

2 November 2004

Ageing Impacts Study
Productivity Commission
Collins Street,
Melbourne, Vic, 3000

By email: ageing@pc.gov.au

Dear Sirs/Madams

Further to my submission dated October 20, 2004 and October 25, 2004, I have included a couple of extra issues that may be worth considering. I may make further submission, depending on time considerations.

1. The effect on the productivity of older workers from an aging of the overall workforce needs to be considered.

Based on ABS data, persons aged 55 years and over accounted for 20.5 percent of all managers and administrators in Australia (persons aged 45 years and over accounted for 51.5 percent of all managers and administrators).

It appears that people are more likely to remain employed after turning 55 years of age if they are employed as a “manager and administrator” (i.e. compared with other occupations).

In carrying out the duties involved in managerial occupations, there is often a heavy reliance on specialist staff and other subordinates (as the Commissioners of the Productivity Commission may appreciate). If there is a lack of supply of such skilled specialists or subordinates (where there may be a reliance of younger staff, perhaps with more recent qualifications), this may adversely affect the performance, productivity and longevity of the “managers”.

2. Care needs to be taken when using incomes as a measure of “productivity”. The incomes of some older people may be positively affected by the factors other than productivity (such as market power). For example, an individual who owns or controls a business may be better able to remain in employment and determine their own income from personal exertion. Some mature workers may have the ability to remain employed and maintain earnings by developing strong networks, by being in a strong union, or by having a secure tenure arrangement (even though they may be less productive than their younger work colleagues). The cost of redundancy may provide an incentive for some employees to retain some older workers. Employer “loyalty” may be another factor.

3. An aging of the population may reduce the ability of a country to be a first or early mover in emerging businesses or industries. If so, this could have implications for growth in employment, the economy, exports and taxes.

As the working population ages, there may be less access to employees who can remain on a long-term project for the duration of that project. R&D projects, for example, can often have a long duration.

4. Growth in the proportion of the population that is not married may adversely affect workforce participation, as unmarried people aged over 55 years are less likely to work (refer to ABS data).

5. There appears to be a decline in the “motivation” toward participating in paid employment after people reach the age of 55 years, particularly among people who have never married (refer to ABS data). A decline in such motivation levels may be explained by a number of factors, including:

- Physical wear and tear, illness, or a loss of physical fitness, can make it more painful to work, or may reduce productivity to a point where the costs of working may be considered to be higher than the benefits. Disability welfare payments and disability insurance products offer an alternative source of income for some disabled people.
- People aged over 55 years tend to spend less, and therefore have lower income requirements. Wealth is usually accumulated until retirement, and this wealth may reduce the incentive to work.
- The availability of alternative sources of income, such as government pensions and superannuation, may reduce the incentive to earn income from personal exertion.
- People may resist down-shifting in employment (e.g. from doctor to labourer), and as people become older they are more likely to have attained “high” positions.
- The boredom (“done that”) factor. A lack of interesting jobs may reduce the incentive to remain in the workforce.
- For people aged over 55 years, there are fewer people of similar age in the workforce. There may be less opportunity to communicate with people with similar interests. There may be less peer pressure to work.
- Some people may lose ambition as they age. Work may become less valued at a later age. Some people may develop a greater understanding over time of the obstacles faced in reaching prior (and unrealized) goals. These obstacles may later be considered insurmountable (at least within the period available prior to retirement) or not worth the effort.

6. As people age, their productivity may decline due to some of the factors mentioned above (point 4).

As people approach retirement age, they appear less motivated to assume risk. They are often less willing to risk their own capital to start a new business (as any loss of capital

may risk their lifestyle in retirement). They are less likely to take time out of the workforce to undertake education and training. They appear less likely to take risks in the workplace to enhance their career prospects.

As people age, they are more likely to have not participated in formal education for a longer period of time. Hence, they are less likely to have been trained in the latest techniques, systems and technologies. Younger employees will need to take a greater interest in these developments.

The consequences of underperformance in the workplace (such as lay-off, no promotion, no increase in salary) may be less of a concern when people are approaching or overtaking the “retirement age”.

Moreover, as people age there can be fewer long-term opportunities arising from high performance on the job.

Yours sincerely

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