Research Insights

How organisations can benefit from the ageing workforce
The challenge of ageing for 21st century organisations

Australia’s population is getting older. This is part of a global demographic shift that will have major consequences for much of the 21st century. One major consequence of this demographic shift is the ageing of the working population.
Australia's working population is getting older: today one in four people is older than 55 and over the next decade this will increase to approximately one in three. This situation will persist at least until the middle of this century. The ageing of the workforce will require significant policy reform in a wide range of areas, from health, to social welfare and retirement incomes, to workplace and labour market policies. A key imperative will be to rapidly increase the participation of older workers in the paid workforce. While many older Australians are working for longer, the rate at which this is occurring has not offset the net decline associated with demographic shifts in the population. However, the imperative to respond is not just a public policy issue. There are ways in which organisations and individuals can act now that will make a difference. This Research Insights paper provides an overview of the key trends associated with the ageing workforce and examines the major challenges these trends present for Australian business leaders.

The United Nations estimates that by 2050, eight in ten people living in the developed world will be over 60¹. The ageing population is also forecast to become a challenge for developing countries by the middle of the century.
The Australian context confirms these trends. 21% of the Australian population was over 55 in 2011, compared to 15.9% in 1990.

According to the 2015 Intergenerational Report, the number of people aged 15 to 64 for every person aged 65 and over has fallen from 7.3 people in 1975 to an estimated 4.5 people today. By 2054-55, this is projected to nearly halve again to 2.7 people².
Why does this matter? It is not an exaggeration to say that the issue of how to retain older workers in productive employment is one of the most significant issues facing governments, organisations in both the public and private sector and individuals themselves. The consequences of insufficient workforce participation as the population ages will be felt in many areas of policy and economic activity.

It is only through encouraging greater workforce participation among older workers that societies can maintain labour supply and bring the dependence of the non-working population on the working population to a manageable level. Indeed one Australian study suggests that the average age of the workforce is currently below the optimum age and that increasing workforce participation of older workers will also have a positive effect on productivity. If the age structure of the population in 2013 were the same as in 1993, there would have been 500,000 more people active in the labour market. The participation of older workers has been growing overall, but not yet at a rate sufficiently high enough to offset the rate of ageing of the workforce.

The Intergenerational Report 2015 states “Of the three key drivers of economic growth, productivity has historically been the most important to Australia’s economic performance. For every hour average Australians work today, they produce twice as many goods and services as they did in the early 1970s. It is no coincidence that average income per person has also broadly doubled in this period.” The report highlights that enhancing productivity in the future will be crucial if living standards are to be sustained and grow further. Increasing participation rates of those sections of the population that are currently experiencing barriers to working, including older workers, is a key part of improving productivity.

The health implications of an ageing population are double-edged. On the one hand, statistics show that not only are Australians living longer lives, they are also healthier for longer - according to the Intergenerational Report 2015, “a male born in 2012 could expect to live 79.9 years (period method) and an average of 62.4 of those years without disability. A female could expect to live 84.3 years, and an average of 64.5 of those years without disability. Between 1998 and 2012, the AIHW has estimated that life expectancy at birth for males has increased by 4 years, while the number of years without disability increased by 4.4 years”. However, on the other hand, people living longer has implications for health expenditure, Age and Service pensions, the superannuation industry and aged care funding. Australian Government real health expenditure per person is projected to more than double over the next 40 years. Structural changes to indexation and age of eligibility of Age and Service Pensions will have implications for when people are financially able to retire, requiring them to stay in the workforce for longer.
Australian Government expenditure on aged care has nearly quadrupled since 1975. Expenditure is projected to nearly double again as a share of the economy by 2055, as a result of the increase in the number of people aged over 70.

While these issues bring challenges, research by the Centre for Workplace Leadership shows that these can be managed and resolved if appropriate actions are taken at policy, organisational and individual levels. In fact, there are considerable potential economic, social and personal benefits to be gained from prolonging paid workforce participation, such as:

› reduced social welfare obligations;
› higher organisational productivity through retention of skilled workers; and
› greater personal fulfilment for older workers who can keep working in jobs they enjoy.

The majority of Australians have a less than 50% chance of still working when aged 60 - 74.
At the same time, the postponement of full-time retirement for larger numbers of older workers will create new costs and challenges that need to be understood and managed. These costs are likely to include:

› difficulties associated with confronting and overcoming certain entrenched attitudes and biases to hiring and retaining older workers;
› ensuring that they are able to maintain their physical health and technological proficiency in order to remain fully productive in their work;
› possible resistance to lengthier careers from some groups.

This Research Insights paper draws on existing research into the challenges and potential benefits of an ageing workforce to highlight some of the major issues and identify possible solutions that are backed by evidence. Although there are important policy issues at stake, the focus here is on measures that can be taken by organisations.

The research highlighted in this paper has been undertaken as part of a larger University of Melbourne project examining ageing across a range of disciplines and fields. There are many issues that have not yet been fully covered and an agenda for future research has been established within the context of that broader project. This will undoubtedly mean that some of the issues covered here will need to be revisited at a later date.
How organisations can benefit from the ageing workforce
Issues and responses

This section outlines a number of the specific issues that arise from research in the context of older workers’ participation in the workforce and indicates ways in which these issues can be tackled.

Preparing a Strategy

Issue: Few organisations have a strategic approach to managing their ageing workforces.

There is evidence that early retirement is being driven by organisations, and therefore changes in retirement need to emanate from employers. However, many organisations lack a strategic approach. Those organisations which do have a strategic approach to managing older workers tend to be larger, unionised, with a higher density of professional staff and women.

Response: More organisations should develop a strategic approach. The issues raised in this paper provide an ideal basis for such a strategy.
Monitoring

**Issue:** Organisations need to be aware of the age profile of their workforce to understand the issues being faced in terms of the ageing workforce.

The starting point for addressing any issue is of course understanding it. An organisation looking to address the challenge of an ageing workforce should be gathering appropriate information about their workforce.

**Response:** Organisations should keep and monitor data on their older workforce.

Data should include information such as:

- age;
- retirement intentions;
- training participation;
- performance evaluation;
- use of workplace flexibility such as part-time work.

Organisations wishing to be strategic in their approach to managing the older workforce could set targets against this baseline data.

---

**Over one quarter of Australians over 50**

have experienced some form of age discrimination within the past two years
Dispelling Stereotypes

**Issue:** Older workers are stereotyped in a way that creates disadvantage.

Stereotyping about older workers, their attitudes and preferences can have a negative impact on their participation in the workforce. Two significant studies show that older workers are stereotyped by their colleagues and managers in a way that creates disadvantage in the labour market and the workplace, even when such stereotypes are shown not to be true. Stereotypes included believing older people to be less motivated, harder to train, more resistant and less adaptable to change. The international findings have been supported in the Australian context, in a 2013 report by the Australian Human Rights Commission. Unfounded negative attitudes and stereotypes are important factors affecting recruitment and retention of older workers. Older workers often hold these stereotypes themselves. Stereotypes and negative attitudes are particularly strong in some industries - finance, technology and IT, retail, insurance.

There needs to be a multi-layered approach to breaking down stereotypes and many of the responses proposed in this document are designed to reduce stereotypical attitudes to older people.

**Response:** Provide awareness-training for managers and HR personnel, to enable them to identify and challenge stereotypical and biased behaviours within the workplace.

Awareness training should include the notion that age is more complicated than chronological age. It can also be:

- functional (physical age and appearance);
- psychosocial (perceptions of age – for example the same person could be considered as younger in one organisation but older in another, depending on the average age of colleagues, organisational norms in that organisation/industry about age, etc.); and
- lifespan (reflecting different stages in the life cycle, e.g. when the individual has started parenthood).

Organisations can draw on existing resources to dispel myths about older workers. A number of resources are suggested at the end of this document.
Response: Selection for training should be on the basis of job-relevant information in the first instance.

This approach has been shown to reduce stereotypes relating to older workers being harder to train, which leads to difficulties in accessing training12.

Response: Find ways to bring the different generations together.

Quality contact between the generations reduces negative perceptions and reduces intention to quit among older workers13. Pitting generations against each other is self-defeating for the organisation and society as a whole.

Research does show that there are differences between the generations, in terms of:

› problem-focused coping strategies (more active in older workers);
› stress management (stronger among older workers)14;
› differences in values (younger workers value trust, recognition and freedom)15.

This evidence suggests that the older generation can share practical experience and expertise and the younger generation can impart skills training and new work methods. The generations should be encouraged to develop shared values to reduce tensions.

Response: Performance systems should be fair and bias-free.

Stereotypes relating to job performance declining with age find no support in the research evidence. The biggest difficulty is that such stereotypes can trigger self-stereotyping, making them self-fulfilling prophecies. Performance evaluation systems should be scrutinised to ensure that they are fair and free from bias relating to age (as well as other factors such as gender): older workers who felt that they were treated the same way as younger colleagues showed greater attachment to the organisation and were more likely to stay16. Work expectations and retirement intentions should also be reviewed, albeit separately from performance evaluation.
Managing retirement and departure

**Issue:** Older workers are not staying in the workforce as long as is needed to offset the effects of an ageing society.

Organisations can see releasing older workers as a way of managing workforce issues, but this temptation should be considered carefully to ensure that all potential costs and benefits — long-term as well as short-term — are taken into account. The research evidence shows that not only are higher levels of workforce participation necessary, it is in the interests of organisations themselves to retain older workers, who have higher job-related skills and are better able to self-manage. The notion that older employees are more costly is not supported by the available evidence. Even if they are paid more, there are other factors that offset salary, such as lower rates of absenteeism, lower rates of quitting and strong work performance.

**Response:** Organisations should develop a strategic approach to prolonging participation of older workers.

Measures could include halting early retirement schemes as a tool of workforce management, introducing pro-age policies, encouraging more flexible work and managing health issues.

**Response:** Organisations should keep workers engaged in the workforce.

Employers should be prepared to reconfigure work to allow gradual exit of employees, thereby keeping workers engaged in the workforce for longer and avoiding early exit. This would include introducing more flexible practices such as increasing job control and part-time work for older workers, or reconfiguring job content to make it a better fit with the individual’s skills.
Response: Reconfigure work arrangements to facilitate gradual exit.

Research identifies a number of factors that affect older workers’ attitude to work. By taking these into account, organisations can reduce the early exit syndrome, avoiding costs associated with hiring, training and so on, and retaining knowledge and skills that can be passed on before exit takes place. Such factors include:

- **stress:** organisations that focus on reducing the workplace stress of older workers and increasing their job satisfaction are more likely to attract older workers to bridge employment rather than lose them to retirement;\(^{17}\)
- **autonomy and control:** giving older workers more autonomy and more control over their jobs and how they perform them has a positive effect on performance and increases the age at which performance declines;
- **access to flexible work arrangements:** flexibility in terms of working hours, teleworking etc can keep older workers engaged in the workforce for longer.
Addressing the mental and physical effects of ageing

**Issue:** the health of older workers is a key determinant of workforce participation.

Modelling shows that most of today’s Australians having a less than 50% chance of still working in 2035 for health reasons\(^\text{18}\). A study in South Australia found that health is a significant factor in workplace exits\(^\text{19}\).

Older workers can feel ignored and undervalued. Over one quarter of Australians over 50 surveyed by the Australian Human Rights Commission had experienced some form of age discrimination in the previous two years.
**Response:** Organise workplace health promotion activities.

Such activities should be seen as part of a long-term strategy for retention and reducing turnover, in addition to the immediate benefits in terms of employee engagement, creativity, innovation and productivity\(^20\).

**Response:** Devise case-by-case measures for assessing continued competence.

Organisations should avoid making assumptions about the physical capability of their older workforce. If a worker is no longer able to respond fully to the physical requirements of a post, the organisation should consider tailoring the post to ensure that the knowledge and experience of the older worker can be retained within the organisation and used to increase the performance of others. As the effects of ageing do not occur to the same degree or amount in every person, contemporary workplaces should evolve to satisfy the needs of the diverse cohort of mature users, including their tools, workstations and workspaces\(^21\).

Organisations should also recognise in general older workers are mentally more resilient than younger workers and better able to create coping strategies for stress. Strategies for managing stress in younger and middle-aged workers also need to be considered in workplace health activities.

**Response:** Recognise and reward the contributions of older workers.

Organisations should use appropriate opportunities to highlight the professional knowledge and experience their older workers bring as well as their reliability, loyalty and commitment.
Developing age-friendly Human Resource systems

**Issue:** HR policies tend to have a one-size fits all approach that does not recognise the needs of different groups at different stages of their careers.

More tailored approaches to HR that focus on the needs of individuals at particular points in their careers are shown to increase organisational performance, including lower absenteeism and lower turnover.

When older workers leave they take knowledge, insights and experience with them. Organisations are not always prepared for this.

**Response:** HR practices should support succession planning.

Identifying those members of the workforce that are thinking of retiring in the medium term can help plan the transition and ensure their knowledge and experience is not lost to the organisation.

Age at which someone is considered an “older worker” ranges from 40-65
Research Insights
How organisations can benefit from the ageing workforce
Open Questions

Research can provide strategic elements to deal with a number of the issues that arise when considering the ageing workforce, or the participation of older workers. However, there are still a number of open questions where the research has not been done, or more is needed to be clear about the full implications. These open questions provide an agenda for future research and at the same time, are useful topics for discussion within organisations.

How and why do social attitudes affect older workers?

Research clearly shows that society’s attitudes to issues such as gender and sexual orientation have changed, and has aided understanding about how these attitudes play into discrimination in the workplace. However, there is much less understanding of these issues from the point of view of an ageing workforce. Have attitudes to older workers changed over time? What makes people discriminate against older workers? How exactly do stereotypical attitudes to older workers play out in the workplace? These are all questions that need further research.

What do older workers want?

A number of studies referred to in this document relate how older workers may wish to transition into retirement from full-time work. However this is an under-researched area, with no established frameworks for measuring or assessing the requirements of workers towards the end of their careers. A potentially interesting area is navigating how social identity changes as a worker ages and his or her social roles shift. As yet, this aspect has been under-explored in the academic literature.
How does ageing affect employee performance in Australia?

While there are studies that look into this issue, the research in the Australian context is limited. Since the research cited here was undertaken, jobs have changed somewhat, with increasing automation and computerisation. There is as yet little understanding of how the changing skill sets within the future of work will impact people with diverse skills, and how factors such as age will play a role. As more workplaces have older workers, due to demographic changes, there will need to be increased understanding of how that age diversity affects individual and team performance.
Conclusion

There can be no doubt that the Australian workforce of the future will be older than it is today, and organisations need to think now about how they deal with that change in a way that is appropriate for the industries they are in and the occupations they employ. Not all of the answers can be found in the existing research, but there are certainly a number of issues that arise from academic studies that can help organisations start to think more strategically about the role of their older employees.

These issues can be summarised as:

› Preparing a strategy (page 9)
› Ensuring monitoring is in place (page 10)
› Being aware of and dispelling stereotypes (page 11)
› Managing retirement and departure to optimal effect for the organisation and the individual (page 13)
› Addressing the mental and physical health implications of an ageing workforce (page 15)
› Developing human resource systems that are appropriate for an age-diverse workforce (page 17)

As the number of older workers grow, it is likely there will be increasing attention given to their position in the workforce and understanding of these issues will deepen. Nonetheless, this paper has made suggestions as to how organisations can approach each of these topics, based on existing knowledge.
Resources

There are a number of resources available to help organisations wishing to develop their approach to their older workforce.

**Age Limits** - The Victorian, South Australian and Western Australian Equal Opportunity Commissions and the Australian Employers Convention (only available online)

**Age-friendly workplaces** - Safework South Australia

**Age-friendly workplaces** - Government of Canada

**Employers’ Toolkit** - UK Age Action Alliance

**Investing in Experience Charter and Toolkit** - Australian Government Department of Employment

**Age Management Toolkit** - National Seniors Australia

The resources are signposted for the convenience of readers of this paper. Inclusion in this list does not equate endorsement by the Centre for Workplace Leadership

This paper is based on research carried out by the Centre for Workplace Leadership. The original research can be found at workplaceleadership.org.au/olderworkers
End Notes


5 Centre for Workplace Leadership (2015) *The Ageing Workforce: A Review of Prior Findings and an agenda for Future Research*


For more information:
workplaceleadership.com.au/olderworkers