



ACCI POLICY STATEMENT

MATURE AGE WORKERS POLICY

PRINCIPLES OF MATURE AGE WORKERS POLICY

Generally, people regarded by governments as 'mature-age' are those 45 years and above. It is evident that treating this large group of people with one solution is unrealistic. Therefore although this Policy refers to this group collectively, it is imperative that the overall group is segmented and different strategies are adopted to meet different elements of the group.

Some key developments in Australia include:

- a substantial increase in the median age of the Australian population;
- mature age employment is growing. Three quarters of people between 45 and 54 are employed;
- average age of retirement is around 60 years;
- labour force participation declines sharply with age;
- mature age Australians are less likely to hold a post-compulsory qualification and less likely to undertake formal education and job-related training;
- if mature age people become unemployed then they will be unemployed for significantly longer than young people;
- a higher rate of 50 to 64 year olds are welfare-dependent;
- some industries or occupations already show older workforces;
- life expectancy at the average effective retirement age is five or six years longer than it was 30 years ago;
- one in four new entrants to the labour market comes from overseas, either through migration or temporary work visas;
- since June 1980 there has been a very slow growth in the number of children (aged 0 to 14 years); and
- the workforce entrants for the next twelve years are already in school and there is only a slight increase in their number which is insufficient to meet projected labour demand.

Although these issues do occur in other western countries, Australia does not necessarily compare favourably with them.

POLICY OBJECTIVES

ACCI advocates a comprehensive whole of government approach in consultation with industry to address the issues and opportunities arising out of the ageing of the Australian workforce. It is evident that this must have the capacity to meet short, medium and long-term objectives. The matrix will also require the ability to address the needs of those post-65

years of age, the group currently between 45 and 64 and younger people who will face these issues in later life

THE POLICY FRAMEWORK

ACCI proposes a six-tiered strategy with governments and industry undertaking a joint approach with a view to the development of an agreed national framework. This needs specific attention in a number of policy areas.

1. Population

Australia's economic prospects and social fabric are dependent upon the level and composition of the resident population.

The age profile and the education/training standards of Australia's population will underpin our economic competitiveness, while the cultural mix and spatial distribution of the populace will have a powerful influence on our society.

Successive Australian governments traditionally have not pursued explicit, extensive or transparent population policies. Rather, 'population policy' in Australia has been conducted implicitly through various mixes of immigration, education and training, regional development and infrastructure policies.

The development of an integrated and transparent population policy is a critical component of addressing issues around ageing Australia. This needs to bring together a range of policy responses such as immigration, education and training, health, regional development, infrastructure and transport. In particular, key issues which need substantial research and debate include:

- is there an optimum population levels nationally and within Australia;
- levels of immigration required and appropriate categories of entry;
- possible incentives for individuals which directly lead to an increase in domestic population growth over time; and
- potential impact of developed policy programs and services on metropolitan, regional and remote areas.

2. Fiscal Impact

A major issue is how the Commonwealth will successfully manage budgetary pressures that will inevitably arise as costs increase – principally within key social areas such as health, aged care and welfare.

Key platforms of ACCI's employment policy involve a range of simultaneous objectives including strong rates of economic growth, continuation of wider micro economic reform and stimulating productivity growth while containing the cost of labour. Any work in this area must take account of these requirements.

The Intergenerational Report released by the Commonwealth lists seven key priorities which would ensure fiscal sustainability. They are:

- achieving budget balance over the economic cycle. This involves keeping the level of debt low as pressures due to an ageing population begin to build significantly around 2020;
- maintaining an efficient and effective medical health system, complemented by widespread participation in private health insurance;
- containing growth in the Pharmaceutical Benefits Scheme (PBS). Rapid PBS growth over the past decade means it could be one of the most significant areas of future spending pressure on the Commonwealth;

- developing an affordable and effective residential aged care system that can accommodate the expected high growth in the number of very old people (people aged 85 or over);
- preserving a well-targeted social safety net that encourages working-age people to find jobs and remain employed;
- encouraging mature age participation in the labour force; and
- maintaining a retirement incomes policy that encourages private saving for retirement and reduces future demand for the Age Pension.

Although population growth and ageing affect health spending, these factors account for only around one-third of the recent growth. Much of the growth has come from the demand for new technology and treatments

As the number of very old people increases, spending on aged care is also projected to increase. Aged care is the most demographically sensitive area of government spending and the number of very old people is expected to increase significantly.

Key issues which need substantial research and debate include:

- options for long-term taxation reform in line with changing revenue patterns;
- development of sophisticated modelling methodology to support accurate forecasting;
- incentives for family care of older Australians;
- an examination of demand, cost and public funding of residential aged care; and
- capacity of existing medical programs and services to respond to increasing and changing demand.

3. Participation and Labour Market Assistance

A key concern of industry has been the ageing of the workforce, the overall decline of youth entering the labour market over time and the impact these issues may have on the future supply of skills. Increasingly employers must have dual strategies to attract the most suitable young employees and retain older workers with enhanced skills.

All industries have significant numbers of mature age workers already in the workplace with continued increases in workers over 55 years of age. The Australian National Training Authority (ANTA) has industry advisory arrangements which focus on the development of a comprehensive information and planning process to identify current and future skill needs for industry. It is recognised that the array of data sources available from the range of government departments and other agencies needs to be brought together to inform future vocational education and training direction and product and service development. This new mechanism will be particularly important in assisting in addressing potential demand for labour and identification of skills required.

The need to develop a more responsive education and training system to enhance the skills of older workers is a priority for industry. Currently there is no clear strategy to target existing mature age workers to enhance their skills and productivity. There is additional urgency in developing this approach given the impact of new and emerging technologies on all workplaces, the lack of post-compulsory qualifications held by mature age Australians and the need for some mature age people to update their skills as they move employment.

To assist in addressing this problem, ACCI advocates the establishment of a learning bonus. There is general support by employers for establishing some form of financial assistance for existing employees to undertake training in the formal training system. Therefore, a learning bonus scheme is proposed which provides an allocation to an employer for

employees who complete a formal qualification at AQF 3 or above. This would not be limited to New Apprenticeships. The bonus would simply be a financial incentive for employers to encourage their workforce to undertake formal rather than, or in addition to, informal training. The measurable outcomes of the scheme would be the formal recognition of skills of the Australian workforce and encouragement of up-skilling workers.

It is envisaged that a limit would be placed on the total number of workers for which an employer could receive the bonus in any given year. At this stage a limit of 250 participants has been proposed. The bonus would only be made available to employers by providing proof of qualification by the respective Registered Training Organisation (RTO) to the New Apprenticeship Centre (NAC). The payment would be the same amount as the relevant commencement payment for entry-level training.

The bonus would be paid to the employer but could be used for any purpose. In some cases the employer could use the payment as a reimbursement for undertaking skills assessments for their workforce, or may wish to pass on the bonus to the employee to assist them in meeting costs, or as an incentive for them to undertake training out-of-hours. It is recognised that some workers may require less formal training than others to complete a qualification. It is recognised that the costs associated with this would be different for each worker, however, it is important that one level of bonus is introduced.

It is also important that the States/Territories examine the impact of the proposed bonus on the training activity undertaken by their RTOs and potential use of public training monies. However, it is not envisaged that all training undertaken by companies in receipt of the bonus would attract public funds. It is imperative that the Commonwealth evaluates the impact of the bonus in increasing formal training and employer numbers participating in the national training system. The benefits of introducing a learning bonus in skilling the Australian workforce would be to make formal learning options attractive to employers and employees alike.

It is also important for State and Territory governments to examine the potential of allocating a specific element of their vocational education and training budgets to addressing mature age existing workers. There also needs to be considerable work undertaken on improving the incentive for providers to offer recognition of prior learning which lessens the requirement for experienced individuals to undertake the same extent of 'off the job' training.

4. Workplace Relations Impediments

There are also a number of workplace relations issues which may place impediments on mature age people staying on in the workplace.

Flexibility is required in workplace relations and employment regulation to facilitate mature age employment and the transition from full time or permanent employment to retirement.

Employment law, industrial awards and workplace agreements, where they exist, should provide a full range of flexible employment options for mature age workers including access to part time, casual, seasonal, temporary and contract work. Flexible agreement-making, including a system and collective and individual contracting and bargaining over hours and days of work and forms of remuneration are particularly important for mature age employment.

Age discrimination laws, where they exist, must be careful to avoid unintended consequences as well as duplication for inconsistencies in regulation. Policies beneficial to particular age groups should not be seen as discriminatory.

The key issues to be addressed in this area include:

- better cross-government workforce and skills projections;
- consolidation of work undertaken to analyse workplace barriers to ongoing employment of older Australians;

- improved assistance available through post-compulsory education options, particularly vocational education and training;
- better promotion of available active welfare and job seeker support programs and services;
- development of support information for employers;
- introduction of incentives to undertake further skills development;
- extent of small business opportunities for older Australians;
- introduction of new support services for older workers; and
- reform of regulations and legislation which inhibits employment.

5. Retirement Income

Early retirement has become more widespread in OECD countries in recent decades, in part because the practice was encouraged by government policies. However, in light of the challenges arising from ageing populations, many OECD countries have recently changed their policies with respect to early retirement and are now aiming to increase labour participation of older workers. Analysis by the OECD includes the effects of recent reforms and also takes into account the effects of taxes on pension benefits.

A main finding is that ordinary public old-age pension systems now do not generally give strong incentives to retire before the statutory age. However, it is clear that regardless of the nominated retirement age, many people are retiring prior to this.

Early withdrawal from the labour market often remains an option, through special early retirement schemes, unemployment-related transfer schemes, disability pensions and occupational pensions. While some of these schemes have also been tightened recently, they still provide important fiscal incentives to retire before the statutory retirement age.

Further reforms are needed to eliminate the distortions that encourage workers to withdraw early from the labour market.

The ageing of the population means that the proportion of retirees will continue to increase substantially and the demand for pensions, health care and aged care will also increase. In addition, labour force participants are spending less time in the workforce and are less likely to be full-time employees – resulting in more pressures on the existing system. The tax base will come under greater pressure as Australia's age dependency ratio (the ratio of those of working age compared to those not of working age) declines.

Consequently, the sustainability of the current system of superannuation, tax funded pensions and subsidised aged care is in question. This is particularly significant, given that 83 per cent of Australians over 65 currently rely, to some degree at least, on the pension or an equivalent government payment.

The level of household savings in Australia has been dropping steadily for 20 years and shows no sign of recovery. Compared with many overseas nations, our level of household savings is low. This is reducing the level of domestic capital available for investment, forcing increased borrowing from overseas, and having an adverse impact on our international competitiveness. New initiatives are necessary to help restore domestic savings to an acceptable level.

Key platforms in the reform of retirement savings policy should include:

- access to tax-funded pensions should ensure that funds drawn from tax revenue are directed towards those most in

need. In other words, legislators should ensure that taxation revenue being directed into retirement incomes is spent as effectively as possible and encourages people to prepare and save for their own retirement;

- if compulsory employer contributions are to continue, they must be supplemented by compulsory employee contributions;
- regulations should discourage tax-funded early retirement;
- in principle, the system should encourage income streams as opposed to lump sum payments;
- there should be minimal exemptions from coverage of compulsory superannuation; and
- the taxation of retirement savings must be aimed at encouraging private contributions – not maximising current taxation revenue.

Issues which require a coordinated policy development include:

- all aspects of superannuation;
- continued reform of the welfare system to provide incentives to work longer;
- the treatment of assets by welfare and tax regimes;
- development of a savings strategy; and
- financial incentives to maintain employment for longer.

6. Market Impact

There also exists tremendous potential for business in meeting the changing demographics of Australia. Business has another reason for a concerted effort into increasing mature age participation other than necessary supply of skilled labour and reduction in welfare or pension dependency. The importance of older people as consumers is of vital importance to business.

The coming decade will see further rapid growth in the importance of the older population to manufacturers and retailers.

A key issue which will greatly impact on Australian businesses is their ability to seize new commercial opportunities (both at home or overseas) resulting from the ageing of populations. This is a very important incentive for business and industry to be actively involved.

Matters which should be considered include:

- export opportunities for products/services targeting ageing markets;
- changing spending patterns;
- product, service and distribution redesign;
- differential impact across industry sectors; and
- re-alignment of marketing and sales effort.

The development of a comprehensive approach which takes account of the six key nominated areas outlined above, is the major challenge for Australian industry and governments through this decade. It is important that public debate is generated whilst acknowledging that the fundamental changes are already occurring and must be addressed as soon as possible.

Employers will need a range of information and support products and services to be developed to assist them in meeting this challenge. But there are also considerable opportunities for older Australians to contribute towards their own economic prosperity and individual businesses benefiting from a changing world.

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