

Mature Age Unemployment: A Long-term Cost to Society

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Abstract

The issue of mature-age unemployment has now received comprehensive scrutiny by a parliamentary committee, which confirms in detail that mature-age workers (45 plus) are disproportionately represented among the long-term and very-long-term unemployed. So far, the Commonwealth Government has taken no action to deal specifically with these age groups, but programs now exist in three states, NSW, South Australia and Western Australia. The principal difficulty experienced by older workers is the attitude of employers, who consistently give preference to younger people. Although there is growing awareness of the problem, the situation is unlikely to change significantly until the demographic pressure of an ageing work force becomes inescapable.

Introduction

Mature-age unemployment represents a significant social cost to the community, particularly because it tends to persist over long periods. Although unemployment rates among young people (under 25) are actually higher, the *duration* is much less. By comparison, people who lose their jobs in their 50s may never find full-time employment again.

Government policy has long treated mature-age unemployment as a minor issue. It will now be more difficult to do so following a large-scale

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parliamentary inquiry. In June 2000, the House of Representatives Standing Committee on Employment, Education and Workplace Relations produced the report of the inquiry, entitled *Age Counts*.

The report was compiled over a period of almost 18 months, following a reference from Peter Reith, Minister for Employment, Workplace Relations and Small Business, which asked the committee to inquire into 'the social, economic and industrial issues specific to workers over 45 years of age seeking employment, or establishing a business, following unemployment'. The committee received no less than 166 submissions and held public hearings in Canberra, Melbourne, Adelaide, Sydney, Brisbane, Perth and Newcastle.

Peter Reith's reference is intriguing. Only a few weeks before it was issued, the ABC's *7.30 Report* screened a program in which I was interviewed, along with several other people, one of whom was Reith. His contribution to the program was essentially to deny that there was any special problem relating to older workers, and that they would benefit equally with other age groups from his government's economic policies. There is some evidence that he received a nudge from his parliamentary colleagues. At all events, I was invited to give evidence to the committee, and this paper is partly based on that evidence.

Dr Brendan Nelson, chairman of the committee, writes in this foreword to the report:

Being without a job devastates not only personal finances; it exacts a heavy social and human toll ... That may certainly be said of the many mature age men and women whose lives touched this inquiry ... Though the unemployment rate for mature aged people is lower than that of the general population, the rate of long-term unemployment is much higher, representing the tip of an iceberg of quiet anguish (Report, p.ix).

This paper deals with three aspects of mature age employment and unemployment:

- The concentration of long-term unemployment among older men;
- Labour market programs directed specifically at the mature-age unemployed;
- The reluctance of employers to take on mature-age workers.

Long-Term Unemployed

There is ample evidence that mature-age workers (generally defined as 45 and over) are particularly vulnerable to long-term unemployment (LTU),

defined by the ABS as being out of work for at least 12 months. This feature of the unemployment situation has been noted by a number of commentators. Whitfield and Ross, using labour force data over a period of 15 years from 1978 to 1993, showed that the average duration of unemployment for the population at large rose from 28 weeks to 60 weeks, but for persons aged 55 and over it increased from 36 weeks to 118 weeks (Whitfield and Ross, 1995: 165). The disparity is even more marked at the level of very long-term unemployment (VLTU), defined officially as being out of work for at least 2 years. The ratio of mature-age VLTU to their youthful counterparts (20-24 age group) is more than 2:1 (Encel, 1997: 140).

The House of Representatives report updates these figures with a table which shows the average duration of unemployment by age group and gender for a 10-year period, 1989-1999. During this time, the duration of unemployment has fluctuated in all age groups, but the rate for males aged 55 and over has remained consistently higher than the figure for any other age group. It reached a peak of 120 weeks in 1995, fell back to 90 weeks in 1997, but has climbed since then and is once again approaching the 1995 peak. It is also of interest to note that the duration of unemployment for *all* age groups over 45 has risen since 1996, while it has fallen for males aged 15-44.

N.B. The employment/unemployment pattern for women over 45 is significantly different for that of men. The reasons for this divergence are beyond the scope of this paper, but I have examined them elsewhere (Encel, 1997: 139-143; Encel and Studencki, 1996; Encel and Studencki, 1997). A detailed analysis has also been made by Adriana van den Heuvel (1999).

Programs for Older Workers

A number of reports by international bodies have stressed the need for labour market programs directed specifically at older workers. In its annual review of the labour situation around the world, the ILO noted in 1995 that long-term, chronic unemployment as disproportionately concentrated among older workers. The report notes

the present trend whereby older workers are often pushed or pulled out of the active labour force prematurely due to labour market constraints. The decline in participation rates of older workers runs counter to demographic trends and rising social expenditures. It also gives rise to many questions as to why older workers are so often the first victims of enterprise restructuring or government measures to reduce labour supply (ILO, 1995: 31).

Similarly, the disproportionately high rate of long-term unemployment among older workers has been the subject of several reports by the World Bank, the European Union and the OECD. A 1996 report by the OECD recommends the introduction of carefully targeted Active Labour Market Programs (ALMPs) to address the specific problems of older workers, and notes moves in this direction in several countries including the UK, Japan, Germany and France. The report also suggests the collection and dissemination of reports on ALMPs, to increase knowledge of successful schemes (OECD, 1996).

In the United States, the Federal government allocates small amounts for job training programs. Under the Job Training Partnership Act (1982), 3 per cent of the budget is specifically allocated for education and training programs for older workers, who must be over 55 and economically disadvantaged. The funds committed under the Act are available to state governments to establish programs for older individuals. Consideration is given to programs involving training for jobs in growth industries and jobs reflecting the use of new technological skills. The best publicised program supported by the Act is the 'McMasters' scheme conducted by the fast-food company, McDonalds. It was initiated by the Maryland State Office on Ageing under an agreement with the company, and became nationwide as a result of its early success.

In addition, a number of state governments have established labour market schemes, using Federal funds provided under the Older American Act (1965). Such schemes have operated in Arizona, Washington, Colorado, Florida, and Missouri, and Michigan. A program run by New York State operates under the slogan 'Ability is Ageless'.

A national program supported by a private foundation uses the acronym ABLE (Ability Based on Long Experience). ABLE was established in Chicago in the 1980s as a non-profit organisation which offers services to both employers and older workers. Specific activities include job evaluation for older workers, orientation of existing employees to working with older people, restructuring full-time openings into shared part-time jobs, and access to non-profit placement services. ABLE groups now exist in a number of large American cities (Gollub, 1987: 156-157).

In Australia, there are several programs directed at the mature-age unemployed. The oldest is the NSW Mature Workers' Program, operating since 1990. Eligibility for the MWP commences at age 40, with preference for those aged over 45. The following categories are eligible:

- Unemployed
- About to be retrenched
- Mid-life career changers
- Early retirees
- Persons returning to the work force
- Persons who had never worked.

The program has two strands, employment and training. Employment projects have operated through community based organisations such as the Salvation Army, Mission Australia and Job Futures. The second strand, training, is open to private contractors as well as public providers, such as the TAFE system (McFee, 1993).

After five years of operation, the MWP was evaluated by a private consultant, who analysed the results of 14 selected projects, together with surveys of past participants and project staff. More than 80 per cent of those who had obtained placements attributed this at least partly to assistance from the MWP. At the time of the surveys, 50 per cent of past clients were still in employment. Although younger and more recently unemployed people had the highest rate of success, previously long-term unemployed has also done well (Funnell, 1994).

The NSW example remained unique for a number of years. It should also be added that the MWP narrowly escaped abolition in 1995, following a change of government. The NSW Labor government of Bob Carr has shown much less interest in issues related to ageing than its coalition predecessor. Although the MWP survived, its budget has remained frozen at the 1995 level, which means an effective reduction. In 1999, a consultants' report endorsed the value of the MWP and recommended that it should be expanded. The report remains unpublished.

In 1999, two other States – South Australia and Western Australia – introduced their own programs. In his 1999 Employment Statement the S.A. Premier, John Olsen, announced a package of initiatives designed to combat unemployment in that state. The package includes the Mature Age Employer Incentive Scheme, with a budget of \$4 million over three years to assist mature age jobseekers by providing an incentive of up to \$2000 to businesses which employ persons aged 40 or over. This program supplements the Small Business Employers Incentive Scheme, introduced in 1998, which provides financial incentives to small businesses to employ trainees and apprentices.

A second item in the package is the Mature Age Support program, which provides \$1.2m over three years for advice, training and employer aware-

ness programs aimed at improving job opportunities and employability of mature age job seekers.

These programs supplement the work of DOME (Don't Overlook Mature Expertise), a voluntary organisation with a small staff of professionals, funded by the State government. DOME was established in 1980, and provides a job bureau, mutual support, information and referral services, training in office skills, contact with employers, and newsletters. During its lifetime, DOME has been able to assist an annual average of 1000 people to find jobs.

In 1996, a sister organisation, DOME Inc, was established in Western Australia. The WA agency operates by encouraging employers to apply to the organisation instead of advertising for staff. The employer is asked to outline a job specification, and is then provided with a short list of preferred candidates with the required skills.

The W.A. State government also launched a program for mature workers in 1999, under the slogan of 'Profit from Experience'. It is aimed primarily at jobseekers aged 45 and over who have been unemployed for a period of 3-12 months and are not receiving assistance from the Commonwealth Job Network. The WA Department of Employment and Training estimated that there were 5000 unemployed mature age workers in the State who were not receiving Commonwealth assistance. The State program was launched with a budget of \$3m. It has five elements:

- a network of access officers
- career restart, to assist workers who have been retrenched or made redundant
- a skills redirection program
- a 'cyber job link' for remote communities
- a skill recognition process, possibly leading to formal retraining.

The media release describing the program (October 21, 1999) lists nine voluntary agencies providing access officers (one from DOME Inc).

As the official statement concedes, this program is focused on the medium-term unemployed. Long-term unemployment remains the responsibility of the Commonwealth Government, which has not yet made any substantial moves to establish such programs (apart from the parliamentary inquiry). Ironically, both Paul Keating (then Prime Minister) and John Howard (then Leader of the Opposition) undertook to introduce a national program in their 1996 election campaign statements. Since then, nothing more has been heard of the matter. However, in the Budget for 2000-2001, the Treasurer, Peter Costello, announced an allocation of \$3.1m over two

years to examine barriers faced by mature-age unemployed job seekers, and to fund early intervention and counselling services. This program is administered by the Centrelink agency, which has selected 15 centres in several States to implement the scheme.

It is noteworthy that one of the major providers of employment services through the Commonwealth Government's Job Network, Mission Australia, has issued an 'advocacy statement' arguing the case for a national program for mature-age workers. The statement observes that

mature aged workers are one section of the community which remains largely hidden when it comes to discussions about unemployment. In spite of ongoing patterns of long term unemployment and its crucial consequences, policy makers have consistently ignored this group. Forcing mature workers from the labour market increases the number of people dependent on a shrinking taxation revenue base (Mission Australia, 2000).

The statement also emphasises that the Job Network does not cater properly for the over-45s, and illustrates the problem with a number of quotations from its employment staff. As one of them noted, 50 per cent of his case load were over 45, and of these 90 per cent were men.

The House of Representatives committee came to similar conclusions, and makes a number of recommendations for services directed at mature-age workers, including training programs, career guidance, a code of practice for employers, a training credit scheme, and a specific subsidy for mature-age people undertaking traineeships or apprenticeships. At the date of writing, there has been no government response to these recommendations.

The Attitudes of Employers

As the House of Representatives report and the Mission Australia advocacy statement acknowledge, the greatest difficulty for the mature age unemployed is the reluctance of employers to hire or promote older workers. Discrimination is practised, openly or more often covertly, in a number of ways, despite the fact that age discrimination is prohibited by legislation in all States and Territories (Encel, 1998; Bennington and Calvert, 1998; Encel and Studencki, 1998). Apart from the personal hardship and frustration which this situation imposes on many individuals, the unwillingness of employers to hire, retain, or promote older workers has a number of irrational aspects. A recent report by the U.S. Committee for Economic

Development (CED) notes this irrationality in relation to the reluctance of employers to provide retraining programs for older workers:

Employers are unwilling to invest in a worker who they expect to retire within a few years. Job retention, however, is highest among 55-65-year-olds, even where the older worker ... has been recently hired. Further, job tenure after receiving training is higher for older workers than for younger ones. Reluctance to train workers nearing retirement may be a self-perpetuating problem; without adequate training, workers reach a plateau in their careers when little more than retirement is expected of them (CED, 1999: 29-30).

Similar findings are reported in earlier U.S. studies, including one conducted by the Commonwealth Fund in 1992, which found that more than half of workers over 50 who had undergone training had done so on their own initiative, and only one-fifth were encouraged by their employers (Rix, 1996). A national survey of 400 U.S. companies in 1994 found that employers rationalised their lack of support for training by the argument that the employees concerned would not stay with the company long enough to justify the investment (Rix, 1994).

Table 1. Employers' Attitudes to Older Workers

Positive considerations:

- * Better developed skills
- * More experience
- * Better qualified
- * More likely to stay in the job
- * Better able to carry out instructions
- * Reliability and loyalty

Negative considerations:

- * Company policy is to prefer younger workers
- * Possible union opposition
- * More subject to illness and injury
- * Deterioration of mental and physical abilities
- * Unwillingness to undertake retraining
- * Greater cost of retraining older workers
- * Inflexibility and complacency
- * Older people should retire to make way for younger workers

A number of studies have found that employers value older workers for qualities such as reliability, stability, loyalty, interpersonal skills, and low levels of absenteeism. However, they regard younger workers as more adaptable, flexible, and receptive to new technology. When it comes to the

point, employers value the latter qualities more highly and will choose younger applicants in almost all cases.

Table 1 indicates the range of statements reported in a number of studies of employers' attitudes to older workers, carried out in Australia, the UK and the US.

The world's largest organisation of older people is the American Association of Retired Persons, established in 1955, with a membership of more than 30 million. AARP has conducted some of the best research in the area of employment and unemployment. Table 2 gives the results of a survey of employers' attitudes (Berkowitz et al. 1988).

Table 2. AARP Survey of Employers' Attitudes

Older workers received ratings of 'excellent' or 'very good' on the following qualities. The percentages indicate the proportion of employers in the survey who gave these ratings.

	%
Attendance and punctuality	86
Commitment to quality	82
Loyalty to employer	79
Practical knowledge	79
Solid experience	74
Reliable performance	71

Despite this apparently favourable evaluation of older workers, the hard fact remains that employers will not take them on. In 1994, the AARP conducted another survey to probe the reasons for this reluctance. The study covered 400 companies varying widely in size and area of activity, with 'older workers' defined as persons aged 50 and over. The report deals with a number of issues, and I quote those directly concerned with older workers:

- Older workers were perceived as lacking flexibility and competence with new technology;
- Highly skilled workers are increasingly operating in a 'buyer's market', where older workers are at a disadvantage;
- Downsizing and cost cutting have a disproportionate impact on older workers. However, to minimise the loss of experience and corporate memory involved, many older workers are rehired on a part-time, temporary or contract basis. From the company's point of view this has the advantages of a more flexible and cheaper work force. For the older workers, of course, it means insecurity and discontinuity of employment.

- Finally, one endearing response to the AARP survey relates to the fact that while the work force as a whole is ageing, managers appear to be getting younger and younger. These young managers feel uncomfortable about hiring and working with older employees. As one of them observed, 'he didn't want to boss Mum and Dad' (Rix, 1994: 5)

A recent British study provides a more systematic account of the way in which managers perceive the differences between older and younger workers. Peter Warr, the author of this study, collected a wide range of views expressed by managers about the qualities of older and younger workers, and subjected them to the statistical technique of factor analysis. As a result, he isolated two common themes or factors, which are correlated with specific work capacities identified by the respondents to the survey. Table 3 shows the results of this factor analysis, with specific work capacities ranked in descending order of statistical significance (Warr, 1994).

Table 3. Older and Younger Workers

1. General Work Effectiveness (older workers are superior)

(In descending order of significance)

- conscientious
- reliable
- work hard
- effective in the job
- think before they act
- loyal to the organisation
- have interpersonal skills
- do not take things easy
- work well in teams
- receptive to direction

2. Adaptability (younger workers are superior)

- able to grasp new ideas
- adapt to change
- accept new technology
- learn quickly
- interested in training

Source: P.B. Warr, 'Age and Job Performance', 1994.

Reluctance to employ older workers is unsustainable, in the long run, as the average age of the labour force continues to rise in line with the ageing of the population. By the year 2015, the median age of the labour force is projected to reach 40. Between 1993 and 2011, persons aged 15-24 will fall from 22 per cent to 18 per cent of the labour force, with corresponding rises

in older age groups (from 19 per cent to 23 per cent). Demographic reality will compel employers to act differently. Peter Peterson, formerly Secretary of Commerce in the U.S., has used the metaphors of an approaching iceberg, or a rising tide, to dramatise the problem. It is essential, he argues, for employers to act now in advance of a critical situation (Peterson, 1999).

Some far-sighted employers have, in fact, recognised that society cannot, in the long run, afford to lose the services of skilled and experienced people. In Britain, the examples of the Tesco supermarket chain and the B and Q do-it-yourself stores are well known, and there are a number of other firms, such as IBM, which have adopted policies designed to retain the services of older employees. In 1996, the Employers' Forum on Age was set up by a group of large companies with the support of the well-known charity, Age Concern. The EFA aims to influence employers by promoting the benefits of a mixed-age workforce. It recognises that employers can be attracted by the prospect of competitive advantage through anticipating the time when issues relating to an ageing workforce will be high on the agenda.

The CED report, cited above, represents a move in the same direction in the United States. The report gives a number of examples of companies which have adopted mixed-age policies. Apart from the well-known examples of Travelers Insurance and Days' Inns, other large insurance companies such as Prudential and Aetna Life have introduced schemes for retaining older workers. General Electric established a 'Golden Opportunity' scheme in 1989, which allows retired employees to continue working for a maximum of 1000 hours per year, while retaining their pensions and benefits. Microsoft, well aware of the growing market among older persons, has introduced seniors' computer training schemes which aim to reach 250,000 people by the end of 2000. A particularly interesting initiative has been undertaken by the GTE Corporation, a major electronics manufacturer, which uses retired executives for jobs that require extended stays overseas (up to 6 months). They are paid on an hourly basis plus a bonus on completing the assignment.

Conclusion

The irrationality of a situation where more and more people leave the workforce permanently in their 50s, while the proportion of younger people in the population continues to shrink, is bound to produce change sooner or later. In the meantime, the rising level of long-term unemployment among older men imposes large social costs, both on the taxpayer and on the

unemployed and their families. The issue is well expressed in the House of Representatives report:

Central to the report's conclusions is the need for us to challenge and change the attitudes of society and employers to ageing. Skills, enthusiasm and adaptation to change are not the exclusive domain of the young. To the workplace must also be brought wisdom acquired with the passing of years.

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