 should be similar by 2042. However, the report does not address the factors that will contribute to this and does not include policies aimed at improving work incentives.

Since the publication of the Intergenerational Report, an interdepartmental ‘Task Force’ has been set up to report to the Treasurer. The following description of its activities is reproduced from official sources.

‘The Task Force will focus on:

- labour force participation, particularly for older Australians who wish to work;

- superannuation and retirement incomes policy; and
- managing expected increased government spending in areas affected by demographic change, particularly health and aged care.

A key consideration for Australia is that action needs to be taken across all government. A whole-of-government approach is being taken involving government agencies with a stake in the welfare system, the retirement incomes system, employment policy and services, education and training, workplace relations (including occupational health and safety), the economic and social participation of Indigenous Australians, migration, ageing policies and health.

On labour force participation, actions will need to be considered in respect of those currently mature-aged as well as succeeding generations. Amongst the areas for further action are:

- addressing community, business and individuals' attitudes to workforce participation by mature-age people;
- ensuring that individuals keep their skills and competencies relevant, so that they can better handle transitions during their working lives;
- working with employers and their organisations on assessing the impact of the ageing of the workforce and developing strategies and practice guidance designed to retain and support older employees, including action in such areas as: greater workplace flexibility through family-friendly policies, employer support for re-training and preventive steps to reduce the incidence of workers' compensation claims;
- raising wider community awareness of the importance of financial planning and retirement planning (with a view to starting early with younger workers);
- consolidating and more actively promoting information about the range of programs and services available to mature-age people;
- providing up-to-date information for mature-age people about the changing nature of employment – for example, what kind of jobs can be secured, and growth industries;
- creating additional incentives to assist mature-age people on income support, or who have been made redundant; and
- improving services and support for mature-age people, based on their varying needs, including enhanced employment services.'

The Government has also taken heed of the concerns that retirement incomes policy, and particularly the rules concerning superannuation, can have the effect of encouraging early retirement. A first step to counteract this phenomenon was the Pension Bonus Scheme, described above. This has since been extended to provide a lump sum. Persons who remain in employment past age 65, provided they work for at least 960 hours each year (i.e. an average of 20 hours per week for 48 weeks), can accrue a lump sum, tax free, at the time they claim the age pension.



Other adjustments to superannuation have been made in order to encourage continued labour force participation beyond the levels that currently prevail. They include:

- increasing the preservation age from 55 to 60, on a phased basis, between the years 2015 and 2025;
- making it easier to contribute to superannuation at an older age, by increasing from 70 to 75 the maximum age up to which working members of superannuation funds can make personal superannuation contributions; and
- changing superannuation taxation arrangements to make it easier for someone who has retired and commenced taking a superannuation pension to stop the pension and roll the proceeds back to the accumulation phase in the same fund, in the event they decide to re-enter the workforce.

A number of these issues have been examined in the series of reports listed in the Introduction, and again in the National Ageing Strategy released by the Minister for Ageing, Kevin Andrews, early in 2002.

4. OVERSEAS EXPERIENCE

4.1 FINLAND

Finland is generally regarded as the model for a strategic approach to the issues arising from an ageing workforce. In 1998, the government set up a 5-year National Program for Ageing Workers. It identified six major issues for concern:

- early retirement;
- low rate of labour force participation among ageing workers;
- low rates of re-employment;
- reduced working capacity;
- low educational levels; and
- ignorance and prejudice in the community at large.⁽³²⁾

The National Ageing Program is targeted at the age group 45-64, whether employed or unemployed. The program depends heavily on concerted action, implemented through a Supervisory Group which includes five government departments (Finance, Trade and Industries, Labour, Education, and Social Affairs and Health); the Association of Local and Regional Authorities, the Institute of Occupational Health, and the Social Insurance Institute. Pension funds are also represented, together with representatives of the trade unions and employer organisations. The main responsible authority is the Ministry for Social Affairs and Health. The group as a whole are referred to as 'social partners'.

The program has had appreciable effects. Finland suffered badly from economic recession in the early 1990s, leading to a general drop in employment levels in all age groups. Older age groups were hit particularly badly. Employment rates for the decade 1989-1999 show a long-term decline of 8 per cent overall, but the older age groups have recovered considerably, so that the decline in employment has been smaller (5 per cent for the age group 50-54, 3 per cent for the age group 55-59, and 4 per cent for the age group 60-64).

Other results of the program may be summarised as follows:

- retirement ages have shown a slight upward trend, from an average 58 in 1989 to 59 in 1999;
- active labour market programs have been promoted through the introduction of a job-seekers allowance. The goal was to have 10,000 people over 50 in employment and the same number in training programs. This target was reached in 1998, although the increase in the 55-59 age group was significantly lower than the result for the 50-54 cohort;
- a special feature of the National Ageing Program is the involvement of the Institute of Occupational Health, which has developed a program of Maintenance of Working Abilities (MWA, or in Finnish, TYKY). MWA covers not only physical fitness but life styles, occupational safety, professional skills and management of the working environment. A measuring system has been devised, known as the TYKY Barometer, published biennially. According to the 1999 Barometer, measures to enhance occupational safety rose from 50 per cent to 69 per cent, and physical fitness activities from 51 per cent to 60 per cent;

- age discrimination is prohibited by law, but exists nevertheless. Part of the National Ageing Program has been to increase awareness of the problem and to combat ageist stereotypes. Two surveys, in 1996 and 2000, suggest that discrimination has decreased and that public attitudes have become more positive. However, employers remain reluctant to hire older workers, an attitude expressed in the maxim ‘50 but not 55’; and
- early retirement has been facilitated in the past by a ‘pipeline’ system of unemployment allowances. An unemployed person has been able to obtain benefits at age 55, move to an ‘unemployment pension’ at age 60, and then to the old-age pension at 65. This pipeline route was especially popular during the recession period of the early 90s. An agreement has now been reached between the ‘social partners’ to vary these arrangements with the aim of postponing early retirement.

Following the agreement described in the preceding paragraph, the Finnish government introduced legislation in November 2002 to reform the pension system. The changes are due to take effect in 2005. They include the following:

- eligibility for the old-age pension will be in the age range 62-68;
- contributions to the ultimate pension can begin at age 18;
- the so-called ‘individual retirement pension’ will be abolished;
- part-pensions will be available from age 58;
- the unemployment pension will be abolished and replaced by a new system of unemployment benefits; and
- an injured person will have a statutory right to vocational rehabilitation.

The Finnish pension system, like all European systems, is contributory. The flexibility provided by defining pension age within the range 62-68 is accompanied by provisions encouraging people to stay on in employment and continue contributing. Thus, people who stay in work after age 63 will receive a higher pension accrual rate until age 68, and a further increment if they continue working past 68.

The legislation also provides for a ‘lifetime coefficient’, which means that pensions will be adjusted if life expectancy increases. The coefficient will be applied to all persons at age 62, and will be the same for men and women. This provision is due to take effect in 2010.

The success of the National Ageing Program is, understandably, a matter of debate. A survey of employers and unions in 2000 demonstrated some predictable differences in their assessments of the program.⁽³³⁾ Employers were interested in blocking the ‘pipeline’ to early retirement by raising age limits, and felt that the program paid insufficient attention to stimulating employment in small and medium-sized enterprises. Union concerns were to increase emphasis on occupational health and safety, and to protect older employees from forced redundancy.

4.2 GERMANY

The situation of older workers in Germany presents a number of familiar features:

- decline in LFPR for men since the 1970s, contrasting with increased LFPR for women;
- high risk of long-term unemployment; and
- various forms of overt and covert discrimination by employers.⁽³⁴⁾

These problems are aggravated by the economic difficulties of the former German Democratic Republic, whose unification with the former Federal Republic has imposed severe burdens on German society and economic progress. In 1992, about one million persons aged 45 to 65 were registered as unemployed, and by 2001, this had increased to 1.5 million. In 2001, the long-term unemployment rate (one year plus) among persons aged 55-60 was 59.2 per cent, and 58.3 per cent among persons aged 60-65.

The difficulties confronting older workers have been enhanced by reforms of the pension system between 1992 and 1999, which raised pensionable age and also introduced disincentives for early retirement. The pension reforms have been criticised on the grounds that they do not take into account the differences between various groups of older workers and have actually made life worse for some of them, especially if they are forced to leave the labour force because of ill-health or redundancy.⁽³⁵⁾

So far, the situation in Germany remains principally at the level of discussion and proposals for reform. A conference in Berlin in 1999, sponsored by the European Foundation for the Improvement of Living and Working Conditions, enunciated a set of principles (described in the introductory section of this report), which are being promoted by a variety of groups in Germany. However, the issue appears to have a low profile among company executives. A survey of human resource managers in 14,000 companies in 2000 found that only 3-4 per cent regarded the ageing of the workforce as a significant issue. Other surveys have shown similar results.⁽³⁶⁾

As against such attitudes, the Confederation of German Employers' Associations (BDA) treats the matter seriously. It has published a practical guide for employers, containing advice on utilising the skills and experience of older workers. The BDA has also joined with employers' associations in Denmark, the Netherlands and Ireland in a project entitled 'Pro-Age', launched in 2001, which aims to promote wider understanding and exchanges of experience. Practical guidelines for improving the employment situation of older workers will be jointly developed.

The issue has also received attention from one of the major trade unions in Germany, IG-Metall, which covers metal manufacture, electrical goods, textiles, garments, timber and plastics.

The IG-Metall statement observes that the corporate strategy of early retirement, which still prevails, cannot continue indefinitely. It also notes that concern with mature-age unemployment should not pre-empt concern with the high level of youth unemployment. The union would like to see a reduction in working hours as a step towards providing more employment opportunities. This should include a gradual reduction in working hours and the expansion of part-time employment for older workers. IG-Metall consider that this option can only become significant if it is required by law.

The union statement also stresses the need for job redesign and occupational health programs. Rigid work organisation leads to a premature loss of working capacity, and also prevents systematic use of the experience and skills acquired by older workers. However, a policy of working longer needs to be accompanied by protection against arbitrary dismissal, wage protection for older workers, and the design of workplaces which will not disadvantage older workers with reduced capacities. Work organisation that utilises the skills and experiences of older workers is, in itself, a protective measure to maintain health and well-being.

4.2.1 Government Initiatives

In 2001, the German government launched the ‘Alliance for Jobs’ in collaboration with employers’ organisations and unions. The Alliance aims to encourage lifetime vocational training. It has also adopted an agreement designed to improve employment prospects for older workers by spreading the message that early retirement is no longer the answer to unemployment.

This shift of emphasis away from early retirement is supported by a program developed by the Federal Ministry of Education and Research, entitled *Innovative Work Organisation*. The program supports research on job reorganisation and disseminates results. The Ministry has set up a home page (www.demotrans.de) for public access to the results of research and accounts of best practice.

Response to these programs has indicated that companies are anxious to find out how to cope with the ageing of the workforce. As a result, the Ministry launched a further initiative in 2002, designed to give companies appropriate advice. Issues dealt with include the following:

- the use of mixed-age work teams
- horizontal job rotation
- occupational health
- recruitment of young people and women employees
- lifelong learning
- career planning

The program is aimed not only at older workers, but also at the baby boomers. At present, 127 companies are participating, together with three industry associations covering machine building, electrical and electronics manufacturing, and air-conditioning and heating.

It is noteworthy that these programs show specific concern with the employment of women, an aspect that has so far received little attention. A significant number of research papers has now been published on the topic, examining gender segregation and policies designed to re-integrate women into the paid workforce after a career break.

4.3 JAPAN

Japan is a special case in more ways than one – most of them beyond the scope of this report. For present purposes, we may note that population ageing has proceeded farther and faster in Japan than anywhere else in the world. By 2025, one-quarter of the population will be aged 65 years and over.

The prospect of a rapidly ageing workforce led to a succession of policy decisions and legislative action from the 1970s onwards. These are based on three ‘pillars’. The first aims to encourage companies to retain workers until age 65, through subsidies, grants and loans, as well as statutory changes in the retirement age. The second includes measures to promote re-employment of older workers, using a range of incentives. The third pillar comprises advisory services and job programs, including the well-known Silver Human Resource Centres.⁽³⁷⁾

Since the 1970s, one of the chief instruments of those policies was legislation lifting the effective age of retirement. Japan is famous for its ‘tacit contract’ of lifetime employment, which actually meant retirement at age 55 (the Teinen system). Teinen does not necessarily mean exit from the labour force. Some retired employees are taken on by the same company with a fixed-term contract, and some are hired by subsidiaries of their former employer. Others find their own jobs. Survey research indicates that the majority of men would prefer to work until 65.

The need to extend the Teinen age led to a government decision in 1973 to subsidise the raising of the age limit to 60. This was followed by a number of other legislative measures:

- quotas, introduced in 1977, requiring companies to increase their proportion of employees aged 55 and over to 6 per cent;
- grants for ‘employment stabilisation’, introduced in 1978, offering subsidies to employers who hired persons aged 55-64 through the labour exchange system;
- the Employment Stabilisation or Teinen Act (full title, The Law Concerning Stabilisation of Employment of Older Persons), passed in 1986. As a result, all large firms, or 90 per cent of those with 30 or more employees, now have a Teinen age of 60;
- the Teinen Act was amended in 1990 to encourage employers to continue workers in employment until age 65, a further amendment in 1994 gave statutory force to a Teinen age of 60;
- the Employment Insurance Law was amended in 1994 to top up wages with a allowance for older persons remaining in work. Workers aged between 60 and 64 are eligible, provided they are earning no more than 64 per cent of their pre-Teinen wage. Below 64 per cent, they receive a top-up of 25 per cent; at levels above this, the allowance is progressively reduced and disappears when the new wage exceeds 85 per cent of the pre-Teinen level. Instead of the previous system of subsidies paid to employers, this allowance is paid directly to the worker. By 1998, one-third of employers were implementing the scheme; and
- the Employees Pension Law was amended in 1995, providing for a significant easing of the earnings limit imposed on pensioners.

Pension reforms have accompanied the re-employment incentives described above. Apart from easing the earning limit, pensionable age has been raised. By 2013, the pensionable age for men will reach 65, and for women by 2018. Partial pensions will also be available for persons aged 60-64. The logic behind these changes is to provide an attractive income for this age group, made up of wages, the partial pension, and the top-up allowance.

The Actions of Employers

Japanese public policy typically requires co-operation between government, the corporate sector, and the public. The various schemes described above involve contributions from government, employers, and workers. Employers have not been enthusiastic in their response to the raising of the Teinen age. Large firms responded by resorting to the Shukko system, where the company retains workers but sends them to work for a subsidiary. Research indicates that the Shukko system has been applied to a large number of workers in their 50s.

Workers retained within the principal firm were removed from the established system of pay and promotion once they reached 55, involving substantial cuts in pay. Almost all large corporations have refused to extend employment beyond Teinen age. Instead, they have instituted 're-employment schemes' which provide jobs on an annual contract basis, up to age 63 or, in some cases, 65. A well-known case is that of the Matsushita electrical manufacturing company, whose re-employment scheme has been criticised as a publicly subsidised low pay work system.

Job Programs and Advisory Services

The best known of these is the Silver Human Resource Centres, which offer temporary employment for retired persons aged 60 and over. The centres aim to provide a combination of employment, a small income, and community involvement. There are currently about 1300 centres, whose total membership was 540,000 in 1998. Their income in 1998 was approximately 200 billion yen (approximately \$A2 billion).

Assistance is also provided by the Association of Employment Development for Senior Citizens, which has a head office in Tokyo and branch offices in each of Japan's 47 prefectures. They are approved by the Ministry of Labour as providers of advisory services on employment opportunities, job development, and preparation for retirement.

4.4 NETHERLANDS

The situation of mature-age workers in the Dutch labour market is similar to that which prevails throughout the OECD. As elsewhere, policy is strongly influenced by the state of the pension system. The number of people over 65 is expected to double between 2000 and 2040, and the age dependency ratio to rise from 22.1 per cent to 42.7 per cent. Life expectancy is also projected to rise in the same period.

At the same time, age discrimination is widespread, in spite of legislation. Eight per cent of job advertisements still specify age limits.

4.4.1 Policy Settings

The main thrust of Dutch government policy is to encourage the baby boom generation to remain in the work force. The target is to achieve an annual rise of 0.75 percentage points from 1999 onwards. The policy is based on the following principles:

- make it easier and more attractive for people to stay longer in work
- avoid enforced retirement wherever possible
- the costs of voluntary retirement should be borne individually rather than collectively
- encourage re-integration into the labour market

Voluntary Retirement

To reduce voluntary retirement, favourable tax treatment previously given to early retirement schemes has been abolished, effective from January 2003. In 2009, all voluntary retirement schemes are to be transformed into 'pre-pension' schemes, with a transitional period. This will end in 2022, when transitional schemes will lose favourable tax treatment. Other tax advantages accorded to employee insurance and early retirement schemes will also be abolished. At present, early retirement schemes give people the option of retiring early (with a reduced pension) or retiring later (with a higher pension). Government policy is based on the assumption that the transition from early retirement to flexible retirement will encourage older employees to work longer.

Age Discrimination

At the time of the European Commission directive on the banning of age discrimination (November 2000), the Netherlands parliament was debating its own anti-discrimination laws. These were withdrawn, and legislation conforming to the EC directive was introduced at the end of 2001. Another Bill, prohibiting discrimination on grounds of disability or chronic illness, was introduced at the same time. A bureau to monitor age discrimination (LBL) was set up in 1994.

Tax Credits

Age-related tax credits have been introduced at three levels, ages 57-60, 61-62, and 63 plus, rising at each level. These are intended to encourage older workers to remain in the workforce.

Unemployment Benefits

The Government's intention is to reduce the number of older people claiming unemployment benefits. This could entail the abolition of an exemption introduced in a period of recession, freeing people aged between 57-65 from the obligation to seek a job. While this measure is under consideration, it will depend on the results of research into the labour market prospects of older people.

Older Workers Task Force

This was set up in 2001 to encourage changes of attitude among employers and employees. It includes representatives of employers' associations, unions, minority groups, senior citizens' organisations, researchers, members of parliament, and media representatives. The Task Force presented its first interim report in April 2002. It is due to present a second interim report in January 2003 and a final set of recommendations to the Minister for Social Affairs and Employment by mid-2003. Apart from stressing the need to change public attitudes, the Task Force has made a number of specific recommendations, including:

- a meeting of Dutch industrialists in May 2003 to discuss 'trend-setting initiatives';
- a 5-year program of awards for best practice;
- support for older people to start their own enterprises;
- a 'Congress on Diversity' to be held in April 2003;
- the establishment of a co-ordinating mechanism for government policies on ageing;
- elimination of inflexible age limits; and
- more support for research on ageing issues.

4.5 UNITED KINGDOM

In December 2002, the British Secretary of State for Work and Pensions, Andrew Smith, released a discussion document ('Green Paper') entitled *Simplicity, Security and Choice: Working and Saving for Retirement* (Cm5677). Although the document is mainly concerned with pensions, it also deals with employment and working life.

4.5.1 Introduction

The Green Paper provides a succinct introduction to the issue of mature-age employment, which is paraphrased below.

Older people possess a wealth of talent and experience. We need to make better use of it. In the late 1970s and early 1980s, the employment rate of older make workers declined sharply. Although the rates have improved slightly in recent years, they are still far below the employment rates seen in the 1960s. Give that life expectancy is increasing, this trend is incompatible with decent living standards in retirement for the average pensioner.

Economic growth and the commercial success of businesses depend on all groups playing a full part in the world of work. In 20 to 30 years time, we expect there to be fewer 20-50-year-olds in relative terms than there are now. In this context we need more of our older people to remain in work.

Many older people retire early even though they find work rewarding. Given greater flexibility, they would prefer to stay in work. Longer working can dramatically reduce the amount of saving needed for retirement. People could therefore save less as a proportion of their annual earnings to generate the same income in retirement.

The report provides a calculation to illustrate the above point, basing it on a person whom starts saving at age 30 (figures net of tax at the basic rate). If he/she wishes to retire at 55, a weekly saving of £stg85 would be necessary to achieve a weekly income of £stg100. This would drop to a weekly saving of £stg15 if retirement were delayed to age 70. An even greater disparity applies if the target retirement income is set at £stg300 per week. To achieve this at age 55 would entail a weekly saving of £stg260, compared with £stg50 if retirement were delayed until age 70.

4.5.2 Actions Taken to Date

The Green Paper provides an up-to-date list of policies introduced by the Blair government since it took office in 1997.

New Deal 50 Plus

This program was introduced in 2000. It aims to assist unemployed older people with practical assistance and support required to compete in the labour market. The program offers advice to unemployed older people who have been claiming benefits for at least 6 months. Personal advisers offer a range of assistance, including help with job search skills, costs for travelling to

interviews, work-based learning and work trials. The program also pays an employment credit in addition to a person's wage if they take a job (both full-time and part-time). This additional money is paid to the employee. The employment credit can also be used to assist in setting up a small business. Training grants are also available.

New Deal 50 Plus has been evaluated several times. Findings may be summarised as follows:

- the employment credit is regarded as the most attractive feature of the program, both among clients and staff of the employment service;
- the training grant was regarded as irrelevant, difficult to understand, and had little influence on the behaviour of clients;
- the average age of clients was 55, i.e. they were clustered at the lower end of the eligibility scale;
- the availability of the employment credit had convinced many clients to take a job at a lower wage than they would otherwise have done;
- success was more likely if the client had not had a period of long-term unemployment; and
- women had a higher success rate than men, although the majority of clients were male.⁽³⁸⁾

Between April 2000 and October 2002, over 86,000 people aged 50 and over returned to work and claimed the employment credit. Even though the payments last for only 12 months, the majority of the participants were still in work at October 2002. The in-work training grant has been made more attractive by doubling the amount and extending the period from one to two years.

Jobcentre Plus

Jobcentre Plus has been set up to bring together two pre-existing organisations, the Employment Service and the Benefits Agency. Its aim is to promote work as the best form of welfare, while providing assistance and support for the jobless. It is part of the Department for Work and Pensions (itself created by a reorganisation of pre-existing functions).

The Working Tax Credit

This program will replace the employment credit in 2003. It will include a return-to-work requirement for people aged 50 and over who have been unemployed for at least six months. It will extend in-work financial support to adults without children, similar to that offered to parents through the Working Families' Tax Credit.

The Code of Practice

In 1999, the Blair government introduced a voluntary *Code of Practice on Age Diversity in Employment*. It sets out principles of employment without an age bias, and includes examples of best practice. The code has made some impact, but rather less than the optimistic expectations current when it was launched. However, evaluation has shown that the proportion of employers using age as an employment criterion has fallen from 27 per cent to 13 per cent. An updated code was launched in December 2002 as part of an ‘Age Positive’ campaign.

4.5.3 Further Action

The Green Paper outlines a series of further programs and legislative changes.

Intensive Assistance

New measures to assist unemployed people aged 50 and over, including individually tailored assistance packages.

Incapacity Benefits

Special programs to assist the large number of persons aged 50-65 who cannot find work because of incapacity. These programs were outlined in a Green Paper entitled *Pathways to Work*, issued in November 2002.

Pension Credits

Job search support will be made available during the period 2010-2020, when pension ages for men and women are due to be equalised.

Pension Bonuses

This move is intended to encourage people to defer taking their state pension. Currently, a person who does not draw their state pension at age 65 has the pension amount increased by 7.5 percentage points for each years of deferment (up to 5 years). The Green Paper proposes to increase the bonus amount to 10.4 per cent and to remove the 5-year limit. In addition, the Government will offer a choice between an increased pension or a taxable lump sum. If they chose the lump sum, they would retain their standard pension (currently £stg100 per week), and also receive a one-off payment of £stg20,000 after tax.

It should be noted that the Green Paper explicitly rejects the suggestion that pensionable age should be raised, which has occurred in some European countries and also in the US.

Flexible Retirement

The Green Paper notes that occupational pension and superannuation rules discourage people from moving to a reduced level of work (part-time or otherwise). Tax law permits people to take an occupational pension and to continue in employment, but not with the organisation that pays the pension. The Government’s proposal is that legislation should permit a pension scheme to make rules enabling a person to continue working for the same employer *and* to draw their

pension. The earliest age at which superannuation pensions may be taken is currently 50, and the Green Paper proposes that this be raised to 55.

It is probable that this proposal is the result of representations from the Employers' Forum on Age, an association of large companies established some years ago to raise employers' consciousness about the importance of retaining older workers. In June 2002, the EFA collaborated with the Department of Work and Pensions in producing a report arguing the case for flexible retirement.⁽³⁹⁾ One of the leading members of EFA, British Telecom, has since published its own guide to achieving age diversity in the workforce, entitled *Age and Your Company*. BT now offers its employees five options providing for phased retirement. The document explains that this policy was stimulated by the realisation that the average retirement age among its staff was 52, and that it was losing too many skilled and experienced employees.

Age Discrimination

At present, the UK has no law banning age discrimination. In 2000, the European Commission issued a directive requiring all EU members to enact such laws not later than 2006. The Green Paper indicates that such legislation is being prepared, although it hedges on the question of abolishing compulsory retirement, which is advocated but not actually required under the EC directive.⁽⁴⁰⁾ It makes the cautious statement that 'compulsory retirement ages are likely to be unlawful' under the legislation, unless employers can show that they are 'objectively justified'.

4.5.4 Concluding Note

The Green Paper, along with a number of other discussion papers which have appeared in the past three years, reflects the attempt of the UK Government to adopt a strategic approach to the related issues of an ageing population, pensions, and mature-age employment. Predictably, it has been criticised for being insufficiently strategic. Frank Field, formerly Secretary of State for Social Security in the first Blair government, argued that the Government should have opted for a contributory pension scheme with contributions from government, employers and employees. The Liberal Democrat spokesman on pensions, Stephen Webb, derided the £20,000 lump sum proposal, describing it as income foregone for five years. The Conservative Party spokesman, David Willetts, was also derisive about the number of consultative documents on pensions produced by the Government. A commentator in the *Times* newspaper remarked that the structure of pensions had merely undergone a 'partial and not particularly convincing makeover' instead of a radical reform, adding that there was nothing in the report to entice the millions who cannot or will not save.⁽⁴¹⁾

4.6 UNITED STATES

Programs to assist older workers exist in the US at both state and national levels, and legislation banning age discrimination has been in force since the 1950s. Some of these programs are funded by private foundations, a notable example being Operation ABLE (Ability Based on Long Experience), which originated in Chicago and has spread to other large cities.⁽⁴²⁾

The American literature on older workers is substantial, and no attempt is made to review it here. A major source of information and research on the subject is the American Association of Retired Persons, the largest organisation of older people in the world, established in 1955, and numbering 35 million members. Since the 1980s, the AARP has published a number of studies documenting the difficulties found by older workers in the labour market, most recently in 2002.⁽⁴³⁾

Two other recent studies may be noted. The Committee for Economic Development, one of the largest economic ‘think tanks’ in the US, has published a detailed analysis of the issue, which also gives examples of best practice.⁽⁴⁴⁾ In 2001, the US General Accounting Office also examined demographic trends and their implications for the labour market.⁽⁴⁵⁾

Older workers have not received much attention in public policy in the US. In 1998, the US Congress passed the Workforce Investment Act, which consolidated a number of pre-existing employment and training programs funded by the Federal government. The Act is aimed at young people and dislocated workers, rather than making specific provision for the older unemployed. Such provision was made in the Job Training Partnership Act, dating from the 1960s, which was repealed at the same time. Under the Workforce Investment Act, employment centres have been set up. They can operate in partnership with other programs, such as the Experience Works program, which does cater to older clients and receives Federal funding.

Social Security

Social Security pensions, introduced in 1935, originally specified 62 as the age of eligibility. Concern about a ‘crisis’ in the system emerged in the 1970s. As a result, the age of eligibility was increased by legislation in 1983. For workers turning 62 in the year 2000, the ‘normal’ retirement age increases by two months per year until it reaches 66. After a 12-year gap, it will again rise gradually to 67. Workers may still opt for the pension at age 62, but with reduced benefits.

A further incentive is provided by the Delayed Retirement Credit, which increases the amount available to workers who postpone the receipt of benefits until age 69. The 1983 legislation improved the provisions of this scheme to make it actuarially fair.

Finally, the legislation eliminated the earnings test for pension beneficiaries. This was also scheduled to come into effect in 2000. Before that date, workers aged 65 to 69 had their benefits reduced if they earned more than an indexed amount. The earnings test still applies to beneficiaries aged 62 to 64.

Age Discrimination

The history of legislation to outlaw age discrimination goes back to the 1950s, when successive state legislatures introduced laws to this effect. In 1967, the Federal government entered the scene with the Age Discrimination in Employment Act (ADEA) in 1967, which has been amended several times in the subsequent 20 years. In 1986, the ADEA was amended to ban compulsory retirement.

The ADEA has not entirely replaced state laws, as it applies only to firms with 20 or more employees. State laws generally apply to much smaller enterprises.

The ADEA is enforced by the Equal Employment Opportunity Commission (EEOC). As in Australia, the principal areas of complaint are racial and sexual discrimination. However, the incidence of complaints based on age has risen in recent years (from 14,000 in 1999-2000 to 17,400 in 2001-2002). A recent case (November 2002) involved a penalty of \$3.5 million against a major retail chain.

Employment Programs

The Federal government funds a relatively small job placement program, Senior Community Service Employment Program (SCSEP). This program is aimed at severely disadvantaged older workers (55 plus), and has only limited coverage. Under the Workforce Investment Act, state governments are required to provide one-stop delivery arrangements that integrate services provided under the Act with those provided by SCSEP. Service providers are selected on a competitive basis by Workforce Investment Boards. The Act also provides for a performance accountability system that requires states to report on special populations, including older workers.

The US Department of Labor has also issued three training manuals for providers of job placement services. One deals with the placement of SCSEP clients and describes best practice. A second gives advice on improving client motivation, and a third gives advice on public relations.

A voluntary, non-profit organisation, the National Older Worker Career Center, was established in Washington DC in 1997. It aims to expand employment and training opportunities for workers aged 40 and over. The Center runs an employment agency which offers public and private employers the services of workers over 40, and remits fees if temporary employees move into permanent positions.

One of the oldest Federally funded programs is the Senior Environmental Employment scheme, established by the Environment Protection Agency in 1976. This provides both full-time and part-time employment for people over 55, and places them in a wide variety of projects at Federal, state and local environment offices and laboratories. Participants are entitled to health insurance and fringe benefits.



4.6.1 Future Developments

Generally speaking, the sense of urgency found in Europe is not reflected in the United States. The General Accounting Office report of 2001 recommended the establishment of an ‘interagency task force’ to develop legislative and regulatory proposals. The US Department of Labor has created the Office of the 21st Century Work Force, but little has been heard from it. Some urgency may be provided by the need to reform the Social Security system, which could entail changes in the age of eligibility and some form of indexation to life expectancy (as in Finland). The Committee for Economic Development recommended a change in health insurance rules for workers aged 65 and over, which might lower the cost to employers of retaining older workers.

5. CONCLUDING COMMENTS

There is growing recognition that policies and attitudes that encourage and reinforce a trend towards early exit from the labour force – voluntary or otherwise – by mature-age workers are no longer sustainable.

Most countries are now addressing these challenges. As evidenced by the strategies being adopted in Australia and elsewhere, there are differing views about how best to address the issue of increasing and sustaining the labour force participation of older workers and appropriate policies to achieve this.

There are, however, some common themes. These include:

- recognition that age discrimination legislation is important but not sufficient in itself to prevent discrimination towards older workers – there needs to be widespread understanding and appreciation of the legislation and its implications;
- retirement income policies should be designed to encourage not discourage ongoing participation in the labour market;
- there is a need for a substantial shift in attitudes across a wide front regarding the benefits older workers bring to the workforce and the benefits of older workers remaining engaged – i.e. there is a need for far reaching cultural change; and
- policies need to be integrated across all levels of government.

It is also evident that efforts to raise participation are more likely to be successful if they include cooperation between and among government, employers and trade unions. This reflects the fact that there is a wide range of factors contributing to current trends. No single policy or initiative is therefore likely to produce a sustained lift in mature-aged participation rates. In addition to policy responsibilities in regard to retirement income and the like, government can play a constructive role by acting as sponsor, facilitator and coordinator of more broadly based initiatives. Employer and trade union groups should be encouraged to develop comprehensive policies on age and employment.

In Europe, some business groups have developed a sound ‘business case’ for retaining older workers in response to the analysis and work of the European Union’s Foundation for the Improvement of Living and Working Conditions. The ‘business case’ highlights five benefits associated with retaining older workers:

- return on investment in human capital;
- prevention of skill shortages;
- maximisation of recruitment potentialities;
- response to demographic change; and
- diversity in the workforce.

The Foundation also notes that some trade unions are reviewing their traditional support for early exit from the workforce, and stresses the need for worker involvement in the development of effective programs, which it regards as essential in achieving coordinated action at workplace level. According to the Foundation, trade unions should require that industrial awards and agreements include recruitment and training measures that eliminate the disadvantages experienced by older workers, especially in the light of changing career patterns.

The Dutch Federation of Trade Unions has published a report entitled *Getting Older While Working*, which advocates changes in social security regulations and labour market policy to enable older employees to work reduced hours while receiving a part-pension.⁽⁴⁶⁾

The European Foundation also suggests the introduction of ‘age awareness training’ for human resource personnel and other managerial staff, the introduction of flexible hours to accommodate the fact that some older employees have caring responsibilities, and stresses the need for closer coordination between public policies and workforce organisation.

While it is beyond the scope of this paper to address these in detail, it is also worth noting that some progressive firms, particularly in the US and the UK, have already developed imaginative programs to utilise the qualities of older workers – notably experience, reliability, patience and understanding of client requirements - and to encourage their ongoing employment. Such programs and case studies should be more widely publicised.

Finally, the Cambridge symposium identified a number of key issues in the development of policy in this area:

- targeting of older workers vs promotion of diversity;
- incentives for action vs restrictive rules;
- preservation of workers’ rights;
- taxes and benefits should be balanced to enhance incentives;
- later retirement should be encouraged, but not at the expense of those who are forced to retire because of health or personal situation;
- people of all ages should have incentives to undertake training; and
- financial incentives to work should be balanced by incentives to volunteer and to care.

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