

Age will work: progressing the case for older workers in the New Zealand workforce.

Dr Judy McGregor, EEO Commissioner. Introductory Paper for the Employment of Older Worker Summit, September 4, 2006.

Introduction

This paper aims to prompt discussion of the employment frameworks needed in New Zealand around the employment of older workers. The paper assumes that the concerns about the labour market participation of older New Zealanders, and many potential solutions, have been well-rehearsed in other contexts such as the media, research, industry initiatives and in various policy contexts. The aim of today's summit is to establish broad, high level commitment to a public/private partnership around increased labour market participation of older workers.

Context

By 2051 more than a quarter of New Zealand's population will be over 65 years compared with 12 per cent in 1991. In fifteen years time the entire cohort of the 1.125 million babies born between 1946 and 1965 will be "older workers" (55 plus) and comprise the majority of the workforce.

In addition the growth rate of New Zealand's current working-age population, 15 to 64 years, is expected to decline and become negative by the year 2041. This demographic wave is paralleled by New Zealand's low unemployment rate (3.6%) and the recognition by business that despite short term economic movement, labour skills shortages will be pervasive.

The effective age of retirement in New Zealand is currently 64 years, although labour force participation rates start falling considerably from the age of 55. Over the coming years, to ensure that the same proportion of the population is employed as today, we will need more older people in employment. By 2026, we will need an extra 95,000 people in employment.¹ This comes at a time of increased popularity of retirement and early retirement. The following table shows the increase in employment rates of older people that will be necessary to fill the gap.

Table 1

Age	% Currently in work	% needed in work	% increase to 2026
55 – 59	78	85	7
60 – 64	60	71	11
65+	12	16	4

This increase would help contribute to reduce labour shortages and provide continuous economic growth and also provide increased tax-revenue to help cover the costs of New Zealand Superannuation. The percentage increase of

¹ Assuming age specific employment rates stays at 2005/2006 level

older workers would, of course, need to be higher if increased growth required greater labour force participation.

There are differences by gender and ethnicity in relation to older workers in New Zealand. Māori have the highest unemployment rates for those aged 55 plus and while 16% of men aged 65 years and over are employed the female participation rate at the same age is 8%.

Overseas experience

At least five common elements are apparent looking at overseas experience in addressing the older workers challenge. These are;

- **Changing public attitudes and perceptions of the benefits of ongoing mature age workforce participation.** (Addressing the benefits to employers, combating recruitment biases, promoting work as an autonomous choice to older people, changing cultural norms around early retirement, addressing the media's obsession with youth culture etc).
- **Better alignment of benefit, tax and retirement income policies to encourage labour market retention as opposed to exit.** (Incentives to promote older worker retention and mature job-seeking, reduction of disincentives, better knowledge and understanding of financial planning for transition and retirement).
- **Employer, employee, union and state commitment to on-the-job training and re-entry training for mature workers and job-seekers.** (Older workers think they are discriminated against in training opportunities, there needs to be greater encouragement of, and wider access to, employment-based training for older people).
- **The development of active labour market policies that support decent and effective labour market participation by older workers.** (The re-organisation of work and flexibility for older workers, better business understanding of the value of older workers, more active focus by trade unions of the needs and aspirations of older workers, more intensive state assistance to the needs and diversity of mature job seekers.)
- **Age discrimination legislation.** (The Human Rights Act 1993 effectively ended compulsory, age-indexed retirement in the workplace and is credited with having a strong educative effect but has been less successful in eliminating covert age discrimination in recruitment. NZ is ahead of Australia and United Kingdom in employer acceptance of autonomous retirement decision-making.)

Overseas experience, including comparative analysis, shows that only some countries have a comprehensive approach to the employment and retirement of older workers that is:

- **co-ordinated**
- **involves public and private participation and has**
- **tri-partite involvement.**

Governments are regularly urged to pay more attention to business needs to retain older workers and to introduce employment frameworks that enable greater older worker labour market participation. Demographic profiling shows that some industry sectors will be particularly vulnerable to ageing patterns and retirement trends.

Social and economic benefits related to older workers employment.

The social benefits of mature workers continuing to participate in the labour market have been well chronicled at the community, family and personal levels. In general they relate to the positive impact on social cohesion, on intergenerational dynamics, on knowledge transfer, on workplace socialisation and on individual identity and self esteem. If larger numbers of older people remain in paid work this will impact on their availability for unpaid work such as caring responsibilities and for volunteer work in communities.

The financial benefits of working longer means that individuals can increase personal income and allow assets more time to accumulate investment earnings. Working longer shortens the period over which people have to support themselves with their retirement assets. There are many New Zealanders, including women with increased life expectancy and with comparatively less earning power in their working lives, who will *have* to remain in paid employment.

What older New Zealanders want which might influence their future labour market intentions.

The following factors about older worker expectations are distilled from New Zealand and international research:

- Autonomy of choice about retirement
- Re-organised work with different flexible arrangements
- Retraining and skills development
- Paced computer learning
- Better assistance to mature job-seekers and “decent” work on re-entry
- Better recognition of age discrimination
- More information on the changing nature of employment, what kinds of jobs, growth industries, what’s needed
- Better advice re retirement “transition” (financial AND social implications).

What employers think about older workers.

Employers attitudes towards older workers are remarkably consistent in New Zealand and international research. Positively they think older workers are productive, reliable, demonstrate strong work ethic and use “accumulated” knowledge. Negatively they believe older workers are less adaptable, more resistant to change(technology), take more time to absorb “new” knowledge and may be more costly. In general, employers have not yet thought about how to attract mature people from retirement back into work.

Conclusion.

Older worker issues impact on all four points of the employment cycle; recruitment, development, retention and exit. Some sectors will clearly be hit hard in terms of skills shortages, knowledge loss and customer service deficits when the baby boomer generation retires. Employment frameworks should at least consider age balance issues. Leveraging demographic change to enhance labour market participation and productivity will require a proactive, co-ordinated and innovative approach from New Zealand’s workplace leaders.