

Managing the Ageing Workforce Conference

Diana Crossan

Monday, 20th February 2006 - Duxton Hotel, Wellington

Good morning to you all.

Judith Davey has given us an excellent insight into the implications of changing demographics and how they should be tackled. I'd like to look at the changing nature of retirement in terms of attitudes, motivations and lifestyles and the importance of having a financially sorted ageing population.

There is a doom and gloom view of our ageing workforce which focuses on the expectation that younger workers will need to work harder so the state can afford to pay welfare for the retiring baby boomers.

That's melodramatic for sure, but largely true in terms of current workforce participation. Fewer than half of workers in the OECD aged 55-64 are actually employed. Statistics New Zealand says that by the middle of this century, one in four New Zealanders will be aged 65 or older, compared with one in eight today. At the moment, only 7% of women and 17% of men are continuing in some form of employment when they reach 65. At 85 years this drops to 6% of men and 2% of women.

But on the positive side, these numbers are likely to grow. Tomorrow's Workforce Today, a report from the Department of Labour, found that those over 55 accounted for almost half the job growth in the past two years.

The doom and gloom view is based on the notion that nothing else will change apart from the age demographic. But other things are changing: people are living longer, healthier and more actively and they are also working for much longer.

Because of this, the financial decisions they make during working life are even more important.

Living in retirement for 30 years is a lot different to living in retirement for three years and this difference takes financial planning onto a whole new plane. What people want to achieve in their later decades will impact heavily on how they should prepare.

The Retirement Commission's role is to help people be financially sorted throughout their life with the main objective that this will give them a good quality of life in their later years. In short, we want people to enjoy a fulfilled life when they finish work.

And there's no escaping the fact that if you're wealthy you're more likely to be healthy - the correlation has been well-proven.

It benefits society as a whole and the individual if people can enjoy financial freedom and good health in their later years. It reduces the burden on the state in terms of health care costs while at an individual level, it gives freedom of choice and freedom to contribute to society in a chosen way - whether this be through continuing to work after 65, looking after family members, volunteering or sharing skills and knowledge.

As I've mentioned, working after 65 will become an increasingly popular option - one main reason is to ensure people do have an adequate income to last a long retirement and another is because 65 is no longer considered "old" and many people are just not ready to stop working. But what is changing is *how* people work in their 60s.

Many of the jobs taken by older workers are part-time or through self-employment. They offer flexibility while cushioning the fall in income.

Let's look at the world of work for different age groups. For those aged 18 to 30, education and work takes up most of their time and energy while work is the predominant world for those between 30 to 60, with family becoming more important.

But from the age of 60, there is a much greater balance between work, family and leisure. As people reach their 60s (or earlier if they can afford to) they are exercising more choice over their work patterns and their leisure. They start thinking about how to change their balance from work/life to work/leisure. The whole concept of retirement is changing.

The unifying theme of the change seems to be continuing to use ones talents to work in things one enjoys - a time of flexibility, creativity - the kids have left home, it's a time for trying new jobs, new ways of working. Yet many other people are also still retiring in the traditional sense. Plenty of Kiwis are looking forward to stopping work at 65, looking after the grandchildren, and playing bowls.

This mixed bag suggests we are in the middle of a major social transformation - the creation of an entirely new way of thinking about how we live our lives - especially the second half of it. The notion of a point we call "retirement" which permanently divides work life from leisure, is simply no longer universally practised.

There are a number of implications of the changing nature of retirement:

Firstly, the ageing population will lead to an increase in pension and health costs
Secondly, as the "doom and gloom" view made clear, there may well be a shortage of work age people contributing to the GDP and the tax base.

So our success or failure in maximising the potential of older workers will have an economic impact at a national level.

The fact is, most businesses will find it both necessary, and desirable, to employ older workers. I expect that the service sector in particular will have a greater number of older workers than currently.

Our ageing workforce is an opportunity:

- an opportunity for the individuals who are facing 65 (or even 55) and deciding what to do
- for those who are already living in post-fulltime employment and enjoying their freedom of choice, and
- for society which can embrace the experience and contributions these generations and the ones that follow them can make.

The ideal is for employers to look at older workers as a benefit not a liability. As the population at large ages, and ever-more spending power is in the hands of older customers, companies will want to show a mature face to their clientele.

The Retirement Commission would like to see a national interest in employing and training older workers and encouraging and enabling their more active participation in the community.

And employers better learn fast as Baby Boomers and “mature” workers (those 55 and above) are feeling little loyalty to their current employers if there is no flexibility in workplace practices.

If they choose to continue to work, they want to do it on their own terms. For many, this is a time when they get to pursue goals of their choice.

The Retirement Commission would like to see all older workers to be financially prepared for retirement so they have that freedom of choice - the choice to work part-time; to not work at all; to do unpaid voluntary work; to care for family; to start a new business; to travel; to indulge in hobbies - to enjoy a new life.

After a lifetime of reconstructing social norms, the Baby Boom generation is now setting about redefining the traditional sense of what life is like past 50. We are now demanding - of ourselves and of the system - change that suits our pursuit of a greater work and life balance.

So what are Baby Boomers doing different from that of their parents and grandparents?:

- They are working out for themselves how much more money they will need for the lifestyle they desire in older age.
- They are upskilling themselves to work in jobs they want, and to remain attractive to employers, or to move into other lines of work - writer and illustrator Gavin Bishop gave up 30 years' of teaching in 1998 to devote his time to children's books.
- They are attempting to become financially literate and find other ways besides their labour that they can earn income.
- They are “down shifting” to enjoy to greater balance between work and family - a great example is Labour MP Paul Swain who gave up his Cabinet post last year to spend more time with his wife and baby daughter.

But Baby Boomers do have a few barriers to still bring down.

Age discrimination still exists in the workplace, there's no doubt about that. The Baby Boomers will strive to change this ageism but there are employers who still adhere to the myths. And it's not just employers - one of the main criticisms of National leader Don Brash by political commentators is that he is considered too old for the role.

Training and development activities tend to favour younger employees. Older workers often face significant challenges during the recruitment process, and some genuinely feel they have been discriminated against because of their age. Older workers can find themselves in a vicious circle, where outdated skills reinforce stereotypes about older workers, which gives them low priority for retraining and hence their disadvantage is further reinforced.

So what are the barriers to employing older people?

1. Employers may be unwilling to give older workers access to training, considering it a bad investment and assuming that they will not receive sufficient payback.

However there is plenty of evidence that older people relish the challenge of new skills, new technology and change - world renowned writer Annie Proulx did not start writing until she was in her 50s and New Zealander Bill Hamilton was 52 when he started work on his childhood dream of developing a jet boat that could navigate the shallows.

Recent NZ research shows that people aged over 55 are more likely to surf the Net for extended periods and SeniorNet - the organisation that introduces older people to the Internet - is fast expanding and opening up more branches around the country.

And in answer to the perception of limited payback - older people also tend to remain loyal to those who recognise their potential. Indeed younger employees are more likely to change jobs regularly.

2. Another barrier is that older workers may not be well informed about the types of skills they need or how to acquire them.

Sometimes older workers themselves believe the myths and there is some onus on them to make the necessary changes. But it does appear that this learning is taking place and this is especially the case with the Baby Boomers.

3. Perceived expense is another barrier but skills and experience usually mean greater efficiency and the ability to deal with problems quickly and effectively. The experience of older workers can also be passed onto younger employees, meaning greater efficiency across the board.

4. And the perception of greater absenteeism is also misplaced. Older workers are less likely to pull a "sickie", burn the candle at both ends, suffer a high impact sporting injury or be awake through the night tending to a young baby. People of all generations have experiences that may affect their work and this is certainly not confined to the over 55s.

The perpetuation of negative stereotypes leads to age discrimination, which in its turn leads to inefficient use of human capital and potential. This costs both the individual and the nation. If people work, they are contributing to the GDP and potentially passing on skills and experience. They are also less likely to need additional financial state support.

In short, most baby boomers want to continue working - and they may need to, for financial reasons - but they will not want to work for employers who ignore their own marketing and employee trends.

As the labour market tightens, the over 55s will have more choices, and the most capable and accomplished among them are likely to be the most mobile and financially independent.

The challenge is to find a way to reconnect with these employees before they're ready to take a retirement package and run - perhaps to a competitor.

We are lucky in New Zealand that there is no legal retirement age but the lifting of the legal requirement hasn't meant that all workplaces have become suddenly friendly for older workers. Changes are definitely required in recruitment, work environments and professional development.

The Harvard Business Review suggests creating a *culture that honours experience* - starting with recruiting jargon (replace "energy" and "fast pace" with "experience" and "knowledge"), offering training and development to older employees and offering flexible work environments such as part time options or working from home.

Employers must also look carefully at their knowledge transfer process to ensure that the skills and experience of older workers are passed on before they do decide to stop work altogether.

And another major contribution employers can make is to the financial wellbeing of their workers. Financially sorted employees are less likely to be stressed and more likely to enjoy good health. Assistance can be through work based savings schemes - such as Kiwisaver due for introduction next year - or by making financial information available.

Maximising the potential of the older workers is a way of future proofing all of our companies and organisations. Given the population trends coming toward us, it is also the only way of future proofing our nation.

Let's look closer at how the Retirement Commission can support human resources.

The Retirement Commission made a radical change in 2001 to better prepare New Zealanders - move from "Welcome to Retirement" to best the financial education website in the world.

To help individuals at all stages of their life manage their finances, we have our website Sorted.org.nz. Visitors can select the information and tools most relevant to their needs such as: budgeting; saving; managing debt; retirement planning and managing a nest egg.

We encourage employers to put Sorted on their intranet. Sorted has received two million visitors and we monitor visits and use feedback to change Sorted so it continues to be relevant. We also offer Sorted offline - a printed package of the main information and tools - for those who don't have access to the internet.

The Commission has partnered with SeniorNet, which uses our 60plus financial information as an attraction to first time internet learners.

So I ask all the HR professionals and employers in the audience to tell your staff and clients about Sorted. And you can also tell us at the Retirement Commission what we could do better. Feedback from your experience and your staff members' experiences is valuable to us and will help us improve the services that we offer.

We all have a part to play in helping older people enjoy a good quality of life irrespective of whether they choose to stop work at 65 to keep working until they're 90. Freedom from financial worry gives people the freedom to pursue their dreams. And that has to be a good thing.