

Older workers: still an important part of the staffing mix

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A year ago the Australian economy was at a 15 year high, unemployment was low, immigration was at a record level and many employers were greatly concerned about skills shortages. In this environment one way to reduce the skills shortage was to encourage baby boomers not to retire or to return to work. But there was little evidence that many boomers wanted to remain in the workforce, despite the exhortations of policy makers for the past 20 years. Now recent research indicates that many baby boomers have a much stronger connection to the workforce than members of earlier cohorts, and want to remain in work. In addition, the global financial crisis has eroded superannuation savings so that many more feel they need to work for longer than they expected if they are to maintain a reasonable lifestyle in retirement. Their preferred employment is non-standard hours – part time, casual, regular contract or project-based - all providing greater flexibility for both employees and employers. Although the demand by baby boomers for work is coinciding with a reduction in employment opportunities, employers can utilise these work preferences to create a balanced and diversified workforce which will position their business for future growth.

Key words: Older workers, baby boomers, work flexibility

Introduction

This time last year the greatest employment concern was a skills shortage. Record economic growth for Australia over the preceding 15 years created so many additional jobs that unemployment was down to 4 per cent in March 2008 (ABS 2008a) and skilled migration was at a record high (Evans 2008). It was in this context that employers were encouraged to retain their older workers who might otherwise plan to retire. The first baby boomers (born between 1946 and 1964) were turning 60, an age by which many of the previous cohorts had left the workforce. Various economists had predicted that if the baby boomers, which comprise a third of the workforce, were to retire at the same rate as earlier age groups, the economy would be decimated through lack of labour and businesses would lose much of their corporate memory. While policy makers and academics have encouraged business to retain its older employees since the 1980s, there was little evidence that, a) businesses wanted to employ them, or, b) baby boomers wanted to keep working.

There is still very little evidence of employers' attitudes towards the retention of older workers other than Hanley (2006), Armstrong-Stassen (2008) and Sass, Haverstick and Aubry (2009), which are not encouraging. But there is a substantial body of literature based on attitudes of age discrimination (eg, Taylor and Walker 1998; ABS 2007) although with limited direct evidence due to its unlawfulness (eg, Gringart and Helmes 2001). Also there is now a greater indication that baby boomers have a far stronger attachment to the workforce than earlier cohorts, and want to remain employed. While it was always recognised that mandatory superannuation, introduced in 1992, would be insufficient to fully fund baby boomer retirees (ABS 2009), substantial negative falls in investment returns in the past year means many more older Australians need to keep working for financial reasons.

Baby boomers want to work

Initial studies of older workers' future plans concentrated on retirement intentions (when and why, for example ABS 2007, Walter and Jackson 2007a) while more recent studies have researched what could be seen as the other side of the coin - the inducements which could keep experienced workers in their jobs (Helman, Copeland, VanDerhei and Salisbury 2008; Shacklock, Brunetto and Nelson 2009). Naturally, there is some overlap. But they are consistent in reflecting the baby boomers' intentions to stay in work and to work in a way which they find rewarding. Generally, both sets of research find that baby boomers retire because of poor health, redundancy or sufficient retirement income, while they say they want to stay at work because of current financial need, future financial security, and social and psychological fulfilment (Shacklock and Brunetto 2005; McNair 2006; ABS 2008b; Groeneman 2008; McKinsey Global Institute 2008). Within these broad parameters higher education, age and whether their partner works are also influential (Warren 2008). Interestingly, one study has found retirement was repugnant to baby boomers because it represented old age, disempowerment and inactivity - the antithesis of the youth culture the boomers created (Hamilton and Hamilton 2006:ix).

It was estimated (before the financial crisis) that more than half the 3.9 million baby boomers in the workforce would consider extending their working lives or working beyond their expected retirement age if there was an appropriate inducement (Walter and Jackson 2007b; Helman *et al* 2008). This could be through government policies such as improved taxation or superannuation (Felmingham, Jackson, Walter and Yan 2008), flexible work (Productivity Commission 2005), reduced hours or contract employment. But it was important for older workers to feel needed (Helman *et al* 2008) and an effective way of achieving this is through transferring corporate knowledge by mentoring (Walter and Jackson 2007b). The overwhelming majority of older workers want a phased withdrawal from the labour market (Walter and Jackson 2007a). While work flexibility generally is the single most important factor to them, more than half (61 per cent Walter and Jackson 2007a, 58 per cent ABS 2009) want to work regular part time hours. And there needs to be greater understanding of gender differences which influence the decision to stay at work or retire (Shacklock *et al* 2009).

Employers play a vital role in contributing to the retirement decision by offering, or not offering, suitable employment (Shacklock and Brunetto 2005) but have generally failed to do so (Taylor 2001; Patrickson and Ranzijn 2005; Armstrong-Stassen 2008; Sass *et al* 2009).

Baby boomers need to work

It is now clear that many baby boomers have a far stronger attachment to the workforce than earlier cohorts, and want to remain employed. As well, substantial negative falls in investment returns over the past year mean many older workers need to keep working if they are to improve their retirement funds. By 31 December 2008 the value of the S&P/ASX 200 had fallen by 40 per cent from the preceding year and had experienced unprecedented volatility (Superannuation Stakeholder Group 2009). Average 'balanced fund' superannuation was negative 16.25 per cent in the 12 months to 31 May 2009 despite a 6.25 per cent positive improvement in the Australian stock market over the three months to June (Super Ratings 2009). With average superannuation losses for the 2009 financial year estimated between negative 10 and 14 per cent, this will be the worst performing year for superannuation since it became compulsory in 1992 (Super Ratings 2009). As a consequence older baby boomers previously planning to retire

within the next five years will have substantially less superannuation to maintain a modest or comfortable level of retirement.

Conclusion

As previously discussed, all the research before the global economic crisis showed that many baby boomers did not want to retire early and wanted to stay in work, but on their own terms. The importance of choice and flexibility was paramount (Loretto, Vickerstaff and White 2006). They also want flexible work which fits their particular needs. A very recent study found the top five flexible work options among older employees were: taking breaks, taking time off, scheduled shifts, work location (eg telecommuting v. the office) and modifying starting/finishing times (Pitt-Catsouphes, Matz-Costa and Besen 2009).

The current recession appears different to past downturns as many employers have attempted to avoid wholesale redundancies in favour of more imaginative labour deployment, such as reduced hours, job sharing, regular part time work, or encouraging leave – changed working conditions which many older workers prefer. Because of their recent experience with labour shortages, many employers are utilising human resource practices which will retain skilled employees so they are well positioned for the improvement in the economy. Talent management, a popular term coined during the labour shortages era, is said to be as important in this new environment (*Human Capital Magazine* 2009, *Human Resources Leader* 2009). Traditional human resource practices, often characterised by generic programs, is giving way to more sophisticated, individual methods of talent management. This type of management will particularly suit the older worker. Enlightened employers will recognise that many baby boomers want, or have, to work, but that they have other priorities as well, such as spending time with their ageing parents or grandchildren. They are still 'young', healthy and active and have increasingly longer life expectancies which they don't want to spend in retirement. The availability of more flexible work options will suit older workers' lifestyles, while providing employers with cost containment and experience, loyalty, productivity and corporate memory which will be willingly transferred.

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