



Maximising the Potential of Older Workers

Update to 2007

Judith A Davey

New Zealand Institute for Research on Ageing

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The original edition of the monograph was launched in October 2003, at the *Age Advantage* forum in Christchurch by the Hon. Ruth Dyson, Minister for Senior Citizens. All copies had been distributed by 2005, but the topic gained greater salience as the implications of workforce ageing began to be recognised. The debate was encouraged through the visit of Dr. Mary Davies, immediate past CEO of the Pre-Retirement Association of Great Britain and Northern Ireland, who was the NZiRA/TOWER Visiting Fellow in 2005.

The growing importance of the topic, and the lack of an electronic version of *Maximising the Potential of Older Workers*, led to the decision, in mid 2006, to update the monograph and produce an on-line copy. This second edition includes the findings of relevant New Zealand and international research available since 2003 and updates of the statistical material, where possible. Much of the text has also been revised.

Judith Davey acknowledges the work of Justine Cornwall in preparing the first edition of *Maximising the Potential of Older Workers* and helpful comments on the update, contributed by Department of Labour officials and Sally Keeling. Virginia Wilton worked with Judith Davey on updating source material.

Chapter 1 – The Issues and the Options

What is the issue?

New Zealand's population is steadily ageing and now almost half the workforce is over the age of 40. This trend will continue as smaller groups of younger workers follow the baby boom bulge through the population. Within the foreseeable future growth in the workforce is expected to be negative. Thus we can expect labour shortages, and even now skills shortages are emerging, here and in other OECD countries.

We are very unlikely to be able to fix this by increasing immigration or by raising the birth rate, so it is crucial that we improve and develop the human capital we already have, and the best prospect is to maximise the potential of older workers. If people in mid-life are unable to contribute to their full economic capacity because of unemployment, underemployment, premature retirement, discrimination or other circumstances, then this has serious implications for their futures, for business, for society and the economy as a whole.

An understanding of ageing in the workforce is fundamental to successful social and economic adjustment as we look to the future. This report looks at where we are and where we are going in terms of maximising the potential of older workers.¹ Its intended audience includes employers and managers, HR professionals, union officials, policy analysts and advisors. It aims to contribute to the debate and provide pointers for policy and decision-making at all levels.

¹ How old is "older"? In this report the definition is flexible, often dictated by the availability of data and by definitions used by other writers. "Older workers" can mean people as young as 40 or 45, but the OECD and governments in many developed countries tend to take it to mean the 50 plus age group.

Population ageing

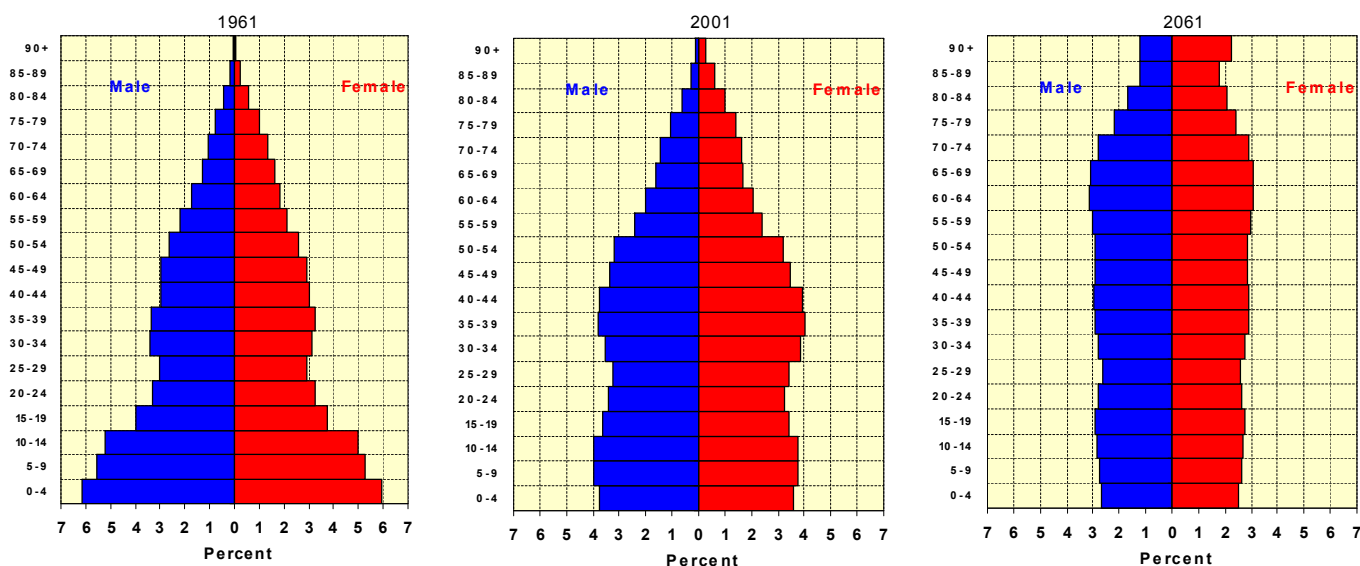
Three factors have contributed to significant change in New Zealand's population structure:

- declining fertility – for the last decade the average births per New Zealand woman has been 2.0, below the replacement rate of 2.1. This is in contrast to a total fertility rate of 4.3 births per woman in 1961;
- the ageing of the baby boom generation - now mainly in their forties and reaching their mid-sixties from about 2011 onwards;
- and an increase in average life expectancy – between 1970-1972 and 2000-2002 life expectancy at birth increased by 7.8 years for males and 6.5 years for females.

As a result, the composition of New Zealand's population pyramid is changing and widening at the top in the older age groups (Figure 1).

Figure 1: New Zealand Population, past, present and future

Source: www.stats.govt.nz [accessed 26/8/02]



- At the time of the 2006 Census, half the population was over 35.9; by 2020 half will be over 40.
- In 1981 20% of New Zealanders was aged 40 to 59; in 2006 this was 27%.
- The population aged 65 and over will grow from just over 12% of the population in 2006 to 25% in 2039 (according to Statistics New Zealand medium projections).

Age dependency

The economic impact of an ageing population is often expressed in terms of “age dependency” – the ratio of the people of “retirement age” relative to those of “working age”.² The ratio estimates how many older people each “worker” has to support. At present there are 18 older people per 100 people of working age, having risen from 15 per 100 in 1951. The age dependency ratio is projected to rise substantially from 2011 onwards to reach 45 per 100 by 2051. This means that for every person aged 65 plus, there is projected to be 2.2 people in the working-age group in 2051, compared with 5.5 people in 2004. “Age dependency” must also be seen in relation to “youth dependency”, which is projected to decrease in the future. New Zealand’s total dependency ratio (the number of people aged 0–14 and 65 plus per 100 people aged 15–64) is projected to rise from 51 per 100 in 2006 to 73 per 100 in 2051. This is similar to the total dependency ratios experienced in the 1950s and 1960s, which peaked at 71 per 100 in 1960 (Statistics New Zealand 2006). However, by 2022 the percentage of the population aged 65 plus is expected to be higher than the percentage under 15 (Table 1).

Table 1: Projected age distribution (base 1999: with medium fertility)

Source: Data from Statistics New Zealand 2006, Tables 8.01 and 8.02

Year	Age Group (years) - % of total population		
	Under 15	15 to 64	65 plus
1999	23.0	65.3	11.7
2011	19.6	66.7	13.7
2031	17.4	60.0	22.6
2051	15.9	58.6	25.5

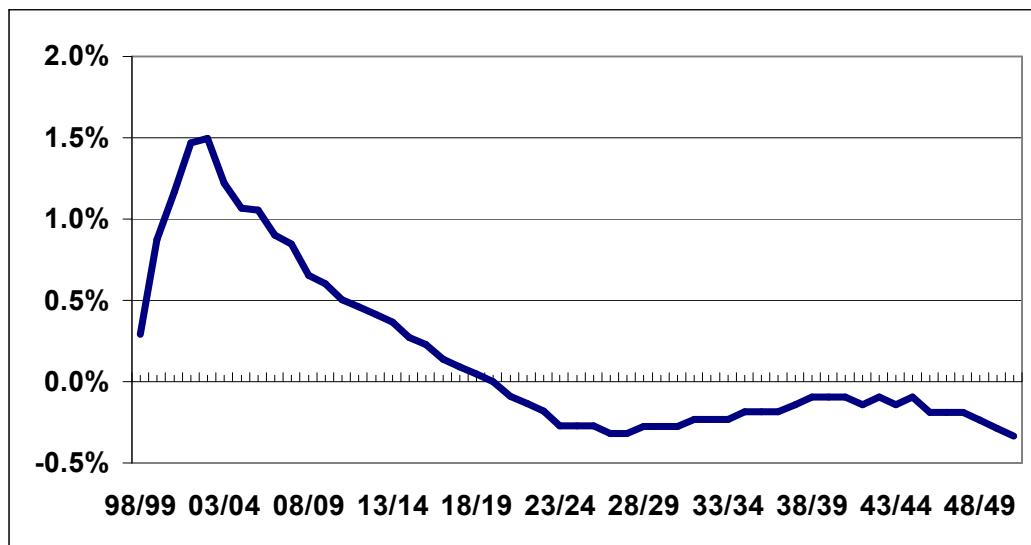
² The definition of “working age” is usually 15 to 64, which is unrealistic given later entry into the labour force and the prospects of delaying retirement. It also does not take into account “dependants” of “working age” such as unpaid carers, people who are ill, disabled or unemployed. Levels of unemployment and rates of female workforce participation will affect the ratio (Grimmond 2000).

Change in the workforce

New Zealand's workforce is also ageing. Its median age increased from 36 in 1991 to 39 in 2001. It is projected to reach 42 in 2012, and then remain about this level, because the demographic transition in the working ages will be largely complete (Statistics New Zealand 2006:8).³ Projections by Treasury indicate that there will be a slowing in labour force growth in the coming decades, due to population ageing and declining birth rates. The growth rate is expected to become negative by the 2020s, as large numbers of baby boomers exit the workforce (Figure 2).

Figure 2: Change in New Zealand Labour Force growth, 1998-2049

Source: Stephenson and Scobie (2002)



In a paper for the *Employment of Older Workers Summit* in September 2006, Judy McGregor, Human Right Commissioner, cited figures to show the increase in employment rates required to maintain the labour force, even without an allowance for growth (Table 2).

³ <http://www.stats.govt.nz/NR/rdonlyres/DFB087B8-8425-466F-A1C2-ACE92D12C4ED/0/NZsAgeingPopulation.pdf> [accessed 4/4/2007]

Table 2: Older workers: required increases in workforce participation

Source: McGregor (2006)

Age groups	% currently in work	% needed in work	% increase to 2026
55-59	78	85	7
60-64	60	71	11
65 plus	12	16	4

The future of the workforce – New Zealand and overseas

New Zealand – In late 2006, a net 29% of New Zealand firms had difficulty finding skilled staff, and 11% had difficulty finding unskilled labour; 19% reported that a shortage of labour was the main constraint on their expansions (Department of Labour 2007a).

Over next 10 years 70% of labour force growth will be in older age groups. By 2026, we will need an extra 95,000 people in employment (McGregor 2006).

USA – Estimates indicate labour shortfalls of 5-10 million workers in the next ten years (Jaworski 2005).

Europe - European Councils set targets in 2000 and 2001 for a 50% labour force participation rate for workers aged 55-64. Few countries have met this target. By 2030 there will be an estimated shortfall of 20 million workers in Europe (Rüdiger 2006).

Examples of workforce ageing in New Zealand

The Public Service (State Services Commission 2004)

A 2002 survey by the State Services Commission showed that the percentage of workers aged 55 plus doubled between 1995 and 2003, from 7% to 14%. The public sector has a higher percentage of older workers than the private sector and education has the highest of all. According to this report, most departments do not have policies on managing an ageing workforce.

The Aged Care Workforce

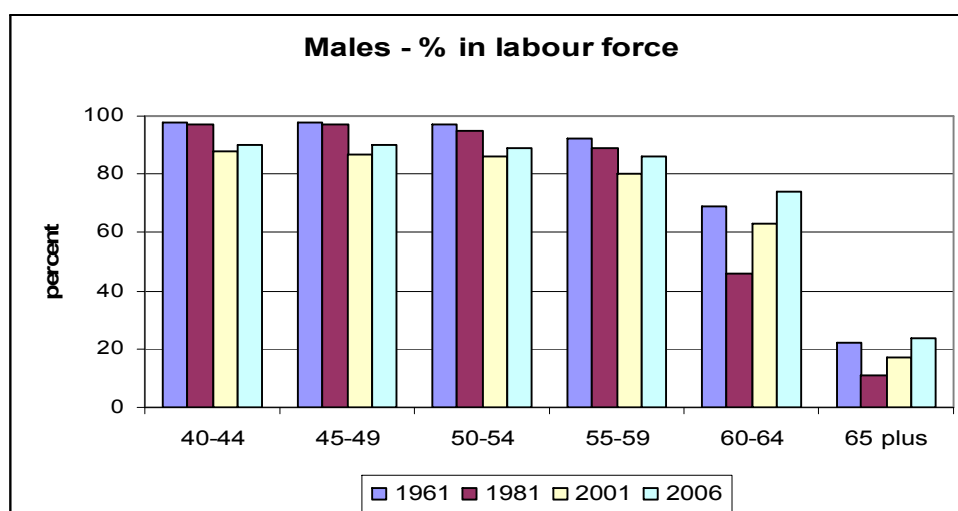
Based on current patterns, by 2021 there will be a need for an additional 4500 nurses, 17000 caregivers in residential care and 7500 home support workers. There are already major problems of turnover and recruitment of skilled staff in this sector, with annual turnover rates of 39% for home support and 29% for residential care (Ministry of Health 2004). In 2006, the average age for nurses was 45.3 and the median age for general practitioners was 41, illustrating the ageing of the health care workforce in general (Alpass and Mortimer 2007).

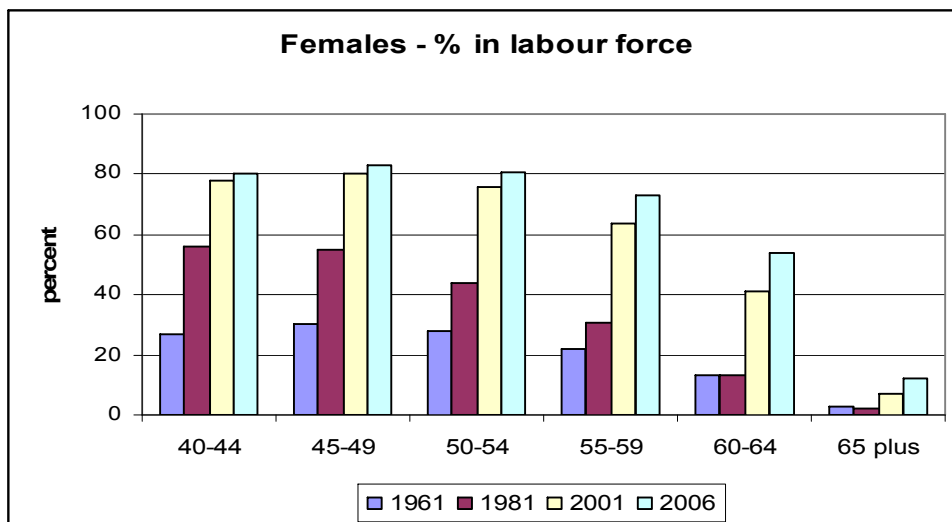
Whether New Zealand's future workforce can meet the demand for labour and provide support for a burgeoning retired population depends not just on numbers in the working age groups, but also in rates of workforce participation. What are the trends for older workers? While there has been a slight increase in overall participation, the long-term patterns are clear. In all adult age groups male rates have fallen and female rates have increased, although female rates are well below those for men. Figure 3 shows the trends for the 40 plus age groups. These parallel international trends. All developed countries are experiencing population ageing and similar falling rates of participation among older male workers.

Treasury's projected labour force participation rates to 2011 suggest that male participation will decrease in the 40-50 years age group and remain static for males aged 51-64. Falling male rates have been offset to some extent by rising female participation rates in the 40-64 age group, which are projected to increase (Creedy and Scobie 2002). However, the projections suggest that female rates of labour force involvement will plateau as successive cohorts move through working age and into retirement (Stephenson and Scobie 2002).

Figure 3: Labour force participation by age and gender, 1961-2006

Source: Censuses of Population, Statistics New Zealand 2006 data from www.stats.govt.nz, [accessed 13/3/07]

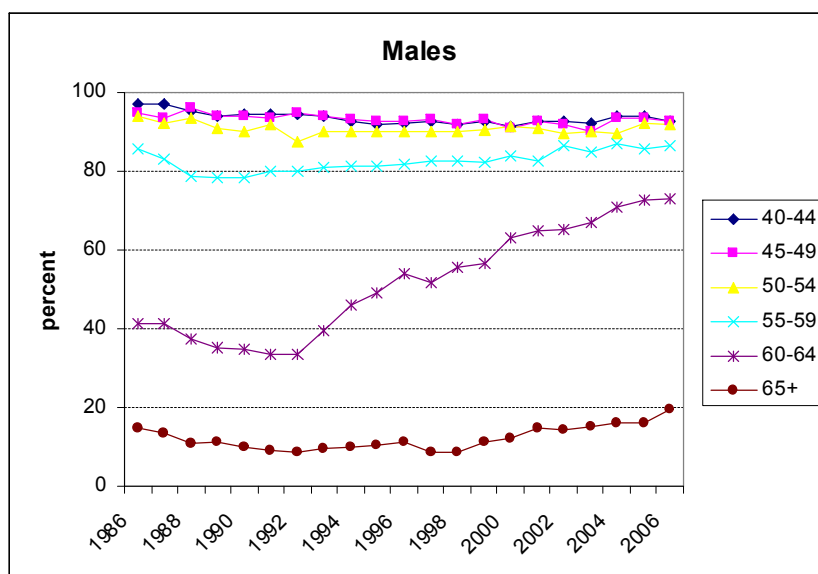




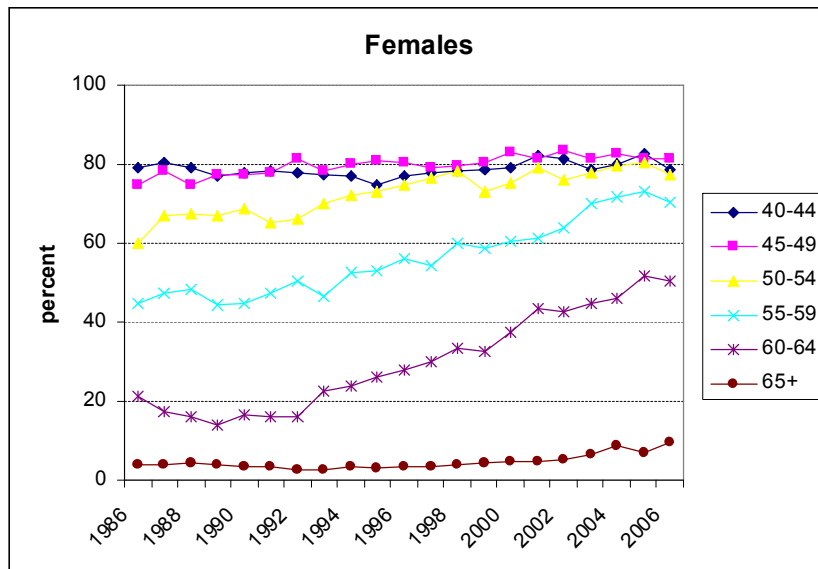
Looking back over the 45 years from 1961 to 2006 (Figure 3), male labour force participation rates have fallen for the age groups 40 to 59, although there was some recovery between 2001 and 2006.⁴ Female rates show that labour force participation has risen substantially, even though, like the trend for males, participation declines with increasing age. Since the 1990s there has been an upturn in participation rates for men and women aged 60 to 64 and 65 plus, with figures now surpassing 1961 levels.

Figure 4 Labour force participation rates, by age and sex 1986-2006

Source: Household Labour Force Survey, December quarters, www.stats.govt.nz [accessed 21/3/07]



⁴ Labour force participation includes people working full-time, part-time or unemployed and seeking work.



Data from the Household Labour Force Survey (HLFS) showing participation since 1986 (Figure 4) clearly shows significant increases since 1993 for men and women aged 60 to 64. According to HFLS figures for December 2006, 73.1% of men and 50.6% of women aged 60 to 64 were in the labour force. The corresponding percentages for people aged 65 plus were 19.5% and 9.4%.

A recent Department of Labour report (2007b) estimates that older people represented half of labour force growth in New Zealand over the period 1991 to 2005. The number of people in the labour force aged 50 plus more than doubled from 267,000 in June 1991 to 547,000 in June 2005 (Department of Labour (DOL) 2007b). Policy adjustments – increasing the age of eligibility for New Zealand Superannuation, changes to the Human Rights Act, 1993, prohibiting compulsory retirement, and the removal of the tax surcharge on the income of superannuitants - contributed to increased participation in paid work amongst this age group.

Almost a third of workers aged 60 and over work part time (under 30 hours per week) (Labour Force Statistics 2005 Table 7.06 www.stats.govt.nz accessed 21/3/07). This is higher than for all other adult groups and is surpassed only by the 15-19 age group (56.4% part time: 60 plus 31% - no breakdown beyond 60). In the 50 to 64 age group, however, the employment growth mentioned above has been largely in full-time work (DOL 2007b).

International demographic and labour force trends

All OECD countries are experiencing population ageing as a result of falling fertility and increasing longevity (OECD 2006:18). It is predicted that by 2050 there could be one retiree for every worker in Europe. The OECD point out the economic implications of these trends and illustrate the necessity for boosting participation rates among older workers.

The extent to which older people currently participate in the labour force varies across OECD countries, but most have experienced a rise in the proportion of people aged 50 to 64 who are working (OECD 2006:28). Differences by gender are similar to those observed for New Zealand. Increased participation by women accounts for the overall growth in participation, while rates for men have generally fallen.

Taking the age group 50-64 as the definition of older workers, New Zealand's employment rate ranked fourth among OECD countries in 2004, after Iceland, Sweden, and Norway (DOL 2007a).

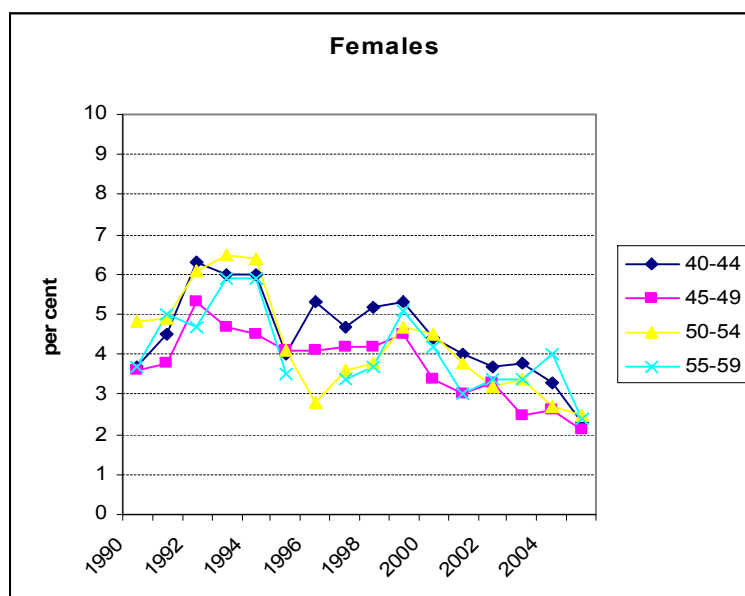
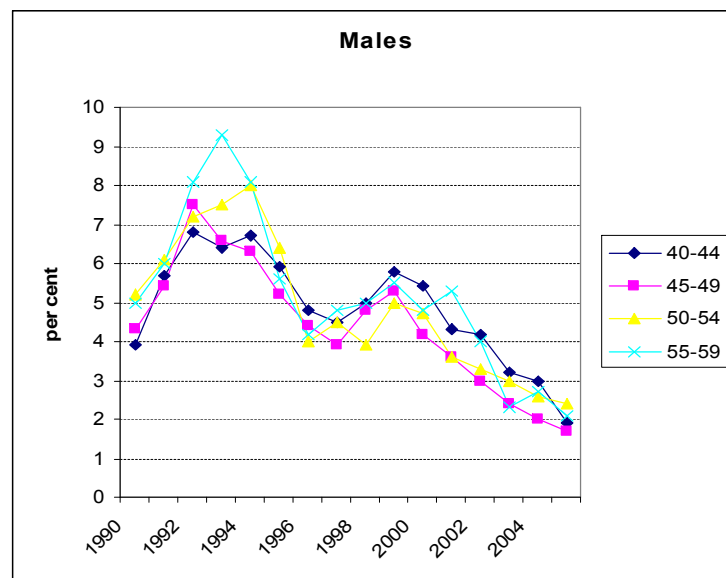
In almost all OECD countries the effective retirement age has declined since 1970 and in many cases this is well before the "official" age of retirement (OECD 2006:32). Combining this with increased longevity means a substantial increase in the number of years that workers can expect to spend in retirement. Over the OECD as a whole, this has risen for men from 11 years in 1970 to 18 years in 2004. The corresponding figures for women are 14 years and 22 years.

Unemployment Rates of Older Workers

Older job seekers often have difficulty in finding work. Figure 5 details HLFS unemployment trends for older men and women. The peaks and troughs are similar for both echoing overall unemployment rates driven by economic conditions. Throughout the 1990-2005 period, unemployment rates have been lower for people 40 plus than for workers under 25, although unemployment rates among younger workers have fallen more rapidly since the early 1990s.

Figure 5: Unemployment rates by age and sex, 1990-2005

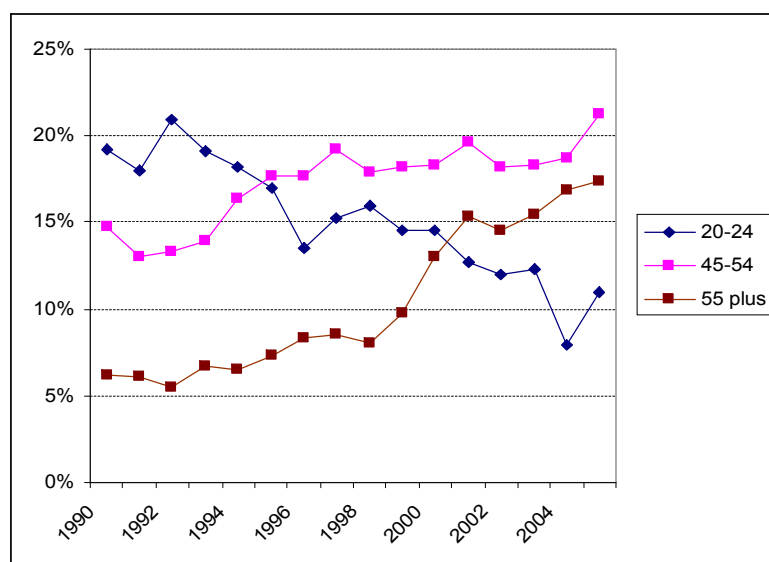
Source: Household Labour Force Survey (Labour Market Statistics 2005 Table 3.03
www.stats.govt.nz [accessed 21/3/07])



Long-term unemployment, defined as 27 weeks or longer, continues to be an issue for older workers. People aged 45-54 represented 15% of the long-term unemployed in 1990 and 21% in 2005 (Figure 6). The 55 plus group rose from 6% to 17% of the long-term unemployed over the same period. At the same time the proportion aged 20 to 24 fell, from 19% to 11%.⁵

Figure 6: Long-term unemployed people (27 weeks or more), percentage in specific age groups, 1990-2005

Source: Household Labour Force Survey (Labour Market Statistics 2005 Table 3.05, www.stats.govt.nz [accessed 21/3/07])



International Trends

In their review of 21 member countries the OECD found that, generally, unemployment rates for older workers were much lower than for youth (OECD 2006:34-35), but that the incidence of long-term unemployment was higher for workers aged 50 to 64 than for those aged 25 to 49. In most countries older workers, once unemployed, faced a lower probability of re-employment than younger workers and much larger wage losses. The situation for older workers is complicated by movement into retirement or onto sickness or disability benefits so that they escape

⁵ Because of small cell sample sizes and sampling error a gender breakdown of long-term unemployment in these age groups would not be reliable.

being classified as unemployed. In some countries explicit early retirement provisions have played a part in encouraging early exit from the labour force.

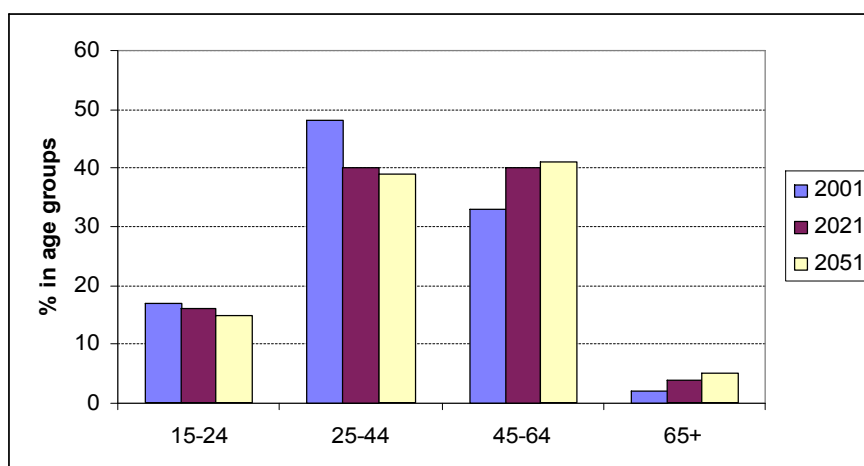
A review of career information, advice and guidance for ‘mature non-participants’ was commissioned by the Department of Labour (Research New Zealand 2006). This used local and international literature to outline barriers faced by older unemployed workers and to evaluate programmes to assist this group.

Labour Force Projections

Strong labour demand over the medium term, coupled with the improving health of older people is likely to encourage their labour force participation. Statistics New Zealand projections (assuming a medium rate of fertility, mortality and migration) suggest that, between 2001 and 2021, the number of people aged 65 and over in paid work will grow by 142% for men and by 166% for women. Figure 7 shows the projected age structure of the labour force, clearly illustrating increases in the 45 and over age groups. The projection numbers for the 65 plus workforce are 60,000 in 2006, 101,000 in 2021 and 118,000 in 2051. The pattern for the age group 45 to 64 suggests a labour force increase of 43% between 2001 and 2021, but growth slows significantly after this, as the baby boom cohort will have moved into later life. The projected labour force figures for the group 45-64 are 783,000 in 2006, 931,000 in 2021 and 939,000 in 2051.

Figure 7: Age structure of the labour force and projections to 2051

Source: www.stats.govt.nz [accessed 12/12/06]



What will influence participation trends in the future?

According to the OECD ‘some things will never be the same again’ for older workers (OECD 2006:46). Looking to the future, we can expect:

- technical change and innovation;
- continuing growth of service sector employment;
- continuing reduction in physically demanding jobs;
- more flexible work arrangements;
- continuing increase in female labour force participation at all ages;
- better educational level among on-coming cohorts; and
- better health in mid and later life.

The projection of demographic and social trends cannot be exact and these expectations must be subject to uncertainty, as is also the economic future and trends in market forces. There is therefore a role for policy action, and the next section explores the response of governments to labour force ageing.

What are the options?

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

Increasing immigration

In an ageing world New Zealand will compete with many other developed countries for skilled workers and currently has difficulty retaining its own. Increasing immigration may not be feasible. Adult immigrants arriving now and in the near future will themselves contribute to population ageing. The numbers required to moderate the ageing trend would be large and will incur costs of settlement and

assimilation (McDonald and Kippen 2000). High levels of immigration also have the potential to cause social and political tension.

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 to 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 UK and 11 in Japan. They 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 family-related services. The most likely projections of total fertility rates by Statistics New Zealand suggest continuing declines.

Louise Rolland, Chief Executive Officer of Business, Work and Ageing in Australia (Rolland 2004, p.1) recently said – '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 by *The Australian* (9/8/02) 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'. Both commentators suggest that retaining older workers and maintaining productivity into later life were better options. Nevertheless the call for more babies, with patriotic overtones, continues in ministerial statements and in such places as the <http://www.play2upnow.com.au/> web site ('doing something about Australia's ageing population – in the spirit of ANZAC' accessed 12/12/06).

There are similar concerns in Europe. All EU countries now have fertility rates below replacement level (2.1 children per woman). According to Rüdiger (2006), these are

the result of ‘women struggling to combine their family responsibilities with their participation in unsupportive labour markets’. She concludes – ‘Significant changes in life-cycle choices and generational behaviour make it unlikely that the EU will ever see a return to the high fertility levels of the past’.

Increasing the labour force participation of under-represented groups

A third option is to improve the human capital we already have. Burniaux, Duval and Jaunotte (2004:5) suggest that:

the combined effects 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.

These three options were examined in the Watson Wyatt Worldwide report (2004), which estimated the percentages by which each population segment would have to increase its participation rate to offset projected labour shortfalls over the 2000-2010 period. For prime-age women (aged 25-54) the increases for European countries were around 90% (and would probably be higher for New Zealand, given comparatively low current participation rates). Increases for young adults were about the same levels, but were over 100% for males in many countries. Higher labour force participation among young people, however, would compete with moves to encourage higher education, necessary for producing skills and achieving a “knowledge society”.

Estimated increases in participation rates required for people aged 55 and over would not be as great as for women and young people, but the variation in the percentages is greater, 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 finding) raising participation rates for all three groups – women, younger and older workers – may hold considerable promise.

Female labour force participation rates are low in New Zealand compared to other OECD countries, especially for women with children under six years old and sole

parents. Although the government is adopting policies to encourage these groups into paid work, this approach will incur costs in the form of child care and will raise issues around the quality of care for very young children and parental rights.

In many developed countries, including the OECD and the European Union, governments are considering how to increase labour force participation by older workers and discourage early retirement (Clark and Quinn 2002; Jepson, Foden and Hutsebaut 2002; Rappaport 2001). The implications of ageing for the labour force were brought out very clearly in the British report *Winning the Generation Game* (Cabinet Office 2000:8).

The economy is losing productivity and growth, business is losing profits, employers are losing talents, society is losing a contribution and older people are losing self-esteem and choice.

In Australia, a federal government report, *Population Ageing and the Economy* (Access Economics 2001) called older workers 'too valuable to waste'. Similar questions were posed in a New Zealand Treasury Working Paper - *The Economics of Population Ageing* (Stephenson and Scobie 2002). The Drake whitepaper *The Age Chasm* (2005:4), referring to the future in New Zealand, concluded -

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.

Initiatives to maximise the potential of older workers and enhance their workforce capabilities appear to be more promising than proposals to increase immigration, promote higher fertility or target other groups. This approach has potential advantages for the workers themselves, for their employers and for society as a whole. If people in mid-life contribute less than their full economic potential due to unemployment, underemployment, premature retirement, or other circumstances, this has implications for both the individual and society as a whole. Their productivity as workers will be

below their potential and this will have a negative effect on economic growth. They will be contributing less as tax-payers and may be dependent on welfare benefits. Further, they will be less able to set themselves up financially through saving for their old age. The *Living Standards of Older New Zealanders* study showed that circumstances in old age are influenced by what happens to people in mid-life (Fergusson, Hong, Horwood, Jenson and Travers, 2001). People who had suffered adversity in their fifties, such as a serious illness, unemployment, marriage breakdown or a business failure, were over-represented among those ranking low on the living standards scale. Overseas studies show similar effects (Bowman and Eisenstadt 2002; Chan and Stevens 2001). If older workers are unable to balance their responsibilities to family and work and employers are unwilling to provide flexibility, then many older workers may be forced to forgo participating in paid employment, removing valuable skills from the workplace and significantly impacting on their future financial well-being.

Chapter 2 – What influences workforce participation rates and retirement decisions?

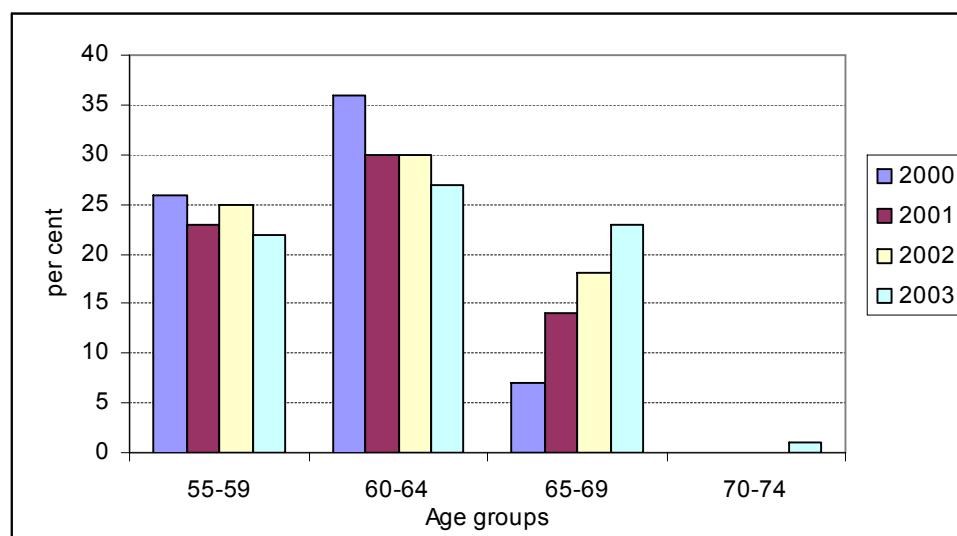
Age of retirement

The Equal Employment Opportunities (EEO) Trust Work and Age (2006) survey found that 30% of the respondents would like to retire between the ages of 60 and 64, 23% preferred 55-59 and 19% under 55, so that only a fifth saw the ideal age as 65 or older. Younger respondents tended to suggest younger ages for retirement and men preferred to retire later than women (27% men after 65, 21% women). Retirement before age 65 was common among retired respondents - 58% had retired between 55 and 64, 25% at 45-54 and 10% after 65. Women were more likely to have retired before age 65. A higher average expected age of retirement – 67 years - was found in the *Health, Work and Retirement* (HWR) Study, which covered 3,680 New Zealanders aged 55 to 70, 87% of whom were not retired.⁶ Fifty-six percent expected to retire in the 65-69 age group and 30% at 70 plus.

The State Services Commission survey showed a trend towards later retirement in the New Zealand public service, corresponding with higher levels of workforce participation at 65 and later.

Figure 8: Trends in retirement age in the public service

Source: State Services Commission (2004:17)



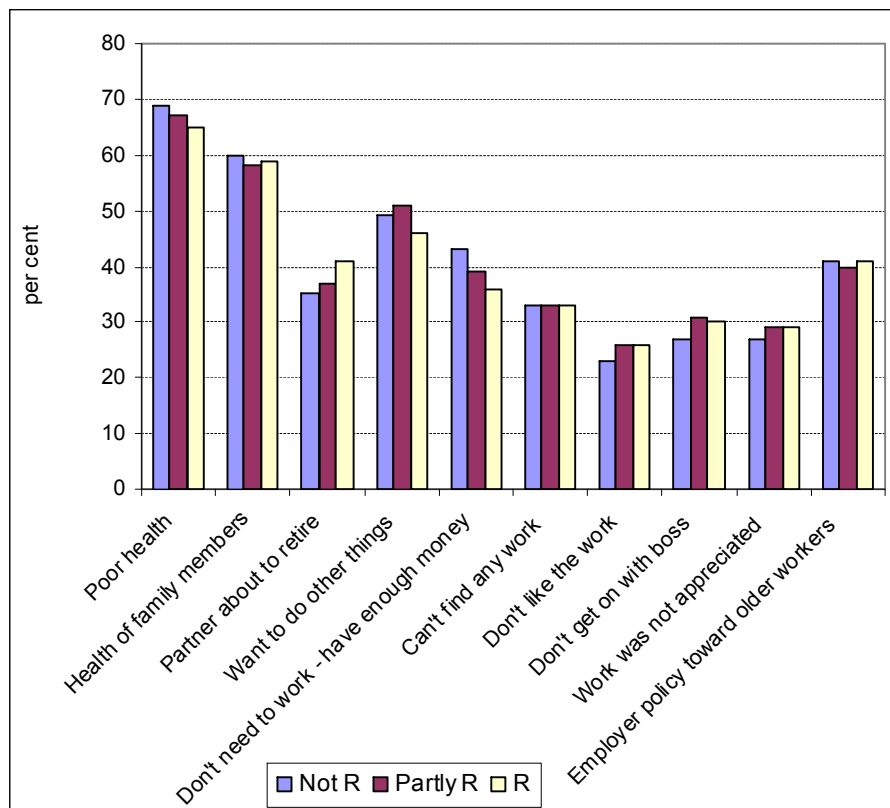
⁶ The *Health, Work and Retirement* (HWR) Study, funded by the Health Research Council, incorporates a large-scale postal survey of a nationally-representative sample of people aged from 55 to 70, with follow-up qualitative interviews. For further details see Alpass et al. (2005).

Influences on retirement decisions

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 ability to save for their own retirement? What impact would prolonging participation in the workforce have on voluntary work now undertaken by younger retired people? Little work has been done on these questions in New Zealand. However, in the *Health, Work and Retirement* (HWR) study a question asked the respondents to indicate how important various reasons for retirement were, or could be, for them. This was asked whether or not the respondent was currently retired or not (or partially retired). The differences between these three groups were minor (Figure 9). The results showed that the most important influences (according to the proportion of respondents considering them very or moderately important) were personal, or “pull” factors, such as health and wanting to do other things, not related to work or working conditions.

Figure 9: Influences on the retirement decision - % of respondents indicating very or moderately important, by retirement status.

Source: HWR database



Health

New Zealanders are enjoying better health status in old age and growing life expectancy. Male/female differences are narrowing slightly for the non-Māori population. However, differences in life expectancy between the Māori and non-Māori populations have not decreased over the last decade (Statistics New Zealand 2005: Table 4.11). Medium level projections for 2051 suggest that average male life expectancy at birth will be 83.5 years and female life expectancy 87 years, giving around 20 years past the retirement “threshold” age of 65. Even so, ill-health is an important influence leading to early retirement and reduced attachment to the labour force. It ranked first among important influences on the retirement decision in the HWR Study by both the retired and non-retired groups. Second in rank was the health of family members, possibly implying their need for care.

The importance of health factors also emerged from the EEO Trust Survey in 2006.⁷ Of those still working, 75% mentioned health as a factor which would influence their retirement decision, a rather higher percentage for women than for men. Health ranked second after finances for people still working, but was the dominant factor for people who had already retired.

Financial situation

Whether an individual has an economic necessity to work depends on alternative sources of income, such as pensions or superannuation entitlements, and also on their income requirements. The Periodic Report Group (PRG 2003) concluded that, when people retire, New Zealand Superannuation (NZS) provides a high replacement income⁸ 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. The report, *Living Standards of Older New Zealanders* (Fergusson et al. 2001) found that the majority of

⁷ The EEO Trust Survey was administered on-line in March/April 2006. There were 6,484 submissions to on-line survey, mostly from people aged 45-64. Two-thirds of them were women and only 7% were already retired.

⁸ This shows the extent to which NZS replaces the income which people received before retirement, in percentage terms (see PRG 2003:22). The higher the replacement rate the greater the incentive to leave the labour force.

older New Zealanders had relatively few material and financial restrictions.⁹ These sources suggest that the current level of NZS is sufficient to assure the majority of older people a basic living income.

As already mentioned, finances were a major factor affecting retirement decisions among people who responded to the EEO Trust survey in 2006, being especially influential for people who are still working.

‘Don’t need to work – have enough money’ ranked fourth among influences on the retirement decision in the HWR study, being more important for those still working than those retired. Perhaps this is a hope or expectation among workers which may not always be realised.

However, expectations of higher living standards in retirement, especially among the oncoming baby boom generation may encourage New Zealanders to remain in some form of paid work after the “traditional” retirement age. Higher divorce rates may mean that many people 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.

Evidence from overseas on financial influences

Donald Hirsch (2003) brought together the findings of several studies in the programme *Transitions after 50*, sponsored by the Joseph Rowntree Foundation in the UK and published 2001-2003. He concluded that financial considerations are important, often not the driving factors, but rather a constraint on whether or not people can afford to leave the labour market at a time when they would like to do so for reasons unrelated to money (Hirsch 2003:23). This is one of many ways in which influences on the retirement decision interact.

⁹ 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, lack of savings, high accommodation costs, a history of economic stress, being younger (65-69), Māori or Pacific ethnicity and having a low-status occupation.

People who have a more advantaged financial position clearly have greater choices about whether to work and when to retire. In the segmentation of older workers in the Centre for Research into the Older Workforce (CROW) study the group labelled “survivors” are motivated strongly by the need for an income (McNair, Flynn, Owen, Humphreys and Woodfield 2004). 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

Job-related influences ranked lower in the HWR study than external or personal factors and again the emphasis did not differ greatly between the groups who were or who were not already retired (Figure 9). ‘Employer’s policy towards older workers’ was cited as an important influence on retirement decisions by 41% of respondents, ranking fifth. Not being appreciated and not getting on with the boss were considered important by between a quarter and a half of respondents, but not liking the work was ranked last by all groups. This suggest that there is scope for improvement in relationships between older workers and their employers and a need to know more about employers’ attitudes to these groups.

British research has highlighted work-related factors in decisions about labour market participation. Smeaton and McKay (2005) show 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. People in jobs which entail a personal sense of purpose or concern about professional reputation may be led to remain longer in paid work. Another group of older workers identified in the UK (McNair et al. 2004), was the “choosers” - 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, self-employment and bridging jobs. There may also be issues of ‘over-employment’ (actual hours worked exceed desired). 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 external issues

“Pull” factors may attract workers into retirement, such as having a partner who is retired, 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. ‘Want to do other things’ as an influence on retirement decisions offered in the HWR study encapsulated some of these aspirations. It was ranked third by retired, partly retired and non-retired respondents.

Women often leave the workforce early, following the retirement of their older male partners. ‘Partner about to retire’ was ranked higher by retired HWR respondents than those still in work.

USA studies also highlight differences based on gender and partnership status

Pienta and Hayward (2002) saw retirement decisions as family-based reinforced by institutional factors such as earnings history and pension provision. They found that husbands have a stronger influence on their wives’ retirement expectation than vice versa and husbands’ decisions are shaped by pension wealth, health and characteristics of work environment.

Smith and Moen (2004) also found that spouses influence retirement decisions and in analysing such decisions the experiences of both partners need to be examined. They believe that gender differences are critical when studying retirement transition adjustments and satisfaction, with experiences being qualitatively different for men and women, based on gender ideology acquired over a life course. With increased female labour force participation, baby-boomer couples will have two retirements to make decisions about, and these decisions will become more complex.

Caring responsibilities

Workers in mid-life may have responsibilities to older parents/relatives, ranging from social contact to very intensive personal care (Davey and Keeling 2004; Phillips, Bernard and Chittenden 2002). An increasing proportion care for their grandchildren, often allowing the parents to be in paid work, and sometimes taking over full parental responsibility. In the EEO study, ‘caring responsibilities’ ranked third among factors affecting the decision on when to retire for current workers (well behind health and finances), but second for people already retired (after health).

In the UK McNair and colleagues (2004), identified the “jugglers” (one of their three groups of older workers), almost all of them women. 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. This incentive for retirement was not specified in the HWR study.

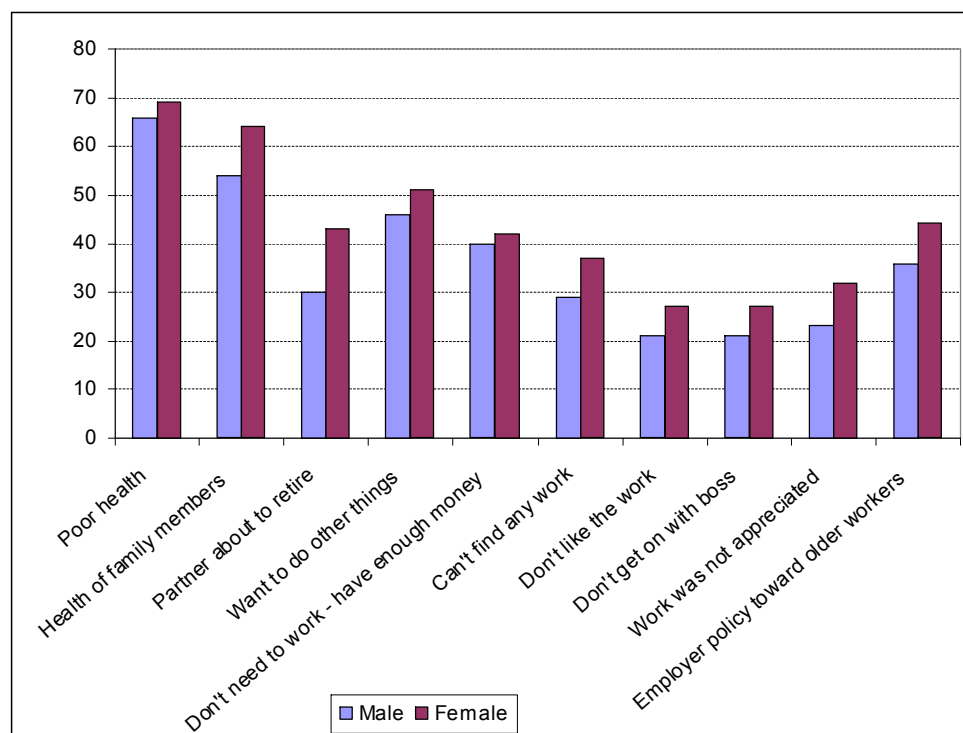
Gender differences

Men and women report different patterns of influence on their retirement decisions, differences greater than between the retired and non-retired groups (Figure 10).

In this study, women were more likely than men to give importance to the health of family members and whether their partner was about to retire (43% of the men said the latter was of no importance, as against 29% of the women). Women were more likely to consider that not being able to find work would be an influence (men 29% very or moderately important, women 37%) and also employers’ policy to older workers (men 39%, women 44%). Apart from this there were no significant differences in the ranking of influences.

Figure 10: Influences on the retirement decision - % of respondents indicating very or moderately important, by gender.

Source: HWR database



Labour market demand

Labour market demand is an important factor as older workers may be treated as “reserve” labour to be taken on in periods of high demand and put off when demand slackens. Strong macroeconomic conditions and well-functioning labour markets are especially important for underpinning higher participation rates among older people (OECD 2006:52). Not being able to find any work was listed as an influence on retirement in the HWR questionnaire. A third of respondents considered it very or moderately important, but it ranked only seventh among the influences suggested.

Influences based on policy

Fiscal policies, especially taxation, influence levels of disposable income and hence financial incentives either to retire or remain in work. The design of retirement income policies is also important. The OECD considers these in great detail, with inter-country comparisons, in its 2006 report. The higher age of eligibility for NZS and the abolition of compulsory retirement under the Human Rights Act, 1993, have

provided incentives for people to remain in paid work in New Zealand. Hurnard (2005:8) examined the effect of NZS eligibility age on the labour force participation of older people, suggesting that the rapid shift in eligibility from age 60 to 65 in the 1990s provided a strong incentive to keep working. He contrasts the New Zealand situation with that in other OECD countries. In New Zealand, retirement before the age of NZS eligibility is financially very unattractive without a private source of income. He concludes that becoming eligible for NZS drops participation for males by 21% points and females by 7% points, with females having a reduced participation rate a few years before eligibility. On the other hand, NZS conditions do not penalise people who choose to work. Hence, the NZS system allows greater timing choice and flexibility in the transition to retirement. It has, however, given the generous provisions and early age of eligibility in the first fifteen years of the system, tended to crowd out private provision, as has the lack of tax concessions on savings and the former tax surcharge (Hurnard 2005:20). These factors will be less relevant in future. Hurnard's model further suggests that participation rates for men and women will remain buoyant over the next decade with the eligibility age remaining as it is (Hurnard 2005:17). A higher age could increase participation rates further, as oncoming cohorts are unlikely to see high replacement rates, but this effect cannot be extended indefinitely as health factors will become more influential at older ages.

International Evidence on the Influence of Policy on Retirement Behaviour

The influence of government policy was highlighted in a report to the US Senate Committee on Aging (General Accounting Office 2003). The review found that policy and pension reforms in Japan, Sweden and the UK, including increased eligibility age, reduced pension levels and increased benefits for later take-up, have encouraged older workers to remain in the workforce longer. However, Williamson and McNamara (2001) found that policies vary in their impact on different sub-groups of older workers. For example, those with higher incomes may benefit from adjustments in tax or abatement rates, while those with lower education, who have difficulty finding work, may benefit from training programmes.

‘Old-age pensions and other parts of the tax and welfare system often provide financial incentives for older people to leave work and disincentives for them to remain in or return to work’(OECD 2006:52). The OECD (2006:55) point out the following influences on retirement behaviour operating through policies in member countries

- *The age of pension eligibility.* In the majority of countries reviewed this is 65, but has been increased to 67 in Norway and the USA (for people born in 1960 or later). In Australia, mandatory occupational pensions can be accessed at 55.
- *Generosity of pensions.* High pension levels make retirement more attractive. Estimated “replacement rates” for average earnings vary from 110% in Luxembourg to 40% in Ireland. New Zealand had the second lowest rate of the countries in the review.
- *Flexibility in combining income from work and pensions.* In some countries, people are required to stop working to receive pensions (Ireland) and in others pensions are subject to earnings or means tests, which may discourage work (Australia, Japan) (OECD 2006:59).
- *Incentives and disincentives for “early” retirement.* Many countries instituted early retirement schemes in the 1990s, in the face of high unemployment (OECD 2006:60). Even though most of such schemes have been discontinued, the expectation of entitlement to early retirement has been difficult to reverse.
- *Job search requirements.* Older unemployed people may be subject to less stringent demands for job search than younger people, or exempt from such provisions.

Summarising factors which influence retirement decisions

A range of factors, outlined above, operate in complex ways, they interact with each other and their influence will vary between workers. International research indicates that health status, income and education levels and gender all influence the decision to continue in paid employment or to retire (Haider and Loughran 2001; Williamson and McNamara 2001). Those 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 76 male workers in

the meat industry and 18 female workers in a knitting mill. A quarter of the sample indicated that they would 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. Many said that they would be able to recognise when they began to “drag the chain” and would then make the appropriate decision to exit the workforce. 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 continuing to work.

It is no longer legal for employment contracts to contain retirement provisions based on age (Human Rights Commission 1998). However, the provision of NZS, on a universal, non-contributory basis, at a specified age for all people, certainly influences choices about workforce participation, as does the end of compulsory retirement (Stephenson and Scobie 2002; Hurnard 2005). Expectations of higher living standards in retirement, better health status in old age and growing life expectancy are encouraging New Zealanders to remain in paid work, in some form, after the “traditional” retirement age. The link between policy and retirement behaviour is particularly noticeable in the 60-64 year age group after changes in eligibility for NZS (Creedy and Scobie 2002).

The importance of “agency” in retirement decisions

Higgs, Mein, Ferrie, Martin and Nazroo (2003), in their study of the British Civil Service, conclude that retirement decisions are more than simple economic judgements and that agency – or the ability to choose – is important. They suggest that some people “choose” to retire (similar to the CROW category of “choosers”) and these often have good job identification, but also outside interests. Others are “pushed” through dissatisfaction with their job, unwelcome changes in the workplace or ill-health (their own or a family member’s). A third group “jump”, seizing the opportunity of monetary attractions through early retirement schemes and redundancy payments.

Figure 11: The early retirement process: dimensions of control and timing
 Source: Hirsch (2003:24)

Move out of paid work

Self initiated move			
Ready	A <i>Positive</i>	B <i>Health or family obligation, may be temporary</i>	Not ready
	C	D <i>Redundancy or compulsory ill-health retirement</i>	
Externally triggered move			

Transition to retirement

Control			
Clear-cut	A	B <i>Conscious wind-down</i>	Gradual
	C	D <i>Gradual and unwilling drifting away (people with limited skills)</i>	
Lack of control			

Some of these concepts appear in diagrams included in Hirsch (2003:24), which illustrate how influences on retirement decisions may interact (Figure 11). These indicate situations where people either do or do not have control and are or are not ready for retirement, as well as the speed of the transition. Clearly workers who initiate the move themselves, when they are ready and at the speed they prefer, are advantaged. This is more likely to be the case for people in managerial and professional jobs than for production/manufacturing workers.

What would encourage older workers to remain in the labour force?

Answers to this question were canvassed in the EEO study (2006a:3), and are listed below in order of importance:

- quality part-time work and flexible working hours;
- ability to take extended leave then return ;
- ability to work from home;
- higher pay;
- challenging, interesting and varied work;
- ability to make a difference;
- having experience needed and valued; and
- less stress.

The respondents also suggested that “ideal” transitions between full-time work and retirement might include part-time work (especially women, men are more likely to suggest self-employment); more flexible hours and a less demanding job (p.10). However, almost half of the respondents who were already retired had moved directly from full-time work; 17% had worked reduced hours and 13% had moved in and out of work for a period before retirement. This fits with the Department of Labour’s finding that employment growth among older workers has been largely in full-time work (DOL 2007b). It may indicate that, whereas older workers would prefer a transition to retirement through part-time work and flexible hours, this option may not always be available to them.

Evidence from Australia

Business Work and Ageing surveyed 13,000 people aged 45 plus in Australia Post, Westpac and the Victorian Public Service (Rolland 2006). They found considerable interest in flexible pathways to retirement and reduced hours. The majority planned to work during retirement, especially in part-time or casual work, although actual rates

of participation among retired participants were lower. Their reasons to keep on working were to:

- stay physically active and involved;
- stay mentally active;
- earn money;
- keep in touch with people;
- satisfaction and enjoyment;
- make contribution to community;
- pursue new challenge;
- something to do; and
- can't think of reason to retire.

And the provisions which would encourage them to delay retirement were a better work/life balance in their current position, being sure that their work would not adversely impact superannuation entitlement; and greater access to learning and development opportunities.

Evidence from the UK (Lissenburgh and Smeaton 2003) is presented in Chapter 6.

Chapter Three – Myths about older workers

Myth - an unquestioned belief held in common by a large group of people that gives events and actions a particular meaning (Edelman 1971:64).

Myths and stereotypes about ageing and the abilities of older workers often create significant barriers for older workers seeking participation in the workforce and obstruct their access to education and training. These suggest that older workers:

- lack innovation and creativity;
- are too expensive to employ;
- cannot learn and adapt to new technology;
- are prone to absenteeism because of failing health;
- will not stay as long as younger people; and
- are not willing or interested in retraining.

Younger workers are often associated with “productive” qualities such as creativity, flexibility and technological competence and older workers with reliability and stability. While both sets of qualities can be viewed positively, in the workplace environment “productive” qualities are valued over the “non-productive” attributes associated with older workers (Steinberg, Walley, Tyman, and Donald, 1998). This chapter examines the evidence for these myths and beliefs, concentrating especially on information from New Zealand.

‘Today, our society does not view ageing as positive. For old, read ‘over the hill’, ‘past it’, ‘on the back burner’ (Hewson, 2001: 4).

Definition of older worker

‘(T)he age at which one becomes an older worker seems not to be related to biological age but instead to concerns faced by workers at various points in their lifespans.’ (Rocco, Stein, and Lee 2003, cited in Sloan Work and Family Research Network 2006)

What do employers think of older workers?

Reviewing evidence from New Zealand, the answer is that views are mixed but on balance fairly negative. In the late 1990s, Sparrow (1999) found that loyalty, work ethic and people skills were associated with older workers, while younger workers (under 45) were associated with innovation, ability to learn new skills, adaptability and appreciation of flexible working conditions. The employers interviewed tended to agree that older workers are set in their ways or resist change. The study concluded that about a third of respondents held negative views about older workers. In contrast, O'Donohue (2000) found that employers in Canterbury generally valued the skills and attributes displayed by their older workers - 72% reported that older workers had skills that would be difficult to replace when they retire. Useful experience was the most commonly valued attribute, followed by 'strong work ethic', client knowledge, loyalty and low absenteeism.

McGregor and Gray (2002) examined the views of 1,012 employers of older workers aged 55 and over. In common with other studies, employers considered that older workers are reliable, loyal and committed to the job, but, on the negative side, they perceived problems with technology and adaptability. Older workers were seen as less flexible, resistant to change, as lacking ambition and unwilling to work long hours. Younger workers were more likely to be associated with innovation, creativity and computer experience. For manual workers, female productivity was perceived to decline at an earlier age than male productivity. But for professional workers there was less divergence based on gender – both male and female work output was seen to decline from age 60-64 onward.

McNeill (2002) identified ideas which worked together to create invisible barriers to the employability of older workers. The Canterbury employers she interviewed:

- held positive views of older workers in terms of their reliability, loyalty, work ethic, stability and experience, but also negative views about their lack of flexibility, creativity and adaptability, willingness to learn new things and to develop technologically relevant skills;

- argued that older workers are left behind by the shift in workplace culture which requires faster, more technically adept, workers; and
- had ideas about appropriate life stages and timing for work entry and training which led them to see older people taking on a new job, training or an apprenticeship as “out of step” with what was “normal”. For example, they thought that customers expected older-looking professionals to have high levels of knowledge and expertise, which would not be the case for an older new graduate.

Another Canterbury study provided some insight into the complexity of the recruitment environment (Litmus 2002). The employers surveyed viewed staff recruitment as an investment but also as a risk, and thus were careful in selecting the “right” person to fit the job. While they denied that they practiced discrimination, the employers conceded that they might place greater emphasis on age or gender when there were a large number of suitable applicants for a position. The state of the labour market could therefore influence the recruitment process.

The employers associated responsibility, trustworthiness, maturity, people skills, life skills and attention to detail with older workers. But while they would consider employing people in their 40s and 50s, those in their 60s were seen as winding down toward retirement and viewed more negatively. Lack of flexibility and innovation, high wage costs, physical limitations, resistance to change and lack of skills were all associated with older workers. The researchers concluded that both mature job seekers and employers need to be encouraged to review their attitudes and behaviour. Older job seekers can inadvertently reinforce negative stereotypes if they do not present themselves and their skills in ways that demonstrate their relevance for a prospective employer. Employers need to see beyond stereotypical views of older workers and recognise the potential for their business in having experienced, competent and reliable staff regardless of age.

Overseas evidence

These views are replicated in other countries. The OECD reported stereotypical views of the strengths and weaknesses of older workers in virtually all the countries they reviewed (2006:63) In Sweden, 50% of employers in a 2001 survey considered older workers to have less relevant skills than younger workers and to be more rigid and inflexible with respect to changes in the workplace. In the USA, older workers were seen as being more loyal and committed than younger workers, but also as less flexible, willing to participate in training and less likely to have up-to-date skills.

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).

How do recruitment agents see older workers?

Recruitment agencies are influential in vetting prospective employees for their clients, so their views on older workers are important. In 1996, members of the Institute of Personnel Management of New Zealand were surveyed about their perceptions of older non-managerial employees (Smith, 1996). The results indicated positive views on reliability, interpersonal skills, experience and loyalty. But the respondents also thought that older workers are less accepting of new technology, less adaptable to change, less able to learn new skills quickly and less interested in training, compared to younger employees. Over half (59%) agreed that ageism is a problem in New Zealand.

Greene (2001) examined how older workers were seen by employers and recruitment agents in Dunedin. Again older workers were associated with reliability and loyalty to

employers. But loyalty was explained by a lack of alternative job opportunities. The participants claimed that older workers were motivated in their jobs, but lacked ambition. While this interpretation could be seen as negative, lack of ambition could enhance job stability. Once again, older employees were depicted as having difficulty adjusting to change and resisting change. They were thought to lack technologically relevant skills, to be unable to keep pace with technological change and to be resistant to new technology. Some employers associated this with lack of interest or anxiety. While most participants did not agree that job performance declined with age, they tended to believe that physical energy, and to some extent motivation, did weaken. Both employers and recruitment agents tended to agree that age is likely to be a barrier to older job seekers and that once people reached fifty it becomes more difficult for them to gain employment.

What do older workers think?

Respondents to the EEO Trust survey in 2006 were asked what strengths older workers brought to the labour force. The answers were reliability, good customer service, communication skills, skills in training people, commitment to careers, initiative, ability to create a good atmosphere. There was a much less favourable impression of the technology skills of this group (EEO 2006a:20).

McGregor and Gray's (2001a) survey of 2,137 workers aged 55 and over from the New Zealand Engineering, Printing and Manufacturing Union, found a high level of agreement that older workers are dependable, reliable, committed to the job, productive and loyal. The majority disagreed that older workers are more likely to be absent from work and that they are either reluctant or more difficult to train. However, these respondents agreed with the notion that older workers are more likely to resist change and would have difficulty with technology. Some respondents reported that employers discriminated against older workers when giving opportunities to participate in computer retraining.

The survey asked employees and employers whether older workers offer a good return on investment. From the employees' side, 79% agreed. But employers were less enthusiastic. Only 25% agreed outright that older workers were a better

investment than younger people. This is despite the fact that the majority of employees had had long and stable periods of employment. If older workers are more likely to remain loyal to an employer, this should enhance the return on training investment.

Testing perceptions

It is worth considering which of the following attributes apply to older (45 plus) workers and which to younger (under 45) workers:

Loyal	Adaptable
Good work ethic	Quick to learn new skills
People skills	Innovative
Adaptable	Accepting of change
Creative	Keen to learn
Easy to replace	Experienced
Knowledgeable about clients	Committed to the job
Ambitious	Willing to work long hours
Stable	Technologically able
Open to new ideas	Trustworthy
Life skills	Attention to detail
Cautious/risk averse	Easy to train
Likely to have a work-related accident	Productive
Takes the initiative	Follows instructions well
Reliable	Mentally sharp
Physically strong	Well qualified
Independent worker	Team worker
Confident	Good planner
Prefers flexible hours	Able to work with people of other age groups

Summary

This review of the New Zealand literature highlights persistent myths about the abilities and attributes of older workers held by employers and recruiters –

- as workers age their abilities and performance decline;
- older workers are more expensive to employ;
- older workers cannot adapt to new technology;
- they are less healthy, less physically able and have less energy for the job;
- older workers lack innovation and creativity;
- older workers are less willing to train; and present a lower return on training

investment than younger employees.

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.

Given the views expressed, age is likely to be used as an indicator of likely performance and employability, resulting in negative outcomes for older workers, especially in recruitment decisions. However, older workers also participate in perpetuating both myths and ageist practices, by holding negative views about themselves (such as being resistant to change and having difficulty with new technology) which can influence how they are perceived by employers and fellow workers. If we are to respond constructively to the demographic and economic changes foreseen for the future, and outlined in Chapter 1, then these widely held perceptions need to be challenged.

‘Older workers are a very diverse group, and hence any characterization or generalization concerning their work ability, motivation and receptivity to training is likely to be misleading. To the extent that employers’ views of older workers are stereotypes, they could give rise to age discrimination both in the hiring, firing, compensation, training and promotion of older workers’ (OECD 2006:63).

Challenging the Myths

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 widespread belief that older workers

are slow to learn, less innovative and creative and less productive than younger people (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 recommended to counter labour shortages, then this question requires serious scrutiny. Is it possible to find out who is right?

A New Zealand study highlights the complexity of the relationship between productivity and ageing (Raven 1997). Using the income of older self-employed individuals as a proxy for productivity, Raven found that, once education and industry type were controlled for, declines in productivity do occur from around age 50, but more often from the 55-59 age group onwards. However, different educational groups had different age-productivity profiles. Older people with trade certificates tended to decline in productivity from age 45 onward, with the exception of workers in agriculture and construction. However, the relationship between graduates and productivity was less clear. In the business services industry, productivity fell from the 45-49 age group onward. For older graduates in personal services the trend was similar with a decline in productivity at 45-49, but then it recovered with an upswing in productivity in the 60-64 and 65 plus age groups. Overall the findings indicated that the relationship between age and productivity (measured as income) among older self-employed people, was dependent on the type of industry and level of educational attainment achieved. Raven concluded that productivity is highly dependent on the characteristics of the older individual.

McGregor and Gray (2001a) 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 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. In contrast the *Life After 40: Work and Retirement Plans* study found that most older workers did not feel that their age disadvantaged them in their current job (Gee, Ng, Weatherall, Liu, and Loong 2000).

International studies of productivity indicate more variation within age bands than between them (Warr, 1994). In an extensive review of the literature, Davies, Matthews and Wong (1991) and Warr (1994) 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, fast reaction time and high levels of visual attention, outside of these areas older workers were in many cases able to perform at least as well as, or even better than, their younger colleagues. There is evidence that cognitive ability declines with age, shown in slower response rates and deficits in long-term memory (Alpass and Mortimer 2007). This will affect highly complex, speed related tasks, but older workers often very effectively compensate, using a variety of strategies, leaving their performance comparable to younger workers (Gee et al. 2000; Salthouse and Maurer 1996). Adjustments in workplace design can also offset these changes, for example in the use of a large VDU display where visual function declines (Alpass and Mortimer 2007). Moreover, older workers are often more consistent in their jobs, produce higher quality work, and are found to be more effective than younger workers in terms of reliability, conscientiousness, good decision making and working well in team environments (Warr 1994).

The OECD, in their 2006 review point out that there may be a difference between individual productivity as workers age and changes in time in the *value* of their skills (OECD 2006:67). For example, older typists may be very productive, but their skills are less valued in the computer age. A drop in productivity may be the result of skills obsolescence. They also point out that there are many dimensions to productivity and areas of decline can be compensated for by suitable workplace adjustments. There is also the possibility that older workers, being less mobile than younger workers may end up concentrated in less productive workplaces.

A freelance writer, aware that her age may alter perceptions of her productivity, made this comment:

“I was thinking, recently, what a good thing that people don’t see me, in a way,

‘cause [then] it doesn’t matter I’m getting older. Because as long as I’m doing the sort of work they like, I can stay here getting old and everything, without ...without anyone actually thinking, ‘Oh Gawd, she’s a bit, you know, she’s a bit past it.’”

(Freelance illustrator and author aged 52 years, cited in Platman 2003:293)

In summary, the research suggests that individual productivity may decline in some dimensions from about age 50, but that this varies considerably between individuals, work demands and work contexts. The evidence does not justify stereotypes and across-the-board assumptions. The generalised beliefs held by employers – the myths in Edelman’s terms (see quotation on page 36) – need to be confronted.

Are older workers more expensive to employ?

It has been argued that older workers have high expectations about wage rates, making them too expensive to employ (Bennington and Tharenou 1997). Wages based on seniority and experience leave older workers on higher rates of pay, while their productivity and value may be seen to be declining (OECD 2006:68). The OECD point out that this may be the case in some countries, which have explicit seniority wage-setting arrangements and may lead to a negative impact on employment opportunities, especially for older male workers. But this does not necessarily translate into all older workers being too expensive to employ. 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. Using a competency-based pay structure is key to accommodating and employing all workers regardless of their age (Patrickson and Hartmann 1995).

Can older workers learn and adapt?

In an environment of economic instability and rapid technological and organisation change there is greater need for education and training so that all individuals can retain and enhance their employability. Although individuals are required to assume some responsibility to maintain their employability (Carpenter 2001), stereotypes about older workers often restrict their opportunities for training. If employers do not

facilitate their access to such opportunities or do not encourage age-appropriate methods in workplace training programmes, then this will simply reinforce the stereotype. In all the countries reviewed by the OECD, improving training opportunities and the take-up of these opportunities have been identified as a key area for strengthening the employability of older workers (OECD 2006:73).

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 learning and applying new knowledge productively in the work environment. They may simply be out of practice when it comes to new learning, especially in new situation (Alpass and Mortimer 2007). Older employees learn best when training programmes build on existing knowledge (Turner 2000). The New Zealand Employers Federation (1998) recommended that work-based training programmes for older people should: involve learning by doing; build upon existing concepts and structures; be directly applicable; and be suitably paced.

Given these conditions, older workers can learn, retrain and upskill, but their attitudes and beliefs are also important. McGregor and Gray (2001a) found that older workers (55 plus) reinforced employers' negative perceptions of their desires to retrain, upskill and improve their technological knowledge. However, 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. These workers identified the importance of keeping pace with technological developments and demands. Thus, in contrast to McGregor and Gray's findings, this study found that these older workers are aware of the necessity for re-training and upskilling. The issue of education and training is returned to in Chapter 5.

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 (Robson 2001). So while they are not destined for as long a term in the workforce, lower job turnover amongst older workers may produce a better return on investment in training (Warr 1994).

Are older workers prone to absenteeism because of failing health?

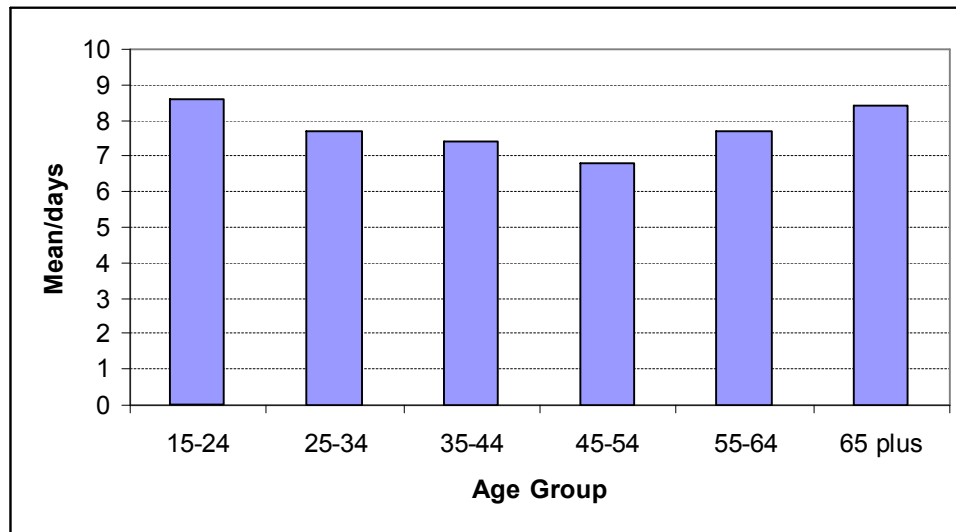
In general there is little evidence to support the idea that older workers have more time off work due to poor health and injury related accidents. Older workers are generally in better health than older non-workers (National Academy on an Ageing Society 2000), indicating that workers in good health continue to engage in paid work. The incidence of sickness is claimed to be no higher amongst older workers (Turner 2000) and research also consistently finds that there are higher rates of accidents in younger workers than in older workers, although it may take an older worker longer to recover from injury (Patrickson and Hartmann 1995). The OECD point out some health problems may be job-related and that these may lead older workers into early retirement (OECD 2006:77). Avoidable absence amongst male workers has also been found to decrease with age (Bennington and Tharenou 1997). Absenteeism is claimed to be lower amongst older workers, supporting the perception that they are more reliable and dependable (Turner 2000). Greene (2001) found that employers tended to associate taking “sickies”, absenteeism, and tardiness with younger workers rather than older workers. Similar findings were reported by McGregor and Gray (2001a). This study found that the majority of employers and older workers surveyed disagreed with the notion that older workers are more likely to be away sick or have more work-related accidents.

Information from the State Services Commission on sick leave by age

The average number of days of sick/domestic leave taken in the New Zealand Public Service in 2002-2003 was 7.4. The lowest average was for the 45-54 age group (6.8 days), followed by staff aged 55-64 (7.7 days). The average for workers aged 15-24 was 8.6 days (State Services Commission 2004:14) (Figure 12).

Figure 12: Average number of days of sick/domestic leave taken in the Public Service 2002-2003

Source: State Services Commission (2004:14)



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) 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.

Chapter Four: Age discrimination

'Population ageing means the workforce is ageing but there is still rampant age discrimination in employment. Encouraging employment of mature age people is an important means of managing the challenges of population ageing. We must increase the social and economic development opportunities for older people and mature age workers and eliminate discrimination'

(Hewson 2001:13).

Even though empirical evidence does not support commonly held negative stereotypes of older workers, the myths persist and are the basis of age discrimination (Murray 2002; Robson 2001). Research in USA, Britain, Australia and New Zealand suggests that discrimination against about older workers is prevalent among employers (Gee et al., 2000; Pickersgill, Briggs, Kitay, O'Keefe, and Gillezeau, 1996), 'deeply embedded in the cultures, policies and practices of many organizations' (Taylor and Walker 1998:74). In this section we investigate the extent to which negative perceptions about older workers translate into discrimination in employment and training opportunities.

According to the New Zealand Human Rights Commission (HRC), age discrimination not only disadvantages individuals but also removes valuable and important skills from the labour pool and results in less than optimal use of human resources. There are two types of discrimination - direct and indirect. The former refers to the situation where a person is not promoted, hired or given access to training opportunities because of their age. Indirect discrimination occurs when conduct or practice, which is apparently neutral, has a negative impact on a certain group and where there is no valid reason for having the practice (Human Rights Commission 1998).

The Human Rights Act 1993 makes discrimination on the basis of age illegal. Section 22 (see box) forbids discrimination against suitably qualified job applicants in all aspects of employment, on a number of grounds, including age. From February 1999 compulsory retirement was abolished. Between January 2002 and the end of July 2006, the HRC received 1,235 enquiries and complaints related to unlawful discrimination on the grounds of age; 524 related to employment (24%) or pre-

employment (19%) – together 43% (access to goods and services accounted for 32%). Age accounted for 10% of all enquiries and complaints (other significant grounds were disability 20%, race 12%, ethnic/national origin 10% and sex 9%). The age-related complainants and enquirers were 50/50 males and female and 47% were in the age group 50 to 64 (65 and above 16%, under 50 37%).

The Human Rights Act 1993

Section 22 of the Act focuses on employment and states that - Where an applicant for employment or an employee is qualified for work of any description, it shall be unlawful for an employer, or any person acting or purporting to act on behalf of an employer:

(a) to refuse or omit to employ the applicant on work of that description which is available; or

(b) to offer or afford the applicant or the employee less favourable terms of employment, conditions of work, superannuation or other fringe benefits, and opportunities for training, promotion, and transfer than are made available to applicants or employees of the same or substantially similar capabilities employed in the same or substantially similar circumstances on work of that description; or

(c) to terminate the employment of the employee, or subject the employee to any detriment, in circumstances in which the employment of other employees employed on work of that description would not be terminated, or in which other employees employed on work of that description would not be subjected to such detriment; or

(d) to retire the employee, or to require or cause the employee to retire or resign

by reason of any of the prohibited grounds of discrimination.

(2) It shall be unlawful for any person concerned with procuring employment for other persons or procuring employees for any employer to treat any person seeking employment differently from other persons in the same or substantially similar circumstances by reason of any of the prohibited grounds of discrimination.

Section 23 of the Act makes it illegal to circulate a job application “which indicates or could reasonably be understood as indicating an intention to commit a breach of section 22” of the HRA.

Most of the legal cases pertaining to age discrimination concern recruitment practices (Human Rights Commission 1998) Harcourt and Harcourt (2002) examined 230 job application forms and found that requests for information about the age of applicants, in violation of the HRA, were common. Forty-two percent of employers in Sparrow's (1999) survey indicated that the legislation has had no impact on their recruitment practices. McGregor and Gray (2001a) also found that many employers do not believe that the act is working. Four out of five considered that 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.

Wilson and Kan (2006), from the Auckland University Business School carried out an experiment in which simulated job applications were submitted for three candidates, similar except for age (mid 20s, 40 and 55). The cases selected varied by gender and by industry, including sectors with high, medium and low talent shortages. The overall results showed that older candidates were rated behind younger people and under-represented in short lists. The age barriers did not, however, apply for nursing jobs (where there is a high skill shortage), but were higher for sales jobs (medium shortage) and human resources jobs (low shortage). The results showed that younger workers were seen as more flexible, adaptable, trainable, while older workers were seen as set in their ways and resistant to change. Perversely, comparing workers with five years experience, younger people were deemed "settled", people around 40 were "restless" and people 55 plus "unstable". Wilson and Kan (2006:10) concluded that increasing age has a cumulative and negative effect on the selection outcomes of applicants 'but that the labour market context of the specific type of work is important'.

The EEO Trust's Work and Age Report (2006a) illustrates the experiences of workers of all ages as reported in the on-line survey. Of the 6,484 respondents, 31% had experienced discrimination at work due to age (34% of the men, 29% of the women). The rate was higher for respondents aged 45 plus (32%) than for those under 45 (27%). Men were more likely to report discrimination in recruitment and redundancy, women in training and general attitudes. Production/manufacturing and trades and technical workers had the highest rates reporting discrimination. The types of

discrimination noted were general attitudes (older workers labelled “dinosaurs”, with many vivid verbatim comments recorded in the EEO survey report, page 30), promotion opportunities, recruitment, salary level and training (especially for older workers).

Overseas evidence on age discrimination

The New Zealand findings are reflected in the international literature (Bennington and Wein 2003; Swaim and Grey 1998). Hornstein (2001) reviewed age discrimination as part of the UK debate on legislative change. The conclusion, based on **USA** findings, was that anti-age discrimination legislation has a positive effect on the employment rates of older workers, mainly due to workers remaining longer in the labour force rather than more of them being hired. However, attitudes are very much slower to shift.

In **Britain**, after prolonged debate, anti-age discrimination legislation came into effect in October 2006 (HM Government 2005:19-20). This removes compulsory retirement below the age of 65 (except where this can be objectively justified) and provides for a default retirement age of 65, which employers can choose to adopt. Employees are able to work beyond that age where they request this and where their employers agree. A Commission for Equality and Human Rights will have the power and resources to support new employment rights and develop best practice guidelines.

Despite the assertion – ‘Our long term aim is to consign fixed retirement ages to the past’- there is still no protection for workers from age 65 onwards, although the government will consider abolishing compulsory retirement altogether in 2010 (Davey and Davies 2006:31).

Australian states have had anti-age discrimination and equal opportunity laws for up to well over a decade, mandatory retirement was abolished in 1999 and a new federal Age Discrimination Act came into effect in 2004. But there is still evidence that unlawful age discrimination against older people exists and involves not only

employers, recruiters, advertisers, but also employees, job applicants, educators and is a feature of society as a whole (Bennington and Wein 2003). Encel and Studencki (2004) posed the question ‘Older workers: can they succeed in the job market?’ and examined state level programmes to look for answers. Their findings were not encouraging.

- Employers discriminate against older workers despite recognising the value of their experience, reliability and stability.
- Employers consider older workers more difficult to train or retrain so not worth their while investing in.
- Legislation to ban age discrimination has had little effect in improving job opportunities.
- There is a disproportionately high concentration of older workers among the long-term unemployed.
- Downsizing affects older workers disproportionately.
- Recruitment agencies are unwilling to accept older workers as clients and to recommend them to employers.
- There are few reported success stories about positive policies by employers.

The overseas information on age-discrimination is therefore mixed, indicating some progress, some formal measures, but also intransigence in many areas and the perpetuation of myths and negative attitudes.

While attention has been directed at employers’ attitudes (McGregor and Gray 2002; McNeill 2002), part of the answer may also lie in those of the individuals involved. Stereotypical expectations surrounding age and retirement (‘only a few years to go’, ‘younger people deserve the work more’) may inhibit older workers from challenging ageism. The value and impact of anti-discrimination measures, initiated through organisations like the EEO Trust and by individual employers, need evaluation (Murray 2002).

Sparrow (1999) argues that the relatively high level of negativity toward older workers on the part of employers, coupled with the limited impact which the Human Rights Act has had on recruitment practices, indicate that legislation alone is not a

solution for addressing age discrimination in the workforce. To examine the effect of ageism in New Zealand, three aspects of the employment of older workers need to be examined at the level of the firm or enterprise:

- recruitment practices;
- the treatment of older job seekers; and
- access to training by older workers.

Recruitment

‘workers should be assessed on their individual merits and worth to the organisation. Age should not come into the equation, only experience and competence...’ (Access Economics, cited in Hewson 2001)

While many of the respondents to the *Life After 40: Work and Retirement Plans* study believed their age was not relevant to their job performance, many felt that age discrimination occurs in recruitment (Gee et al. 2000). Thirty-nine percent of the employers in McGregor and Gray’s (2001a) survey did not believe that the *Human Rights Act* was working and most felt that the legislation was ineffective in preventing age discrimination in recruitment. However, they were against compulsion.

- Four out of five believed that employers should have free choice in whom they employ.
- Nearly half agreed that the labour market should be left to its own devices.
- 45% felt that a voluntary code of practice would be more effective than legislation.
- 66% did not agree with positive discrimination, where older workers or job applicants are favoured and prioritised over younger applicants.

When asked about recruitment practices, the employers in this study agreed that recruitment documents should not refer to age and that recruitment decisions should consider experience and qualifications, leaving aside the age of the applicant. But 60% did not agree that job descriptions should focus solely on skills and competencies and thought that personal attributes should be included in job descriptions (McGregor and Gray 2001a).

Quotes from older workers

EEO Trust Work and Age Survey Report (2006a:28-33)

‘When I changed my CV and added an extra date which appeared to make me ten years younger, I had two interviews within a week after three and a half years of rejection letters’.

‘If you have grey hair, in the opinion of some younger people you have a grey brain as well’.

‘Every job I have applied for recently seems to go to the younger person, even though I have the qualifications that they require. I make the short-list, but no further and they do comment about my age’.

‘They told me I wasn’t qualified enough, but then promoted someone younger with no qualification or experience and paid for her training’.

‘Unspoken assumptions that I’ve done all the training I want to do. Unspoken assumptions that I am no longer interested in career development’.

‘They said “We couldn’t meet the salary expectations of a person with your experience” but they never asked me what my expectations were’.

Discrimination against older workers was also evident in Greene’s (2001) and Burn’s (2000) work with recruitment agencies. The recruitment consultants interviewed by Burns noted several forms of discrimination practiced by their clients –

- thinking that a person would not “fit with their organisation;
- stereotypical views about candidates; and
- specifically wanting younger employees.

One of the recruitment consultants stated that older job seekers lack confidence and expect their age to be a barrier, which undermines their effectiveness in interviews and application processes (Greene 2001). If an employer had a bad experience with a worker of a particular age, then they were often reluctant to take on another employee in the same age range. Thus, employers' perceptions, regardless of their accuracy, clearly guide recruitment and hiring behaviour even when employing recruitment agents.

Using age as a proxy or measure of aptitude, employers can screen out older workers. Implicit or explicit references to age limits in recruitment advertising may also turn older people away from applying for jobs. Managers may not wish to hire subordinates who are older than they are. Among solutions offered are mixed age recruiting and job interview panels, to reduce the possibility that negative perceptions of older workers will influence the selection process (Robson 2001).

Older job seekers

Older workers face considerable difficulties if they lose their jobs. They may experience long-term unemployment, large earning losses and reduced incomes if and when they are re-employed. Long-term unemployment for older workers often leads to premature retirement and an exit from the workforce. This has implications for both society and the individual, with business and the economy losing a worker with valuable skills and experience, while the individual faces emotional and financial losses that can detrimentally affect their long-term well-being.

The New Zealand Employment Service (NZES) (1994 and 1996) commissioned two surveys of registered long-term job seekers. When asked about barriers to re-employment, the proportion who mentioned age discrimination rose with age, to 80% of participants aged 40 years and over. These studies are supported by more recent research. While the majority of workers in the *Life After 40* Study were positive about their current jobs, they were pessimistic about their prospects if they had to change jobs (Gee et al. 2000). Similarly, in a study of older workers in Auckland, many participants were apprehensive about their ability to secure employment if they were to lose their job after the age of 50, even if they were economically active, motivated,

and hardworking (Inkson, Pringle and Arthur 1998). Patterson (2000) conducted a qualitative study of 31 mature job seekers in Christchurch. Overwhelmingly, discrimination on the basis of age was seen as the most significant barrier to obtaining employment. Many participants also acknowledged the need to upgrade their skills, but the cost of training was cited as a major impediment to developing their employability.

In a larger study, McGregor and Gray (2001b) surveyed 954 mature job seekers aged 40 plus. Gender differences were apparent - older women job seekers were frequently trying to re-enter the workforce after child rearing, while a large number of the men had left the workforce through redundancy. About 40% of the sample had been unemployed for six months or less and 18% had been unemployed for about a year. Almost 80% had recently applied for a job. The reasons given when they were unsuccessful mirror those found in the EEO Trust survey - they were too old for the job, the employer preferred younger staff or they lacked the skills, in particular computing skills, that employers were looking for. There was therefore a clear perception of bias in favour of younger workers.

McGregor and Gray (2001b) also surveyed 41 older professional workers who had used a recruitment agency to find employment. This group had higher educational qualifications than the general population, but two-thirds had been out of work for 27 weeks or more. Over half described negative or very negative experiences with recruitment agencies, and said that ageism was a barrier to achieving employment.

Redundancy and ageism

Part of the *Education in mid and later life* project was a study of people 40 and over who had been made redundant (Davey 2003). Many felt that ageism had been a factor in the process of redundancy and influenced their ability to re-establish themselves in the paid workforce. Apart from feeling exhausted and depressed, they were aware of competition from well-qualified and energetic younger people.

‘The new manager preferred fresh young people. He changed the job deliberately to exclude me’.

Access to training by older workers

Older workers are frequently disadvantaged in their access to the training and upskilling required in an increasingly technological workplace (Carpenter 2001). This is a further aspect of age discrimination.

McGregor and Gray's study of older workers supports this finding – 12% reported discrimination on the basis of their age as the main reason for being denied or passed over for training opportunities (McGregor and Gray 2001a). The *Life After 40: Work and Retirement Plans* study found that access to job training decreased with age, with those over 60 significantly disadvantaged (Gee et al. 2000). Older workers in part-time and lower socio-economic jobs reported very low levels of access to training. If older workers have limited or no access to training then their skills will certainly become obsolete. Thus a vicious circle develops – outdated skills reinforce stereotypes about older workers which gives them low priority for retraining and hence their disadvantage is further reinforced.

Even though workers may be overlooked for training programmes, a survey of New Zealand employers found that over 90% agreed that training should be available to all workers regardless of age and 95% believed that all employees should have the opportunity to update their skills (McGregor and Gray 2001a). This finding, in the light of consistent evidence of lower training opportunities for older workers, highlights the complexity of and mismatch between employers' attitudes and behaviour. Despite some positive attitudes, many employers, in New Zealand and internationally, see training for older workers as a risk and a poor investment (Greene, 2001), basing this on myths about older workers' inflexibility, health and inability to adapt to change (Robson 2001).

The lack of training opportunities for older workers will exacerbate skills obsolescence, especially in relation to new technology, and may result in less than optimum levels of performance (McGregor and Gray 2001a). Thus employers who ignore the training needs of older workers contribute to the under-performance and de-motivation which they complain of. They also deprive themselves of reliable and committed human resources, which could be working productively and which may

well remain longer than the younger workers who are more often targeted for training (New Zealand Employers Federation 1998).

It may be that some older workers are pushed into low quality and precarious forms of work through the lack of training and other opportunities. For example, Zeenobiyah (2006) did an in-depth study of ten workers aged 55 plus in a call centre. They were subject to a high degree of control, pressure to maximise calls and were given little training. There is a high turnover for workers in call centres; they have few incentives and a low quality environment. These older workers took the work out of financial need, but were experiencing low satisfaction and resentment, feeling that the job was a step back and didn't use their skills and experience.

Evidence from the OECD

'In almost all of the review countries, survey evidence suggests that age discrimination in the workplace is an issue, although it is difficult to determine how pervasive this problem is' (OECD 2006:65). This is partly because of differences in public awareness of the issue. There is a high reported incidence in the USA, perhaps because anti-age discrimination legislation has been in place in that country for decades and so American workers are more conscious of their rights.

A caveat

Apart from tightening up on legislative provisions, government can assist by educating employers on the benefits of non-discriminatory processes and by modelling such provisions in 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 over-emphasised in explaining 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 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.

Chapter 5 - Education and Training for Older Workers

The creation of opportunities for mature age workers to undertake retraining and the breaking down of barriers to access retraining are critical issues. The establishment of a culture of continuous learning and re-skilling is essential to maximizing the contribution of mature age workers to economic growth (Hon. Bronwyn Bishop cited in, Access Economics 2001:xv).

The encouragement of life-long learning, in the context of technological change, has been recognised internationally as economically important for businesses. So older workers need to invest in education and training opportunities in order to keep pace with workplace demands, especially given the perceptions of employers that they are out-of-date and their skills are obsolescent (Robson 2001). Kuiper (2001) examined the evolution of New Zealand policy on adult learners seeking to retrain and upskill in formal institutional settings. She pinpointed the shift over the past few decades from valuing experience gained through work practice towards the validation of knowledge and skills by formal learning. As a result credentials have become the primary means of access to paid employment and non-credentialed skills have become de-valued. Lack of formal qualifications is a trap for older workers, many of whom trained on-the-job (for example, as apprentices or in the armed forces) (Davey 2003). “Credentialism” may contribute to the under-use of human capital by raising requirements to unrealistic and unnecessary levels.

While education and training in mid-life can assist in addressing skills shortages and maximise the potential of older workers, there are both supply and demand barriers to take-up. Important issues are the extent to which opportunities offered by educational institutions meet the needs of older workers and their employers; whether the pay-back periods for older workers are seen as long enough to justify investment in their training; and what the incentives and disincentives are for older workers. McGregor and Gray (2001b) found that many older workers and job seekers receive little guidance on what skills to upgrade and where to get the best and most effective training to ensure their marketability. Older job seekers themselves clearly acknowledged that having the correct skills was important for gaining employment.

Over half of the respondents had upskilled in some form or another and felt that it should have been sufficient to make them eligible for employment. This left many job seekers confused about the types of skills they should develop. The results indicated that mature job seekers are interested in re-training and upgrading their skills base, but they clearly still face difficulties in obtaining employment.

Advice on further education and training is one of the aspects of guidance required by older workers wishing to enter the labour force and this aspect is discussed by Research New Zealand (2006) in their literature review, along with examples of initiatives here and overseas.

Comments from older students at Victoria University (Renwick 2003)

‘Six months ago I would have said yes it is all worthwhile. But trying to find work is not easy. The degree has not made me really employable’.

‘The insecurity of not knowing whether this will lead to work for me. I’ve committed myself to a student loan so I have to have a plan. I feel I am getting old, it makes it harder to get work’.

‘I’m going to fit as many meaty career-oriented papers in as I can to improve my job prospects. Because of my age my career prospects aren’t great so I have to catch their eye somehow. I can improve my chances, like a hand of cards, with the right core papers that relate to my major’.

Will older workers have the skills for tomorrow?

Current and future economic conditions call for multi-skilling, involving a broader and more flexible range of skills (New Zealand Government 2001). There are concerns about the level of skill formation in New Zealand and calls for investment in human capital by business and by workers. A considerable proportion of the

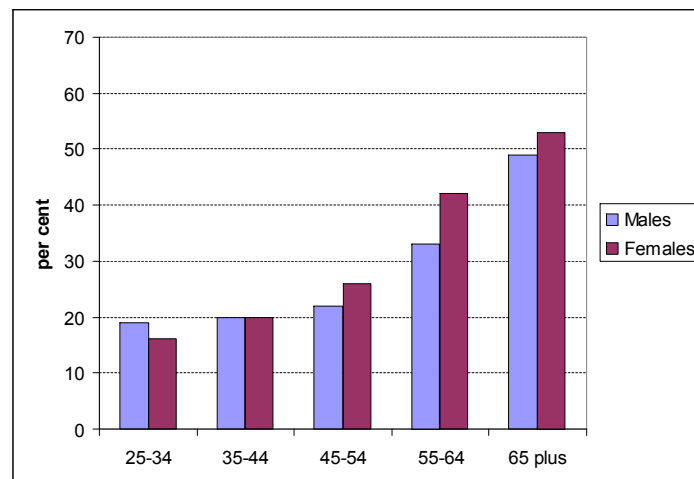
population has low levels of educational achievement and in many firms the commitment to invest in training is not high.

Figure 13 shows that educational achievement decreases with age for both men and women. Younger people are much more likely than older people to hold a degree or higher degree. Older women are less likely to have a degree than older men. These trends reflect higher levels of trade certification and on-the-job training among older cohorts. While they support the need for skills upgrading and training among older workers, the data also point to higher levels of attainment in the future as more highly educated cohorts pass through the workforce.

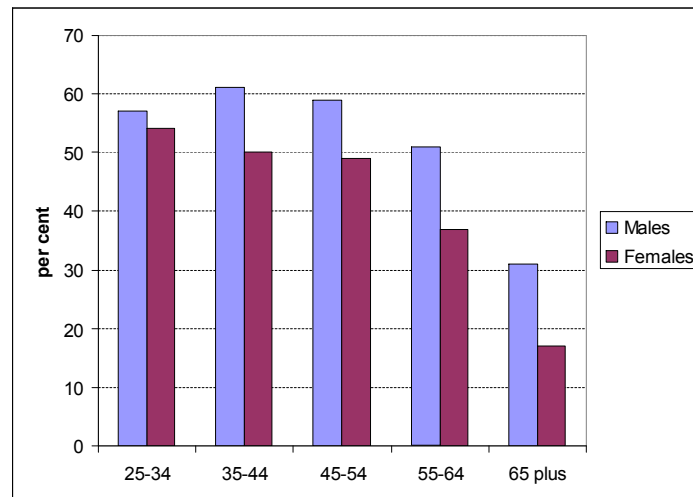
Figure 13: Educational qualification by age and sex, 2003

Source: Household Labour Force Survey 2003 www.stats.govt.nz [accessed 18/12/06]

a) Percentage with no educational qualifications



b) Percentage with certificate/diploma/degree or post-graduate qualifications



The “information economy” requires not only reading and writing, literacy and numeracy, but also communication and interpersonal skills, problem solving skills computer and network literacy, the ability to access and use global networks and to apply these to business practice (Carpenter 2001). Ongoing learning is crucial to business success; industry and employers must play their part in providing training opportunities to their workers. Yet employers’ views that older people are less competent in information and communication technology (ICT) and reluctant to take up the skills required, combined with lack of initiatives at the policy level and commitment to ongoing training and upskilling of older workers, all come together to disadvantage older workers. Flexible and life-long learning is essential if older workers are to meet the needs of present and future employers.

There has been progress in the area of computer awareness and literacy but still disparities based on age and income status. The 2006 *Social Report* shows significant increases in internet access between 2000 and 2004 (Ministry of Social Development 2006:14). Levels of access rose from 43% to 74% for people aged 18-64 in households where the main earner was in full-time employment. The levels for people 65 and over with little or no income in addition to NZS rose from 9% to 31%.

Are older workers retraining?

Recent censuses have included a question on participation in formal “study” in the preceding period. Although there are some inconsistencies in these questions, which affect comparability over time, the data provide a broad indication of educational participation. Taking the age group 40 to 59 as representative of people in mid-life, census data suggests an increase in educational involvement between 1991 and 2001. Rates of participation for women in this age group grew from 9.0% to 10.3% and rates for men from 4.7% to 5.7%. Higher rates for women are typical in developed countries, and the numbers of women who had been studying increased by 35% between 1991 and 2001, as against a 29% increase for men (Davey 2001).

The Ministry of Education provide data on number of students by type of tertiary institution, with a 40 plus age category. Between 2001 and 2005 the proportion of students of this age increased in polytechnics and wananga, but decreased (from 34% to 23%) in universities and in colleges of education (Fig.14). Increasing proportions studying at polytechnics suggests vocational and work-related motives.

Between 2001 and 2005, the number of students in tertiary education grew by 22% and the number of students aged 40 and over grew by 53%. However, this growth was very uneven between types of educational institutions (Tables 3 and 4). Growth in numbers attending wananga was rapid, especially for the 40 plus group and there was substantial growth in the numbers at polytechnics. Growth was negative for colleges of education and fairly static for universities overall.

Figure 14: Distribution of students aged 40 plus, by institution, 2001 and 2005

Source: Ministry of Education data, www.edu.govt.nz [accessed 19/12/06]

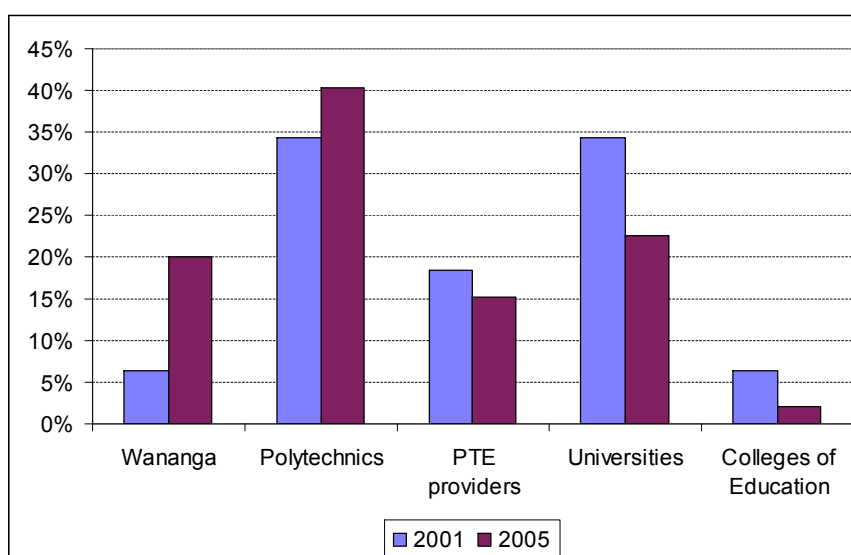


Table 3: Number of people aged 40 and over enrolled as students at universities and polytechnics, by gender, 1991, 2001 and 2005

Source: Ministry of Education data, www.edu.govt.nz [accessed 19/12/06]

		1991	2001	2005
University	Male	3663	6457	5889
	Female	6669	11436	12111
Polytechnic	Male	3757	6449	12766
	Female	4153	11483	19462

Table 4: Percent change in tertiary student numbers, age 40 plus and total, 2001 and 2005, by type of educational institution

Source: Ministry of Education data, www.edu.govt.nz [accessed 19/12/06]

	40 plus	Total
Wananga	381	193
Polytechnics	80	31
Private tertiary education providers	25	6
Universities	1	11
Colleges of Education	-50	-48
Total	53	22

The data suggest that increasing numbers of people in mid-life are taking up formal education, although this still represents only a small proportion of the age group as a whole (estimated as 3.2% in 2001 and 4.5% in 2005).

The 1996 *Education and Training Survey* (Gobbi 1998) was conducted to establish patterns of re-training in the workforce, but has not been repeated to provide more up-to-date figures. The results from 22,250 people, aged 15 to 64, who worked for wages and salaries, found that just under half had participated in education or employment-related training in the twelve months prior to the survey. In-house training was the most common form. Participation was highest for younger people, but 40% of workers aged 40 plus were involved. There were differences in the type of training, with older people more likely to have access to training provided in-house by employers, than to be engaged in study toward a qualification. As a whole the study found that education and training participation declined with age.

The *Education in Mid and Later Life* study covered all Victoria University students aged 40 years or more (Davey 2001). The respondents were typical of adults engaged in education in New Zealand and similar countries. Two-thirds were aged 40-49, 30% were 50-59 and only 5% were 60 or older. This age distribution suggests vocational reasons for participation rather than either preparation for retirement or retirement activity. Over half (52%) of the respondents ranked 'wishing to acquire new knowledge or qualifications to improve job performance and prospects' as a primary reason for study and 7% chose 'concern about redundancy or changes at work'. So nearly 60% gave work-related motives.

Follow-up interviews with mature students showed a strong link between study and employment outcomes, with goals such as enhancing work prospects, improving earning capacity, to retain a job, or to be better placed to apply for a new position driving the desire to resume study (Davey, Neale, and Morris Matthews 2003). The labour force certification policies of government and professional organisations also influenced educational choices. Many older students were at university because their study was compulsory, especially teachers (of 'special needs' children), nurses, social workers and polytechnic tutors (Kirkman and Dixon 2003; Morris Matthews 2003). Redundancy and fear of redundancy were also important triggers for university study.

Many people were concerned that their colleagues were more highly educated than themselves and saw gaining a further qualification as “insurance” against losing their jobs (Davey 2003).

The Role of Education in an Ageing Workforce

Many New Zealanders in mid-life are clearly using tertiary education as a means of increasing work-related skills, furthering their careers and improving their chances of remaining in the labour force. This should help to maximise human capital potential in an ageing population and to realise the social and economic advantages outlined earlier. But evidence from the *Education in Mid and Later Life* study and from the literature also identifies obstacles in the form of attitudes, expectations and policies, on the part of employers, institutions, governments and mid-lifers themselves.

The view that education is only for those under 25 years is deeply entrenched. The administrative systems of many academic institutions are not well attuned to the needs of older students. The New Zealand tertiary education system has some advantages not shared by other OECD countries - open adult entry, no age limit on student loans, general degrees, and opportunities for part-time study. But, 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. High tertiary fees and low student living allowances make it difficult for people to respond to calls for life-long education.

A distinction needs to be made between general and specific skills (Ministry of Economic Development et al. 2003). As people age, skills learned in the workplace become more relevant than more general skills acquired during schooling, but the more specific on-the-job skills are, the less transferable they become. This at least partly explains employers’ perceptions of older workers as inflexible. Thus, training undertaken by older workers needs to be relevant to enhancing their workplace skills. McGregor and Gray (2001b) argue that much government-funded adult training has little relevance to industry needs and often there appears to be little relationship between the training undertaken by older job seekers and employment opportunities. For example, mature students may return to study after being made redundant and

almost always find this experience beneficial and motivating, but the achievement of a degree or diploma does not necessarily translate into workforce advancement (Davey 2003). McGregor and Gray (2001b) recommend greater efforts to make retraining relevant to industry requirements and that training for both older workers and mature job seekers should be rethought focusing on:

- greater worker and employer commitment to on-the-job, life-long training to prevent skill obsolescence among older workers;
- the relevance of training to industry needs;
- who delivers the training;
- perceptions of its usefulness; and
- how a training/learning orientation throughout life can be developed.

Some employers do assist workers to improve their education, but others see little advantage in enabling their older employees to engage in study. The Victoria University study, for example, showed that employers provide help to people who already have other advantages, such as stable employment and above-average incomes (Davey 2002). Incentives and encouragement for employers to extend financial assistance and other measures to facilitate study, such as special leave and flexible hours, would help a wider range of mid-life workers.

Individuals also may need more encouragement and support than is presently available to return to a regime of study which will produce heavy demands on their family and recreational time, in addition to financial pressure. Some are reluctant to shift away from long-term specialisation even if this opens up new employment opportunities. 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. Older workers may be less likely to volunteer for training, linked to low expectations and self-esteem, particularly for women.

Setting educational issues into a broader workforce context, there is now widespread agreement throughout the developed world that we need flexible workforces, capable of learning and adaptation. Considerable support has been expressed for life-long education initiatives, both in relation to prolonging workforce involvement and in

meeting skill shortages (OECD 2006). The analysis of human capital issues in an ageing workforce highlights the need for more information to guide policy development, focusing on people in mid-life and their choices in terms of workforce involvement, further education and training. Equally important would be to examine how these choices are constrained, by their own attitudes or those of others (employers, funders and providers of education and training), by the opportunities presented – availability, accessibility and funding of educational opportunities – and by policy settings.

Chapter Six - Managing an Ageing Workforce

Business issues and responses

At both the local and international levels, the ageing of workforces and rapid technological change produce challenges for employers as they seek to maximise their profits and enhance their competitiveness. This will require some adjustments.

- Employers need to prepare for an increase in older workers and declining availability of younger workers.
- Their preferences for younger workers will have to be reconsidered.
- They need to think about how to retain and maximise the potential of their older workers.
- This will include knowledge management in mixed-age workforces – realising and building on the strengths of both younger and older workers.
- Careful succession planning will be needed to replace discriminatory retirement schemes.
- Businesses need to ensure that their employees are constantly evaluating and updating their skill base. Success in the future calls for a highly skilled workforce that is able to manipulate technology and also create innovative ideas and methods (Creedy and Scobie 2002; Lissenburgh and Smeaton 2003; Robson 2001; Carpenter 2001; White 1999).

Comment from a business leader

In response to the issues raised by an ageing workforce, Westpac CEO David Morgan, in an address to business leaders hosted by CEDA (Committee for Economic Development in Australia) (Morgan 2003) stated -

‘...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’.

Research in New Zealand by the Hudson HR consultancy in 2004 found that more than half of the organisations they surveyed ‘do not believe that New Zealand employers view the ageing workforce as a serious business issue’ (Hudson 2004:3). Slightly less than half of New Zealand businesses specifically seek to retain mature-aged workers (over 50 years). The industries least likely to do this are Advertising/Marketing/Media followed by Information Technology and Retail, according to Hudson. Those most likely to seek to retain older workers are Healthcare, Construction/Property/Engineering, Transport and Education.

Does New Zealand business have its head in the sand about the potential effects of the ageing workforce on the economic and social landscape? It would appear so (Hudson 2004:3).

Similarly, in the EEO Trust Survey *Work and Age Survey* in 2006 (EEO 2006a), 38% of respondents who were current workers said that their employers offered no retirement planning initiatives (this was especially the case in the production/manufacturing sectors), and 25% did not know if there were such initiatives. Where they were available the main measures were seminars or flexible hours – available to less than 20% of respondents – and some mentioned subsidised superannuation, access to information on retirement planning, and mentoring new staff (especially in professional and managerial work). Flexible hours and part-time work were least common in trades/technical and production/manufacturing work.

The State Services Commission (2004) examined the implications of ageing on the New Zealand public service and explored evidence from other jurisdictions. This report indicates awareness of the implications at the centre, but most departments do not have policies for managing an ageing workforce, even though they could be faced

with a sudden and large loss of older and experienced workers in the future (SSC 2004:9). All stated that they applied the same standards to workers of all ages ‘and some did not see the need for a separate stream of work targeted towards managing an ageing workforce’ (SSC 2004:12). A few departments were taking steps in this direction, through:

- planning – revising workforce plans and departmental strategies in line with “positive ageing strategy’ principles;
- introducing career development schemes aimed at attracting/retaining workers of all ages;
- Flexible working arrangements, making job sharing and part-time positions available to older workers, providing remote access to allow people to work from home, considering phased retirement options and downshifting (to lower level jobs);
- career planning and development – retaining older workers as mentors after they leave, offering retirement seminars and seminars in budgeting, financial and career planning, seconding older staff to other organisations; and
- putting in place a comprehensive health and safety framework for all staff, but particularly older workers.

The difficulties pinpointed by the State Services Commission in broadening awareness of workforce ageing included stereotypical attitudes towards older workers – that their skills are outdated and that they block promotion for others - and the perception that people taking flexible work options are not fully committed to the organisation. More practical issues are Inland Revenue Department rules and occupational pension fund structures, sometimes compounded by lack of communication between Human Resources (HR) and pensions functions within and between departments and with unions. In some cases management found flexible initiatives complicated and difficult to implement, showing little awareness of the business and personal opportunities and benefits which they can provide.

The business case for employing and training older workers

The business case for employing, retaining and upskilling older workers is set out clearly by Walker (1998).

- The ageing of the workforce requires changes in human resource management and strategies. Industry competitiveness will be linked with the performance and productivity of older workers – how effectively they are used by employers.
- The consequence of early exit for employers is that valuable experience and human resources are being wasted. Older workers can play a role in training and mentoring younger workers and their retention will prevent skill shortages.
- By narrowing the field of applicants, organisations restrict and narrow their recruitment potential.
- Some employers recognise that organisations with diverse and varied workforces will be better placed to respond to the changing environment, both the ageing of the workforce but also the ageing of the population and consumer pool. They see the need to have a workforce that reflects the age composition of their customers.

White (1999) identified the following reasons for “smart” businesses to maximise the skills and experience of older workers. Smart businesses –

- value human capital and are looking for innovative ways to retain access to the wealth of knowledge and experience and institutional knowledge of older workers;
- manage risks effectively and avoid the loss of talented knowledgeable workers to their competitors;
- plan manpower needs so that as the supply of younger workers reduces they can access a pool of skilled older workers to keep their companies competitive;

- recognise that the consumer market is also ageing and businesses will benefit from having a workforce that has well-developed interpersonal skills and an ability to be on a level with older customers and consumers;
- recruit the right person for the job based on credentials rather than age; and
- value a diverse and balanced workforce, taking advantage of the range of skills and attributes that both older and younger workers can bring. They know that older workers can provide a stabilising influence on younger workers and make successful mentors.

Calls for change in business attitudes

In 1996, Worsley was calling upon employers to look ahead:

‘One of the most important responsibilities of every employer, irrespective of size, is to put together and to nurture the best possible team of employees’ (Worsley 1996: 17).

‘... if they [employers] decide to look positively at age in relation to employment and adapt their businesses to the changing profile of our population, they will not only benefit all those who they directly serve – shareholders, customers and employees – but also address their own wider interests in the health of the community and the economy’ (Worsley 1996:16).

And Robson (2001:59) said: ‘At the end of the day, scarcer labor will simply put more of a premium on practices that already make good business sense: attracting and retaining people with key knowledge, skills and aptitudes and ensuring that valuable prospective or current employees are not screened out by the use of inappropriate markers such as age’.

More recently, the Business Council of Australia (2003) has called for a cultural change to tackle entrenched life-cycle mindsets, stereotypes and negative attitudes towards older workers. ‘Within business the commitment to such a shift in attitude

must come from the top and be embraced throughout all levels of the organisation. It must involve CEOs, HR departments and line managers’.

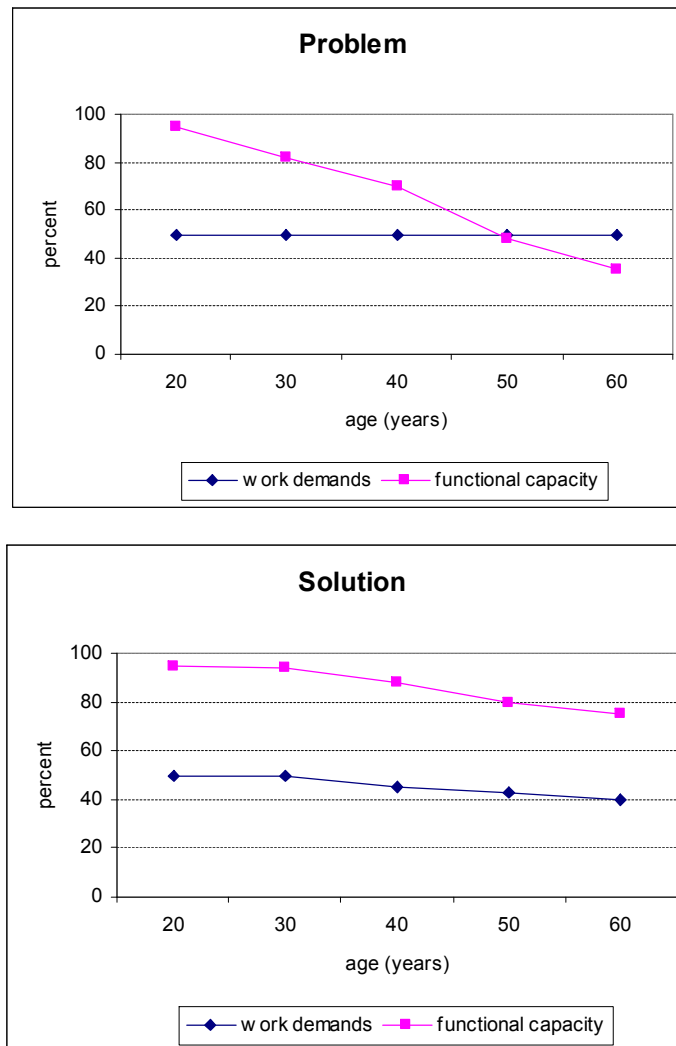
‘Life-long learning, phased retirement and the capacity for individuals to engage and re-engage in the workforce at different levels of intensity are likely to be characteristics for business, economic and social success in the future. We must ensure that our social and economic infrastructure is capable of supporting this’.

The concept of “reciprocal adaptation”

There have been calls for a 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, Folts and Knapp 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. Thus, as shown in Figure 15, the problem of work demands remaining constant and declining functional capacity can be addressed. By keeping up the capacity of older workers (by re-training, preventive health measures or assistive technology) and slightly reducing the demand of the job the two lines will not intersect and the workers can continue to perform satisfactorily. These initiatives could be fostered by policy and modelled in public sector organisations.

Figure 15: Work Adaptation – the Problem and the Solution

Source: adapted from Ilmarinen and Louhevaara (1999:265)



What about the ageing consumer?

The workforce is ageing but so too is the consumer market. Hewson (2001) points out that, although some Australian firms are successfully catering for older customers, this is essentially an under-explored market. To take full advantage of its potential requires a workforce that is attuned to the needs of older people. The service industries need older experienced workers, who excel in the human touch and product knowledge. This will appeal to the older, well-heeled and well-educated consumers of

the future. 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).

Options for older workers and the transition to retirement

Flexible working conditions

With declining numbers of younger workers coming into the workforce, both governments and employers will need to place much more emphasis not only on reskilling older workers but also on adapting work places and work patterns to suit their needs. Alternative and flexible working conditions may be sought by a range of workers and for different reasons. They are an important way of accommodating the unpaid care responsibilities of employees at all ages, including those with dependent children, with eldercare responsibilities, those combining paid work with education and others approaching retirement (EEO Trust 2000b; New Zealand Government 2001).

Flexible employment options offer benefits to both employers and employees, including -

- higher retention rates;
- preservation of valuable knowledge, especially in older workers;
- more contented employees, who are more productive;
- increased ability to attract and retain a better qualified and diverse workforce (including those unable or unwilling to work full-time or standard hours);
- less absenteeism;
- more committed and motivated employees;
- ability to meet peak demand;
- lower recruitment costs;
- better use of time, as flexible workers are often more disciplined in their time management; and

- lower stress levels as family and work commitments become easier to balance. (Clements, Hobman, Rosier and Tweedy 2003).

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). This has been found to be the case in large-scale overseas studies such as the Joseph Rowntree Foundation's *Transitions after 50* programme in Britain (Hirsch 2003) and Hudson's 2006 study in Australia and New Zealand.

Flexible work practices can include –

- part-time work;
- flexitime;
- tele-working;
- job sharing; and
- phased retirement.

Relatively little research has been conducted in New Zealand on these options. Callister (1997) reviewed the literature and 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 (2001a) supports this finding. Less than a third of the employers they sampled offered flexitime and only 10% offered gradual or phased retirement.

Part-time work

The OECD review showed higher rates of part-time work for older workers than for the 25-49 age group (OECD 2006:80). In New Zealand, the proportion of people working part-time is highest in the 15-19 age group (56% according to the 2005 Household Labour Force Survey (www.stats.govt.nz accessed 19/12/06)). Many of these will be combining part-time work with education and training. The proportion is around 20% for the age group 20 to 59. Working part-time is more common for women than for men at all ages, but it has become more common for men to work part-time over the last decade. At 65 plus, 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 (31% overall).

The Department of Labour (2007) found that increases in labour force participation by older people in recent years have mainly taken the form of full-time work. It is not clear whether this was their choice, or whether they would have preferred part-time work but this was not available.

Tele-work and job-sharing

There is little recent New Zealand data on telework, defined as operating away from the main work base, linked via telecommunications. A Department of Scientific and Industrial Research study of 31 New Zealand telecommuters revealed that most were older, well educated and engaged in a wide variety of jobs which included journalism, engineering, business consultancy, publishing, architecture and computer work (Schoeffel and Loveridge 1991). The main reasons for choosing teleworking were flexible hours, a better lifestyle, cost effectiveness and pleasant working surroundings. Taylor (1992) investigated teleworking and job-sharing from the employers' perspective in 130 New Zealand companies. Eight percent of the sample companies employed teleworkers and 16% used job-sharing strategies. When asked to describe the benefits of telework, employers reported financial savings, better customer servicing and improved productivity through lack of interruptions. Very few reported any disadvantages. Overseas literature has found that while telecommuting reduces the ability of employers to monitor work closely, the reliability of older workers makes this concern less of an issue (Robson 2001).

Taylor (1992) found that job-sharing was used mainly in clerical/reception work roles and was seen to require significant adjustment and planning. Managers tended to perceive job-sharers as part-time workers, with lower levels of commitment to the organisation, even though they had the same rights and responsibilities as full-time workers. Job-sharing was offered for similar reasons to part-time work – to retain skilled staff who were wanting to retire or reduce their working hours – and its advantages to employers were also similar - time flexibility, a wider range of skills, retention of valued employees, better productivity and less absenteeism. Those who used job-sharing saw few disadvantages.

O'Donohue (2000) surveyed 143 Canterbury employers, who reported a low demand for flexible work among their older workers - only 35% had received a request from an employee for such options, but three-quarters had accommodated these wishes. Overall, only a third of respondents were currently 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. Barriers to implementing flexible work practices included difficulty in recruiting suitable part-time staff to cover the full range of working hours, issues associated with supervising flexi-time workers and the inappropriateness of these options for specific industries.

British findings on the employment transitions of older workers

As part of the Joseph Rowntree Foundation *Transitions after 50* programme, Lissenburgh and Smeaton (2003) analysed movements out of permanent full-time employment by people aged 50 and up to Statutory Retirement Age (SRA – 60 for women and 65 for men) in Britain. Based on large-scale databases, they compared people moving into part-time work, temporary work or self-employment as opposed to full retirement. The men were fairly evenly distributed between the three types of work. Women mainly entered part-time work and fewer became self employed than the men did. Older people and those in poor health were less likely to continue in any type of paid work; people in less favourable financial situations were more likely to do so.

Such movement in and out of or between jobs could represent a twilight career trajectory sensitive to the changing needs of an older workers whose health may be deteriorating or who, sandwiched between two generations, have caring demands from older and younger relatives (sic)(Lissenburgh and Smeaton 2003:20).

The authors ask whether these transitional arrangements and movements in and out of jobs are in fact a good thing. They show that part-time work is less stable than either full-time work or self-employment. The earnings implications are complex - professional self-employment and fixed term contracts pay better than full-time work,

but part-time work, especially for women, may provide only low pay. Workers in transition to retirement may be vulnerable to employers who may take advantage of the lower bargaining power of workers with weak links to the labour market. Job satisfaction also varies between type of work and between men and women (Lissenburgh and Smeaton 2003:25). For men, job satisfaction is highest for the self-employed, followed by temporary work, full-time and then part-time work. The lowest levels of job satisfaction for women were for those in temporary jobs, and were higher than for men in the other categories (this is similar to Zeenobiyah's (2006) findings for older workers in a New Zealand call centre).

The manipulation of levels of pay associated with employment types (particularly part-time work) will only go so far in rendering a job attractive. The intrinsic dimensions of a job, such as autonomy, a sense of achievement and use of skills, are often just as, if not more, important than the extrinsic rewards of work such as pay and benefits. Hence self-employment is invariably associated with enhanced levels of job satisfaction (Lissenburgh and Smeaton 2003:26).

The overall ranking of the three types of flexible employment was therefore self-employment first (relatively stable, high satisfaction, control, but not always high income), followed by temporary work (less stable and with variable earnings), and part-time work was generally found to be the least desirable situation. Gender differences were found to be important. Older women appeared able to access flexible work with some ease, but this was frequently poor quality part-time and casual work. Older men sought flexible work if they could not afford to retire. Lissenburgh and Smeaton (2003:30-1) warn that the "dual labour market" model applies with respect to flexible transitional employment for older workers. People, especially men, with higher pay and qualification levels are more likely to enter self-employment and fixed-term contracts which may pay more than full-time work. But for less advantaged workers, flexible employment may be more variable and the quality of employment, especially part-time employment, may be poor. Older workers from a disadvantaged background often leave employment involuntarily due to unemployment or ill-health, while their more advantaged counterparts leave voluntarily due to their acquired wealth or considerable pension entitlement (Lissenburgh and Smeaton 2003:10).

The OECD report also quotes studies which illustrate this trend - “inflexible working-time arrangements may discourage older workers from continuing to work longer and result in a “cliff-edge” pattern of retirement where older workers go from working full-time to not working at all” (OECD 2006:79). Other rigidities in working-time arrangements can arise from pension rules restricting the right to combine pensions with income from work (which does not apply in New Zealand) and the loss of employment rights associated with full-time jobs (for example employer-provided health insurance cover in the USA).

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 then not working at all – the above – mentioned “cliff edge”. Many older workers reduce their working hours and responsibilities gradually, to make the transition from work to retirement a smoother and more manageable process (Turner 2000).

International research suggests that the majority of workers would prefer a gradual transition to retirement (Robson 2001). Phased retirement is needed to retain talented and skilled older workers (Human Rights Commission 1998). Worsley (1996) argues that retirement as a concept is going to become increasingly outmoded. It would be more productive to see people as negotiating a series of transitions, coming in and out of work, not centred on chronological age, but based on their skills, abilities and life experiences, and on their personal choices and aspirations. This might develop into a transitional decade, during which people select how and when they wish to retire, with the option of gradually winding down their hours in paid work through the adoption of more flexible workplace practices.

A Second Adolescence?

In an article entitled *Second Adolescence? The transition from paid employment* (1987), Tom Schuller 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 another heterogeneous and ambiguous stage at other end of working life. He called this “work-ending” and emphasised the need for more research on this neglected life-stage.

There are benefits for both workers and employers in phased retirement. For workers, reducing participation in paid work allows them time to pursue leisure and family activities and adjust and prepare for the financial changes retirement brings. For employers, retaining older workers allows valued knowledge and experience to remain with the company and be used to mentor and train younger, less experienced, workers. The phasing of retirement and the retention of older workers past traditional retirement age needs to be considered in the context of tax, superannuation and benefit provisions for retirees and part-time workers. As pointed out by the Ministry of Economic Development et al. (2003:46) ‘Retirement decisions are complex. Today there are many paths to retirement’. These involve a greater variety of lifestyles in retirement, combining paid and unpaid work, family and recreational activities, travel and study, in new and innovative ways

In New Zealand, Greene (2001) found that the inability to compulsorily retire an employee was a concern for a majority of the employers she interviewed. They questioned whether older employees would recognise when their performance was declining and spontaneously make the decision to leave work. Very few of the employers interviewed were aware of their workers’ retirement plans and intentions, and hardly any had discussed such issues with their employees. Possibly they fear that this may open them to accusations of age discrimination. Greene argues that this lack of communication and succession planning is concerning. While most employers were willing to accommodate older workers’ requests to reduce or change hours of

work, there was a limit to the resources and capacity available to facilitate such adjustment.

Chapter 6 - What can be done?

In 2006, Hudson Australia/New Zealand continued their exploration of the ageing workforce by publishing *The Evolving Workplace: The Seven Key Drivers of Mature-aged Worker*. This asked over 1000 “knowledge workers” over the age of 40, what would encourage them to delay retirement. They came up with the following drivers, in order of importance (Hudson 2006:9) –

- commuting time per day;
- pay;
- friendly work environment;
- work still has new challenges;
- recognition;
- flexible working hours; and
- able to work from home.

These were found to apply to full-time, part-time and contract work options. Age contributed less to the decisions than might be expected, although the proportion who wanted to start their own business decreased with age. Gender had little effect, although more women opted for part-time work and fewer wanted to start their own businesses (similar to the British results quoted above). The results were similar within the four professional categories covered and between the Australian and New Zealand samples, except that New Zealanders were more likely to want to start their own business and/or to contract/consult.

In practical terms, Hudson (2006:17-18) recommends that the drivers identified be adopted in an integrated way and used by businesses in:

- developing an *Employee Value Proposition* – to target the engagement of older workers;
- training managers to lead teams of differing age groups and review any barriers for older workers;
- promoting training for older workers;
- introducing mentoring and coaching;

- ensuring that an assumption of imminent retirement is not a factor in decisions about career progression;
- engendering a friendly working environment;
- being proactive in flexible employment options and ensuring that workplace culture embraces and understands the need for them;
- creating a pool of retired people willing to work at peaks and for special projects;
- monitoring the take-up and impact of flexible employment options.

They conclude:

- a progressive organisation can tailor a package that would encourage mature-aged workers to remain in either full- or part-time work”;
- ‘professional mature-aged workers facing retirement actually prefer to remain in the workforce if workforce arrangements reflect the seven key drivers;’ and
- ‘n the latter part of people’s careers, the prospect of working less, and in a way that is more in their control, is likely to be extremely attractive’ (Hudson 2006:19).

Christensen (2005:2) writing for the Sloan Center for Flexible Work Options and Older Workers also reached a positive conclusion;

we have a unique opportunity to construct a new paradigm of employment for older workers – a way of thinking that provides for a range of options to *remain* in the labour force, *return* to the labour force, and to *cycle in and out* of the labour force (italics in original).

The good news about flexible work options is that they are often win-win; that is they can be advantageous to business as well as older workers Christensen (2005:3).

Flexible retirement in Britain - company case studies

The Department for Work and Pensions’ *Age Positive*, programme documented initiatives taken by large employers such as ASDA, B and Q, the Ford Motor

Company and Marks and Spencer's, some of them dating from the 1980s (Department of Work and Pensions 2002). In summary, these employers believed that flexible retirement would deliver the following benefits:

- retention of experienced staff with valuable skills;
- greater flexibility and choice for employees;
- creation of a wider pool of expertise for recruitment;
- enabling the organisation to increase its public image and make it a preferred employer;
- a strategic and effective response to demographic change; and
- equality of opportunity and fairness for all employees.

Many of these businesses offer older workers flexibility over their date of retirement – raising retirement ages or abolishing mandatory retirement – and working patterns, including part-time work, job sharing, optional downshifting (reducing workplace responsibilities over time), sabbaticals, secondments and volunteering (preparing for life in retirement). Some have moved to a “flexible decade concept” of gradual retirement (ibid: 5). They link these initiatives with work/life balance and diversity policies, hence encompassing the interests of all employees.

To ensure good communication, strategies such as intranet sites, electronic bulletin boards, phone-ins, booklets, specific branding for new flexible policies and pre-retirement seminars are used. Line and HR managers are given guidance and senior managers are expected to lead by example.

In the USA some employers are experimenting with phased retirement plans which allow workers to start receiving pension benefits while they continue to work part-time in the same job. Allen, Clark and Ghent (2004) looked at the University of North Carolina tenured faculty staff programme, which began in 1996. This showed an increase in the percentage of staff moving to part-time work and small decrease in movement to full retirement. Faculty were more likely to enter phased retirement when they had heavy teaching loads. The option was inversely related to performance,

measured by recent pay increases, and tended to occur at the age when pensions were maximised. The authors concluded that the university was not losing its “brightest and best” as had been feared, and benefited from having more warning of staff retirement intentions. However, universities, where staff enjoy independence and job security, may be among the optimum locations for such schemes, and they may not work out as well elsewhere.

Working Carers

Most of the initiatives to promote work-life balance and family-friendly workplaces concern the needs of working parents with dependent children. Hence, the Employment Relations (Flexible Working Hours) Amendment Bill currently before parliament in New Zealand mirrors the original British legislation (which came into effect in 2003) that requires employers to consider seriously requests for flexible working hours by employees who have responsibility for young children and children with disabilities.

Such provisions could be extended to cover older workers’ needs, especially those with elder-care responsibilities, which may be significant. As the population ages the numbers of people with such responsibilities will increase. Ageing in place policies mean that older people, often with significant disabilities or chronic health problems, remain in their own homes in the community even if they have extensive needs for care and support. People with eldercare responsibilities need flexibility to adjust their hours of work and job roles in order to balance family and work responsibilities. The demands of eldercare responsibilities are not always predictable and come at a time when older workers themselves may be considering retirement or reducing workforce participation. Eldercare responsibilities may be a key factor in deciding whether older workers, in their fifties and sixties, who have elderly parents in their eighties and nineties, are able to remain in the workforce and the extent of this involvement (full or part-time) (EEO Trust 2000b; Davey and Keeling 2004). Caring for older people can involve protracted and unpredictable demands and, as older people may also be supported by community agencies, the pattern of service delivery is often complex, involving a range of providers, both paid and unpaid.

It is rare to have flexible provisions for older workers who care for older dependants. Employers seem less aware of these issues and fewer initiatives have been developed to address them, certainly in New Zealand.

Combining Work and Eldercare (Davey and Keeling 2004)

The research, which involved the workforce of Wellington and Christchurch City Councils, found that an estimated 10% of the combined workforce of over 3000 were working carers. Both the working carers and the care recipients were mainly female and the majority of the latter were close family members of the carers, mostly parents and parents-in-law. The majority of the care recipients lived in their own homes, with 17% in residential care and 11% in the same household as the working carer. The type of care provided was most commonly social and emotional support, followed by household assistance, administrative support and personal care.

The predominant method of juggling work and eldercare, beyond making occasional phone calls from work, was to use annual leave – 48% of the working carers had done this at least once in the preceding six months. Taking time in lieu, flexitime, and sick or domestic leave were other coping strategies. Eldercare has a considerable impact on the carers in reducing their opportunities for rest and relaxation outside working hours. Where weekends and holidays are devoted to eldercare (especially where considerable travel is involved) employees may return to work unrefreshed, affecting their productivity.

Sixty three percent of the working carers had to deal with a crisis in their eldercare situation in the previous six months, and half of them have dealt with more than one crisis. More than a third report having had time off work to deal with crises. The older the care recipient, the more likely the working carer is to have taken time off from work.

In most cases, the working carers found their employers sympathetic to their situation and willing to be flexible with respect to leave provisions. However, some managers

or workmates do not appreciate their situation, and not all working carers find they can easily disclose how they are placed.

The findings of this study point to measures which might assist working carers to manage and sustain a balance between informal care and their paid work roles. They suggest that employers could usefully consider developing policies on eldercare responsibilities among their staff.

Overseas literature on older workers, eldercare and the work-life balance is much more extensive, but has produced results similar to those of Davey and Keeling (Martin-Matthews 2001). Workers with caring responsibilities are one of McNair and colleagues (2004) three groups of older workers – the “jugglers”, almost all of them women.¹⁰ Phillips and Bernard (2001), working in the UK, found that very few designated eldercare-friendly policies are used routinely by employees. Carers tended to take up familiar policies such as annual leave or time off in lieu, that retain their privacy about their specific needs for additional assistance. These carers were highly committed to their paid work, but experienced difficulty in negotiating flexible schedules, and job pressures hindered their abilities to juggle work and caring responsibilities. There are clearly benefits to employers in implementing policies that assist workers with caregiving responsibilities, such as improved employee retention, higher productivity, reduced absenteeism and reduced stress (Social Policy Research Unit 2000).

The research clearly indicates that it is primarily women rather than men who undertake (or are expected to undertake) the responsibility of caring for older relatives (European Network of Economic Policy Research Institutes (ENEPRI) 2001; Martin-Matthews 2001; Ministry of Women's Affairs 2002; Robson, 2001). Women who face disrupted work histories due to child-care responsibilities as young adults may also find their workforce participation curtailed by eldercare in their later working lives. As a result they may be unable to save adequately for their retirement, leaving them

¹⁰ As well as responsibilities to older parents or relatives, workers in mid-life may also care for their grandchildren, often allowing the children's parents to be in paid work, and sometimes on a full-time basis – see the work of the Grandparents Raising Grandchildren Trust in New Zealand (Worrall 2005).

more dependent on the state (Gee et al. 2002). Without access to flexible employment schedules and adequate remuneration, such women are often disadvantaged, with adverse consequences for themselves and their families. But this also affects businesses and society in general, through loss of economic productivity (ENEPRI 2001; Rix 2001).

Innovative strategies to support the “juggling act” required to combine paid work and eldercare will involve employers and employees and, in addition to flexible working conditions, may include:

- special leave arrangements for emergencies ;
- access to basic links such as a telephone;
- readiness to consider “caregiving sabbaticals”;
- reframing transitions between full- and part-time work to accommodate fluctuating caregiving demands;
- work-based “elder-care” provisions – lunch clubs, day care, social and recreational programmes; and
- flexi-time and leave provision to include domestic and familial responsibilities of employees, not necessarily limited to those with whom they share a household.

Summary of Initiatives for Business in Managing Workforce Ageing

- Analysis and monitoring of age profiles of staff, as part of recruitment, retention and succession planning.
- Dealing with age discrimination, in recruitment, promotion and access to training and staff development, with measures to combat negative stereotypes of older workers.
- Recruitment policies which do not discriminate against older workers and recognise their potential.
- Measures to retain valued employees through alternative work arrangements and keeping retirees engaged with the organisation, with the possibility of flexible re-engagement.

- Ensure the preservation of critical business knowledge and plan for knowledge management as workforces change.
- Provide opportunities for workers to continually update their skills and ensure that older workers have access to re-skilling, especially in relation to using technology effectively in the workplace.
- Provide career and retirement advice, including advice on retirement income and financial planning.
- Address ageing issues in the context of an overall diversity strategy especially issues related to a mixed age workforce.

Initiatives for Government

In her contribution to the ageing workforce ‘summit’ in September 2006, Judy McGregor (2006) noted widespread governmental support throughout the world for measures to promote extended workforce participation by older people. They include the following:

- Ensuring that benefit, tax and retirement income/pensions policies allow for the possibility of flexible work and phased retirement and encourage labour force retention rather than exit.
- Providing support for people with health and disability issues (in other words retain a safety net), while ensuring that these provisions do not become a means of early retirement.
- Designing active labour market policies that support “decent and effective” workforce participation beyond usual retirement age or age of eligibility for retirement income. This will include flexible employment practices, the removal of tax and other barriers and recognition of the needs of carers.
- Providing incentives for employers to keep on or hire older workers.
- Promoting access to education and training for older workers, in ways which suit their needs.
- Enforcing high standards of general and workplace health and safety.
- Initiating and enforcing anti-age discrimination measures.

- Encouraging active financial planning for retirement and supporting older workers to improve their knowledge of options and their decision-making about work and retirement.
- Working with employers and unions on initiatives which they can take in this area.

Overseas policy responses

United Kingdom

In the UK (HM Government 2005:28), the government is seeking to reverse early retirement with an ambitious target of an 80% employment rate for those aged 50 and over. New anti-age discrimination legislation, which came into force in October 2006, has been mentioned in Chapter 4. It is recognised that legislation alone will not remove age discrimination in employment and what is needed is employer education about the benefits of a diverse workforce. This is the role of the Age Positive Campaign (<http://www.agepositive.gov.uk/>). Incentives for older people to remain at work longer have also been put into place. Changes to the state pension scheme came into effect from 6 April 2005, which offer a choice of a more generous pension or lump sum payment if take-up is delayed for five years. The earliest age that a non-state pension can be taken is set to increase from 50 to 55 by 2010. To improve the skills of older workers the National Employer Training Programme will support training in the workplace. For older people who are unemployed the New Deal 50 Plus package provides an in-work training grant for employers (Research New Zealand 2006:81).

Finland

Finland has taken several initiatives since the 1990s to retain older workers in employment and has adopted a comprehensive approach to this issue. There have been several initiatives to retain older workers in employment under the FINPAW programme (Finnish National Programme on Ageing Workers). This included promoting “work-ability”, combating age discrimination, providing educational

opportunities, and the ability to take part-pensions. Work adaptation was suggested by the Finnish Action Programme to promote health, work-ability and wellbeing of ageing workers (Ilmarinen and Louhevaara 1999). This incorporated the concepts illustrated in Figure 15. The Finnish programme also incorporated “age-management training” for managers, supervisors and foremen, to improve attitudes towards ageing workers and support appropriate HR policies and practices (Foden and Jepson 2002; Davey and Davies 2006:32).

Australia

The *National Strategy for an Ageing Australia* (Andrews 2001) aims to provide a strategic framework for economic and social policy development, in response to population ageing. One of the four central themes is independence and self provision, including “mature age employment”. The document argues that workforce participation in later life will be necessary to sustain economic growth as the supply of younger workers declines (Andrews 2001:x). It highlights the importance of planning for transition to and an extended period of retirement; emphasises support for mature age employment and to place greater emphasis on educational opportunities for older workers. The strategy sees ongoing training and professional development as a joint responsibility between employers, who must provide opportunities and encouragement, and the workers themselves, who need to embrace the opportunities offered (Andrews 2001:20; Davey and Glasgow 2006).

As older workers who are unemployed are more likely to experience difficulty obtaining employment, several state governments in Australia have developed programmes specifically targeting this group, reviewed in Encel and Studencki (2004), although there is no national programme.

New Zealand

The *Jobs Jolt* programme began in 2003. Part of this is “Mature Focused Case Management” targeted at job-seekers aged 45-59 (Research New Zealand 2006:104). This programme provides specialised Work and Income case managers and work brokers to help overcome some of the barriers which older job seekers face in securing employment. It also works with employers to promote positive attitudes to

hiring older workers. In order to meet the growing demand for skilled workers, the work test exemption for unemployment beneficiaries aged 55-59 has been removed.¹¹

Lissenburgh and Smeaton (2003) explore the policy implications of their research findings on transition from the workforce. Given the importance of health issues in precipitating workforce exit, they advocate early medical intervention or reorganising employment to minimise the effect of health problem for work performance. Taylor (2002:41) also calls for job redesign to avoid disability and a preventive approach to workplace health, especially for smaller firms.

The finding that workers with higher skills and qualifications seem more able to find satisfactory flexible employment options (Lissenburgh and Smeaton 2003:32) suggests investment in human capital through the improvement of lifelong learning and active ageing agendas. There may therefore be a case for improving the situation of casual and temporary workers and part-time work, for example by increasing minimum wages. A balance has to be found, however, between such initiatives and the possibility that they may reduce employers' willingness to offer these types of work to older people.

There are other reservations and caveats. Taylor (2002:34) is critical of some policy initiatives such as wage subsidies for older workers and employers, as have been used in Finland, Germany, Japan, the Netherlands and some Australian states. There is a 'potential danger that older workers will substitute the relative security of early retirement for the insecurity of low pay, contract work or even unemployment' (Taylor 2002:39). Re-employment schemes, in which salary is supplemented by pensions could be seen as shifting older workers into publicly subsidised low pay work and also as embedding age barriers, where workers over 60 are treated differently.

¹¹ <http://www.msd.govt.nz/media-information/jobs-jolt-fact-sheets/2005/removal-work-test-exemption-mature-workers.html> [accessed 12/12/06]

Taylor (2002:22) concluded that gradual retirement in Europe has not met with success its proponents anticipated and that take-up has been low in some countries. The Finnish government found that gradual retirement has not raised workforce participation rates. In the absence of measures to promote part-time work, people would have either continued to work full-time or retired early. Some commentators consider that part-time workers may contribute less to the economy and create practical problems in business. The state runs the risk of job displacement, with no actual job creation, and deadweight effects, where the people helped would have moved into jobs even without the schemes

Taking “age” as the sole starting point for policy, as if this is always an older individual’s most important characteristic may not be helpful (Taylor 2002). Policies based on age diversity will have more value than those aimed specifically at older workers. Taylor (2002:3) argues that workers should receive same level of protection regardless of age.

Chronological age is of limited value in determining the employment-related needs of an individual, and public programmes that use it as a selection criterion may not send the appropriate message to employers and workers.

Targeting among older workers may also be needed by gender, disability and sector, given difference highlighted by research. Lissenburgh and Smeaton (2003) suggest measures to counter age discrimination, as exit increases with age, and equal employment opportunity initiatives for women, as women with higher status jobs tend to stay in the workforce longer. The policy implications of other findings are less clear. For example, better pension entitlements and home ownership encourage early exit, but surely these should not be discouraged?

Policies need to project consistent clear and positive messages. Taylor (2002:39) suggests that employment incentives may serve to deepen age prejudices and further institutionalise age discrimination. Apocalyptic messages may confirm negative stereotypes among employers and older workers. Hudson (2006) see cynicism as one of biggest barriers to success of their proposed strategies - the perception that older workers would not deliver on the bundle of adjustments needed.

Taylor (2002) takes a wide view, calling for the integration of policies on age and employment (horizontally across government and vertically between government, unions and employers) alongside policies on lifelong learning, family and labour force diversity. Up to now, he suggests, pension policy has driven policy-making without sufficient consideration for employment policy. He sees the fragmentation of policy-making and a simplistic approach as limiting progress so far (Taylor 2002:38). Government needs to take the role of facilitator and coordinator rather than implementer (Taylor 2002:40) and to partner with employers and unions in addressing the challenges of workforce ageing. Taylor (2002:42) also emphasises the need to evaluate initiatives. He further points out that extending working life will not be cost neutral. Training and placement costs must be offset against lower pension costs and increased tax.

Six key challenges for Government and for society

1. Improve choice and control for the 'have nots' in later working life, giving them better access to training, education and advice (these include male manual workers, those in poor health, in declining industries, women who work intermittently, self-employed men with unstable work).
2. Fit jobs to older workers as well as older workers to jobs.
3. Create a new balance of priorities between working, living, health and well-being, with an acknowledgement of caring responsibilities.
4. Assist people to make informed and appropriate financial choices in mid and later life.
5. Improve opportunities to build retirement income among people other than males in stable careers.
6. Develop new modes of paid and unpaid work accessible later in life - 'communities need to become better at using the talents of a wide range of people once they have left career employment' (Hirsch 2003:41, 46).

Meeting these challenges will require attitudinal change on the part of employers, workers and society as a whole, as well as policy adjustment.

Chapter Seven – Finding a way forward

Material presented in this report supports the notion that indeed we do have a problem associated with the ageing of the New Zealand workforce. Already labour and skills shortages are emerging, and, if nothing changes, we can expect labour shortages to increase as the baby boom generation enters retirement and the numbers of new workforce entrants is much reduced.

Life expectancy at age 65 is increasing and people can expect much longer periods in retirement. These demographic trends have significant economic implications, not only in finding the resources to support a growing retired population, but also because labour shortages will impede economic growth. The same can be said for a situation in which older workers are not fulfilling their full potential through unemployment, premature retirement or inability to find congenial working conditions.

The challenge is to match the capacities and aspirations of older workers with opportunities for them to be economically active. This will be to their own benefit and to that of society and the economy as a whole.

In order to achieve this we need to know more about how people make decisions about workforce participation and withdrawal. What are the incentives for people to remain in paid work after age 65, as more and more New Zealanders are doing? What are the disincentives? How do people make decisions about retirement in an environment where there is no compulsory retirement trigger? What are the expectations of retirement held by New Zealanders who will enter their sixties in the coming decades? What is the effect of levels of income and asset-holding, family situation, health status, and personal experiences such as marriage breakdown and job loss? It seems that raising the age of eligibility for New Zealand Superannuation led to higher levels of workforce involvement by people aged 60 to 64. How would other policies influence behaviour?

Our prospects for maximising the potential of older workers are being hampered by pervasive myths and stereotypes. Younger workers are often credited with qualities such as creativity, flexibility and technological competence and older workers with

reliability and stability. The former are seen as the desirable “productive” attributes. Age is thus frequently used as an indicator of performance and employability, to the detriment of older workers. These negative views are not only held by employers, and employment agencies acting for them, but sometimes by the older workers themselves, according to New Zealand and international research. This is despite the fact that most of the myths are easily challenged. For example, there is no clear evidence of a universal age deficit in job performance and absenteeism has not been shown to be higher among older workers.

The perpetuation of negative stereotypes leads to age discrimination, which in its turn leads to inefficient use of human capital and potential. Age discrimination is not only unjust but is now illegal in New Zealand and other countries. Even so there is overwhelming evidence that age discrimination is rife in the workforce. Is the law being ignored? Do we need more than legislation to combat age discrimination? Do older workers accept some of the negative stereotypes about them? Although older workers are often valued for their knowledge and experience, age discrimination appears to occur especially in recruitment, and older job seekers often have a difficult and depressing search for work. Fear of redundancy is real among older workers. Another important area of discrimination is in access to education and training. Older workers can find themselves in a vicious circle – outdated skills reinforce stereotypes about older workers which gives them low priority for retraining and hence their disadvantage is reinforced.

The importance of access to education and training is a recurring theme throughout this report. Older workers need this access to counteract the impression that they are behind the times and that they cannot learn new things. They need it to counter the creep of credentialism, whereby more and higher qualifications are needed to acquire and retain jobs. Education and training is also a way in which older workers can invest in themselves to improve their chances in the workforce, as well as pursuing personal development goals.

But there are barriers to older workers receiving the education and training that they need. Educational institutions are often not attuned to their lifestyle needs, the demands on their time, and learning styles. 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. Older workers may not be well informed about the types of skills they need or how to acquire them. This is another area where we need to know more, about the current situation and what will work best in the future.

New Zealand information indicates that people in mid-life have been participating in education to a greater extent over recent years. Some see gaining a qualification as “insurance” against redundancy. In other cases entrenched views about education – that it is only for the young - may act as a barrier. This is not to suggest that the existing skills and experience of older workers are of no value (indeed, they should be more highly valued), but we need to know more about access, incentives and disincentive, outcomes and benefits of education for older workers, for the workers themselves and for their employers. We need a commitment to the concept of life-long education, now common in many developed countries, with policies and resources to make this a reality. Both governments and employers can see the importance of having a flexible and adaptable workforce. How do we go about achieving this?

Our success or failure in maximising the potential of older workers will have an economic impact at the national level, but there are also important effects at the level of business and the individual firm. Employers need to be prepared for the effects of population ageing, on their workforces and on their customer base. This means appreciating the benefits of a mixed age workforce in which all contribute to their best advantage and in which experience and creativity, stability and technical competence are all valued. It means succession planning and appropriate training and re-training to renew and enhance skills. There is a clear business case for employing and training older workers and to avoid wasting human potential by restrictive recruitment and other practices.

So we are faced with the question – if we accept the need to maximise the potential for older workers as we look to the future - how can this be done? One of the keys lies in flexible working conditions – which, incidentally, will benefit all workers, especially those with unpaid work and caring responsibilities. At the moment in New Zealand, these options are the exception rather than the rule. This is another important

area for research and development. We need to identify and address barriers to the implementation of flexible working conditions, from both the employers' and the older workers' points of view and also take into account the special needs of differing industries.

There is a lot of evidence from here and overseas that older workers favour the idea of phased retirement rather than an abrupt break from employment. Retirement in the old sense is on its way out. There are also benefits for employers who are able to draw on older workers as need arises and do not entirely lose their experience and knowledge, plus their ability to mentor younger workers. Employers could benefit themselves and their employees by discussing retirement options and planning ahead for these transitions.

Another issue is the eldercare responsibilities of older workers, which have received little attention in labour force analysis. Few employers have special arrangements to support working carers even when they subscribe to the "family-friendly workplaces" concept.

As the report points out, we are unlikely to meet the challenge of an ageing workforce through immigration or by raising the birth-rate and we are suggesting that maximising the potential of older workers is a way forward – a way of "future-proofing" New Zealand. This report has been produced to raise issues and promote debate about how we can do this. How can we address the changes we can foresee; to challenge the myths and stereotypes which are hampering older workers; to find ways in which their potential can be realised and, ultimately, to achieve a higher level of well-being for everyone?

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