

The Labour Market

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Introduction

Almost 40% of the New Zealand work force is now aged 45 and over. This ageing trend will continue as smaller cohorts follow the baby boom bulge through the population. While age dependency ratios are increasing, skills and labour shortages are emerging, with serious economic implications. After examining labour force trends in the context of population ageing, the chapter explores possible solutions, which include increasing immigration and raising the birth rate. However, these seem less feasible than raising levels of participation among groups currently under-represented in the labour force. Attempts to increase labour force participation rates among older people and delay full retirement present a wide range of issues and implications, for the economy, for individuals and for business. The chapter explores these issues and discusses the initiatives and policy options that might help to maximise the potential of older workers.

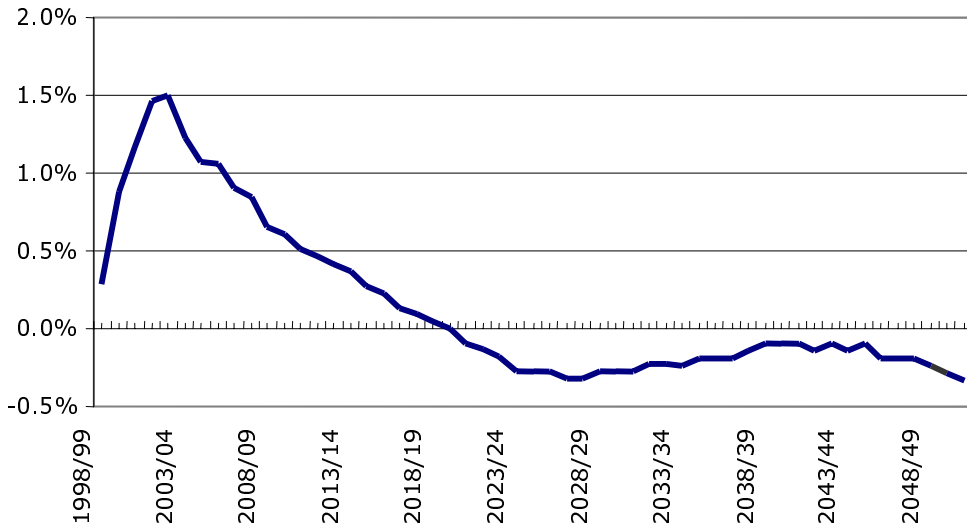
Ageing and the labour force

The ageing of the New Zealand labour force is an aspect of overall population ageing and needs to be considered alongside changes in the age structure of the population as a whole. Labour force changes associated with ageing will have significant implications for individuals, business and the economy (Creedy and Scobie, 2002; Stephenson and Scobie, 2002). Estimates by Statistics New Zealand for 2006 show almost 40% of the labour force aged 45 and over. This trend is predicted to continue as smaller cohorts follow the baby boom bulge through the population. By about 2018, 44% of the labour force is expected to be aged 45 and over and in 2051, 46%.¹ By mid century, based on present assumptions about participation, Treasury expects that growth in the labour force will be negative (Figure 7.1).

As a result of these changes, we can expect serious labour and skills shortages and these will affect economic prospects. A New Zealand Institute of Economic Research business opinion survey in 2004 found that 61% of employers had difficulty finding employees with appropriate skills and 25%

stated that shortage of labour was the primary barrier to business growth. In February 2005 the ANZ Job Advertisements survey found there had been a 13.3% increase in advertised vacancies from the previous year (figures quoted in Drake International, 2005).

Figure 7.1: Projected labour force change, 1998–2048



Source: Stephenson and Scobie, 2002.

There will also be fiscal implications. As the baby boom generation reaches old age the costs of retirement income support and health care for older people will grow. This places emphasis on the ratio of workers/taxpayers to dependent older people. Information on ‘age dependency’, and how it is expected to grow, is in Chapter 2. The Workforce 2010 project (Department of Labour, 2001) identified five important challenges and issues for the future:

- the ageing of the workforce;
- labour and skill shortages;
- falling male participation especially in the 50 and over age group;
- increases in the costs of retirement income support and health care; and
- increases in the dependency ratio.

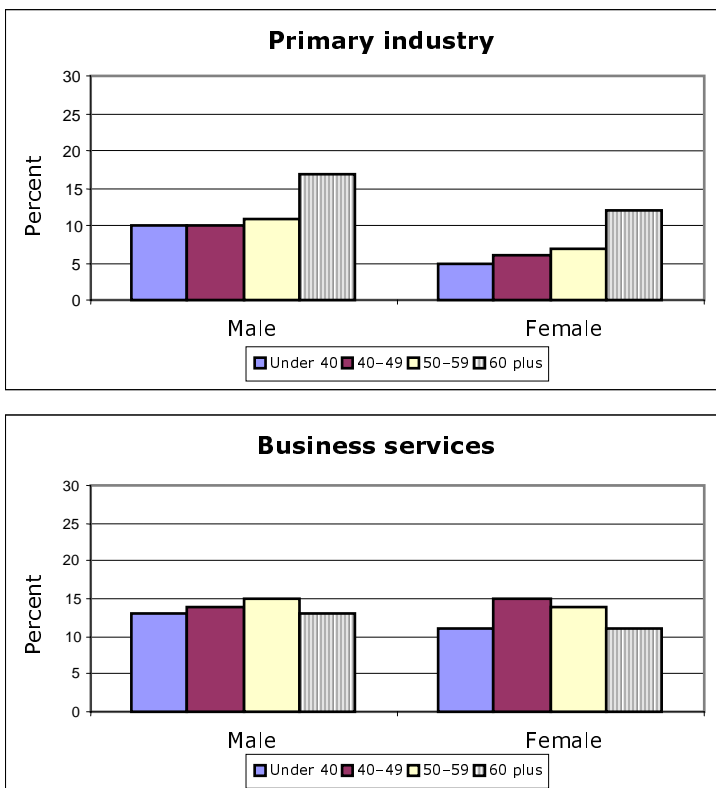
These challenges raise the prospect of reduced economic growth and falling living standards if measures are not taken to improve labour force participation rates and increase productivity.

Patterns of labour force participation

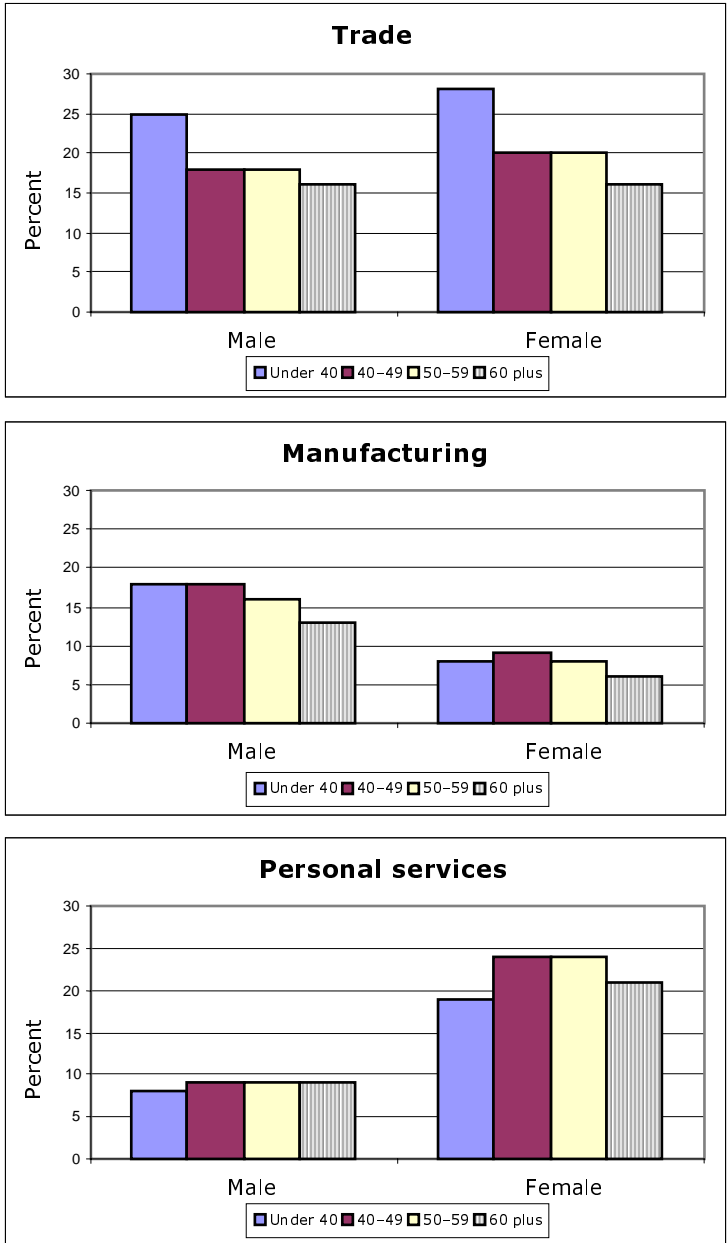
Information on trends in labour force participation, outlined in Chapter 2, shows that, since the 1960s male rates have fallen and female rates have increased in all adult age groups, although female rates are well below male rates. Looking more closely at the last two decades, however, there has been an upturn in participation rates for both men and women aged 60–64 and 65 and over. This reflects policy adjustments – increasing the age of eligibility for New Zealand Superannuation (NZS) and removing compulsory retirement.

Workers are not evenly distributed across industries by age (Figure 7.2). In primary industry the percentage of workers increases with age for both men and women. A larger proportion of older workers in this category are farmers, who are likely to be self-employed. In contrast, in the manufacturing and (wholesale and retail) trade industries participation falls off with increasing age with fewer older workers. In the business and personal services sectors participation trends are similar across age groups, but a clear gender difference exists, with women more likely to participate in the personal services industry than men at all ages.²

Figure 7.2: Workforce, by age and gender, in selected industries, 2001



Implications of Population Ageing: Opportunities and Risks

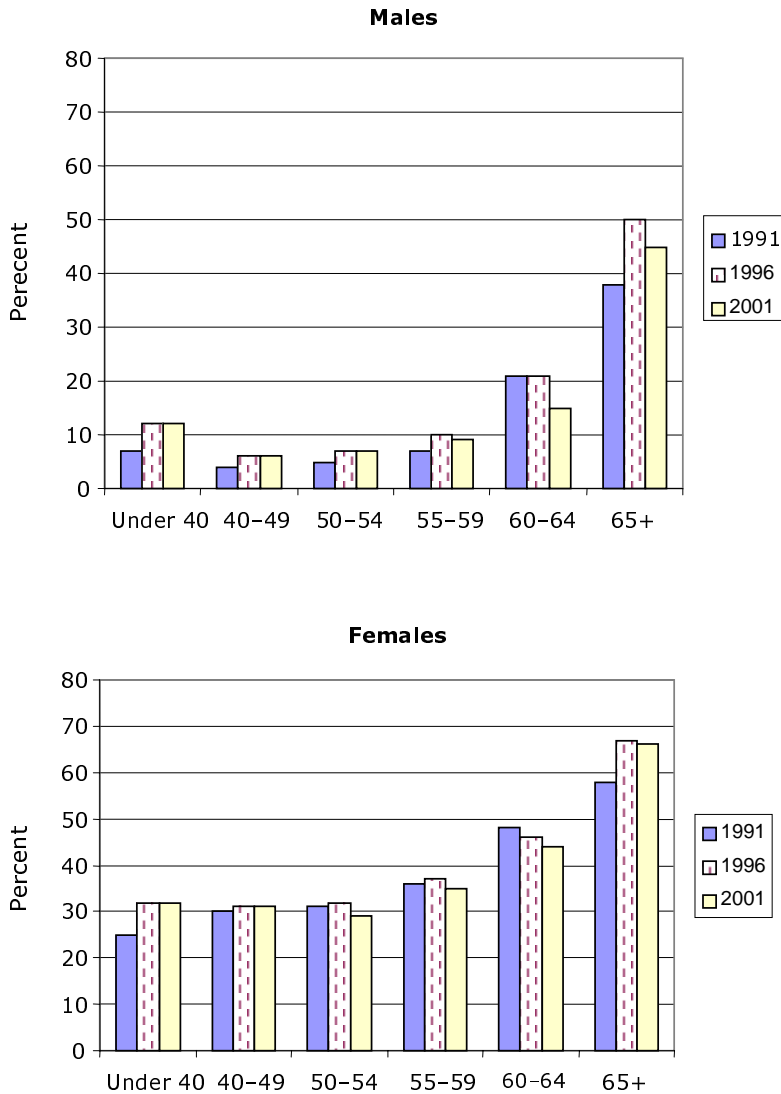


Source: Statistics New Zealand, 2001 Census National Summary, Table 25 (<http://www.stats.govt.nz>).

Figure 7.3 shows that working part time is more common for women than for men at all ages, but its incidence increases with age. It has become more common for men to work part time over the last decade. For both men and women there has been a decrease in the proportion working part time in the 60–

64 age group. This is linked with adjustments in labour force participation following the increase in the age of eligibility for NZS. At 65 and over, a high proportion of both men and women who remain in the labour force work part time, but the levels are still higher for women.

Figure 7.3: Part-time workers by age and sex, 1991, 1996, 2001



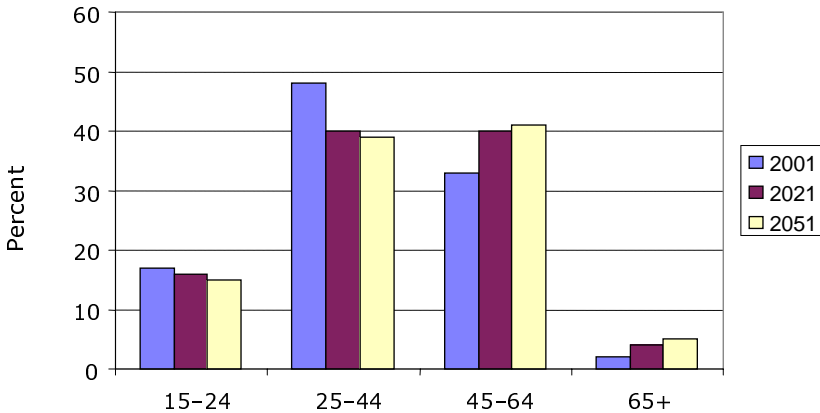
Source: Statistics New Zealand censuses of population, (<http://www.stats.govt.nz>).

Self-employment also increases with age, but is much more significant for men than for women. Bearing in mind the very low rate of participation in the paid workforce, the proportion of workers aged 65 and over who are self-employed is significant. This group is likely to have greater control over their working arrangements, allowing hours to suit themselves. Self-employment in the older age groups is mainly characteristic of Pākehā males (Woolf and Statistics New Zealand, 2002).

Labour force projections

Statistics New Zealand labour force projections (assuming a medium rate of fertility, mortality and migration) suggest that, between 2001 and 2021, the number of people aged 65 and over who are in paid work will grow by 142% for men and by 166% for women. Between 2001 and 2051 the numbers will treble. Figure 7.4 shows the projected age structure of the labour force, clearly illustrating increases in the 45 and over age groups.

Figure 7.4: Age structure of the labour force, 2001 and projections to 2051



Source: Statistics New Zealand, labour force projections, 2001 base.

Options to address labour force ageing

The options for addressing the implications of labour force ageing include increasing immigration, raising the birth rate and increasing participation among population groups whose rates are currently low, including older people (Ministry of Economic Development et al., 2003).

Increasing immigration

In an ageing world, New Zealand will be competing with many other developed countries for skilled workers and currently it has difficulty retaining its own. It appears, therefore, that increasing immigration is unlikely to be helpful. Adult immigrants arriving now and in the near future will themselves contribute to population ageing. The numbers required to even moderate the ageing trend would be large and will incur costs of settlement and assimilation (McDonald and Kippen, 2000).

In a report to the World Economic Forum Watson Wyatt Worldwide (2004) calculated the extent to which immigration would be required to offset declining fertility and maintain labour force levels. This was expressed as a multiple of current immigration rates in selected countries. The results ranged from 0.4 in Australia to 1.7 in the United Kingdom (UK) and 11 in Japan. Watson Wyatt Worldwide concluded that such increases were unrealistic, but that targeted immigration may be helpful in some countries.

Increasing fertility

There are also doubts about increasing fertility to counteract population ageing (Callister, 2002). Unless social norms and expectations change radically, higher rates of childbearing would reduce women's abilities to earn, while at the same time increasing demands on family incomes. Women have high levels of involvement in paid work in OECD countries and make significant contributions to household incomes. The fiscal costs of youth dependency would also rise in the medium term to fund education, child-health and other family-related services. Kim Dunstan and Nicholas Thomson of Statistics New Zealand suggest uncertainty about trends in fertility for the future (see Chapter 2).

At a forum in 2004, Louise Rolland, Chief Executive Officer of Business, Work and Ageing in Australia, said (p. 1):

Even if everyone had an extra child today it would be 20 years before the next generation would hit the labour market.

Also in Australia, Peter Costello, Treasurer of the Commonwealth Government, was quoted in *The Australian* (9 August 2002) as saying:

It is not realistic to think that the ageing of the population can be significantly addressed by a reversal of the fertility rate. There is no magic bullet which will solve our problem of the ageing of the population.

Both commentators suggested that the most significant contribution to the labour force challenge would be to retain older workers and maintain productivity into later life.

Increasing under-represented groups' labour force participation

A third option is to increase levels of participation among groups under-represented in the labour force. The OECD suggested that:

the combined effect of possible reforms targeting prime-age women, older workers and youth might suffice to stabilize the average participation rate in OECD countries over the next 25 years but will be insufficient to offset the additional reduction of participation likely to be caused by demographic changes beyond 2025. (Burniaux et al., 2004, p. 4)

The situation with respect to these three groups was examined in a Watson Wyatt Worldwide report (2004), which estimated the percentages by which each would have to increase its participation rate to offset projected labour shortfalls over 2000–10. For prime-age women (aged 25–54) increases for European countries were around 90% (and would probably be higher for New Zealand, given comparatively low current rates). Increases for young adults were about the same, but were over 100% for males in many countries. Growth in this area would challenge levels of advanced education necessary for enhancing skills.

Required increases in participation rates for people aged 55 and over would not be as great, but the variation in the percentages was greater than for the other two groups, ranging from 30% to 60% for men and 16% to 40% for women in the selected countries. The study concluded that looking to any single group may not be a realistic solution, but (concurring with the OECD's conclusion) raising participation rates for all three groups – female, younger and older workers – may hold considerable promise.

New Zealand female labour force participation rates are low compared to some OECD countries. By comparison with many developed countries, New Zealand has a high prevalence of sole parent families and high fertility rates, although these are decreasing. Although the government is adopting policies to increase labour force participation by women and mothers in particular,³ this approach will incur costs, in the form of childcare subsidies and tax expenditure, and will raise issues around the quality of care for very young children and parental rights.

In many developed countries, including the OECD and European Union, governments are considering how to increase older workers' labour force

participation and discourage early retirement (Clark and Quinn, 2002; Jepson et al., 2002; Rappaport, 2001). In Australia, a federal government report, *Population Ageing and the Economy*, called older workers “too valuable to waste” (Access Economics, 2001, p. 1). Similar questions were posed in a New Zealand Treasury working paper, *The Economics of Population Ageing* (Stephenson and Scobie, 2002). The Drake White Paper *The Age Chasm*, referring to the future in New Zealand, concluded (2005, p. 4):

Conventional wisdom has it that market forces will intervene and correct the imbalance (in the age of the workforce) through new people entering the labour force and immigration. This is unlikely and unrealistic given the range of converging factors which are amplifying the impact of a shrinking labour force.

In summary, initiatives to encourage higher levels of labour force participation by prime-age women, young people and older workers appear to be more promising than proposals to increase immigration or promote higher fertility, although the options are not mutually exclusive and a mix of approaches may be beneficial.

A focus on younger women could have disadvantages in discouraging fertility and compromising the quality of parenting. A focus on younger people may work against the objectives of encouraging higher education and skill acquisition. On the other hand, moves to enhance labour force participation by older people have potential advantages for the workers themselves, for their employers and for society as a whole.

If large numbers of people in mid-life are unemployed, underemployed, prematurely retired or otherwise contributing less in economic terms than they are capable of, this has far-reaching implications. Their productivity as workers will be below their potential; they will be contributing less as taxpayers; they may be dependent on welfare benefits through unemployment, illness and so on; and they will be less able to set themselves up for their old age.

The Living Standards of Older New Zealanders Study (Fergusson et al., 2001), showed clearly that circumstances in old age are strongly influenced by what happens to people in mid life. When people had suffered adversity in their 50s, such as a serious illness, unemployment, a marriage breakdown or a business failure, often their living standards and quality of life after retirement suffered. Overseas studies show similar effects (Bowman and Eisenstadt, 2001; Chan and Stevens, 2001).

Increasing older people's labour force participation

A range of issues needs to be considered if the option to increase labour force participation by older workers is adopted. These issues apply at several levels – for the economy as a whole, for business and for individuals. At the macroeconomic level, there is considerable emphasis in central government policy on enhancing growth and raising New Zealand's economic performance ranking. Emerging skills shortages are likely to hamper progress towards this objective. If productivity growth does not compensate for the predicted slowdown in labour force growth, then there will be adverse economic consequences and a negative impact on the overall standard of living. At the same time as affecting labour supply and productivity, and hence tax contributions, ageing will bring about increased government outlays for public pensions and health care, causing deterioration in budget balances and reduced economic growth (Liebfritz, 2003).

At the macroeconomic level, therefore, there is support for promoting more effective human capital management by encouraging higher levels of labour force participation by older workers, enhancing their productivity and delaying their retirement. This will increase their contribution as taxpayers to generate more funds to support an ageing population and reduce welfare dependency among older people.

A range of issues also arises for individuals and for business. These issues are considered next.

Issues for individuals

How do individuals, over their life cycle, make choices about labour force participation? What incentives and disincentives operate and how are attitudes surrounding retirement changing? How do caring responsibilities impinge on working lives, productivity, career aspirations, incomes and the ability to save for one's own retirement? What impact would prolonging participation in the workforce have on the voluntary work now undertaken by younger retired people? Little work has been done on these questions in New Zealand.

Income levels

Whether an individual has an economic necessity to work depends on their having alternative sources of income such as pensions or superannuation entitlements and their income requirements. The Periodic Report Group (2003) concluded that, when people leave the workforce on retirement, NZS provides a high replacement income⁴ for low-income earners and beneficiaries and a

moderate replacement income for average-wage earners (65% for a couple). For couples who previously earned \$50,000 per year, NZS, in 2003, provided a 50% replacement. Fergusson et al. in *Living Standards of Older New Zealanders* (2001) found that the majority of older New Zealanders had relatively few material and financial restrictions.⁵ These sources suggest that the current level of NZS is sufficient to assure the majority of older people a basic living income.

However, expectations of higher living standards in retirement, especially among the oncoming baby boom generation are likely to encourage New Zealanders to remain in paid work, in some form, after the 'traditional' retirement age. Higher divorce rates and increasing numbers of unpartnered people in mid-life mean many people may have to work longer to provide for their retirement (Statistics New Zealand, 1998). If more people enter retirement having outstanding mortgages, this may also prove an incentive to continue earning.

Research by the Centre for Research into the Older Workforce in the UK identified three groups of older workers, one of which was the 'survivors' group, motivated strongly by the need for an income (McNair et al., 2004). Workers in this group have few or no qualifications and are in routine and semi-routine jobs. They have little control over their working lives, often have job changes forced on them and may leave work through sickness and redundancy.

Attachment to work and conditions of work

British research has shown that feeling valued by employers and colleagues, having a sense of control and autonomy and a positive social environment in the workplace are positive factors (Smeaton and McKay, 2005). People in jobs that entail a personal sense of purpose or concern about professional reputation may remain longer in paid work. These are the 'choosers' (McNair et al., 2004), well-qualified people in professional and managerial jobs who have significant control over their working lives and describe their job changes in terms of challenge and opportunity. If work is interesting they are likely to stay (sometimes into their 70s). If they retire, they are likely to take up voluntary work.

Another important aspect is flexibility about time and responsibility. A higher proportion of older workers may be involved in non-standard forms of employment, for example, part-time employment, self-employment and bridging jobs. There may also be issues of 'over-employment' (that is, actual hours worked exceeding desired hours). Older workers may find it hard to keep pace with, or choose not to 'buy into', the time commitment required in some parts of the labour force.

Work–life balance issues and ideas about retirement

‘Pull’ factors may attract workers into retirement, such as having a partner who is retired or wanting to spend more time with family, travelling or pursuing hobbies. These factors may apply especially to high-income employees who can afford to retire early. Women often leave the workforce early, following the retirement of their older male partners (Morrison, 2001).

Workers in mid-life may have responsibilities to older parents or relatives, ranging from social contact to intensive personal care (Davey and Keeling, 2003; Phillips et al., 2002). An increasing proportion of these mid-life workers care for their grandchildren, which often allows the children’s parents to be in paid work. These are CROW’s third group, the ‘jugglers’, almost all of them women (McNair et al., 2004). Jugglers have some qualifications, usually below degree level and they are likely to work in intermediate occupations. They are balancing domestic and caring roles with paid work and are most likely to be working part time in small firms.

Health status

New Zealanders are enjoying better health status in old age and growing life expectancy. Medium level projections for 2051 suggest that average male life expectancy at birth will be 83.5 years and female life expectancy at birth will be 87 years, giving around 20 years past the ‘threshold’ age of 65 (Statistics New Zealand, 2004, Table 4.11). Even so, ill health is an important influence leading to early retirement and reduced attachment to the labour force.

Policy incentives

Fiscal policies, especially taxation, influence levels of disposable income and hence financial incentives to retire or remain in paid work. The effect of a higher age of eligibility for NZS is clear in labour force trends in the 60–64 age group. The abolition of compulsory retirement under the Human Rights Act 1993 has been another incentive for people to remain in paid work. Overseas, similar incentives have been effective in encouraging higher levels of labour force participation among older workers, and have included reduced pension levels and increased benefits for later take-up of a pension (General Accounting Office, 2003).

All these factors operate in complex ways and their influence will vary between workers. For example, workers with higher incomes may benefit from adjustments in tax or abatement rates, while those who have difficulty finding work may benefit from training programmes (Williamson and McNamara, 2001). McGregor and Gray (2003) examined these factors in New Zealand

through interviews with workers in the meat industry and in a knitting mill. A quarter of the sample indicated that they would continue to work past age 65 provided their health allowed them to continue in physical labour. Many workers indicated that they were “conserving their physical well-being” in order to continue in employment. Financial security, while important, was not the only determinant in the retirement decision – 30% of the sample indicated that winning Lotto would not stop them from working.

Issues for business

Firms and enterprises also need to adjust to an ageing workforce. Bearing in mind possible differences across types of business and on a regional basis, they need to plan for an increase in older workers and declining availability of younger workers and to consider how to retain institutional knowledge and experienced older workers. This will include realising and building on the strengths of both younger and older workers. Careful succession planning will be needed to replace discriminatory retirement schemes (Lissenburgh and Smeaton, 2003).

We need to know more about the behavioural responses of business and employers to the perceived and actual effects of ageing on worker productivity (Stephenson and Scobie, 2002). How do organisational cultures adapt to changes driven by population ageing? In the changing and ageing context, employers need to ensure employees are constantly evaluating and updating their skills.

It is also essential for business to recognise that consumers are also ageing, and to appreciate a workforce that has well-developed interpersonal skills to relate to older customers (Hewson, 2001).

Businesses that anticipate these changes and actively recruit and train mature workers will be well placed to maximise their business potential and achieve success in the new market environment (Robson, 2001).

Employers’ and recruitment agencies’ attitudes to older workers

Myths and stereotypes about ageing and older workers’ abilities often make it difficult for business to accept the need for the changes noted above, and create significant barriers for older workers seeking full participation in the workforce. Recent New Zealand studies suggest employers and recruitment agencies have mixed views of older workers, but on balance they are fairly negative. They tend to support persistent myths about older workers’ abilities and attributes such as:

- as workers age their abilities and performance decline;
- older workers cannot adapt to new technology and are less willing to train;
- older workers are less physically able and have less energy for the job; and
- older workers present a lower return on training investment than younger workers.

However, positive attributes universally associated with older workers by employers, recruiters and older workers themselves include:

- loyalty to their employer;
- stability and reliability; and
- experience.

New Zealand studies substantiate the persistence of these myths and stereotypes, despite the fact they can be easily challenged.⁶ The same views are replicated in other countries. For example, a study reported in the *Australian Financial Review* surveyed 500 employers and human resource managers in 1999 and found that mature workers were the least preferred for recruitment and were considered as the best option to meet retrenchment requirements. None of the employers surveyed were interested in employing anyone over the age of 50 (cited in Hewson, 2001).

Does productivity and performance decline with age?

When Sparrow (1999) asked employers about the impact of an ageing society, they frequently queried the ability of older workers to maintain the level of performance required for the job. Australian studies show the same trend, with the widespread belief that older workers are less productive than younger workers (Patrickson, 1998). On the other hand, after reviewing the research, the Human Rights Commission (1998) argued that older workers are just as productive as their younger colleagues and are more stable employees. If higher levels of labour force participation by older workers are being suggested as a solution to labour shortages produced by ageing, then this question requires serious scrutiny.

McGregor and Gray (2001) found that 80% of older workers in their survey believed that there is an age-related performance decline in both manual and professional occupations. For manual occupations, the majority of participants saw male performance declining about age 55–59 and female performance at 54 years or less. They considered the gender difference was less pronounced for professional workers. But the majority thought that work performance decline was apparent for both men and women from 60–64 onwards.

International studies of productivity indicate more variation within age bands than between them (Warr, 1994). In an extensive review of the literature,

Davies et al. (1991) concluded that there was no clear evidence of a universal age deficit in job performance. While older workers may be disadvantaged in jobs that require physical strength and fast reaction time, outside these areas they were in many cases able to perform at least as well as, or even better than, their younger colleagues. Increased experience and levels of expertise associated with increased age have also been found to improve performance relative to younger workers (Griffiths, 1997; Warr, 1994).

Are older workers more expensive to employ?

It has been argued that older workers have high expectations about wage rates, and pay scales based on seniority and experience make them too expensive to employ (Bennington and Tharenou, 1997). However, a move away from pay rates based on time in the job to a focus on performance-based pay, which is already occurring in many workplace environments, would alleviate the perceived problem. A competency-based pay structure is valuable as a basis for employing all workers, regardless of their age (Patrickson and Hartmann, 1995).

Can older workers learn and adapt to new technology?

Although individuals are required to assume some responsibility to maintain their employability (Carpenter, 2001), stereotypes about older workers will restrict their opportunities for training. If employers do not facilitate their access to education and retraining or do not encourage age-appropriate methods in workplace training programmes, then this will simply reinforce the stereotypes. Warr (1994) examined the literature on training older workers. This showed that, while older workers require different learning environments and sometimes take longer to pick up skills, they are capable of both learning and applying new knowledge in the work environment. Older employees learn best when training programmes focus and build on existing knowledge (Turner, 2000). The New Zealand Employers Federation (1998) recommended that work-based training programmes for older people in general should involve learning by doing, build on existing concepts and structures, be directly applicable and be suitably paced.

Given these conditions, older workers can learn, retrain and upskill, but the attitudes and beliefs of older workers themselves are also important (McGregor and Gray, 2001). Respondents in the Life after 40 Study saw ongoing learning and flexibility as key issues in maintaining employability (Gee et al., 2000). They also recognised that formal qualifications are increasingly important. Experience alone may no longer be sufficient to retain or secure employment. International research also indicates that older workers are just as interested in learning and retraining as younger workers and just as capable of applying their

new skills productively. And their lower job turnover may produce a good return on investment in training (Robson 2001; Warr, 1994).

Are older workers prone to failing health?

Older workers are generally in better health than older non-workers (National Academy on an Ageing Society, 2000). The incidence of sickness is claimed to be no higher among older workers (Turner, 2000). Research also consistently finds higher rates of accidents among younger workers than older workers, although it may take an older worker longer to recover from injury (Patrickson and Hartmann, 1995).

Avoidable absence among male workers has also been found to decrease with age (Bennington and Tharenou, 1997). Greene (2001) found that employers tended to associate taking 'sickies' and absenteeism with younger workers rather than older workers. Similar findings were reported by McGregor and Gray (2001).

Do older workers lack innovation and creativity?

In the workplace environment 'productive' qualities, such as creativity, flexibility and technological competence are associated with younger workers and valued over the 'non-productive' attributes (reliability and stability) associated with older workers (Steinberg et al., 1998). In practice, both sets of attributes are required to deal with workplace change.

Given the views expressed by employers, age is likely to be used as an indicator of performance and employability. They may result in negative outcomes for older workers, especially in recruitment decisions. In many cases businesses may be applying stereotypes unthinkingly and may not have considered the implications of an ageing labour force. The Hudson report (2004, p. 4) concluded:

More than half of organisations surveyed do not believe that New Zealand employers view the ageing workforce as a serious business issue. This is despite the fact that statistics clearly show the ageing population threatening to drain the labour market.

The sectors that were most aware were government sectors – education, transport and health care. Information technology was the least sensitive to ageing workforce issues. Larger organisations were more likely to recognise the seriousness of the issue than smaller businesses, probably based on their more limited human resource capacities and higher demand for staff.

It is hard to explain the persistence of these myths and stereotypes about older workers, given the evidence to counter them and the likelihood of

increasing skills and labour shortages. Perhaps respondents in the research quoted see ageing as too far in the future to worry about. Supply and demand factors in the labour market may force employers to change their attitudes – or educational initiatives may be needed. It seems, however, that employers, who recognise how the labour market (and the consumer base) is changing as a result of ageing and act accordingly, may acquire some advantage over their competitors. The following section suggests options forward-looking employers may consider.

Maximising older workers' potential: options for employers

In a 2003 address to business leaders David Morgan, Chief Executive Officer of Westpac, said:

it is the responsibility of business, assisted by supportive public policy, to realign their workplace structures to coming realities. We should reject early retirement as an acceptable restructuring solution. We should seek more women in our workforces. We should raise participation rates for males in the upper age groups, and increase opportunities for retirees to work part-time ... So, given the future that awaits us, how many companies are thinking seriously about the composition of their workforce? Not many. The great majority never give it a thought.

Walker (1998) clearly sets out the business case for employing, retaining and upskilling older workers, and White (1999) identifies why 'smart' businesses maximise the experience of older workers. There are some practical ways to do this.

Flexible working conditions

By improving the quality of the working environment, redesigning and reassigning jobs, older workers could be encouraged to continue working or to re-enter the labour force (Davies et al. 1991). Older workers may prefer reduced pay and lower levels of responsibility to allow for increased leisure time instead of opting for total retirement (Robson, 2001). Higher real incomes may stimulate an increased demand for leisure (Creedy and Scobie, 2002).

Relatively little research has been conducted in New Zealand on flexible work options, such as flexitime, part-time work, teleworking and job sharing, certainly not in recent years. A small, and now dated, study of telecommuters (Schoeffel and Loveridge, 1991) revealed that most were older, well educated

and engaged in a variety of jobs that included journalism, engineering, business consultancy, publishing and architecture. Taylor (1992) found that the employers of teleworkers reported financial savings, better customer servicing and improved productivity, and few reported any disadvantages. Managers saw job sharing as a relatively unimportant practice that benefited the worker rather than the employer. Callister (1997) concluded that while some non-standard work practices, such as shift work, have become common, others, such as job sharing and home working, are rare. Research by McGregor and Gray (2001) supported this finding. O'Donohue (2000) found that only a third of Canterbury respondents were offering flexible work options, but another third thought they might in future. The most common forms were part-time work and flexible working hours. The least favoured options were retraining and job redesign, possibly due to the costs and loss of productivity.

Given the dearth of New Zealand literature on flexible work practices, their restricted current use and limited prospects for adoption in future, this seems an important area for research and development. This would include identifying and addressing barriers to implementation from both the employers' and the older workers' points of view and also taking into account the special needs of differing industries. In several countries legislation has been passed to facilitate flexible work practices. One example is the Australian Workplace Relations Act 1996, which gives employers the ability to assist older workers to remain in the workforce through job sharing, home-based work and flexitime (Australian Public Service Commission, 2003). In Britain, legislation came into effect in 2003 that requires employers to consider seriously requests for flexible working hours by employees who have responsibility for young children.⁷ A private member's bill based on this British initiative, the Employment Relations (Flexible Working Hours) Amendment Bill, is before parliament in New Zealand. Such provisions could be extended to cover older workers' needs, especially those with elder-care responsibilities.

Working carers

Most of the initiatives to promote work-life balance and 'family-friendly' workplaces concern the needs of working parents. For older workers, elder-care responsibilities may be significant. As the population ages the numbers of people with such responsibilities will increase, especially given the encouragement of ageing in place, where older people, often with significant disabilities or health problems, remain living in the community. Elder-care responsibilities may be a key factor in deciding whether workers in their 50s and 60s, who have elderly parents in their 80s and 90s, are able to remain in the

workforce and the extent of this involvement (full time or part time) (EEO Trust, 2000). Caring for older people can involve protracted and unpredictable demands and stresses (Noelker, 2001). Also, women are five times more likely than men to retire from paid work when they are responsible for caring for a dependent spouse (Dentinger and Clarkberg, 2002).

It is rare to have flexible provisions for workers who care for older dependants (Phillips and Bernard, 2001; Robson, 2001). Employers seem less aware of these issues, certainly in New Zealand (Davey and Keeling, 2004a, 2004b). Provisions that assist employees to blend paid work and care-giving responsibilities include flexible working hours, special leave arrangements for emergencies, and access to basic links such as a telephone. Martin-Matthews (2001) found that working carers could more easily maintain a positive and productive attitude toward their jobs when they had choice about their work arrangements and if they could organise their work flexibly around their caring commitments. Employers will also benefit from policies that assist workers with elder-care responsibilities, such as improved employee retention, higher productivity, reduced absenteeism and reduced stress (Social Policy Research Unit, 2000).

Phased retirement

While most people still expect to retire at some point, this is now less likely to be an abrupt break between working full time and not working at all. Many older workers reduce their working hours and responsibilities gradually, to make the transition smoother and more manageable (Turner, 2000). Many use 'bridge jobs', to ease the transition. The international literature confirms that many older workers intend to stay in some form of paid employment after traditional retirement age (Moen et al., 2000). The American Association of Retired Persons (AARP, 1999) found that 80% of American baby boomers expect to work at least part time during retirement. Worsley (1996) argued that retirement as a concept is increasingly outmoded. It would be more productive to see people as negotiating a series of transitions in and out of work, not centred on chronological age, but on skills, abilities and life experiences.⁸

Workers and employers both benefit from phased retirement. For workers, reducing paid work allows them time to pursue leisure and family activities and adjust to the financial changes retirement brings. For employers, retaining older workers allows valued knowledge and experience to remain with the company and older workers can mentor and train less-experienced workers (New Zealand Employers Federation, 1998). However, phasing retirement and retaining older

workers past traditional retirement age need to be considered in the context of tax, superannuation and benefit provisions for retirees and part-time workers.

Little research has been done on retirement issues and phased retirement in New Zealand. Greene (2001) found that an employer's inability to compulsorily retire an employee was a concern for a majority of the employers she interviewed. Employers questioned whether older employees would recognise when their performance was declining and spontaneously decide to leave work. Very few employers were aware of their workers' retirement intentions, and hardly any discussed such issues with them. Greene found this lack of communication concerning, when employers can assist their employees in making the transition to retirement in ways that benefit both parties (EEO Trust, 1999).

Maximising older workers' potential: policy responses

Encouraging participation through the income support system

As already mentioned, governments overseas are adjusting pensions and retirement policies to encourage higher levels of labour force attachment by older workers. In some cases they facilitate a mix of income from work and pensions, so earnings can provide the fourth pillar of income in retirement. Having abolished compulsory retirement ages and not having a contributory retirement income system produces a different environment in New Zealand. Here, the Jobs Jolt initiative, announced in mid-2003, aimed to counter unemployment among 'mature workers' (and also long-term unemployed people and sole parents). As well as applying work testing to people aged 55–59, the initiatives included employment coaching, active case management and training opportunities targeting older job seekers. Jobs Jolt has since been scaled back as a result of reduced rates of unemployment.

Challenging age discrimination

According to the Human Rights Commission (1998), age discrimination not only disadvantages individuals but removes valuable and important skills from the labour pool and results in a less than optimal use of human resources. Even though empirical evidence does not support commonly held negative stereotypes of older workers, the myths persist and fuel age discrimination (Murray, 2002; Robson, 2001).

Despite the passing of anti-age-discrimination legislation, McGregor and Gray (2001) found that many employers do not believe the legislation is working. Four out of five believed employers should have free choice of whom

they employ and nearly half agreed that the labour market should be left to its own devices. Sparrow (1999) argued that legislation alone is not a solution for addressing age discrimination in the workforce. These conclusions are reflected in the international literature (Bennington and Wein, 2003; Swaim and Grey, 1998).

Apart from tightening up legislative provisions, the government can assist by educating employers on the benefits of non-discriminatory processes and by modelling such provisions in all public sector agencies. This may need to be done with care if the stance taken by Duncan (2003) is correct. In the British situation, he suggests that discriminatory attitudes displayed by employers may have been overemphasised in explaining older workers' early exit. He points out that forcing employers to retain or engage older workers may not be cost effective and calls for functionality and cost rather than a retirement age to be the central criteria. Duncan also points out the effect of social policies, generous retirement schemes and individual preferences as push factors.

Encouraging education and training

Current and future economic conditions call for multi-skilling as a basis for maintaining economic growth and business profitability, involving a broader and more flexible range of skills (Department of Labour, 2001). However, a considerable proportion of the New Zealand labour force has low levels of educational achievement, and many firms' commitment to investing in training is not high (Inkson et al., 1998).

Creating opportunities for mature age workers to undertake retraining and breaking down barriers to retraining are critical issues. The establishment of a culture of continuous learning and re-skilling is essential to maximise mature age workers' contribution to economic growth (Bishop, 2001).

Credentials acquired in institutional contexts have become the main means of access to paid employment and are widely used for screening purposes (Kuiper, 2001). A lack of formal qualifications is a trap for older workers and 'credentialism' may contribute to the underuse of human capital. About a third of people aged over 50 have no formal qualifications, having developed their careers through trade certification and on-the-job training. McGregor and Gray (2001) found that many older workers and job seekers receive little guidance on what skills to upgrade and where to get the best training to ensure their marketability.

Levels of Internet access and skills tend to be lower for adults aged 50 and over. The Living Standards of Older New Zealanders Study (Fergusson et al., 2001) found that 37% of the 50–64 age group did not have and did not want

Internet access. Such attitudes may foster employers' views that older people are less competent in information and communication technology and reluctant to take up the skills required. Combined with a lack of initiatives at the policy level and commitment to the ongoing training and upskilling of older workers, they redound to the disadvantage of older workers in an increasingly technological workplace (Carpenter, 2001; Gee et al., 2000; McGregor and Gray, 2001). Thus a vicious circle develops – outdated skills reinforce stereotypes about older workers, which gives them low priority for retraining, which reinforces their disadvantage.

Evidence exists that educational involvement by people aged 40 and over has increased in recent years. Ministry of Education figures show 5% of the 40 and over population enrolled in some type of education in July 2003, as opposed to 3% in 2000 and 2% in 1990. The growth has been significant for Māori⁹ and rates are higher for women (Davey, 2001). The Education in Mid and Later Life Study (Davey, 2001), which included almost 1,000 students aged 40 and over, illustrated a strong link between study and employment outcomes, with goals such as enhancing work prospects, improving earning capacity, retaining a job, or being better placed to apply for a new position driving the desire to resume study (Davey et al., 2003).

The New Zealand tertiary education system has some advantages not shared by other OECD countries – open adult entry, no age limit on student loans and opportunities for part-time study. On the other hand, there is little government support for adult retraining. The Adult Education and Community Learning Working Party report (2001) gave little attention to work-related issues. Individuals also may need more encouragement and support than is presently available to return to a regime of study that will produce heavy demands on their family and recreational time, in addition to financial pressure. And given threats of redundancy, those occupying secure jobs may not wish to divert their time and energies into study, unless the benefits are very clear. The administrative systems of many academic institutions are not well attuned to the needs of older students, linked to assumptions that education is for those aged under 25.

There is now widespread agreement by governments and supra-governmental bodies throughout the developed world that we need flexible workforces capable of learning and adaptation. Considerable support has been expressed for lifelong education initiatives, both in relation to prolonging workforce involvement and in meeting skill shortages (Belanger and Valdivielso, 1997; Tobias, 1999).

Fostering more positive attitudes towards older workers

Some governments overseas have taken pro-active stances on the employment of older workers. In Sweden, policies are based on the ‘work principle’ – the idea that work should be favoured over financial support for unemployed workers. Labour market programmes for the unemployed have always been open to older workers, and participation in these programmes is very high. As a result Sweden has a higher labour force participation rate among older workers relative to other European Union countries (Foden and Jepson, 2002). Finland has also taken several initiatives to retain older workers in employment, under the Finnish National Programme on Ageing Workers. This includes promoting ‘work-ability’, combating age discrimination, providing educational opportunities and allowing the taking of part-pensions. It also incorporates ‘age-management training’ for managers and supervisors to improve attitudes towards ageing workers and support appropriate human resource policies and practices. The results have been positive, with an increase in the average age of retirement (Foden and Jepson, 2002). Educational programmes for employers and supervisors may well have an important part in fostering more positive attitudes towards older workers.

Encouraging flexible working arrangements and changes in workplace and human resource practices

The Age Positive Initiative of the UK Department of Work and Pensions is a programme of awareness raising and education aimed at changing attitudes within organisations. Several schemes have been initiated under the European Social Fund (Age Concern England, no date). Business Links Kent offers a programme for older ex-managers to update their skills and secure employment in organisations facing management skills shortages. Mentoring for Success provides ex-managers, aged 50 and over, as mentors for small and medium enterprises.

There is a need to shift from a human resources philosophy based on a ‘depreciation model’, where a worker’s value to the organisation peaks early in their career, reaches a plateau mid-career, then steadily declines (Yeatts et al., 2000). Instead, there is benefit in fostering a ‘conservation model’ in which all employees, regardless of age, are viewed as renewable assets that can continue to yield a high rate of return for long periods if they are adequately managed, educated and trained. This is part of the process of ‘reciprocal adaptation’ – a continuous and dynamic process by which the individual seeks to establish a ‘fit’ with the job and the job is modified to suit the needs, values and interests of

the older worker. These initiatives could be fostered by policy and modelled in public sector organisations.

Conclusion

Change in the age structure of the New Zealand population has wide-ranging implications, not least in terms of the labour market. As the baby boom generation moves into mid and later life, the traditional ‘working’ age population will shrink in size, bringing serious labour and skill shortages, which will have profound economic and social consequences.

We have little New Zealand information about what influences the choices individuals make about labour force participation and retirement. A range of factors operates in complex ways and their influence will vary between workers. NZS appears to provide an adequate replacement income for most people, but expectations of higher living standards in retirement, especially among the oncoming baby boom generation may prolong labour force attachment. Other, non-monetary, factors produce incentives and disincentives to labour force participation among older people. Attachment to work and conditions of work and a positive social environment in the workplace are positive factors, as is flexibility about time and responsibility. There are also ‘pull’ factors attracting workers into retirement, such as wanting to spend more time with family, travelling or pursuing hobbies, and caring responsibilities for older parents or relatives and grandchildren. New Zealanders are enjoying better health status in old age and growing life expectancy, but ill health may lead to early retirement and reduced working input. A higher age of eligibility for NZS and anti-age-discrimination legislation, removing compulsory retirement, are among policy-based incentives influencing choices about participation.

Firms and enterprises also need to adjust to an ageing workforce. They need to recognise the strengths of a mixed age workforce and consider how to retain older workers’ knowledge and experience. Businesses that anticipate these changes and actively recruit and train mature workers will be better placed in the changing competitive business environment.

Despite the ease with which myths and stereotypes about ageing and the abilities of older workers can be challenged, many employers still use age, perhaps unthinkingly, as an indicator of performance and employability. This may result in negative outcomes for older workers, especially in recruitment decisions. It may also make it difficult for business to accept the need for the changes brought about by labour force ageing and the ageing of their

consumers. Supply and demand factors in the labour market may force employers to change their attitudes – or educational initiatives may be needed.

Forward-looking employers may consider a range of options to retain older workers or encourage them to re-enter the labour force. Options include improving the quality of the working environment, redesigning and reassigning jobs, and implementing flexible work practices. An important concept is ‘reciprocal adaptation’ – a process by which the individual seeks to establish a ‘fit’ with the job and the job is modified to suit the needs, values and interests of the older worker.

Relatively little research has been conducted in New Zealand on flexible work practices, which include flexitime, part-time work, teleworking and job sharing, and also phased retirement. This seems an important area for research and development. While most people still expect to retire, an abrupt break between working full time and not working at all is less likely. Increasingly, people negotiate a series of transitions in and out of work, in mid and later life.

Governments can also take initiatives to encourage higher levels of labour force attachment by older workers, which, internationally, centre on adjustments to pensions and retirement policies. The New Zealand environment differs by not having a contributory retirement income system and having abolished compulsory retirement ages. Despite the passing of anti-age-discrimination legislation, some tightening of legislative provisions may be needed, along with education for employers on the benefits of non-discriminatory processes.

Although educational involvement by people aged 40 and over has increased in recent years, a considerable proportion of the New Zealand labour force has low levels of educational achievement and in many firms the commitment to invest in training is not high. Government needs to have a higher level of commitment to lifelong education initiatives to prolong workforce involvement and meet skill shortages. Governments overseas have taken proactive stances on the employment of older workers using the policies outlined in this chapter and initiatives to foster more positive attitudes towards older workers. Many of these could usefully be examined and piloted in New Zealand.

Initiatives to enhance labour force participation by older workers appear to be more promising for addressing the implications of population ageing than proposals to increase immigration, promote higher fertility or target other groups. This approach has potential advantages for the workers, for their employers and for society as a whole.

Notes

- 1 Statistics New Zealand's projected labour force by age group and sex, series 4M, assuming medium fertility, medium mortality, long-term annual net migration of 5,000 and medium labour force participation, available from <http://www.stats.govt.nz>.
- 2 Personal services include hairdressing, cleaning, laundry and other grooming services.
- 3 For example, the Childcare Subsidy provides financial assistance to parents of pre-school children in full-time and part-time work. For school-aged children (5–13 years) the Out of School Care and Recreation Subsidy provides financial assistance to working parents for before- and after-school and holiday programmes. The 2005 Budget announced that the income thresholds for both of these have been increased to cover around 70% of all families (Ministry of Social Development, 2005). The Working for Families package increases family income for working parents through the income tax system.
- 4 This shows the extent to which NZS replaces the income people earned or received before retirement, in percentage terms (Periodic Report Group, 2003, p. 22). The higher the replacement rate the greater the incentive to leave the labour force.
- 5 Five percent experienced marked material hardship and a further 5%–10% had some material difficulties. The individuals most at risk of poor material wellbeing were characterised by a mix of low income, a lack of savings, high accommodation costs, a history of economic stress, being younger (aged 65–69), being of Māori or Pacific ethnicity and having a low-status occupation.
- 6 These are documented in Davey and Cornwall (2003) and include Greene (2001), Litmus (2002), McGregor and Gray (2003), McNeill (2002), Smith (1996), O'Donohue (2000) and Sparrow (1999).
- 7 A recent review of UK legislation concluded it has been successful in changing workplace culture. Since the legislation was introduced, about 1 million parents have requested to work flexibly and 8 out of 10 requests have been granted. Most requests have been made by women wanting to work part time (38%), flexible working hours (25%), reduced hours (13%) or to work from home (10%). Similar provisions operate in Germany, Italy, Spain and the Netherlands (Kedgley, 2005).
- 8 Tom Schuller (1987) talked about the increasingly complex transition between work and retirement. Just as there is no longer a simple transition from education to work, there is now an ambiguous stage at the other end of working life. He called this 'work-ending' and emphasised the need for more research on this neglected life stage.
- 9 Much of this growth has been concentrated in subdegree programmes that may, however, 'stair-case' to more advanced qualifications.

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