



By 2050, the ratio of productive workers to dependent population is expected to drop to just over 2:1. While this may be mitigated by older workers staying on in the workforce, there is little evidence of any real strategic thinking about how to manage this reality, says Kaye Avery.

# The ageing workforce

Over the last few years there has been a lot of media attention given to the ageing population. We're all aware of the life expectancy increase, birth rate decrease, and the fact that women are having their babies later. But how are we preparing for these changes in our organisations?

As a society, we are facing a looming issue which will start to have a significant impact in the next five to 10 years. Called the 'dependency ratio', it is about the ratio of productive workers to dependent population (children aged 0 – 15, the unemployed and retired people over 65). Currently, the ratio is about 4.5 to 1, but by 2050 it is projected it will be just over 2 to 1. It is a concerning economic reality pointing to a future with a growing ageing poor, overcrowded and under-resourced healthcare facilities, and critically low per capita productivity levels.

BERL chief economist Dr Ganesh Nana, in a presentation he gave to the Retirement Income Policy and Intergenerational Equity conference in July, pointed out that the dependency ratio Treasury is concerned about is based on the assumption that people will retire at 65 and take up the pension. However, with ongoing productive participation of the older people in our workforce—paying income tax and with more discretionary income to spend—we may mitigate some of the big problems we might otherwise face within the next 20 to 40 years.

Like the pig-in-the-python effect, presenting as a bloated passage through time, the baby boomer generation has, since World War II, had an impact on infrastructure, services and funding, affecting birthing units, educational facilities, the workforce, and now superannuation funding. Today, preparation for the exit of the baby boomers from the productive workforce and funding their pensions is deemed to be "possibly the biggest economic issue we have facing us", according to the New Zealand Treasury Working Paper on *The Economics of Ageing* (2002).

In 2006, in *Workplace 2012 New Zealand*, Mercer gave some striking projections that demonstrate the issues:

- The participation rate of workers aged 55 to 59 will increase 2.8 percent with 0.5 million the workforce;
- The participation rate for workers aged 60 to 64 will increase 7.9 percent;
- The percentage of workers aged 25 to 54 will decrease 3 percent, with only an extra 28,000 additional individuals;
- The participation rate of workers aged 22 to 44 will decrease.

Although Statistics New Zealand is tracking these shifts, there is little evidence of any real strategic thinking around how we will prepare for and manage this reality. Mercer pointed out that "workers aged 55 and over will need to become productivity drivers", and according to Sharon Buckland's *The New Zealand Boomer Dreams Study* (2009), 80 percent of New Zealanders would like to work through into their 70s. That study involved 1162 respondents born between 1946 and 1964.

The thing we need to remember is that our older workers have diverse needs and circumstances. Most will need to work beyond 65, while others will prefer to work longer because it keeps them connected and feeling of value. Today, four years after Mercer's projections, how well are we integrating, developing and retaining our ageing workers? Have we dropped the old stereotypical attitudes that have disadvantaged these people for decades?

There are no recent demographic analyses of current New Zealand unemployment figures, but I suspect older employees have been affected by redundancies in the same way the young are experiencing difficulties in beginning their careers. A recent article in the *New York Times* states of unemployment in the US: "Of the 14.9 million unemployed, 2.2 million are over 55"—and nearly half of those have been unemployed for six months or more. Here the recession has also had an impact on people's savings for retirement, with many affected by the collapse of financial institutions.

Despite ample current evidence of the need to grapple with these issues, many organisations remain unaware of how their employment practices and cultural attitudes are counter-productive when it comes



We are forging new territory around ageing and working longer. The old notions suggesting that ageing involves disengagement and decline are no longer appropriate for what is now a fitter, healthier and more engaged ageing population.

to engaging older workers and supporting them to work longer.

On the retention of our older workers, we in New Zealand do better than countries in Europe, the USA, and Australia, thanks to a history of sustained talent shortages and the 'brain drain' that has seen many of our younger workers head overseas. Figures show that our workforce is older than most other OECD countries, with the exception of Iceland.

A lot has been done by the EEO Trust and the Human Rights Commission to educate our employing organisations in equity and diversity, and guidance has been given on how to adjust employment conditions so that workers are better supported as they age.

In her report, *Maximising the Potential of Older Workers* (2007), Judith Davey found that most HR departments surveyed (33 EEO members) held positive views about the reliability, loyalty, work ethic, people skills, etc, of their older employees. Yet despite that, there is plenty of anecdotal evidence and some research indicating that negative stereotypes remain common in the workplace, and that older job applicants still experience prejudice. Davey pointed out that employers need to see beyond the stereotypical judgements to maximise the contributions of their older workers.

Davey's report was written at a time when the market was buoyant, so attracting and retaining older employees was an important retention strategy then. The Human Rights Act, although designed to protect, hinders open manager-employee dialogue enabling unhealthy assumptions to prevail. Davey recommended that employers retain older workers by establishing an employee value proposition, training managers to lead diverse teams, reducing any barriers to integrating older employees, promoting training and development, introducing coaching and mentoring, ensuring environments are friendly, offering flexible working arrangements, and ensuring that the contributions of older workers were recognised and valued in their workplace.

We are forging new territory around ageing and working longer. The old notions suggesting that ageing involves disengagement and decline are no longer appropriate for what is now a fitter, healthier and more engaged ageing population.

A wonderful thing about getting older is that our brains have accumulated millions of neural connections, building a quality that scientists call 'crystallised intelligence', or the ability to use known skills, knowledge and experience. The older worker has a great storehouse to draw upon.

'Fluid intelligence', on the other hand, reduces as we age. This is the capacity to solve problems and novel situations 'on the hop', independent of acquired knowledge—and it is a virtue of youth.

When I facilitated the Ageing Workforce Project for the Waitemata and the Counties-Manukau DHBs in 2008 (28 focus groups from

#### Ways that organisations can better prepare for an ageing workforce are to:

- Create diverse, equitable workplaces that are friendly and free from stereotypical attitudes and practices.
- Train managers in their understanding of ageing and equip them with tools to build trusting and collaborative practices around career planning and performance management.
- Develop people of all ages! Offer training to suit the individual and personal development courses that increase self-awareness, confidence and personal responsibility at all ages and levels of the organisation.
- Offer career planning and transition to retirement workshops and support for older employees.

across all disciplines and departments of both organisations), I was struck by the recurring sentiments and concerns. The DHBs' ageing workforces (78 percent were over 45) commonly felt overworked and misunderstood. Although work conditions were being looked at and positive changes were being attempted, many roles held by older employees involved shift work, lifting, a lot of walking, and being the first point of contact with distressed or critically ill people. Most groups agreed that their managers had little time and were not well skilled at the related conversations, causing employees to feel at risk, while for the more experienced and skilled people, role expectations became overwhelming. Despite their enormous experience and knowledge, there were limited resources and support. Opting out rather than dealing with the lack of response to requests for change was a common option.

The recurring theme from the focus groups showed that in order to feel supported, remain engaged and produce quality work, older employees want to:

- Feel that their knowledge/wisdom is valued and is utilised through contributing to research, continued caring for people, teaching or mentoring;
- Have greater support when holding more senior roles with higher levels of responsibility;
- Have consistent hours of work and the option of flexible work arrangements;
- Feel a sense of control over their career planning and be able to design a transition to retirement strategy in collaboration with their manager.

Unfortunately, many of the participants in the dialogue felt that they had to protect their position for fear of losing it, so open conversations with their managers were often seen as too risky. To their credit, the DHBs were actively enquiring into what their ageing employees

wanted in recognition of their resourcing needs, but we need to be thinking beyond organisational needs to how our societies will be affected if we don't do anything about it.

To my thinking, we have a long way to go to achieve a general workforce environment that fully utilises the experience and wisdom of older employees. All but the most progressive organisations struggle to provide the conditions that enable the best to be achieved for and from employees in their late 50s and 60s—and then facilitate their eventual planned, dignified, well-timed and happy exit.

As HR practitioners, we need to become more aware of the developmental, physical and cognitive changes that happen for people as they age—one job size certainly does not fit all. Not only do the needs, priorities and values of older employees shift, but also their strengths. Clearly, it is desirable to remove stereotypical prejudices

that hinder workforce participation for our ageing workers so that they can continue adding value and paying taxes.

We could improve the lot of our ageing workers by focusing on development, the honouring of experience, and being willing to adjust conditions to enable people to contribute longer.

We need a reframe that can enable us to look for opportunities for utilising and involving the older people in our workforces and in our communities in general. With the looming dependency ratio issue I will bravely suggest that it is becoming a matter of corporate responsibility, too.

et

*Kaye Avery is a career specialist who writes a regular career column in Employment Today. For more information visit: [www.career-coach.co.nz](http://www.career-coach.co.nz)*



# strategic**PAY**+

VALUING PERFORMANCE



Helping organisations succeed  
through the **performance of people**

Strategic Pay Limited  
[www.strategicpay.co.nz](http://www.strategicpay.co.nz)  
e [info@strategicpay.co.nz](mailto:info@strategicpay.co.nz)

Auckland  
ph 09 303 4045  
Wellington  
ph 04 473 2313  
Dunedin  
ph 03 479 0637

- + Remuneration Strategy and Solutions
- + Market Benchmarking
- + Accountability Mapping of Leadership Teams
- + Incentive Scheme Design
- + Directors Fees' Strategy and Design