



*Exploring the Impact of an Ageing
Workforce on the South Australian
Workers' Compensation Scheme:*

Key findings

The Australian Institute for Social Research

by

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prepared for

The South Australian WorkCover Corporation

July 2008

Key Findings

- o Older people comprise an increasing share of the employed workforce and this trend can be expected to continue for some time as the Baby Boomer cohort reaches retirement age, and a range of economic, social and policy changes encourage them to delay their retirement.
- o The proportion of the workforce with a disability (whether acquired from the workplace or not) will **increase** over the next decade due to population ageing, the prolonged lifespan of people born with a disability, and the increasing availability of employment for under-employed people with a disability in response to significant skills shortages. **Acquired** disability becomes progressively more concentrated in **older age** groups and therefore the percentage of the workforce with a disability is likely to continue to increase over coming years.
- o Ageing is not uniform across industry sectors and occupational groups, with concentrations varying significantly.
 - ⇒ The industries with the highest proportion of workers aged 55 and over in South Australia are **agriculture, health care, education, public administration** and parts of retailing, construction and manufacturing.
 - ⇒ The occupations with the oldest profile are **farmers and farm managers, managers and administrators and generalist managers**.
- o *WorkCover SA* claims do not necessarily correspond with the age profiles of industries and occupations.
 - ⇒ Claims are overwhelmingly concentrated in the **community services** and **manufacturing** sectors, in both cases, well above their workforce representation, followed by the wholesale and retail trade sector.
 - ⇒ Occupations with the highest share of claims were **labourers and related workers, tradespersons and intermediate production, and transport workers** - all of whom have a share of total claims which far exceeds their share of total employment. Claims are highest in **manual** occupations and it is likely that older workers in these occupations have left the labour force or moved to less physically demanding work roles.
- o In common with national trends, there has been a **decline in the number of *WorkCover SA* claims**, and in the incidence rate **across all age groups**, with the **largest rate of decline** in incidence rates involving workers aged **60 to 64**.
- o While the total number of claims is falling, the **distribution of claims has shifted towards older age groups**. This is consistent with the observed ageing of the workforce. With the ageing of the workforce expected to accelerate over the coming decade, the share of claims among older workers is likely to increase.
 - ⇒ The **highest proportion of claims**, on an age basis, involves the **40 to 49 year** age groups, followed by 35 to 39 year olds, and then by those aged 50 to 54.
 - ⇒ For all age groups between **20 and 54**, the share of *WorkCover SA* claims is **greater** than their workforce representation.
 - ⇒ Those aged **55 and over** have a **lower** proportion of claims relative to their share of employment, and this is likely to reflect that they have the greatest share of part-time employment compared with all groups aged from 24 and over.

- o In order to better understand the implications of workforce ageing on *WorkCover SA* liabilities it is important to analyse claims on the basis of their *duration, incidence* (that is, number of compensated claims per 1,000 employees) and *frequency* (that is, the number of claims per million hours worked by age group).
 - ⇒ A within-occupation analysis of claim rates involving the loss of ten days or more indicates that the likelihood of a time-lost claim increases significantly with age, peaking at the **50 to 54 year** age group.
 - ⇒ The incidence rate of claims has declined over time, across age groups, with the largest rate of decline involving 60-64 year olds. However, the incidence rate increases significantly with age and those with the highest incidence are aged between 50 and 65 years, particularly those aged **55-64 years**.
 - ⇒ Frequency rates have also declined for each age group over the past decade. Frequency rates also increase with age, but not to the extent of incidence rates. As with incidence rates, the age group with the highest frequency rates are those between **55 and 64 years**.

- o The likelihood of liability arising from workplace illness or injury cannot easily be determined on the basis of chronological age. Age is one variable that is mediated by a range of workplace factors, by the individual health and fitness of workers, and the interactive effect between individual worker and their work environment.

- o Ageism generates a number of myths and stereotypes about older people and the ageing process, and these are particularly evident in relation to the perceived capacity for workforce participation. Myths and stereotypes leave no room for individuality – they assume a homogeneity that is not possible when such large numbers of very different people are involved, and are evident in widely used terms like ‘the aged’ or ‘the youth of Australia’. Myths and stereotypes are based on perceptions, rather than reality, and underpinned by prejudice. In the face of a larger cohort of older people (the Baby Boomer generation) proportionate to the population as a whole, coupled with the need to retain mature workforce members, ageism is under siege. In drawing our conclusions from the available research, we present key myths and assess them against research findings. The Chart below summarises all of this information.

Workforce Ageing: Myths and Evidence

MYTH	RESEARCH EVIDENCE
Ageing brings ill health and disease	⇒ Age alone is not the key determinant of health. Other factors include education, lifestyle, fitness, nutrition, socio-economic status, and environment. ⇒ These factors are more reliable predictors of health in old age than chronological age. Much depends on the individual.
	⇒ Rates of chronic diseases and acquired disability increase with age. ⇒ However, most chronic illnesses linked with older age can be minimised or prevented.
Older workers have more sickness based absence	⇒ Factors other than age affect sickness (eg individual health and fitness, lifestyle). ⇒ Older workers take less non-certified sickness but more certified sickness absence. Non-certified absence can be of greater concern to employers. ⇒ Ergonomic and workplace design addresses the most usual cause of absence in older workers – musculoskeletal issues. Workplace environment, including degree of control/autonomy, plays a key role in worker illness and injury, and absence
Increasing numbers of	⇒ Expenditure on people aged 65 and over is higher than for younger age groups.

<p>older people are responsible for rising health costs</p>	<p>⇒ However, the costs associated with advances in medical technology have a greater impact on the health budget.</p>
<p>MYTH</p>	<p>RESEARCH EVIDENCE</p>
<p>Older workers have more injuries</p>	<ul style="list-style-type: none"> ⇒ There is little conclusive evidence to suggest older workers are a greater accident or injury risk in the workplace. ⇒ Older workers have fewer accidents, but when they are injured, their injuries are usually more severe. ⇒ However, older workers have a greater risk of fatal injury. ⇒ International research findings show that the incidence of injury decreases with age, but much depends on the definition of the term 'incidence'. If defined as '<i>injuries per thousand employed in that age group</i>', the incidence of injury increases with age (based on <i>WorkCover SA</i> claims data). However, if the meaning of incidence is simply the <i>number</i> of people injured in that age group, then it does decrease with age. ⇒ International research findings indicate that older workers may take longer to recover from their injuries but <i>WorkCover SA</i> claims data do not show any increased duration times for older injured workers. ⇒ Different types of injury are associated with different age groups (eg sprains, falls are more likely for older workers). ⇒ These can be prevented or minimised through training and workplace design. ⇒ It is not necessarily the person's chronological age that predisposes them to injury at work but their prolonged exposure to health and safety risk factors over time. ⇒ Older workers usually are more responsible regarding health and safety issues.

<p>Older people have reduced functional capacity and therefore are less able to work</p>	<ul style="list-style-type: none"> ⇒ Cardiovascular and respiratory capacity declines with age, and this is exacerbated if people are unfit. ⇒ However, workplaces can be modified to address this. <hr/> <ul style="list-style-type: none"> ⇒ Sensory and sensorimotor ability declines with age, but varies with the amount of previous exposure to certain environmental factors eg loud noise. These changes can begin in the mid-forty years. ⇒ However, accommodation can be made through aids (eg spectacles) and workplace design (eg effective lighting). ⇒ Changes in balancing ability increase susceptibility to falls and changes in thermoregulatory functions make it more difficult to manage extremes of temperature. ⇒ Workplaces can be designed to address these issues. <hr/> <ul style="list-style-type: none"> ⇒ Ageing brings declines in musculoskeletal functioning, increasing the risk of injury and reducing physical strength and endurance. ⇒ However, appropriate training can reduce the risk of injury as can workplace design. Individual physical strength and endurance can be improved upon or compensate, and overall decline in this area can be minimised through preventive measures (eg maintaining fitness). <hr/> <ul style="list-style-type: none"> ⇒ Ageing can bring greater susceptibility to a range of psychological issues including stress, but much depends on individual circumstances and on workplace factors. <hr/> <ul style="list-style-type: none"> ⇒ Cognitive functioning shows a gradual deterioration with age (eg in relation memory, learning, thinking, concentration and attention) but with considerable variation from one individual to another. ⇒ Decline in most abilities does not occur before 60 years, and is usually evident around 74 years of age, and there has been a slowing in the rate of average decline over successive generations. ⇒ Decline is reversible and usually due to lack of use of cognitive abilities. It can also be prevented through active usage and practice.
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	<ul style="list-style-type: none"> ⇒ Although speed of learning declines with age, this can be compensated for by strong motivation to learn, and actual learning is not dependent on a person's age. ⇒ Some cognitive functions eg problem solving, complex reasoning, use of language, improve with age
	<ul style="list-style-type: none"> ⇒ Individual health and education critically affects age-related functional change.

MYTH	RESEARCH EVIDENCE
Older workers lack the capacity for training and re-training, including in the use of new technologies	<ul style="list-style-type: none"> ⇒ Learning is not dependent on age, but people learn in different ways at different ages. ⇒ Learning is facilitated by educational level and older generations are now more highly educated than their predecessors. ⇒ The way in which training is delivered is critical. Older workers usually need training to be applied to the workplace, and respond well to self-paced learning and collaborative (eg with peers) learning. They usually require more time to learn and to practise new learning. ⇒ Cognitive changes do not mean that older workers are unable to learn new information but the way in which they learn is likely to be different. ⇒ Therefore, training should be tailored to individual need – which represents good practice in training for all age groups.
	<ul style="list-style-type: none"> ⇒ Mature workers require confidence to benefit from training and may need encouragement and support to participate in formal training, especially if they have low levels of literacy and numeracy and little ongoing learning experience.
	<ul style="list-style-type: none"> ⇒ Older workers tend to receive less formal training, reducing their confidence to participate and increasing the perception that they are less trainable.
Older workers represent a lower return on the training investment	<ul style="list-style-type: none"> ⇒ Although they may have less time until retirement, older workers usually have lower turnover rates, which increases their potential return on a training investment. In fact the training provided may ensure that they are able to remain in the workplace. ⇒ Due to increased longevity, those currently in the pre-retirement age group are likely to work for longer than previous generations, provided they are given flexible working conditions and the training needed for their work.
Older workers are less able to adapt to change	<ul style="list-style-type: none"> ⇒ Older workers can adapt to change, including in the workplace. ⇒ Adaptation is influenced by a range of factors, rather than by age. ⇒ Resistance to change can be reduced through appropriate consultation, training, support and flexible adjustment to individual need.

Older workers are less productive	<ul style="list-style-type: none"> ⇒ Productivity does not simply decline with age. ⇒ Much depends on individual health, cognitive functioning, ability to adapt to change and learn new information.
	<ul style="list-style-type: none"> ⇒ Older workers are more likely to have a slower speed of working but this is offset by a higher quality of output. ⇒ Reducing time pressures and giving preference to quality rather than quantity of output enhances the productivity of older workers.
	<ul style="list-style-type: none"> ⇒ Three factors have been found to affect decline in ability to work – <ol style="list-style-type: none"> 1 Excessive physical demand, including repetitive movement 2 Stressful and dangerous work environments 3 Poorly organised work. ⇒ These are all preventable through workplace design.

As the above chart shows, there are some forms of decline associated with the ageing process, but most of these can be prevented, minimised, reversed or accommodated. In addition, older

workers bring a range of positive attributes that have been identified by researchers, and which more than offset any deterioration. Those benefits include the following –

- o Broader experience from having worked in a variety of jobs, industries and organisations
- o Wisdom acquired from having lived longer and having made mistakes over time from which they have learned
- o Higher rates of retention;
- o Greater reliability;
- o Reduced 'unsubstantiated absenteeism';
- o Lower rates of absenteeism;
- o More responsible attitude to workplace safety (Benjamin & Wilson: 2005; Berger: 2005; Brooke: 2003; Critchley: 2006; Ilmarinen: 2001; Selby Smith *et al*: 2007).

It is important to separate myth from reliable research findings, and to acknowledge that –

- o older workers are a diverse group whose ageing process will vary from one individual to another;
- o chronological age is mediated by other variables, particularly health and education;
- o these other variables (eg healthy lifestyles, education, health promotion, healthy workplaces) can be addressed in a proactive way which means intervening across the life course, not just during the later years;
- o many of the functional changes associated with growing older can be delayed or reversed through interventions involving training;
- o many of the workplace accommodations that address ageing-related need are of benefit to all workers, not only those who are older;
- o the workplace has a critical role to play in promoting healthy workforces and workforces whose productive ability is not age-dependent.

The scope that exists for the workplace is illustrated in case studies exemplifying good practice in enabling older workers to perform to their maximum ability – an approach often described as '*age management*'. Australian initiatives that involve age management are also referred to as '*age balance*' workforce strategies, and tend to be driven by a business case model that demonstrates the economic benefits of recruiting and retaining mature age workers.

A major research project auspiced by the Australian Employers Convention (2001) quantified the human resources (HR) costs and benefits to business of employing an age-balanced workforce, with 45 and over being taken as the definition of an 'older' worker. The study reviewed myths, assumptions and stereotypes associated with older workers, and compared the costs and benefits of workers aged 45 and over with those associated with workers aged 44 years and under. The project found that –

- o Older workers were 2.6 times less likely to have left their jobs in the preceding 12 months than those aged 44 and under. ABS data showed that they remain on average in employment for 11.4 years compared with 4.8 years for those aged 44 and under.
- o The ratio of duration of employment for older workers was 2.4 times greater than that for the younger age group.
- o Workers aged 45 and over were most likely to have left their jobs due to retrenchment, not early retirement.
- o Challenging the assumption that older workers are not worth the investment of time and training due to their likely retirement, the study found that some 45% of workers aged 45 or more intended to remain in the workforce until the age of 65-69. Therefore, they represented a potential 20 year investment for an employer providing training for them. By contrast, workers aged 30 to 39 remain with an employer for an average of 5.8 years. *The*

estimated net recruitment benefits of a worker aged 45 or over were found to be \$1424 per year, per worker.

- o In assessing costs associated with training, the study noted that a number of qualifications need to be taken into account – in particular, the longer duration of employment of older workers (and therefore, enhanced investment) but the likelihood that their educational qualifications will be lower than their younger counterparts. Overall, their longer duration was considered to make older workers' training a benefit for business that involved a *net benefit of \$987 per year per older worker.*
- o Older workers were found to take slightly more unscheduled absence leave – 10.4 days compared to 9.66 for those aged 44 and under. However, as this was based on a two week snapshot, the researchers advised caution in interpreting this finding. The cost of unscheduled leave (that is, excluding sick leave or other approved forms of leave) was found to involve a *net cost of \$116 more than for the rest of the workforce, per older worker per year.*
- o Costs associated with work injury were found to involve a *net cost of \$330 more per older worker per year* (Australian Employers Convention, 2001: 6-12).

The conclusions drawn from this research were that older workers involved less costs than younger workers, and this was calculated to involve a **total net benefit of \$1956** compared to the rest of the workforce. Mature employees were also identified as bringing additional, but uncosted benefits that include avoidance of skill shortages and supporting longer term business strategies (Australian Employers Convention, 2001: 15-16).

In identifying the benefits of age management, the European Foundation's major research initiative known as the *Combating Age Barriers* project has been collecting data since the mid 1990s across a number of European Union countries yielding 117 case studies. Collectively the case studies represent a continuum of good practice that ranges from limited, narrowly focused approaches to **comprehensive** strategies that have these four components –

1. an emphasis on *prevention* (that is, addressing risk factors in the early stages of working life)
2. a focus on the *whole life course*, not just older age
3. a *holistic* focus (that is, addressing a range of issues including health, education, training, equal opportunity)
4. *compensatory* provision for older workers, particularly older women, who missed out on specific skills training, or whose health has suffered as a result of their employment (Taylor, 2006: 23).

Taken together, these four indicators of good practice in age management are part of wider workforce planning and development, focusing on workers across the life cycle, in order to maximise their productivity and prevent any decline in this due to the ageing process. At the same time, worker skill levels and capacity to participate are optimised, bringing benefits for the organisation as well as the individual employee. This achieves the dual and interdependent goals of workforce development and economic development.

Lessons learned from case studies of best practice

There are cautionary messages from the review of case studies, with a number of examples of pro-ageing initiatives that have not taken into account the impact on other workers. Some have led to reduced employment opportunities for younger workers, leaving an age-imbalanced workforce, and/or negative attitudes to older workers where resources were shifted to them without any benefit in overall organisational productivity.

Although research has identified the importance of a 'life course' approach to age management, that is, one that acknowledges that health promotion, learning and training have their greatest impact if applied at all stages of life, this concept was less understood in the workplaces studied. In developing age management strategies, it is important to ensure that employers, trade unions, and workers themselves, are clear about this concept and its application in the workplace.

Associated with this concept, is that of prevention – in workforce health, and capacity for learning and training. Although reactive approaches, usually intervening at the mature age end of the lifespan, can have some impact, proactive approaches are more likely to be sustainable. As they target all age groups, they avoid the stigmatisation that is associated with a focus on older age groups.

Effective age management emerges as a mechanism for work-life-balance, albeit involving reduced hours in the workplace leaving time for other life responsibilities (particularly caregiving). However, flexibility of work conditions and a degree of worker autonomy about the organisation of work has also been found to be a critical success factor in age management, and while focused on mature age workers, has benefits for all workers.

The costs associated with age management can act as a barrier to their implementation but can also be offset (at least partially) by the benefits that they generate. Those identified by the case studies involved reduced sickness liabilities and work absence, increased retention of older workers and their positive characteristics such as loyalty and reliability, retention of 'corporate memory' and facilitation of knowledge transfer between employee cohorts, and increased motivation of mature age workers, resulting in increased productivity and work quality. In reviewing the case study findings, it would seem that designing age management from a business case perspective, and with a view to enhancing productivity, is more likely to generate these outcomes.

Age management strategies, like any workforce planning and development initiative, must be linked to business goals and strategies, and their contribution to these must be evident to all stakeholders. Australian case studies have demonstrated the importance of the business case for age balanced workforce development.

To date, however, detailed cost-benefit analyses of specific interventions have not been completed, with the only study identified by us involving the Australian Employers Convention (2001). It is important to monitor costs and benefits and to do this over time, as part of the development of a reliable evidence base. *There is scope for research in South Australia which pilots age management models in different industry sectors and evaluates them for a range of impacts, including a cost-benefit analysis. This analysis should include those sectors, for example, transport, where the workforce ageing and claim incidence and frequency rates are relatively high.*

Another lesson emerging from the case studies is the importance of engaging all stakeholders in the age management process – older workers and the workforce as a whole, line managers and senior managers, HR managers, and trade union representatives. Without commitment and accountability for outcomes from these different participants, age management initiatives are unlikely to succeed or be sustainable. Engagement is fed by ongoing communication about the purposes and outcomes of these initiatives, and a gradual changing of ageist attitudes and workplace cultures.

The case studies have also highlighted the barrier that exists as a result of previous policy that encouraged early retirement, and that this undermines policy promoting active ageing. The strength of the 'early retirement mindset' is such that significant effort is required by governments to gain acceptance for delayed retirement, and for this to be reinforced by employer associations

and trade unions. At the same time, European Foundation research has found that it is also important for delayed retirement policy to take into account individual worker need, acknowledging that some occupations are more inviting to early than to delayed retirement.

The Charts which follow summarise the benefits identified for employees and employers.

Type of benefit	Specific benefit for older workers
Employment-related	<ul style="list-style-type: none"> ⇒ Job offers ⇒ Career advancement ⇒ Role enhancement ⇒ Job security
Health and well-being related	<ul style="list-style-type: none"> ⇒ Improved health and well-being ⇒ Better work-life-balance ⇒ Increased motivation ⇒ Increased job satisfaction
Learning and skills related	<ul style="list-style-type: none"> ⇒ Skills development ⇒ Adaptability to different methods ⇒ Continued usage of skills
Workplace relationships	<ul style="list-style-type: none"> ⇒ Greater trust in management ⇒ Better intergenerational relations ⇒ Feelings of belonging and being appreciated
Retirement prospects	<ul style="list-style-type: none"> ⇒ Better preparedness for retirement

Source: Taylor, 2006: 65

Type of benefit	Specific benefit for employers
Securing of labour supply <i>leading to</i> Reduced labour costs and greater productivity	<ul style="list-style-type: none"> ⇒ Greater staff commitment ⇒ Less stress among staff ⇒ Reduced staff turnover rate ⇒ Decreased sickness absence rate ⇒ Reduced early retirement
Maximisation of workforce utility <i>leading to</i> Increased labour productivity, company competitiveness and share value	<ul style="list-style-type: none"> ⇒ Increased participation in learning and training ⇒ Enhanced innovative capacity ⇒ Increased manager and supervisor competence ⇒ Better knowledge sharing ⇒ Reduced conflict and better team cooperation
Wider benefits	<ul style="list-style-type: none"> ⇒ Improved cooperation between management & trade unions ⇒ Development of HR functions ⇒ Improved public relations image among customers ⇒ Perception of the company as an employer of choice

Source: Taylor, 2006: 71