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AIM Insights

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# ENGAGING AND RETAINING OLDER WORKERS

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## FOREWORD

This discussion paper has been produced by the Australian Institute of Management as a contribution to leading thought on relevant management topics.

The Institute's vision is "Better Managers and Better Leaders for a Better Society", and we believe that contributions of this nature are directly relevant to the achievement of our vision. They also serve to engage both our members and the broader management community in the work of the Institute, and provide an innovative source of content for our training programs.

The "Discussion Paper" designation signifies that this document:

- Provides an overview of the perspectives and issues on a particular topic that has relevance to the management community;
- Is ready for circulation to both members of the Institute and the broader management community, to inform discussion, policies and practices.

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## ACRONYMS

AIM	Australian Institute of Management
AIM NSW & ACT	Australian Institute of Management NSW & ACT
ABS	Australian Bureau of Statistics
DCA	Diversity Council of Australia
OECD	Organisation for Economic Co-operation and Development

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## DISCUSSION INSIGHTS

It is now accepted knowledge that Australia's population is ageing and that this will have implications for the future sustainability of our workforce. With a large cohort of workers expected to retire in the coming decade and a diminishing pool of younger workers entering the workforce, the national workforce participation rate is projected to drop from 65 percent to less than 61 percent by 2050 (Commonwealth Treasury, 2010: 11).

Without some form of intervention the decline in workforce participation will impact negatively on the Australian economy. For employers, a reduced workforce will mean a smaller supply of potential employees and, correspondingly, an increased need to compete for talent.

However, while there is general awareness about these demographic and workforce changes, the literature suggests that employers have been slow to respond strategically to the challenges they present (van Loo, 2011: 13-14; Taylor, 2011: 48, 54-56, 59-60).

Against this backdrop, increasing the workforce participation of older workers has been identified as one of the top two<sup>1</sup> reforms that will enhance productivity and boost the supply of workers (Daley, McGannon & Ginnivan, 2012: 38 & 50). More and more, Governments are encouraging workers to remain in the workforce for longer and increasing numbers of older workers are seeking to keep working or rejoin the workforce.

Increasing the workforce participation rate of older workers will, of course, rely on a mix of Government-driven and workplace-driven initiatives. This discussion paper focuses on the second of these. The Australian Institute of Management (AIM) believes that it is time for employers to take advantage of the contribution that older workers can make by looking to the following four opportunities:

**FIRST OPPORTUNITY: INCREASING PRODUCTIVITY** Successful organisations appreciate the business case for engaging and retaining older workers in order to ensure current and future productivity.

**SECOND OPPORTUNITY: MOVING BEYOND STEREOTYPES** Organisations which strive to engage and retain older workers understand the impact of age discrimination as a barrier to older workers' participation.

**THIRD OPPORTUNITY: INVESTING IN FLEXIBILITY** Successful organisations build flexibility into the workplace and facilitate flexible careers suitable for older workers.

**FOURTH OPPORTUNITY: TRAINING FOR THE FUTURE** Organisations can lay the path to future success now by providing training and professional development for older workers.

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<sup>1</sup> Increasing the participation of women in the workforce has been identified as the other.

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## INTRODUCTION

### Our ageing population

It is no longer newsworthy to note that Australia's population is ageing: we are living longer and having fewer children, and the demographic "lump" of the baby boomer generation is just beginning to reach the traditional retirement age.<sup>2</sup> The headline statistics are sufficient to indicate the scale of the trend:

- Back in 1970, only 8 percent of Australia's population was aged 65 and over...
- Currently that figure is 14 percent...
- By 2050 it is projected to rise to around 23 percent.
- Also by 2050, it is projected that the number of Australians aged 65 to 84 will more than double...
- And the number of Australians aged 85 and over will more than quadruple (Advisory Panel on the Economic Potential of Senior Australians, 2011a: 2; Commonwealth Treasury, 2010: 1).

#### When did I get old?

What does "old" mean? Who exactly is a "senior Australian"? When does someone become an "older worker"? The research includes an almost bewildering variety of definitions.

The Australian Bureau of Statistics (ABS) uses **65** as the threshold for old age across the general population, as do the OECD and various other local and international agencies. This is also the traditional retirement age in Australia, although that is changing.

The United Nations uses **60** as the threshold for old age.

Some of the research classifies workers and job seekers as old at **55**.

The Organisation for Economic Co-operation and Development (OECD) and the Australian Institute of Health and Welfare use **50** as the threshold age for indigenous people. In addition, many Government incentives for older people's workforce participation commence at this age.

Both the ABS and UN classify workers and job seekers as old at age **45**, as does the Commonwealth Age Discrimination Commissioner.

Some of the international research refers to "work four point oh", signalling that old age begins at **40** in the workplace.

Of course, wherever the threshold is set for statistical or policy purposes, every individual is different, and every person's "age" is dependent on their attitude, their level of activity, their mental and physical health, their life experiences, their sex, their cultural background, their family situation, and so on. Age is also a matter of other people's perceptions: younger workers (aged under 45) routinely consider colleagues "old" at 50, whereas most workers aged 45 or over consider colleagues "old" only at 65 (National Seniors Australia, 2010: 11).

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<sup>2</sup> We are not alone: according to the latest CSIRO Futures report, the ageing of the population is a "global megatrend" (Hajkowicz, Cook, & Littleboy, 2012).

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Australians are not just getting older: as a population we are also staying healthy and active for longer, enjoying an extended “third age” between the family and financial responsibilities of the “second age” and the frailty or ill health which signals the “fourth age” (Figgis, 2012: 13-4; van Loo, 2011: 13; Pincus & Hugo, 2012: 13).

## Our ageing workforce

Two employment implications flow from the ageing of the population: first, the workforce is ageing. Over a third of people aged 55 or more are currently in the workforce, up from around a quarter ten years ago. This age group now makes up almost double the proportion of the total workforce as during the 1980s. Second, our overall workforce participation rate (people aged 15 and over) is about to start falling dramatically, with over 1 million Australians intending to retire in the coming decade. This will see the national workforce participation rate drop from around 65 percent at present to less than 61 percent by 2050. Large-scale retirement projections vary by industry: hardest hit will be education and training, with 14 percent of workers intending to retire before 2017, utilities and waste services (13 percent) and the public service (12 percent).<sup>3</sup>

Even before the impact of baby boomer retirement is felt, Australia’s older workforce participation rate is relatively low. While higher than the OECD average, it is lower than that of the UK, USA and Canada, and lags New Zealand’s by 15 percent. Recent research suggests that our older workforce participation rate has begun to rise, however it remains low and even a significant rise would mitigate rather than reverse the impact of the ageing of the population.<sup>4</sup>

In addition to demography, there are other factors which affect the average age of the workforce and the participation rate of older workers. Australia has had a tradition of compulsory retirement in many industries: for example, it is little more than a decade since compulsory retirement was abolished from the Commonwealth public service in 2001. It is also less than a decade since national age discrimination legislation was passed in 2004 (Figgis, 2012: 15). Until recently, the idea of early retirement was actively promoted by governments, employers, unions and employees themselves. This accelerated older workers’ exit from the workforce with many choosing to retire in their 50s. On the most recent statistics, 80 percent of men and over 90 percent of women retired at or before the age of 65, with more than a quarter of men and more than half of women retiring before the age of 55.<sup>5</sup>

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<sup>3</sup> See: Australian Bureau of Statistics, 2009: 3; NSW Treasury, 2011: i; Australian Bureau of Statistics, 2010: 1; Advisory Panel on the Economic Potential of Senior Australians, 2011a: 10; Advisory Panel on the Economic Potential of Senior Australians, 2011b: 24; Commonwealth Treasury, 2010: 10-1; National Seniors Productive Ageing Centre, 2012.

<sup>4</sup> See: Daley, McGannon, & Ginnivan, 2012: 50; Commonwealth Treasury, 2010: 29; National Seniors Productive Ageing Centre, 2011: 11-2; NSW Treasury, 2011: 3-5; Australian Bureau of Statistics, 2010: 2.

<sup>5</sup> See: Australian Institute for Social Research, 2009: 5; Advisory Panel on the Economic Potential of Senior Australians, 2011a: 8; Diversity Council of Australia, 2012b: 9.

## The impacts of the GFC

The global financial crisis (GFC) is exerting a significant, complex and perhaps contradictory influence on older people's workforce participation. Many retirees who rely on superannuation and other investments to finance their retirement have been affected by instability in the local and international share markets: when the value of shares or the interest paid on investments drops, their retirement income is reduced. This has affected people who have already retired as well as those who are planning to retire in the coming few years, with research suggesting a significant rise in the proportion of baby boomers considering delaying retirement as they recalculate their retirement income prospects (Australian Bureau of Statistics, 2010: 6-7; Australian Bureau of Statistics, 2009: 2 & 5; National Seniors Productive Ageing Centre, 2012: 2 & 7).

It may be expected that the same economic factors which influence older workers to remain in the workforce also dampen employment growth, making it harder to find or keep work. This may be particularly the case for older workers: the research suggests that older workers are more likely to be retrenched, and less likely to be hired, during weaker economic times.

However, while employment growth has weakened somewhat in Australia, the effects of the GFC on the local economy have been far more muted than in most other countries. To a relatively large extent, job shedding and lack of willingness to hire has been temporary,<sup>6</sup> and will be reversed by the overall tide of the ageing population in the longer term (Australian Chamber of Commerce and Industry, 2012b: 10; Australian Institute for Social Research, 2009: 7-10).

## The threat to productivity

The ageing of the population and the associated decline in workforce participation are predicted to see growth in gross domestic product (GDP) slow from 3.3 percent per year (the average over the past 40 years) to 2.7 percent per year over the coming 40 years. In addition, the aged dependency ratio will rise from 20 percent to over 37 percent: this means that instead of five working age people to every person aged 65 or older, there will be less than three (Commonwealth Treasury, 2010: 1 & 10-1; NSW Treasury, 2011: ii). The Australian Chamber of Commerce and Industry argues that 85 percent of workforce growth in the coming decade will need to come from people aged 45 and over (Australian Chamber of Commerce and Industry, 2012a: 2).

Understandably, Governments and many industry bodies and research groups aim to increase the older workforce participation rate in order to enhance national productivity and reduce the burden on the taxpayer. As a recent Commonwealth Government report bluntly states: "In the context of Australia's ageing population, the Government's overarching objective is to keep people in work, and paying taxes, longer—rather than being in receipt of old age pensions—and to support people into self-funded retirement" (Australian Law Reform Commission, 2012: 19).

Age discrimination is illegal, enforced under the *Age Discrimination Act 2004*, the *Fair Work Act 2009* and relevant provisions in various state anti discrimination laws. However, there are legislative barriers, taxation rules and other policy settings which may affect the hiring or retention of older workers. The Government has commenced a review and has already changed several policy settings: the retirement age (access to the aged pension) is rising

<sup>6</sup> It must be acknowledged that some employees, job seekers and employers in Australia continue to do it tough and general or longer-term trends may be of little comfort.

gradually to age 67 in 2023 and the preservation age (access to superannuation) is rising to age 60 in 2024. It can be expected that these changes will encourage workers to stay in the workforce longer and therefore increase older workers' participation rates (Daley, McGannon, & Ginnivan, 2012: 53-4; Advisory Panel on the Economic Potential of Senior Australians, 2011b: 34).

## THE CHALLENGE FOR BUSINESS

The workforce is already ageing, and any increase in the participation rate of older workers will only serve to increase this trend. Nevertheless, there appears to be a significant gap between the changes taking place in the population and in the economy on one hand, and the lack of response within businesses on the other hand. Consistent research findings indicate a paradox in the workplace: that employers recognise the significance of population ageing but either do not expect their business to have to do anything in response, or do not take more than temporary "non-strategic" action (van Loo, 2011: 13-4; Taylor, 2011: 48, 54-6, 59-60).

The increasing numbers of older workers seeking to keep working or rejoin the workforce represent an opportunity for organisations which are ready to rise to the challenge: to appreciate the importance of older workers, to manage the changes, and to ensure that their workplaces are positioned to make the most of older workers' contributions.

There are four key opportunities for employers and managers:

**FIRST OPPORTUNITY: INCREASING PRODUCTIVITY** Successful organisations appreciate the business case for engaging and retaining older workers in order to ensure current and future productivity.

**SECOND OPPORTUNITY: MOVING BEYOND STEREOTYPES** Organisations which strive to engage and retain older workers understand the impact of age discrimination as a barrier to older workers' participation.

**THIRD OPPORTUNITY: INVESTING IN FLEXIBILITY** Successful organisations build flexibility into the workplace and facilitate flexible careers suitable for older workers.

**FOURTH OPPORTUNITY: TRAINING FOR THE FUTURE** Organisations can lay the path to future success now by providing training and professional development for older workers.

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## First opportunity: increasing productivity

Even in the midst of the GFC, Australia's relatively low unemployment rate meant that the competition for workers, especially skilled workers, was strong. The looming workforce shortages caused by the ageing of the population will see this competition heat up further, making recruitment and retention even more difficult. This will put pressure on the performance, productivity and profitability of the Australian economy. A recent report from the Grattan Institute identifies increasing the workforce participation rate of older people as one of the three most effective ways to enhance Australia's productivity over the coming decade, and argues that an increase of 7 percent would result in a \$25 billion increase in Australia's GDP by 2022 (Daley, McGannon, & Ginnivan, 2012: 52). Other research calculates that there are roughly 2 million older people who would be willing and/or able to work and that the loss to the Australian economy from not using their skills and experience comes to \$10.8 billion annually (National Seniors Australia, 2009: 10-11).

It is not just the economy as a whole, but also individual organisations that can benefit from engaging and retaining older workers. Understanding the role that older workers can play gives an organisation a significant advantage as it opens up a talent pool which is both *wider* and *deeper*. The talent pool is wider as it is expanded to include greater numbers of potential workers; it is deeper as it enhances an organisation's capacity to attract and retain the most talented people, who can afford to be selective about where and how they work, and who have built up skills and experience over a career (Equality and Human Rights Commission, 2009: 5; Australian Institute for Social Research, 2009: 56-7).

## Older workers' expertise

Recent research by Monash University and AIM QLD & NT (Sarros, Pirola-Merlo, & Baker, 2012) indicates that older workers may bring specific management skills, using greater "crystallized intelligence" (intelligence based on knowledge acquisition and experience) whereas younger managers may have higher levels of "fluid intelligence" (basic or abstract reasoning ability). The researchers found no statistically significant difference between the capacities of older and younger managers, and concluded that both age groups contribute equally to the workplace, although possibly in different ways (Sarros, Pirola-Merlo, & Baker, 2012: 3-4, 12-3, 23; see also, Australian Institute for Social Research, 2009: 30).

Retaining older workers may result in the retention of corporate knowledge for individual organisations and minimise recruitment costs and the associated productivity loss (Advisory Panel on the Economic Potential of Senior Australians, 2011a: 11 & DCA, 2012b: 21).

In addition, older workers may play a crucial role in assisting an organisation to engage with its customers, suppliers and other stakeholders. As the population ages, older Australians are a fast-growing market segment, and there is great benefit to business from including older people's perspectives within the organisation, to guide decision making, and to include in branding, marketing and community engagement strategies. The baby boomers will not just be the largest but also the wealthiest older generation ever: Australians currently aged 45-64 years own half of the nation's household wealth despite only making up around a quarter of the population (Australian Institute for Social Research, 2009: 56-7; Advisory Panel on the Economic Potential of Senior Australians, 2011a: 18).

## The Diversity Dividend

Older workers are a key element of a diverse workforce; **when well managed** this pays the “diversity dividend”:

**Better decision making** – the organisation has the benefit of drawing on different perspectives and different ways of thinking from within its workforce when setting strategies and solving problems.

**Increased sustainability** – the organisation is better equipped to adapt to change, and less reliant on a particular type of worker or age cohort.

**Higher productivity** – the workforce is more engaged and motivated, leading to better outputs.

**Closer connection** – the workforce better reflects the organisation’s customers and suppliers, bringing stronger engagement with customers more effective business-to-business relationships.

**Wider reach** – the organisation has greater insight into new markets, locally and globally.

## Actions

To take advantage of the first opportunity, employers and managers need to appreciate the valuable resource represented by older workers, and the close connection between engaging/retaining older workers and their organisation’s productivity and profitability into the future. This is a question of understanding the specific impact on the organisation of the ageing population.

Employers and managers may:<sup>7</sup>

- Review the organisation’s existing workforce demographics to identify the proportion of older workers, and the particular roles where older workers are more heavily represented.
- Survey the workforce to gain more information about retirement intentions, to identify the timeframe for action.
- Develop age management strategies and retention strategies to ensure critical parts of the business are not affected by retirement.
- Map the existing workforce demographics against the organisation’s customers and the community more generally.
- Develop mixed-age teams to ensure that the experience of older workers is spread across the organisation rather than consolidated in particular roles.
- Develop a plan for capturing corporate knowledge.
- Consider specific recruitment strategies for older workers.

<sup>7</sup> For more information about these and other strategies refer to: Australian Institute for Social Research, 2009: 56-7; Diversity Council of Australia, 2010b: 1; Department of Education, Employment and Workplace Relations, n.d.; Department of Employment, Economic Development and Innovation, 2009.

- ☑ Take steps to build older workers' perspectives into decision-making roles, to take advantage of their perspectives.
- ☑ Take steps to ensure older workers are represented in front-line service roles where this may assist the organisation to engage with its customers and stakeholders.

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## Second opportunity: moving beyond stereotypes

Negative stereotyping of older people – sometimes called ageism – is common in our society (Australian Human Rights Commission, 2010: vii). We tend to equate age with lower levels of energy, loss of physical and mental capacity, and higher levels of illness (National Seniors Australia, 2011: 3; Ranzijn, 2005: 2). It comes as no surprise, then, that similar assumptions are found in the workplace. What may be surprising is the impact of negative stereotyping: ageism is a significant barrier to older people’s workforce participation. It reduces productivity, triggers early retirement, forces many into unemployment and causes organisations to miss out on their skills and experience (National Seniors Australia, 2011: 12-13 & 16; Australian Human Rights Commission, 2010: 16-18).

Operating from widespread social stereotypes, employers and managers may inadvertently undervalue older workers’ skills and experience, assuming that they will have difficulty learning new skills or using new technology. Other negative stereotypes about older workers are that they are less competent, are less productive, and are resistant to change (Australian Human Rights Commission, 2010: 5). Ageism may be hidden behind euphemisms such as ‘unable to fit into the current work team’, ‘overqualified’ or ‘lacking up-to-date skills’ (National Seniors Productive Ageing Centre, 2010: 13).<sup>8</sup> Recruitment firms, re-training and job search organisations can exacerbate the situation. As negative stereotypes are more readily applied to older job seekers than to older workers already within an organisation, employers and managers need to take particular care to avoid ageism in the recruitment process (Australian Human Rights Commission, 2010: 12-13).

As is often the case with stereotypes, these perceptions or assumptions about older people do not accurately reflect reality. For example, contrary to the stereotype that older workers lack commitment to the job, studies suggest that workers aged 45 and over were 2.6 times less likely to have left their job in the past year than worker aged under 45, and that there are no significant differences in relation to job commitment measures (Australian Institute for Social Research, 2009: 31-2; DCA, 2012c: 4).

Another aspect of stereotyping in society is to assume that all older people are the same. In fact, there is great diversity not just between but within generations. This includes significant diversity within the current generation of older Australians. For example, older workers come from diverse backgrounds, are in different financial situations and have different life experiences (Advisory Panel on the Economic Potential of Senior Australians, 2011c: 1; DCA, 2010b: 1). In addition, older workers’ family situations vary along a spectrum from being free from family responsibilities and wanting to prioritise work for the first time in their lives, to being simultaneously responsible for very elderly parents as well as children, grand children and/or great grandchildren.

One final aspect of ageism is worth noting: even stereotypes which on the surface may appear to be positive can have detrimental effects. For example, the “positive” stereotype that older workers are wise may bring with it the accompanying assumption that an older worker should not be put in charge of an innovative project because their approach is likely to be too conservative. Similarly, the “positive” stereotype that older workers are reliable may hinder them in the contemporary workplace with its emphasis on innovation, flexibility and creativity (Ranzijn, 2005: 4).

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<sup>8</sup> Discriminatory practices by employers towards older employees and employee candidates may not only expose those employers to legal action but also expose their organizations to brand damage. As noted later in this paper, older Australians are a growing market segment with significant buying power. It may be in the interests of many businesses to keep this market segment inside.

## Stereotype threat

Stereotype threat exists when individuals perceive themselves as being subject to prejudice, and attempt to conform to others' expectations or to avoid exposure to the prejudice. Overt discrimination is not necessary: stereotype threat can operate in very subtle ways, and only requires the subject to be aware of the stereotype for it to be effective (National Seniors Australia, 2011: 2).

Research undertaken by National Seniors Australia among older workers (50 years or older) identified that the majority believed they experienced moderate (44%) to high (14%) levels of stereotype threat in their workplaces (2011: 8). The research also identified a strong correlation between an individual experiencing stereotype threat and an individual feeling less satisfied with their job and with their life overall, feeling less engaged with their work and their employer, and feeling more likely to retire or quit their job. As well as leading to earlier retirement, stereotype threat may lead to lower productivity from older workers who remain in their jobs (2011: 11-13).

The research suggests that many older workers retire around the age of 65 due to the perceptions that they are expected to do so. In other words, the "retirement age" acts as a social trigger (Daley, McGannon, & Ginnivan, 2012: 52-5).

## Actions

To take advantage of the second opportunity, employers and managers need to take action to ensure they understand the significance of stereotyping, age discrimination and stereotype threat in deterring older workers' participation. This means switching off assumptions and switching on core management skills such as analysis of job requirements, assessment of individual workers' skills and capacities, effective communication, and leadership.

Employers and managers may:<sup>9</sup>

- Review recruitment practices to ensure candidates are assessed on their merits.
- Review recruitment language to ensure that it emphasises factors such as experience, knowledge, expertise and insight in all job advertisements.
- Proactively recruit older workers into a range of positions.
- Use workplace discussion and in-house communications material to promote positive images and traits of older workers.
- Establish a workplace culture which values diverse contributions, including the skills and experience of older workers.
- Establish a workplace culture which supports older workers to discuss their work with their manager in a spirit of trust.

<sup>9</sup> For more information about these and other strategies refer to: Australian Institute for Social Research, 2009: 56-7; Diversity Council of Australia, 2012b: 27; Diversity Council of Australia, 2012c: 3; Diversity Council of Australia, 2010b: 2; National Seniors Australia, 2010: 16; National Seniors Australia, 2011: 13-4; National Seniors Australia, 2012: 7; Department of Education, Employment and Workplace Relations, n.d.; Figgis, 2012: 18; Department of Employment, Economic Development and Innovation, 2009.

- ☑ Establish and support mixed-age teams to demonstrate the effectiveness of older and younger workers and to facilitate communication between generations.
- ☑ Treat each employee as an individual, and take the time to understand their capacities and interests.

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### Third opportunity: investing in flexibility

The research overwhelmingly demonstrates that the availability of flexible work options is a key part of recruiting, retaining and maximising the productivity of older workers. Many older workers are interested in being able to work fewer hours or fewer days per week, or in having flexible start and finish times. Some are interested in being able to arrange significant periods of unpaid leave, for leisure, volunteering, or community activities or to coordinate with their partner's leave arrangements. Some older workers also cite the ability to work from home as an important feature, to reduce the amount of travel required or to allow for a better balance between work and non-work responsibilities and interests. Older workers may be interested in different types of flexibility than younger workers: instead of parental leave or incentives like promotion, older workers may be attracted by flexibility to care for their own or relatives' needs, or roles with less time required for hands-on management.<sup>10</sup>

Of course, flexible work is not just of value to older workers: the research indicates that employees of every age benefit from the availability of flexible work options, as do their employers. The Australian Institute of Management's research highlights the business case for a wide range of flexible work arrangements (Australian Institute of Management, 2012).

### Flexible careers

For many older workers, flexible work is specifically about phasing into retirement: over 40 percent of full-time workers, or around 1 million Australians, intend to switch to part-time work for a few years before retirement (Australian Bureau of Statistics, 2009: 4). For others it is less about leaving the workplace and more about establishing a new, sustainable pattern of work for a new stage of life. This introduces the concept of flexible careers: a person's level of investment in work changes over the course of their life and does not necessarily follow a simple "career path" which ends with a retirement party at age 65.

Conceptualising flexible careers means that older workers may not be winding down, or achieving a particular career peak before retiring: they may be accelerating or decelerating the pace of their work; they may be ramping up or ramping down their workload to reflect changes in lifecycle, needs and aspirations; they may be interested in moving to new locations; and they may be ready to contribute in new ways (Diversity Council of Australia, 2012a: 6, 10, 18 & 31). Older women workers may especially be interested in continuing to progress their careers. For some, the "third age" may be their first opportunity to focus fully on work, free from family responsibilities.

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<sup>10</sup> See for example: Australian Bureau of Statistics, 2009: 4; Daley, McGannon, & Ginnivan, 2012: 58; Figgis, 2012: 16; Advisory Panel on the Economic Potential of Senior Australians, 2011a: 2 & 15; Advisory Panel on the Economic Potential of Senior Australians, 2011b: 11 & 29; Advisory Panel on the Economic Potential of Senior Australians, 2011c: 24; Hajkowicz, Cook, & Littleboy, 2012: 15; National Seniors Australia, 2012: 8; National Seniors Australia, 2009: 13-4; Diversity Council of Australia, 2012c; Diversity Council of Australia, 2010c: 2; Diversity Council of Australia, 2007: 24 & 38; Department of Education, Employment and Workplace Relations, n.d.; Department of Employment, Economic Development and Innovation, 2009; Australian Institute for Social Research, 2009: 5; Ryan, 2012.

## Encore careers

With Australians staying healthy and active for longer, many are enjoying an extended “third age”. This may take place predominantly after the traditional retirement age however it does not mean that the person has retired or wants to retire: many older people want to continue to participate in paid work during this period, generating a new concept of “encore careers”.

In the USA, where the term “encore careers” originated, it refers specifically to work with a social impact, with a strong emphasis on volunteering rather than paid work. In Australia, the term is taking on a somewhat different meaning, with a focus on paid work which is flexible, allowing time for multiple commitments including leisure. While not necessarily full time, an encore career involves a significant time commitment, definitely more than a hobby or occasional activity. It also involves new directions, personal growth and new experiences (Figgis, 2012: 6-7 & 20-1).

A recent report for the Commonwealth Government anticipates that older workers may be able to shift into new types of work in the growing sectors of the economy: “Encore careers are not about phasing out (into retirement) but focusing in on work that will last five, ten years or more, because it is satisfying. Many older people seek to reinvigorate their careers or start new ones; they want to add variety to their current work by engaging their untapped talent.” (Advisory Panel on the Economic Potential of Senior Australians, 2011b: 32)

## Actions

To take advantage of the third opportunity, employers and managers need to appreciate the vital importance of flexible work to many older workers. They need to invest in flexible work options to facilitate the engagement and retention of older workers, including reduced hours, teleworking and adapting job roles.

Employers and managers may:<sup>11</sup>

- Establish, support and monitor the effectiveness of flexible work arrangements, to assist older workers to achieve the desired balance between work and non-work responsibilities and interests.
- Consider establishing policies that promote part time work or flexible hours to older workers.
- Consider establishing policies offering flexible leave options to older workers, such as lifestyle leave and career breaks.
- Discuss phased retirement opportunities with older workers, as an alternative to standard retirement practices.
- Consider establishing programs to facilitate re-hiring former employees who have retired, such as setting up talent pools for part time or project work.

<sup>11</sup> For more information about these and other strategies refer to: Advisory Panel on the Economic Potential of Senior Australians, 2011b: 25 & 33; van Loo, 2011: 18; Australian Institute for Social Research, 2009: 27-8 & 56-7; Diversity Council of Australia, 2012a: 8; Diversity Council of Australia, 2010b: 1-3; Diversity Council of Australia, 2010c; Department of Education, Employment and Workplace Relations, n.d.; Department of Employment, Economic Development and Innovation, 2009.

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- ☑ Review the culture and operation of the workplace to ensure that it is suitable for older workers, including support from colleagues.
  - ☑ Consider the accessibility needs of all workers when implementing new software and other business systems.
  - ☑ Develop strategies to prevent career stagnation amongst older workers, including subsidised study, secondments and new projects.
  - ☑ Review job roles and adjust tasks if necessary to ensure that the organisation offers meaningful work which matches older workers' capacities.

## Fourth opportunity: training for the future

The issue of training and development for older workers is rather contentious. There is a common perception that older workers' skills and qualifications may be out of date. At the same time, older workers may be either deliberately or inadvertently restricted from accessing training and professional development, on the misapprehension that workers who are "close to retirement" are not worth the investment in training. Sometimes older workers are encouraged to take redundancy, or are retrenched, rather than offered training.

Surveys show that managers are far more likely to view younger workers as worth training, and that when budgets for training are cut back, managers are even more likely to discount the value of offering training to older workers (Advisory Panel on the Economic Potential of Senior Australians, 2011b: 24 & 42; Australian Institute for Social Research, 2009: 6; Taylor, 2011: 47; Ranzijn, 2005; Daley, McGannon, & Ginnivan, 2012: 55). The reluctance to invest in older workers is based on two 'questionable assumptions': that skills enhancement through training will be greater in younger workers compared to older workers; and/or that older workers will not stay as long in the organisation as younger workers (Ranzijn, 2005: 5). A review of the research evidence by the Australian Institute of Social Research shows that both these assumptions are unfounded (Australian Institute for Social Research, 2009: 31).

Recent research by the Diversity Council of Australia (DCA) indicates that 80 percent of older workers rated as important or very important to their decision to remain working whether the workplace offered ongoing training and development opportunities (2012c). Offering training to older workers has the dual benefit of ensuring their skills and qualifications remain up to date, and counteracting stereotype threat by making them feel valued in the workplace (National Seniors Australia, 2011: 14).

When it comes to on-the-job training, managers and employers need to consider not just older workers' training needs, but also their capacity to be a training resource within the organisation. Many older workers are well suited to mentoring and other roles where they can share their experience and corporate knowledge in formal or informal ways.

### Adult learning

Contrary to popular thinking, the ability for adults to learn is not dependent on age. Contemporary neuroscience dispels the stereotypes that are attributed to mature-aged workers when it comes to learning new skills. The concept of neural plasticity and the brain's remarkable capacity to adapt and change has rendered redundant the old adage that 'you can't teach an old dog new tricks'. Ageing and reduced brain function do not necessarily go hand in hand (Doidge, 2010). Studies show that mature aged workers are as "trainable in new skills" as their younger counterparts (Ranzijn, Carson & Winefield, 2004: 560).

However, it is important to acknowledge that some older workers may not have undertaken formal education or training for a long time. The current older generation tends to have lower levels of formal education than subsequent generations, which means that some older workers may have relatively low levels of literacy or numeracy. This does not mean they are unable to learn, simply that they did not have the same access to education in their youth which is now taken for granted.

Given that older workers may have years of experience but no up-to-date qualifications, training packages tailored for older workers may incorporate recognition of prior learning. This allows training participants to combine demonstrating their existing skills with learning new skills, to attain a qualification.

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## Career planning

A specific training and professional development need is emerging for older workers: later life career planning. Once considered the exclusive domain of school leavers and university graduates, career planning is just as important for mid-career and older workers however the focus may be different: not on occupational choice but on career success, job mobility and continuous re-skilling. As the extended “third age” is a relatively new phenomenon, many older workers are embarking on a “journey without maps” for which there is as yet little support or advice (van Loo, 2011: 19; Figgis, 2012: 10).

In order to take full advantage of the opportunity to continue in their career, flex their career or perhaps embark on an encore career, older workers may need to plan ahead. This kind of career advice needs to take place well before a worker begins to consider retirement, as early as their 40s. They may need to undertake training or re-skilling in new areas, and may appreciate financial planning advice in conjunction with career planning.<sup>12</sup>

## Actions

To take advantage of the fourth opportunity, employers and managers need to consider the training and professional development needs and interests of older workers. This will include tailoring the type of training offered to ensure it is appropriate for older workers, as well as identifying roles in which older workers can assist with in-house training and knowledge transfer.

Employers and managers may:<sup>13</sup>

- Discuss training and professional development with older workers, to ensure that these opportunities are available to older workers.
- Review training policies to ensure that training is offered to all employees, not just new or younger employees.
- Review training policies to ensure they support the organisation’s age management and retention strategies.
- Develop in-house training programs specifically to ensure that the skills of older workers are shared with the rest of the workforce and that corporate knowledge is passed on.
- Establish and support formal mentoring and coaching roles to assist older workers to develop the skills and experience of younger workers.
- Develop training programs which incorporate recognition of prior learning, and consider waiving requirements for specific qualifications where employees can demonstrate equivalent experience.

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<sup>12</sup> See: Ryan, 2012; Advisory Panel on the Economic Potential of Senior Australians, 2011a: 10; Advisory Panel on the Economic Potential of Senior Australians, 2011b: 32; Australian Chamber of Commerce and Industry, 2012b: 15.

<sup>13</sup> For more information about these and other strategies refer to: Diversity Council of Australia, 2010b: 1-3; Diversity Council of Australia, 2010c: 5-6; Australian Institute for Social Research, 2009: 27-8, 31-4 & 56-7; Advisory Panel on the Economic Potential of Senior Australians, 2011b: 31 & 49-50; Department of Employment, Economic Development and Innovation, 2009.

- ☑ Discuss career planning with employees of all ages, including later-life career planning with employees well before they approach retirement.
- ☑ Investigate subsidies offered by the Commonwealth Government to assist with the cost of providing training or formal qualifications to older workers, and programs to provide free professional career advice to people aged 45 and over.

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## CONCLUSION

Our purpose in producing this discussion paper has been to provide an overview of the drivers and issues concerning the retention of older workers in Australia and to prompt further discussion.

Workforce planning is an important aspect of managing well. In our current environment identifying and adapting to a changing workforce will be integral to the ongoing sustainability of Australian organisations and older workers will become an increasingly important cohort in the talent pool.

The Australian Institute of Management has a history of recognising the knowledge and experience that older workers—specifically, older managers—may bring to the workplace and to society. Our organisation is built on an ethos of ‘giving back’ through skills development, mentoring and coaching. This, of course, is not the exclusive domain of older workers. However, experience built over time is an important dimension of a knowledge-rich environment. In losing older workers to early retirement we are losing a cohort of potential mentors and coaches that have the capacity to accelerate the development of individuals and enhance the productivity of organisations.

We encourage our members and the broader community to take action now. To this end, we have included in our discussion paper some practical actions that we hope will help Australian organisations more effectively engage and retain this important cohort of workers.

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