Preparedness of the APS for the implications of an ageing workforce.

David Hume

How prepared are you for the ageing of your workforce?

How prepared is the human resource management community and organisational management generally, for the implications of the ageing of the Australian workforce? If the Australian (Commonwealth) Public Service (APS) is any indication of the general Australian workforce there is a lot to be concerned about and a lot to be done according to David Hume, Managing Director of Hume Consulting Group Pty Ltd, a Canberra based management consultancy firm.

David conducted a survey of 1000 Commonwealth employees and 50 heads of Commonwealth agencies and the picture is not a pretty one, either for Australian employers, who are generally unaware of the issues which are of importance to their mature workers, (and therefore generally unprepared for what is about to happen) or for the "HR Profession" which has been generally slow to recognise and act upon this emerging issue.

The survey was aimed at determining:

1.   the issues affecting mature age workers
2.   the level of agency awareness of the impending impact of their ageing workforce;
3.   the extent of understanding of what the issues are;
4.   the ability and capacity of agencies to address the issue;
5.   the level of commitment of organisations to addressing the issue and the extent to which action is in train to address the issues.

Survey Findings

Mr Hume found that the preparedness of APS agencies is extremely patchy from some agencies which are moving quickly to ensure that they are in a position to deal with the issue to agencies which have yet to recognise that there is an issue

Why is this important to human resource management?

The baby boomer generation (those born between 1946 and 1964) will be facing retirement (as we have traditionally understood it – and as many superannuation schemes define it) for the next 15 years.

According to Mr Hume this will present employers with a number of challenges. When we look at the demographics of the Australian workforce we find:

1. People are living longer;
2. Generation X and Y will marry latter and have less children than previous generations;
3. Many baby boomer women entered the workforce later in life and have therefore not had a substantial period of time in a superannuation scheme;
4. A large number of people in this age group are still able and willing to make a significant contribution to the workforce and will not want or be able (financially) to retire;

The working age population is presently growing by 170,000 a year, however by the decade of the 2020's this will decline to 125,000.

The net result of this trend is that within a few years Australia will have a labour shortage if mature workers are not encouraged to remain in the workforce.
Mr Hume believes that tt is likely that many people who have reached "retirement" age will either elect not to leave the workforce (basically for financial reasons) or will take advantage of the financial benefits of retirement but reengage with the workforce in some other form which suits their wants and needs, eg. part time casual etc. This presents employers with some future challenges.

People are living longer today than previously, certainly longer than when the concept of retirement ie. at age 60 or 65 was introduced into the employment relationship. The length of retirement is therefore much longer now, and this is a factor influencing when and why people retire. 100 years ago people tended not to retire. They died on the job. Given that we will be retired for much longer periods, and given that generally of levels of health are much better at retirement today than in the past, the traditional view of retirement is changing.

Retirement in the industrial age was often influenced by our physical capacity to continue to undertake work which was often physically demanding. In today's information and knowledge age the nature of work has changed and thus the physical demands are often less than has been the case in the past.

An additional factor influencing retirement decisions is our capacity to maintain ourselves financially over a longer period. While this research has not highlighted

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this as a major issue for many APS employees, due mainly to the superannuation schemes available to APS employees, it is nevertheless still a factor, and it is almost certainly an issue for many **non-public sector** employees and employers.

The other major human resource management challenge is that the loss of a large number of mature workers means a loss of skills, experience, corporate memory and knowledge, (knowledge management therefore comes into sharper focus).

So what is the real issue? – according to Mr Hume the real issue is that we need to start preparing for these potential implications by focussing on those three elements of effective human resource management – attracting, motivating and retaining employees, and in particular mature aged employees. In June 2000 APS employees aged 45 plus constituted 36.5% of all employees.

Summary of Survey findings.

Mr Hume surveyed 1104 mature age employees (aged 45+) from three APS Agencies The response rate to this questionnaire was 39.9%. The questionnaire was aimed at identifying what work related issues were of importance to employees, and employees views about the preparedness of their Agency for the human resource management issues associated with an ageing workforce.

A similar questionnaire was also sent to the Chief Executives of 50 APS Agencies. The response rate to this questionnaire was 50%. The aim of this questionnaire was to identify what the management of these agencies believed were the work related issues confronting their mature workers as well as the Agency's views of their preparedness for the human resource management issues associated with an ageing workforce.

What are the important employment issues for mature workers?

Employees and agencies were asked to indicate what they believe the important issues are, now and as they get closer to retirement. Table 1 shows that there is considerable difference between what mature age employees say are the important issues and what the management of the agencies believe are the issues.

Table 1

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Workplace issue	Employee Now	Agencies Now	Employee Future	Agencies Future
Flextime	87%	100%	86%	100%
Part time working arrangements	57%	96%	78%	100%
Further learning & development	92%	100%	87%	100%
Pre-retirement advice/assistance	90%	100%	95%	100%
Working from home	62%	88%	67%	96%
Further career advancement	83%	100%	77%	100%
Leave for child care	35%	79%	30%	83%
Leave for elder care	57%	100%	62%	100%
Leave for grandchildren care	29%	92%	47%	87%
Leave for spouse/partner care	70%	100%	75%	100%

Mr Hume suggests that this shows that agency management are out of touch with the views of their employees on issues such as flextime, part time working arrangements (now, and to a lesser degree in the future), working from home, and employees desire for leave for caring for family members.

These findings are interesting from a number of perspectives according to Mr Hume:

- While elder care appears not to be a major issue for Australian Commonwealth Public Servants, Clark 1994, Stone 1998, Moodie 1997, Work and Family Unit 1999, Gerbman 2000, Wells 2000, Holmes & Linder-Pelz 1996 have all written on the issue of providing assistance and support to ageing employees who are themselves faced with caring for their own elderly parents and family members. The focus is thus shifting from terms and conditions of employment which are aimed at meeting the child care needs of employees, to meeting elder care needs of employees. This is supported by demographic trends in Australia which indicate that future generations are likely to have more dependant elderly relatives than dependant children. (VandenHeuvel 1993). The question is, is this issue really as big an issue as we believe it is?

- Access Economics (2001:12) observe that "One misconception is that training for mature workers is not justified as they will soon be leaving the organisation to retire". According to this report younger workers are five times more likely to change jobs than a mature worker, and that Australian research indicates that mature workers stay with organisations longer after receiving training than do younger workers. Other research conducted by Reark Research (1990,1994), shows that mature workers in Australian organisations have good learning capacity and a better capacity to retain information than younger workers.

- Although the agency management responses indicate a high level of importance placed on a number of these issues, few are actually actively implementing

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measures to address them – this is most notable in the areas of pre-retirement advice/assistance and future career advancement for example.

How aware are we of the issues?

When asked to rate their agency's awareness of the significance of issues relating to an ageing workforce, the Hume Consulting Group survey reports that 33% of employees responded that they did not know, 19% that the agency had no awareness, 48% rated awareness as slight, moderate or strong. This compares with management responses where 13% indicated slight awareness, 50% moderate and 37% strong. This clearly indicates a considerable difference between what employees believe is their agency's level of awareness of issues and management's perception of their agency's awareness. Perhaps of greatest concern for HR is the fact that 52% of employees stated that they did not know or that there was no awareness.

How prepared are we for the issues

When asked to rate their agency's preparedness for the impact of issues relating to an ageing workforce, 32% of employees responded that they did not know, 28% that the agency had no preparedness, and 40% said slight, moderate or strong. This compares with management responses which stated that 25% had slight awareness, 62% moderate and 13% strong. Again this clearly indicates a considerable difference between what employees believe is their agency's level of preparedness and the agency's perception of their preparedness.

How willing are agencies to address the issues

When asked to rate their agency's willingness to address issues, 35% of employees responded that they did not know, 22% no willingness, 23% said slight, 16% moderate, and 4% strong. This compares with management responses of 25% slight willingness, 62% moderate, and 13% strong. Not surprisingly there is again a considerable difference between what employees believe is their agency's level of willingness to address issues and management's perception of their agency's willingness.

What is the capacity of agencies to address issues?

When asked to rate their agency's capacity to address issues 32% of employees responded that they did not know, 22% said no capacity, 26% slight, 14% moderate, and 6% strong capacity. Comparing the management responses we see that 21% responded that they had a slight capacity, 54% moderate and 25% strong. The disparity continues.

Apart from the differences of views on awareness, preparedness, willingness and capacity between employees and agency management, of equal concern is the disparity between management's willingness and capacity, and the large number of employees stating that they did not know.. This would appear to point to some work for human resource managers.

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Do older employees feel valued?

On the question of the extent to which they believe their knowledge and skill is valued by their agency. 11% of employees responded that knowledge and skills were not valued compared with the agency response of 0%, 28% of employees responded that knowledge and skills were slightly valued compared with the agency response of 5%, 40% of employees responded that knowledge and skills were moderately valued compared with the agency response of 12% and 21% of employees responded that knowledge and skills were highly valued compared with the agency response of 83%.

According to Mr Hume this response indicates that there is a very loud message for agencies in terms of demonstrating to older employees that their knowledge and skills are valued. The rhetoric would appear not to match the reality of the numbers of older workers who have left (for example, have been encouraged/targeted for redundancy – voluntary or otherwise) in the public sector in recent years. In 1999/0 51.2% of APS employees who were retrenched were 45 or older.

How committed are older workers?

When asked to compare their level of commitment (support for and belief in the goals and objectives) to their agency with younger staff of their agency, 8% of employees indicated a lower level, 47% the same level, and 45% a higher level. Management responses to the same question were, 4% lower, 74% same and 22% higher.

How motivated are older workers?

On the question of their level of motivation compared with younger staff of their agency. 11% of employees indicated a lower level, 51% same level, and 38% a higher level. The same figures for management were 4%, 87% and 9% respectively, indicating that agencies over estimate the number of older employees who believe they have the same level of motivation as younger employees but under estimate the numbers who believe they have a higher motivation..

What are the levels of job satisfaction?

Mature aged workers levels of job satisfaction compared with younger staff of the agency were; 19% stating a lower level, compared with an agencies response of 13%, 48% of employees indicated the same level compared with an agencies response of 61% and 33% of employees indicated a higher level compared with the agencies response of 26%.

What impact will the failure of action on the part of management have on employees future relationship with the employer?

Table 2 shows some interesting findings. The response from 36% of employees that there would be no impact is especially interesting. Equally interesting is the fact that agencies have overrated the extent to which employees will take early retirement. This could be interpreted to mean that employees are generally less likely to take early

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retirement which in the context of the projected staff shortages could be to agencies benefit. It could also mean, that agencies have failed to recognise the impending impacts and are engaged in wishful thinking to reduce staff numbers. What should not be ignored though is the under estimation of the potential of older workers to leave to go to another agency, and for motivation and commitment to decline.

Table 2

Impact	Employees	Agencies
No impact	36%	13%
Resignation	6%	4%
Early retirement	19%	52%
Move to another agency	6%	0%
Motivation will decline	17%	13%
Commitment will decline	9%	9%
Other	2%	9%

How important are the Superannuation provisions to mature aged workers and their retirement decisions?

The provisions of the Commonwealth superannuation schemes can in some cases make retirement at or before age 55 more financially beneficial than waiting until later to retire. Given the changing demographic factors mentioned earlier and the fact that we could be facing a labour shortage this makes the question of superannuation and age at retirement for Commonwealth public servants even more important according to Hume Consulting Group.

Respondents were asked to what extent the provisions of the superannuation scheme would influence their decision when to retire. 12% of employees indicated there would be no influence compared with 0% for agencies, 22% indicated moderate influence compared with 8% for agencies, 43% indicated considerable influence compared with 84% for agencies and 23% total influence compared with 8%.
This would indicate a complete misunderstanding on the part of agencies of the influence that the superannuation provisions will have on older employees decisions about when they will retire.

Respondents were also asked which factor would most influence their decision when to retire. 40% of employees indicated that superannuation would most influence their decision compared with a 84% response from agencies. 23% indicated their health compared with a 8% response from agencies. 2% indicated that the health of other family members, with a 0% response from agencies. 15% of employees indicated that other interests would most influence their decision compared with a 0% response from agencies. 6% of employees indicated that age would most influence their decision compared with a 8% response from agencies and 14% of employees indicated that some other factor would most influence their decision compared with a 0% response from agencies.

This response confirms the response to the previous question with respect to the perception of the influence of superannuation. Mr Hume suggests that what is

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perhaps most telling is the lack of understanding on the part of agencies of the extent to which factors other than superannuation impact on peoples decisions when to retire, ie. 60% of older employees will take decisions on when they retire based on factors other than the provisions of their superannuation fund.

How can we take best advantage of what older workers have to offer?

Hume Consulting Group suggests that there is much that organisations can do to take advantage of what their mature age workers have to offer them before their departure and even after. When asked by Mr Hume about their interest in taking on a different role prior to retirement or after leaving the full time working environment, employees generally indicated a high level of interest in a range of potential options. Hume Consulting Group reports that 81% of older employees expressed moderate to strong interest is a scheme which would enable them to continue in some form of employment after retirement from full time employment.

According to Mr Hume the loss of highly trained, skilled and knowledgeable employees due to retirement is the major issue confronting organisations with an ageing workforce. Encouraging employees to remain in the workforce longer (albeit with more flexible working arrangements) is being seen as a way to ensure continuity of productivity as well as a way of ensuring that the skills and knowledge are not lost, but are transferred to younger less experienced staff. The emergence of mentoring schemes and phased retirement programs are seen as a positive way of managing the transition from full time work to retirement and the capture of corporate knowledge and skills.

A word or two about diversity.

Mr Hume also makes some interesting observations about diversity at work. According to Mr Hume diversity has certainly been a major focus for organisations in recent years and there has been considerable exposure of the issue in various publications.

Linda Matthews, South Australian Commissioner for Equal Opportunity, suggests that:
"Managing diversity refers to the systemic and planned commitment on the part of the organisation to recruit and train employees from diverse backgrounds. Managing diversity also implies an active recognition and appreciation of the increasingly multicultural nature of contemporary organisations". (Matthews 1999). The thrust of Matthews's paper is that managing diversity if different to EEO and that this is not always understood. She states that:

"The key differences between EO and Managing Diversity are:

1. EO is concerned with compliance; managing diversity is voluntary
2. EO has a social justice/social engineering focus; Managing Diversity has a business perspective

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3. EO is founded on the principle of group membership; Managing Diversity is based on responding to individual differences
4. EO is enshrined in legislation, whereas Managing Diversity is a management concept." (Matthews 1999:7).

According to Mr Hume this is an important distinction – especially in the context of the Australian Public Service's approach to managing diversity. The Australian National Audit Office (ANAO) in 1997 reported on Equity in Employment in the Australian Public Service, (ANAO 1997). While the focus of the Report is equity much discussion surrounds EEO and AA and the four groups targeted by relevant legislation, ie. Women, Aboriginal and Torres Strait Islanders, people from non English speaking backgrounds and people with disabilities. Mr Hume suggests that the Report purports to be addressing diversity management but is somewhat confused in its approach, he gives the following quote to make his point:

"Audit objectives and criteria

6. The objectives of the audit were to examine the benefits of diversity management in the APS and review the progress made towards equity in employment in the APS, including the EEO Program. It included:
- an assessment of the progress towards achieving equity across the APS by individual agencies;
- an assessment of the quality of agency EEO programs;
- an assessment of the role of the PSMPC in approving agency EEO programs and monitoring trends across the service
- a consideration of legal obligations and agencies compliance with these; and
- the possible risks to, and opportunities for equity under the WRA."

Hume Consulting Group suggests that while the focus of the diversity debate both within the APS and the business community generally tends to be centered around the more commonly understood target groups, and while in the context of equity, equal opportunity, anti discrimination, age is recognised as a factor, there is little real recognition of mature age workers as a "target group" in the context of managing diversity. Mr Hume suggests that perhaps the time has come for a redefinition of what we really mean by diversity and the groups in the workplace we are intending to embrace, he thinks that this is certainly the case for the APS.

Mr Hume draws upon a range of literature including, Vines (1999), who supports the push to recognise that diversity does not equal EEO. She takes the discussion to a higher level when recognising the diversity offered by both generation Xers and the baby boomers, stressing the need for employers to recognise the very different needs and expectations of these groups. Dessler et al.(1999) who also recognise that older workers should be recognised in the context of developing a diverse workforce. Reed and Kelly (1993) take the definition even further by suggesting that diversity not only includes race, sex, age etc but also covers goals, values, role expectations, and thoughts. These are three examples of a small but growing group who are taking a much wider view of the term diversity. Dessler et al.(1999:690) conclude that organisations that merely undertake basic compliance with anti-discrimination

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legislation are failing to take advantage of the benefits of a diverse workforce, benefits which can include, improved staff management practices, changing practices and procedures which can bring increased efficiency and safety, develop product and facilities which are more accessible to and suitable for clients and customers and create new products, services and markets.

So what have we been saying as a profession?

In addition to his survey of employees and their employers Mr Hume also conducted a review of the human resource management literature to see if the HR profession was discussing the issue. He found that the last 6 years of the HR Monthly the Journal of the Australian Human resources Institute, AHRI) reveals very little on the subject – a lot about diversity and a lot about family friendly workplaces but precious little on the subject of the emerging ageing workforce – the major topic of discussion has been around performance management.

He reports that a similar review of the HR Journal (American Society of Human Resources, SHRM) reveals that this has been an issue for discussion and examination for several years.

He also found that recent AHRI Conferences have all but ignored the issue, again except in passing but that this was not the case with SHRM which in the case of the 2000 conference (which the writer attended), had the issue as a major theme and it has been on the agenda for a number of years.

To Summarise

Mr Hume suggests that the following quote from Access Economics (Population Ageing and the Economy, 2001. p.3) sums up the importance of this issue for Australian workplaces:

"Unless organisations adjust their thinking on mature workers, market forces may do it for them. The 'supply' of mature workers will grow rapidly in the years ahead, while the 'supply' of younger workers will contract in relative terms. The working age population currently grows by 170,000 people a year. But trends already in place will see the working age population grow by just 125,000 for the entire decade of the 2020's, while the first baby boomers are already moving into early retirement. Unless demands adjust accordingly, organisations will be paying a premium for youth – that is, workers with less experience, higher job turnover, higher absenteeism and increased training needs. If those younger workers are replacing mature employees, then not only will the valuable skills of the mature workers be wasted, but organisations will be paying a premium for the privilege to do so."

Hume Consulting Group believes that it is too early to say it is too late, but suggests that unless managers begin now to position their organisations to better utilise their

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ageing workforce, their task of attracting, retaining and motivating a workforce to sustain them into the future is going to get a whole lot harder. Mr Hume states that there is a lot that can be done and a lot that can be learnt from what leading practice organisations are doing.

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