Valuing And Keeping Older Workers

A case study of what workers think about ageing, retirement and age-friendly workplace strategies

April 2010

NationalSeniorsAustralia
Productive Ageing Centre
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FOREWORD

According to the 2010 Intergenerational Report launched by the Treasurer on 1 February this year, the proportion of working age people is projected to fall and the ageing of the population is the major factor driving the slowing in economic growth. Today there are five people of working age for every person aged 65 years and over. By 2050, the ratio will fall to 2.7 people.

The proportional increase in the numbers of mature age workers and decrease in the number of available younger workers signals the importance of accepting older workers as a normal and valuable part of the workforce.

The Australian Government used the Intergenerational Report to announce the ‘Productive Ageing Package’ of measures designed “to retain the expertise of older Australians in the workforce and transfer it to younger Australians”. But how much do we really know about how amenable older workers would be to employer strategies and public policies designed to encourage them to remain on the job?

By using a case study of a Melbourne company with a workforce of more than 1,000 people, this project set out to explore whether there were any differences between younger and older employees in their views of ageing, retirement and attitudes towards initiatives established by organisations to retain them. This report highlights significant differences in the views and actions of older workers and younger workers and reveals some of the inherent tensions produced by human resource initiatives which differentiate and focus on specific worker cohorts.

The research adds some important insights to the issue of retaining older workers and gives a straightforward message - it is important for organisations to become more focused and proactive in their efforts to keep older employees on the job.

Peter Matwijiw
General Manager Policy and Research
National Seniors Australia
April 2010
ACKNOWLEDGEMENTS

This report summarises research conducted by Dr Tui McKeown and Mr Michael Elbaz from the Department of Management at Monash University.

National Seniors Australia and the National Seniors Productive Ageing Centre gratefully acknowledge the financial and other support provided by the Australian Government to the National Seniors Productive Ageing Centre project.

*The original report is available in full at www.productiveageing.com.au
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INTRODUCTION

Over the past few decades, the impact of the ageing population and the impending retirement of the baby boom generation has become a highly publicised issue in many OECD countries. Born between 1945 and 1964, baby boomers account for more than one quarter of Australia’s population and one in three workers (Humpel & O’Dwyer, 2009). By 2011, over 200,000 baby boomers will be aged 65 and eligible for the Age Pension. By 2031, all baby boomers will be over the age of 67 and eligible for the Age Pension (under current regulations).

The potential challenges of an increase in individuals of retirement age are compounded by the decreasing rate of young people joining the labour market. By the decade 2020–2030, the number of new entrants into the workforce each year is expected to reduce from 170,000 to 125,000 (Constable, 2003).

Currently there are approximately five people of working age for every person over the age of 65. By 2050 this is forecast to decrease to 2.7 (Commonwealth of Australia, 2010). Due to concerns about the cost of supporting large numbers of individuals on the Age Pension, the Australian Government has changed the qualifying age for the Age Pension for men and women commencing from 1 July 2017. Few studies, however, have explored employees’ views on older workers or the organisational strategies designed to retain them.

Research suggests that a significant advantage can be gained by organisations establishing ‘age-friendly’ policies and making their workplace more attractive to older workers (Ranzijn et al., 2006). Having a better understanding of how older workers are viewed by their fellow employees will enable organisations to develop better strategies to create an ‘age-friendly’ workplace.

The objective of the exploratory research summarised in this report was to fill some of the gaps in our understanding. This was done by exploring differences between younger and older employees within the workforce in their views of ageing, retirement and attitudes towards initiatives established by organisations to retain older workers.

In doing so, we can provide a picture of any discrepancies between the younger and older workers and whether policies of differential treatment of employees, based on age, are viewed as an effective means of retaining, maintaining and sustaining the older worker.
Method

A survey was distributed to 930 workers at a large (1000+ employees) service-oriented company based in South-East Melbourne. Consistent with standard Australian Bureau of Statistics definitions, the term ‘younger employees’ was used in this study to refer to employees aged 44 and under. ‘Older employees’ refers to employees aged 45 years and over.

The survey was divided into four sections:
- Preliminary demographic questions
- Views on ageing
- Views on retirement
- Opinions on the attractiveness of measures aimed at retaining, maintaining, and sustaining older workers

RESULTS

288 employees completed the survey and the company’s Human Resource Manager indicated that the demographic profile of these respondents was representative of the whole organisation. Selected results from the survey are provided below.

Background Demographics

Younger employees comprised 67% of the sample, with the remainder being older employees. There were higher proportions of women (84%) among the younger employees and higher proportions of men (56%) among the older employees.

The majority of the respondents were employed full-time (64%) and on a permanent basis (62%). Those on casual, temporary, or fixed-term employment were exclusively older men (19%) and younger women (81%).

The employees were generally well educated, with slightly more than half (54%) reporting a university degree or TAFE diploma as their highest level of education. On average, younger workers had higher levels of education, with a greater proportion of older workers reporting high school as their highest level of education.

Older employees received a higher average pay rate than younger employees. Half of all older employees were earning $60,000 or more per year, while more than 90% of younger employees were earning less than $60,000 per year.

Views on Ageing

The first part of the survey examined whether younger and older employees differed in their views of ageing. The questions explored employees’ views on:
- the impacts of an ageing workforce,
- the age at which a worker is considered ‘old’,
- the age an employee ceases to contribute to the workplace,
- the right age to retire, and
- reasons for hiring older workers.

Impact of an Ageing Workforce

Younger and older workers differed in their views of the impact of older workers on the workplace. More specifically, younger workers expressed more negative opinions about older workers, while not surprisingly older workers overall had more positive, although sometimes mixed, opinions.

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1 The full content and complete results of the survey can be found in the full report on the Productive Ageing Centre website [www.productiveageing.com.au]
Overall, these responses revealed that older employees do not agree with the negative opinions held by younger workers linked with an ageing workforce and instead have a positive view. The younger respondents however produced opposite results and generally had a less positive view of ageing. It should also be noted that younger employees often indicated that they had no opinion or believed the negative statements were likely. This may indicate a lack of knowledge or awareness of the issues associated with an ageing workforce.

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<thead>
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<th>Younger Workers’ Views</th>
<th>Older Workers’ Views</th>
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<td>44% report it is likely that older workers will increase labour costs</td>
<td>None think it is likely older workers will increase labour costs</td>
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<td>53% feel that it is likely that older workers will have greater resistance to change</td>
<td>Only 13% feel that it is likely that older workers will have greater resistance to change</td>
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<td>66% report that it is unlikely that older workers will increase know-how and experience</td>
<td>69% report that it is unlikely that older workers will increase know-how and experience</td>
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<td>35% think it is likely older workers will have a negative effect on the organisation’s image</td>
<td>Only 6% think it is likely older workers will have a negative effect on the organisation’s image</td>
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<td>65% believe that older workers will require more training</td>
<td>44% believe that older workers will require more training</td>
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<td>28% report that it is likely that older workers will stifle creativity</td>
<td>None believe that older workers stifle creativity</td>
</tr>
<tr>
<td>35% think it is likely that older workers will not work well with other generations</td>
<td>None indicated that older workers will not work well with other generations</td>
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<td>72% believe it is unlikely that older workers will produce a loss of knowledge</td>
<td>81% report that it is likely that older workers will produce a loss of knowledge</td>
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<tr>
<td>61% report that it is likely that older workers will create an increase in sick leave</td>
<td>Only 6% report that it is likely older workers will create an increase in sick leave</td>
</tr>
<tr>
<td>59% report that it is likely that older workers will create less enthusiasm for or will be unable to keep up with new technology</td>
<td>75% believe that it is unlikely that older workers will create less enthusiasm for or will be unable to keep up with new technology</td>
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**Age at Work**

Respondents were asked to indicate the age at which they considered a worker ‘old’, based on eight age groupings. Not surprisingly, younger workers thought workers were ‘old’ at younger ages than older workers. 79% of younger employees reported that they considered a worker ‘old’ between the ages of 50 and 59. In contrast, 75% of older employees defined an ‘old’ worker as aged over 65 years.
Employees were also asked to state the age at which they believed an employee ceased to make a contribution to a business. 44% of younger employees indicated that the age was between 55 and 59 years (with an additional 28% saying between 60 and 64 years). 38% of older employees reported that age as over 70 years. 31% of older employees refused to select an age for this question (compared with 16% of younger employees).

Employees were also asked the age at which they thought an employee should retire from full time work. The majority of younger employees listed that age as 55-59 (38%) or 60-64 (41%). The majority (63%) of older employees reported that the age at which an employee should retire from full-time work was 70+.

**Hiring Older Workers**

Employees were also asked about their views on reasons for hiring older workers. The thirteen reasons listed were that older workers:

- are more willing to work flexible schedules
- are more willing to serve as mentors
- have invaluable experience
- have a stronger work ethic
- are more reliable
- add diversity of approach and thought
- have established networks
- can be counted on in a crisis
- take work more seriously
- have higher retention rates
- are committed to quality work
- get along well with co-workers.

The majority of older employees (over 70% for each item) indicated that all of these reasons were good reasons for hiring older adults; young employees had more mixed responses. For most of the reasons, younger employees indicated that they were neither good nor bad reasons for hiring an older person. The majority of young employees indicated that the following were bad reasons for hiring an older worker:

- have a stronger work ethic
- are more reliable
- add diversity of thought and approach
- have established networks
- can be counted on in a crisis.

It is unclear whether younger employees thought that these were bad reasons because they did not believe that older adults had these characteristics, or because they thought that these characteristics should not be considered in a decision about employment.

The fact that younger employees generally do not share older workers’ views may provide evidence of the potential for conflict between these two cohorts, or simply be indicative of the lack of intergenerational contact within the workplace and the need for education and training to make younger workers more aware of the skills and experiences of older employees.

**Views on Preparation for Retirement**

**Intent to Retire from All Paid Employment**

Employees were asked to indicate the age at which they intended to retire from all paid employment. The majority (67%) of younger employees intended to retire from all paid employment between the ages of 55 and 59. The majority (69%) of older employees intended to retire from all paid employment after the age of 60. 23% of older workers and 11% of younger workers were unsure about the age at which they intended to retire.
Working Past Retirement Age

Employees were asked their opinion on eight different reasons for working beyond typical retirement age. The reasons listed were:

- not having enough superannuation
- because I like to keep busy
- because my services are valued by my employers
- because work is the most important source of contact with others
- because work is important to my self esteem
- because I want to contribute to the community
- because my only income is the Age Pension.

Overall, older employees thought the reasons provided were almost all very good reasons to stay working beyond retirement age. The one exception was ‘because my only income is the Age Pension’. Only 27% reported that ‘because my only income is the Age Pension’ was a good reason for working beyond retirement age.

Younger workers were indifferent to most of the items, with the majority stating that the reasons were ‘neither good nor bad’. The one exception was ‘because my only income is the Age Pension’. 55% of younger employees felt that this was a good or very good reason for working beyond retirement age.

The majority of younger and older employees felt that not having enough superannuation was a good reason to work beyond the traditional retirement age.

Retirement Income

Employees were asked about intended sources of income during retirement. Younger employees expected that their top three sources of retirement income were the Age Pension (selected by 91% of younger employees), income from savings (53%), and capital gains/investments (25%). Older employees’ top three sources of expected retirement income were also the Age Pension (selected by 100% of older employees), income from savings (88%) and capital gains/investments (81%). Employees were also asked to indicate which of these they expected to be their main source of income. 81% of younger employees said that the Age Pension would be their main source of retirement income. Only 38% of older employees said this would be their main source of retirement income, with 31% selecting ‘income from savings’ and another 31% saying ‘capital gains/investments’.

Adequacy of Retirement Income

When asked about the adequacy of their expected sources of retirement income, the majority of older employees (63%) believed these sources of retirement income would be adequate, although 25% were unsure. The majority of younger employees (87%) were unsure about the adequacy of these sources of retirement income.

Financial Knowledge

63% of older employees indicated that they knew how much superannuation they would get when they retired (compared with just 3% of younger employees).

44% of older employees felt that their superannuation would not be adequate in retirement. 38% felt that it would be adequate. The majority of younger employees (84%) were unsure about the adequacy of their superannuation.

The majority of older employees (63%) were actively planning for financial independence, while the majority of younger employees (60%) were not.

Financial Advice

When asked about their position on seeking financial advice before retirement, 88% of older employees reported that they had received financial advice, and those that had not were planning to seek advice in the future. Only 6% of younger employees had received financial advice. 41% of younger employees were going to seek advice and 53% were not interested in seeking financial advice.
Views on Human Resources Ageing Initiatives

The third part of the survey examined what initiatives specifically aimed at retaining, maintaining and sustaining older workers are seen as attractive by younger and older workers. This was done by providing respondents with 18 different HR practices. These practices can be grouped into five categories: 1) Flexible arrangements 2) Age neutral workplace 3) Special provisions for older workers 4) Flexible retirement and 5) Training and technology. Respondents were asked to rank the attractiveness of these items from ‘Very Attractive’ (1) to ‘Very Unattractive’ (5).

Both younger and older adults indicated that flexible working arrangements were attractive (Figure 1). Flexible working hours was the most attractive for both young and older workers.

**Figure 1: Attractiveness of Flexible Working Arrangements**

Older workers were more attracted to age neutral workplace initiatives compared with younger workers, particularly an ‘age neutral culture’ in the workplace (Figure 2).

**Figure 2: Attractiveness of Age-Neutral Workplace Initiatives**

Special provisions for older workers were not attractive to younger workers and only some were attractive to older workers (Figure 3). Neither older nor younger workers thought that exemption from overtime for older workers or age limits for irregular work were attractive benefits. Eldercare provisions, such as unpaid leave, and proactive recruitment of older workers were attractive to the majority of older adults, but only a small minority of younger workers.
Flexible retirement initiatives were attractive to the majority of older workers but only a minority of younger workers (Figure 4).

Training and technology initiatives were attractive to the majority of older and younger workers with the exception of targeted training to develop new job skills, which was mostly only attractive to older workers (Figure 5).
CONCLUSIONS

Australia’s largest generational cohort is expected to retire from the workforce over the next two decades, taking with them a wealth of knowledge and experience. Government and employers are beginning to consider how to retain older employees, but little consideration has been given to employees’ views of older workers and the strategies designed to retain them. This case study explored older and younger employees’ views on ageing in the workforce, retirement, and HR strategies for retaining older workers. A brief summary of the findings is provided below.

Views on Ageing

Young employees had more negative views than older employees about the potential contributions of older workers and were less certain about good reasons to hire older workers. Compared with older employees, they felt that workers ceased to contribute to a workplace and should retire at much earlier ages. Their definition of ‘old’ was also substantially younger than that of older employees.

Preparation for Retirement

The majority of older employees intended to work beyond age 60 and endorsed a range of reasons for continuing to work beyond 65. The older employees also reported their intention to rely on a range of income sources in retirement and the majority were confident that these sources would be adequate. While the majority of older employees were actively planning for financial independence in retirement, there were mixed responses on whether superannuation alone would support this.

HR Strategies

The employees provided mixed responses to HR strategies designed to retain older workers. Older employees were particularly supportive of flexible work arrangements, age-neutral workplaces, proactive recruitment of older workers, flexible retirement options and the provision of training and technology assistance.

IMPLICATIONS

This case study suggests that older workers are seen as a highly valuable resource by older workers themselves, but that this view is not generally shared by younger employees. Further, it implies that older employees are generally well prepared for and planning their retirement. While they have positive attitudes about work and their ability to contribute, their plans to leave the workforce in general are already in place.

Despite this, older workers are attracted to a range of HR strategies designed to retain older workers. In the wake of the Global Financial Crisis, and with a significant proportion of older employees in this study uncertain about the adequacy of their retirement savings, these strategies may become increasingly important for retaining older workers.

More research is required in two areas. First, to identify the relative success of age-friendly HR approaches (particularly those favoured by older employees in this study) in actually retaining older workers. Second, to assess the knowledge and skills impacts of older workers leaving.

Organisations need to be aware of the contrasting views of younger and older workers to ageing and productivity. It may be a source of potential conflict, and retention strategies should be designed to minimise such conflict through education and training about ageism in the workforce.
REFERENCES


ABOUT THE NATIONAL SENIORS PRODUCTIVE AGEING CENTRE

The National Seniors Productive Ageing Centre is an initiative of National Seniors Australia and the Department of Health and Ageing. The Centre’s aim is to advance knowledge and understanding of all aspects of productive ageing to improve the quality of life of people aged 50 and over.

The Centre’s key objectives are to:
- Support quality consumer oriented research informed by the experience of people aged 50 years and over;
- Inform Government, business and the community on productive ageing across the life-course;
- Raise awareness of research findings which are useful for older people; and
- Be a leading centre for research, education and information on productive ageing in Australia.

For more information about the Productive Ageing Centre, visit www.productiveageing.com.au or call 02 6230 4588.