Coming of Age: The Impact of an Ageing Workforce on New Zealand Business
Executive Summary/Key Findings

As more baby boomers enter retirement age and the ratio between the numbers of workers to the numbers of retirees’ rockets, why should New Zealand business be concerned? There has been much said in recent years on New Zealand’s ageing population and workforce participation rates, but while 58% of employers believe that an ageing workforce will have a large or very large impact on their own organisation, they have been largely content to leave the issue to government policy makers.

The statistics regarding New Zealand’s ageing population are stark: In 2012, fifty percent of the New Zealand labour force was older than 42 years of age, compared to 36 years in 1991 and 39 years in 2001 (Mortimer & Alpass 2007.).

By 2031, New Zealand will be home to more than one million people aged 65+, or one in every five people (McPherson 2012). There will be an increasing need for welfare benefits, pensions and public healthcare for New Zealand’s older citizens.

Mature employees represent a valuable and often untapped source of increased productivity for organisations. Our research found that older workers have a strong drive to work, as well as a growing financial imperative to do so following the blow to their savings during the GFC. Yet despite this, ‘grey workers’ are underrepresented in the workforce and overrepresented in the joblessness rate.

For Coming of Age: the impacts of an ageing workforce on New Zealand business, we surveyed 56 senior business people and 864 New Zealand jobseekers on the advantages and challenges of increased mature worker participation. We sought to understand which industries are at greatest risk of skills shortages as a large body of skilled employee’s transition to retirement, and what employers are doing about it. Primary research was supplemented with insights from a range of publicly available publications, research reports and articles.

Our research identified the need for New Zealand business leaders to become more strategic in their approach to attracting and retaining mature workers. While there are compelling economic and social arguments for the need to keep workers in the labour force for longer which are the remit of governments, the reality is that it is individual organisations and their employees who make the decision whether or not to hire and retain an older worker, and how they will prepare for the impacts of an ageing workforce.
Some Key Findings;

- Half (51%) of those candidates interviewed who are not currently working need to return to work to sufficiently fund themselves through retirement.
- Employers perceive older workers as more experienced and more reliable, yet less computer literate, more resistant to change and more prone to health issues.
- There is also a real benefit to be gained from employing older workers. Most (59%) employers note that there is a shortage of highly experienced workers in their industry. By the same token, 48% agree that older workers are a relatively untapped resource in their industry.
- Why aren't firms hiring more older workers? The key reason according to employers is simply that older workers do not apply for the roles advertised.
- Despite the productivity benefits employers note that older workers bring, and the diversity advantage available, few organisations have structures in place to reap these dividends - just 18% of employers have specific planning strategies around ageing workforce participation.
- Our data indicates that age related discrimination is a problem in New Zealand - 46% of employers and 32% of employees believe age discrimination is a problem in their industry.
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Methodology

This White Paper draws on a combination of both primary and secondary information. Whilst there is no shortage of relevant information in the public domain, the key published information sources for this paper include:

- Ageism exists in New Zealand too. Boock, R. 2012
- Ageing workforces and ageing occupations: A discussion paper, Department of Labour, 2012
- Bonus cash for hiring a mature-aged worker, Zillman, S., 2013
- Where is your next worker?, Deloitte Touche Tohmatsu, 2011
- Older workers choosing work over retirement, Fleming, G. 2011, The New Zealand Herald, 6 March 2013
- Westfield Wright Pty 2012, Attitudes to older workers, Nicholas Wright, Sydney

References to these papers are made throughout this White Paper.

Gaps in the publically available information were explored using primary research. OCG Consulting commissioned Lonergan Research to conduct an online survey amongst senior business people (employers) and amongst members of the workforce, including both older and younger workers. Respondents were sourced from the OCG Consulting client and candidate lists.

Employers are represented by OCG Consulting clients. Respondents in junior roles were excluded from the survey. A total of 56 surveys were completed amongst eligible respondents. All respondents identified themselves as either being in a senior management position in their organisation, or were specialists (such as internal consultants with an appreciation and understanding of their business as a holistic enterprise).

A total of 864 eligible respondents completed the candidate’s survey, which include those who have had contact with OCG Consulting either to place them in a job role, or as part of a managed workforce. As such, the survey represents those who are currently in the workforce.

Fieldwork commenced on Monday, May 6 and was completed on Monday, June 24, 2013.
Introduction

The government is well aware that New Zealand’s ageing population creates a macro-economic imperative for people to participate in the labour force for longer. As people are living longer, and younger people are entering the workforce later, pressure on those supporting the upper and lower ends of the age demographic is increasing.

In 2012, fifty percent of the New Zealand labour force was older than 42 years of age, compared to 36 years in 1991 and 39 years in 2001 (Mortimer & Alpass 2007.).

By 2031, New Zealand will be home to more than one million people aged 65+, or one in every five people (McPherson 2012). There will be an increasing need for welfare benefits, pensions and public healthcare for New Zealand’s older citizens.

New Zealanders need to change their attitudes as to how long a person is expected to work, and how long they remain capable and productive workers. Ageism exists, particularly among the young (Boock, 2012) and mature age workers looking for jobs are out of work twice as long as younger job-seekers (Zillman, 2013). Personal barriers for mature age workers include feeling too old to compete with younger job seekers (EEO, 2009).

In the future, greater participation of older workers will be needed. Overall, an older labour force is inevitable. Many older workers want to participate in the workforce. In one study, around a third of New Zealanders who weren't in paid work at 65 said they would like to be employed (McPherson, 2012).

The Global Financial Crisis has exacerbated the situation and has seen many retired, or those nearing retirement, losing superannuation savings. This then requires them to participate in the workforce for longer so as to have sufficient funds to see them through retirement (Westfield Wright Pty, 2012).

Whilst these are compelling economic and social arguments for the need to keep workers in the labour force for longer, they are primarily macroeconomic in nature, and hence the domain of government. At the end of the day, it is individual firms, and the workers they employ who make the decision to hire or not to hire an older worker.

The impetus for this report is to understand views and behaviours towards an aging workforce from a microeconomic viewpoint. This report therefore focusses on the views of three core groups:

1. Employers
2. Older workers themselves
3. The younger workforce
Defining an ‘Older Worker’

Employers and employees are aligned on when they think you can consider someone as an older worker. Generally it is perceived to be around the age of 57-58 years. There is little variation across industries, although perceptions change with age. As people get older, perceptions as to when someone is classed an older worker increases.

For the purposes of this survey older workers were defined as being aged 50 and above, a little younger than the average perceptions of the participants of the survey.

At what age do you consider someone becomes an older worker? Base Client and Candidate survey n=56, 864
**Older Workers and Retirement**

Similarly, the likely retirement age gets pushed back as people age, with younger workers (perhaps somewhat optimistically) planning to retire at a younger age than their older counterparts.

Note that the sample base includes only those who are working or looking for work.

Delaying access to superannuation funds from 65 to 67 has little or no impact on when people expect to retire. Retirement age perceptions are similar for males and females.

![Bar chart showing retirement age perceptions](chart.png)

*Taking into consideration factors such as your likely retirement savings, life expectancy dependents and desire to work. Assuming there are jobs available, at what age are you likely to retire? Base Candidate survey n=857*  
*Currently the age at which you can retire and access your superannuation is 65. If this was to increase to 67 years, still assuming there are jobs available, at what age are you likely to retire? Base Candidate survey n=857*
Amongst the older workers who remain in the workforce, financial necessity is a primary driver. Two in three disagree with the statement “I don't need the money I choose to work for other reasons” (21% agree, 12% neutral).

This is also aligned to the perceived adequacy of retirement savings. As life expectancy increases, not to outlive their retirement savings, people will need a larger nest egg (Deloitte Touche Tohmatsu, 2011). Three in five (60%) workers aged 50+ and approaching their ‘golden years’ do not feel confident they have enough savings to carry them through retirement.

Seven out of ten (68%) candidates aged 50-59 feel that, if forced to retire, they would have insufficient funds. This situation, improves for the over 60s but still around half of them (46%) believe that they have insufficient funds to retire. Only 3% of 50-59 year olds and 12% of those over 60 think that they could comfortably retire at the present moment.

How sufficient are your retirement savings?
Base: Candidate survey. Older workers n=434
Half (51%) of those who are not currently working need to return to work to sufficiently fund themselves through retirement.
It's evident that the majority of older workers need to continue to work well after the age of 60 but are they still motivated and what kind of work are they looking for?

Consistent with the findings from an article published by Fleming (2011), our survey found that older workers remain motivated and seek challenges in their work.

A large majority of candidates over 50 disagree that they are losing interest in their careers (76%) and this consistent even for the over 60 year olds (71%).

Older workers are not seeking an easy transition into retirement, with 81% preferring a challenging and rewarding role, in which they are prepared to work hard.

*How would you describe your current attitude towards working?* Base: Candidate survey. Older workers n=434
When older workers are segmented along the need to and desire to work, half (51%) have both a financial need to work and prefer a more challenging role. One in ten (10%) have no financial need for work, and prefer a less challenging role. The drivers to attract and retain these segments differ significantly, as will the types of role they succeed in.

<table>
<thead>
<tr>
<th>Career orientation</th>
<th>Financial need to work</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>No need</td>
</tr>
<tr>
<td>Prefer challenging role</td>
<td>30%</td>
</tr>
<tr>
<td>Prefer less challenging role</td>
<td>10%</td>
</tr>
</tbody>
</table>
What Older Workers Seek in a Role

The key elements workers are seeking in a role include feeling recognised and valued, the company culture and values, being in a role they are passionate about, work life fit, the ability to learn new things and work life balance.
Generally speaking, older workers are seeking the same elements in a role as younger workers. The only stark difference is that older workers are far less likely to feel a need to further their career. Even ‘age relevant’ options (such as the ability to take a phased retirement) are of limited value to most older workers.

How important are each of the following to you in a job role? Base: Candidate survey n=430, 427 (5 point scale, top 2 box (extremely – very important) shown)
By segment, there are some different drivers emerging.

- Amongst those seeking a challenge (regardless of their financial needs), the main driver is to be able to learn new things.
- Amongst those with no financial needs (regardless of whether or not they are seeking a challenge), the main driver is to have flexible working hours.
- Amongst those with no financial need not seeking a challenge, the main driver is work life fit

The top drivers in selecting an appropriate job role are shown below.

How important are each of the following to you in a job role? Base: Candidate survey n=129, 222, 43, 40 (5 point scale, top 2 box (extremely – very important) shown)
Industries hiring older workers

Nearly all employers claim to have an intergenerational workforce (91%). Across all industries, there are equal numbers of firms who have an overrepresentation and an underrepresentation of older workers. About half of employers think that older workers are proportionately represented.

Thinking about your organisation. Would you say that older workers (aged 50+) are? Base: Client survey n=56
How Older Workers Impact an Organisation

When employers are asked to comment (unprompted) on the key issues related to hiring older workers, 32% of responses included some benefits older workers bring to their organisation, whereas 52% included negative issues older workers bring to their organisation.

Employers perceive older workers as more experienced and more reliable, yet less computer literate, more resistant to change and more prone to health issues.

<table>
<thead>
<tr>
<th>Positive responses</th>
<th>%</th>
<th>Negative responses</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better / more experience / knowledge</td>
<td>16%</td>
<td>Less adaptable/resistant to change/less flexible</td>
<td>23%</td>
</tr>
<tr>
<td>Nett: more reliable / productive</td>
<td>11%</td>
<td>Have more health issues / injuries</td>
<td>9%</td>
</tr>
<tr>
<td>(More reliable / productive)</td>
<td>(5%)</td>
<td>Need special treatment / OH&amp;S / less hours</td>
<td>9%</td>
</tr>
<tr>
<td>(Less sick leave/holiday)</td>
<td>(2%)</td>
<td>Less computer literate/tech savvy</td>
<td>9%</td>
</tr>
<tr>
<td>(Better work ethic / hard-working)</td>
<td>(4%)</td>
<td>Less energy/fatigue/slower</td>
<td>7%</td>
</tr>
<tr>
<td>(More stable / loyal)</td>
<td>(9%)</td>
<td>Less motivated/ambitious</td>
<td>7%</td>
</tr>
<tr>
<td>Able to train others / mentor</td>
<td>9%</td>
<td>Physical decline</td>
<td>5%</td>
</tr>
<tr>
<td>Integrate well / easy to manage</td>
<td>4%</td>
<td>Not integrate well with younger workers</td>
<td>4%</td>
</tr>
<tr>
<td>More drive/energy</td>
<td>2%</td>
<td>Need to retrain</td>
<td>4%</td>
</tr>
<tr>
<td>Less staff turnover</td>
<td>2%</td>
<td>Higher salaries</td>
<td>4%</td>
</tr>
<tr>
<td>Other positive</td>
<td>9%</td>
<td>Other negative</td>
<td>6%</td>
</tr>
</tbody>
</table>

What do you think are the key issues from having older workers in your organisation? Base: Client survey n=56
According to Zillman (2013) many employers are concerned that older workers leaving the workforce will leave a skill gap – an issue Zilman asserts employers often overlook. Employers in New Zealand are focused on the adaptability and health of older workers than the loss of knowledge and skill of older workers.

**Productivity**

Employers generally view older workers as being more productive than their younger counterparts. This trend was the strongest amongst employers who are themselves older workers, with 74% of employers aged over 50 believing older workers are more productive (cf. 29% of employers aged 50 and under).

Furthermore 46% think that older workers are less likely to make critical mistakes or stuff things up (cf. 38% disagree).

![Productivity of Older Workers](chart)

*How do you rate the productivity of older workers aged 50+? Base: Client survey n=56*

Both employers and the workforce believe that older workers are better in a crisis, make better mentors and are more enthusiastic than their younger counterparts.
Thinking about older workers aged 50 and above. Do you agree or disagree with the following statements? Base Client and Candidate survey n=56,864

There is also a real benefit to be gained from employing older workers. Most (59%) employers note that there is a shortage of highly experienced workers in their industry. By the same token, 48% agree that older workers are a relatively untapped resource in their industry.
Thinking about older workers aged 50 and above. Do you agree or disagree with the following statements? Base Client survey n=56

**Do Employers Foresee an Aging Workforce crisis?**

Although there are compelling arguments to prepare for an ageing workforce at a national level, employers generally consider the best interests of their organisations above altruistic national goals. Organisations are taking notice of this shifting demographic and do foresee an impact at an enterprise level.

Almost all (91%) of employers consider that an aging workforce will have some impact on their organisation, however opinion is divided as to the size of this impact. Just over half (58%) believe an ageing workforce will have a very large or large impact, with little or no impact for 42%.

![Pie chart showing the impact of an ageing workforce]

*To what extent will an ageing workforce impact your organisation over the next decade? Base Client survey n=56*
There is a strong correlation between organisation size and the perceived impact of an ageing workforce. Amongst businesses with a workforce of less than 400 employees, 44% believe an ageing workforce will have a very large or large impact, cf. 68% of larger businesses (400+ employees).

Seven in ten employers in companies with an over-representation of older workers feel an ageing workforce will have a large impact on their workforce, so do 33% of employers with an under-representation of older workers.
Hiring older workers

Why aren’t firms hiring more older workers? The key reason according to employers is simply that they do not apply for the roles advertised.

What are the barriers to your organisation hiring more older workers aged 50+? Base Client survey n=56

High salary expectations are another core reason. This has also been noted in other literature (e.g. Westfield Wright Pty 2012).

This view is not held universally by employers. One in four (23%) employers agree that older workers have ‘higher salary expectations, hiring them is not good value for our business’, implying that this barrier is held by a significant number of employees. However, it should be noted that almost half (48%) of employers disagree with this sentiment.

This is also a view which is not generally shared by older workers themselves. Most (53%) workers over 50 were willing to accept a pay cut for the right role (cf. 39% of workers under 50 years old). Furthermore, 59% would accept a more junior position (cf. 41% of workers under 50 years old).
A survey conducted by the EEO (McPherson, 2012) suggests that older workers inability to come to grips with new technology is an issue for some employers.

Our survey shows that this is an issue for some employers, however this view is not held universally. In fact, the majority of both the workforce and employers disagree with the statement “When it comes to technology, older workers just don’t get it.”. With over one in three (34%) employers holding this stereotype, however, it is a significant issue likely to be impacting on many older workers.

Do you agree or disagree with the following statements? When it comes to technology, older workers just don’t get it.  

Base Client and Candidate survey n=56, 864
Attracting an Older Workforce

Despite the productivity benefits employers note that older workers bring, and the diversity advantage available, few organisations have structures in place to reap these dividends.

Just 18% of employers have specific planning strategies around ageing workforce participation. Just one in three plan to implement or increase their workforce ageing strategies over the next decade.

Most (56%) of employees think it should be mandatory to have specific ageing workforce planning strategies in place. There is a disconnect between the strategies being put in place by employers, and what is being noticed by employees. Despite 18% of employers claiming to have strategies in place, only 5% of employees are aware of any strategies their employer has implemented.
Do you think it should be mandatory for organisations to have specific planning strategies around ageing workforce participation / utilisation?

Does your organisation currently have any specific planning strategies around ageing workforce participation / utilisation? Base Candidate survey n=658

Companies with an over-representation of older workers are more likely to have ageing workforce participation strategies (39% cf. 7% under-represented).

Similarly, companies with an over-representation of older workers are far more likely to be planning to implement or increase ageing workforce participation strategies over the next decade.
The main strategies organisations are implementing are flexible working hours, training and development, workplace health and safety and phased retirement.

What ageing workforce planning strategies do you have? (Promoted) Base Client survey with strategies in place n=10
Do the strategies employers are putting in place to attract older workers match the needs of older workers? Some strategies are aligned to what older workers would like to see (such as flexible working hours, phased retirement and workplace health and safety).

What ageing workforce planning strategies does your organisation currently have? (Prompted)
Regardless of what you currently have, what ageing workforce planning strategies would you ideally like to see in your organisation? (Prompted)
Some strategies are consistent with the elements older workers seek in a role, others are not:

- 59% have implemented flexible working hours – consistent with older workers desire for a work life fit (important to 69% of older workers)
- 48% have implemented a phased retirement, although this is only important to 23% of older workers
- 59% have implemented flexible working (hours) strategies. Flexible work hours are important to 45% of older workers

There are other strategies which older workers are crying out for which are not being offered by many employers or which are being offered but to an insufficient degree. These include training and development, an organisational culture, job design specific to an older workforce and telecommuting.

- 27% have implemented training and development, consistent with the ability to learn new things which is important to 71% of older workers
- 23% have implemented job design strategies – which is consistent with work life fit being important to 69% of older workers.

Although it may not be noticed by workers, most employers are open to offer training to older workers. Only 13% of employees think it is a waste of time to train older workers who are nearing retirement age (cf. 75% disagree) and only 18% agree there is less benefit in training older workers as they are near the end of their career (cf. 71% disagree).
Age Discrimination

Our data indicates that age related discrimination is a problem in New Zealand.

29% of employers and 33% of employees believe age discrimination is a problem in their industry.

Thinking about your industry generally, at what age does age related discrimination become apparent for older workers? (Specify age, or not a problem in my industry, or don't know) Base Client and Candidate survey n=56,864

Amongst those who do perceive age related discrimination to be a problem, the average employer believes this becomes a problem at 53 years of age, whereas the average worker perceives this to be a problem at 50 years of age.
In the work and age survey report (Alpass & Mortimer 2007), one in three respondents reported they had experienced workplace discrimination owing to their age.

Our findings take a broad view of age-related discrimination and suggest that it is even more prevalent. At an individual level, three in five (58%) older workers have experienced age related discrimination in the past 5 years. A similar proportion (61%) of workers (of any age) have witnessed it over this time period. This is most commonly manifested in the form of withholding interesting tasks, promotions or training from older workers.

Thinking about age related discrimination. Which of the following types of age related discrimination have you, personally experienced over the last 5 years? Base Older workers in candidate survey

And which of the following types of age related discrimination have you, personally witnessed which are directed at someone else over the last 5 years? Base Candidate survey
Although over one in three older workers sometimes feels invisible due to their age, and one in five (19%) have difficulty being included and heard, the proportion of older workers who disagrees with these statements is far greater. This implies age related discrimination is widespread, but not rampant.

Do you agree or disagree with the following statements? Base Older workers in Candidate survey n=434
Older workers believe the key causes of age related discrimination are unfounded age related stereotypes and younger workers being unsure how to manage their older peers. Younger workers, however, are more likely to believe age related discrimination is due to a lack of understanding between the generations.

What do you think are the key causes of age related discrimination? Base Candidate survey
Generation Y are more likely than Generation X to attribute age related discrimination to lack of understanding between the generations or older workers being unsure to manage younger workers. Conversely, Generation X is more likely than their younger counterparts to attribute discrimination to younger workers being unsure how to manage their older counterparts and unfounded age related stereotypes.
References:


Westfield Wright Pty 2012, Attitudes to older workers, Nicholas Wright, Sydney

Deloitte Touche Tohmatsu, 2011 “Where is your next worker?”

Department of Health and Aging “Valuing And Keeping Older Workers”, April 2010, National Seniors Australia Productive Aging Centre.


Zillman, S., 2013 “Bonus cash for hiring a mature-aged worker”
Appendix: Respondent Profile

Client survey

Location:

53
0

Note: 3 Respondents
Outside of New Zealand

Age and gender:

<table>
<thead>
<tr>
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<th>Male</th>
<th>Female</th>
<th>Under 50</th>
<th>Over 50</th>
<th>Refused</th>
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<tbody>
<tr>
<td>%</td>
<td>55%</td>
<td>45%</td>
<td>50%</td>
<td>48%</td>
<td>2%</td>
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Note: 3 Respondents Outside of New Zealand
Industry

Manufacturing 18%
Property and Business Services 14%
Finance and Insurance 13%
Transport and Storage 11%
Communication Services 11%
Health and Community Services 9%
Retail Trade 7%
Personal and Other Services 5%
Electricity Gas and Water Supply 4%
Other 9%
Candidates Survey

Location:

Note: 25 Respondents
Outside of New Zealand

Age and gender:

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<th>40-49</th>
<th>50-59</th>
<th>60+</th>
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</thead>
<tbody>
<tr>
<td>Male</td>
<td>22%</td>
<td>28%</td>
<td>34%</td>
<td>17%</td>
</tr>
<tr>
<td>Female</td>
<td>53%</td>
<td>47%</td>
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