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ASSESSING HR STRATEGIES FOR RETAINING AN AGEING WORKFORCE

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Abstract

An ageing workforce is an issue faced by governments and employers in most western countries (OECD 2005). The generally accepted definition of an aged worker is someone aged 45 years and over (Brooke 2003). At the level of the organisation, a range of HR strategies are recommended to deal with an ageing workforce, including attracting younger workers and retaining ageing workers for longer. Recruiting younger workers changes the demographic structure of the workforce, and is not the focus of this paper. Here we identify potential strategies derived from the literature that could be adopted to retain an existing ageing workforce. We then examine a public sector organisation with an ageing workforce, to assess which strategies have been adopted and to begin to assess how effective these strategies are. We find that the case study organisation adopts many of the HR strategies suggested in the literature, but our preliminary findings suggest that these policies are unlikely to have a positive effect on the retention of ageing workers unless the employees are actively encouraged to use the policies.

INTRODUCTION

An examination of the Australian population shows that as citizens live longer and birth rates decline, the population is becoming heavily skewed towards the older age groups and as a result, fewer members of the population are of working age (Jackson 2005). In part, this shift is caused by numerical ageing, or growth in the numbers of citizens in the older age groups, as those born in the post World War II baby boom age. It is also accompanied by structural ageing, as birth rates fall, fewer children are born and the demographic structure of the entire population shifts (Jackson 2005).

Changes to the age profile of the population affect labour market entry and exit numbers. Indeed, the Australian government has identified that the workforce is ageing more rapidly than the general population (Parliament of Australia 2005). The demographic structure of the Australian labour force replicates that of the population as a whole, with an increasing proportion of ageing workers. Couple this with higher retention rates of young people in education and the result is skill shortages in the labour market. Skill shortages take a variety of forms. Genuine skills shortages occur when an employer is unable to fill vacancies at prevailing conditions. Recruitment difficulties occur when an employer experiences difficulty filling a position, although there may be sufficient numbers of workers with the required skills in the labour market. The third type of skill shortage is a skill gap, where there are not sufficient numbers of people within the labour market who possess the required skills (Australian Senate 2003).

One reason for skill shortages is an ageing workforce. Other reasons include: an employer's poor image; new industries; attraction and retention problems: created by poor wages; working conditions and career prospects; technological changes; and a lack of investment in training. Skill shortages are exacerbated by low levels of unemployment and a tight labour market, such as Australia is currently experiencing (DET 2005). Another factor that

contributes to the problem is the trend towards the early retirement of older workers, either forced retirement or retirement by choice (Shaw 2002). This has particular consequences for the ageing worker as most employers are reluctant to employ workers over age 45 (Patrickson & Hartmann 1995), and the current median retirement age in Australia is 55 (Patrickson & Ranzijn 2004).

RETAINING AGEING WORKERS

There are often negative connotations associated with ageing workers, such as perceptions that they are slower, less productive, less able to learn and adapt to new technology and unwilling to change (see for example, summary in Patrickson & Hartmann 1995). Studies investigating the validity of these stereotypes of ageing workers are split, with some authors who agree with the stereotypical view and others who argue that ageing workers are just as capable as their younger counterparts (McNaught & Barth 1992 in Brooke 2003).

There is, however, general agreement that there are difficulties in retaining ageing workers as the potential for retirement appears to hold considerable allure. Patrickson and Ranzijn (2004) state that there are three main influences on retirement choice, health, financial position and motivation to work. It is therefore important that HR staff tailor their policies for ageing workers with these influences in mind. There is some agreement within the literature on strategies for dealing with an ageing workforce.

The literature on the retention of ageing employees highlights a range of appropriate HR strategies. Limited promotional opportunities are identified as a key factor in creating a desire to exit the organisation. This is particularly important issue for employers, such as public sector organisations, where jobs and salaries are grouped in scales or bands and often the older workers will be sitting at the top of the salary scale for their job classification, with limited opportunity for further upward movement (Elliott 1995). It is suggested that salary

should be linked to performance in order to move away from a pay for length of service culture (Patrickson & Hartmann 1995), although, in the case of the public service, this approach would be generally be considered inconsistent with equity policies and union pressures for standardisation.

Another solution is to review the organisation's retirement policies, and if possible, reduce the attractiveness of early retirement (Patrickson and Ranzijn 2004). While, on one level, the exit of ageing workers from the organisation provides opportunities for the promotion of younger workers, which is a positive retention strategy, it can also bring the loss of significant organisational knowledge and experience (Elliott 1995). Elliott (1995) and Patrickson and Ranzijn (2004) suggest running retirement seminars where attendees are educated in the realities of financing retirement. This financial advice will enable workers to ascertain whether they can afford to retire, and consequently may encourage ageing workers to stay in the workforce for longer.

Aligned with these financial planning seminars, HR policies should be developed so that employees can trial retirement, and if they find it does not suit their needs, return to the workforce within 12 months of taking retirement. Another strategy is to allow workers to retire, but to re-engage them on short term contracts for fixed periods when they will be available to meet known fluctuations in demand. This benefits the individual worker by providing a level of income and also enables the organisation to meet their labour supply needs.

Allowing and encouraging employees to shift to more flexible working time arrangements is also widely recommended (Elliott 1995). Flexible working arrangements, originally designed to retain workers with caring commitments, can be equally useful for allowing ageing workers a phase in period towards retirement (Patrickson & Hartmann 1995; Elliott 1995; Patrickson and Ranzijn 2004). It is, however, necessary to ensure that ageing workers are not financially

penalised in the process, as they would be if their superannuation payout was an average of their last three years wages. Ageing workers should be encouraged to work part-time, or work from home where possible, so that the transition to retirement becomes a phased process.

Another means of dealing with any valid problems encountered by ageing workers is to use the job analysis process to formalise the requirements of the job, and if necessary, restructure the job in order to meet the competencies of the ageing worker (Elliott 1995). Murray and Syed (2005) also advocate changes to job design to reduce discriminatory practices, and to make jobs inherently more rewarding. Another means of making jobs more rewarding is the introduction of functionally based teams that emphasise collaborative action, so that skills are shared and each team member actively contributes (Jorgensen 2005). Aligned with this team based structure, ageing workers should be encouraged to perform a mentoring role for younger and less experienced workers. This not only enhances the organisational knowledge of the less experienced workers, but recognises and respects the experience and knowledge of the ageing worker (Jorgensen 2005). It is also argued that a team based management will reduce the hierarchical 'command based management' structure that exists in public sector organisations, and therefore will enhance the workplace experience and organisational culture (Jorgensen 2004). Making the workplace more enjoyable and having workers feel they are making a valued contribution will aid in the retention of all workers, not just ageing ones.

Another part of the cultural change process is developing a broader culture of learning, rather than short term training for specific skills. It is essential to ensure that ageing workers are given equitable access to training and educational opportunities, as most of the evidence suggests the training needs of older workers are largely ignored (Patrickson & Hartmann 1995). Given that studies show that ageing workers are more likely to stay with their employer, any investment in training will be rewarded.

At the same time, an important strategy is to educate both the managers and the general workforce regarding the benefits associated with employment of older workers (Elliott 1995). Awareness training programs should be run for managers, as well as training managers in how to restructure jobs to meet the needs of ageing workers. Jorgensen (2005) argues that older workers can be supported to remain in the workforce for longer if the organisation creates and retains an organisational culture that makes it a desirable place to work.

METHODOLOGY

So far, this paper has reviewed the literature on issues related to ageing workforces and tools and strategies to retain older workers. The paper now continues with an exploratory analysis of an Australian state public service, and considers whether it has implemented these retention tools and strategies in its workforce management approach.

The data for this paper is drawn from a range of primary sources. First, data regarding the workforce is briefly analysed. This is drawn from the employer's workforce information data-set, entitled the Minimum Obligatory Human Resource Information (MOHRI). This data-set holds basic quantitative data (such as age, employment type, gender, salary range, length of service etc). Second, the research uses documentary evidence drawn from the Queensland public service (QPS) employment framework. Two central agencies share responsibility for the employment framework: the Department of Employment and Industrial Relations (DEIR) for industrial relations issues; and the Office of the Public Service Commissioner (OPSC) for human resource and performance issues. The employment framework comprises mandatory elements in the form of policies and directives (generally related to working conditions), and non-mandatory resources in the form of guidelines and toolkits. Third, this data and documentary evidence has been triangulated with discussions with representatives from both DEIR and the OPSC, to clarify issues and identify future directions.

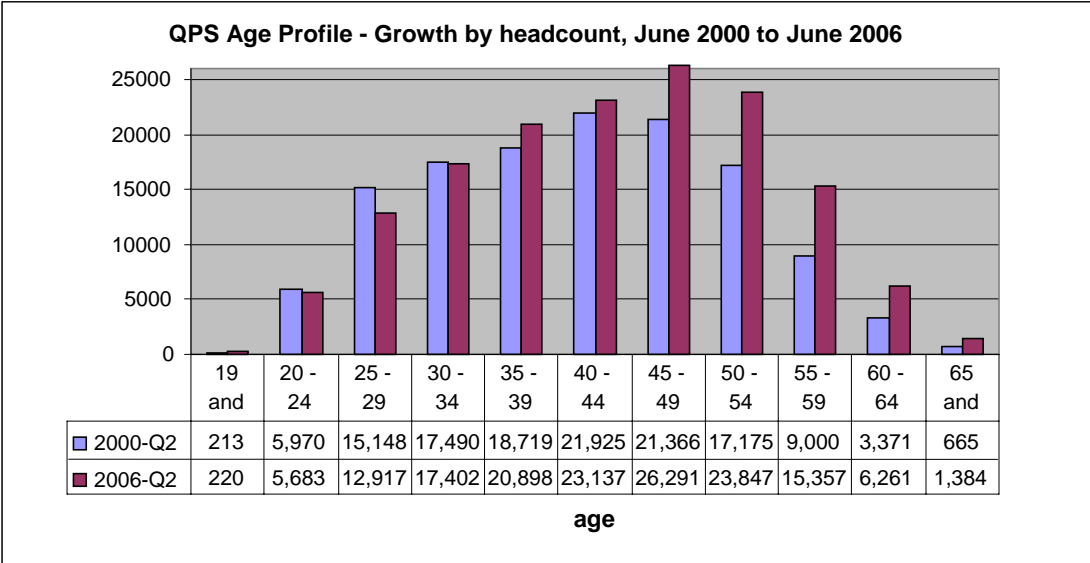Some preliminary conclusions are drawn about the success of these policies in retaining ageing workers.

QUEENSLAND PUBLIC SERVICE CASE STUDY

Queensland is one of Australia's largest states, being second largest in land mass, and third largest in population, containing more than 20 per cent of Australia's population (Queensland Government 2006). Australia is a federation, and public services are divided between federal, state and local government levels. Generally, state public services undertake a range of functions, including the direct provision of services (such as health, education, roads, police, and emergency services), as well as management and regulation functions (such as justice, natural resources, employment, environment, and local government) and promotion of state concerns (such as tourism, trade and economic development).
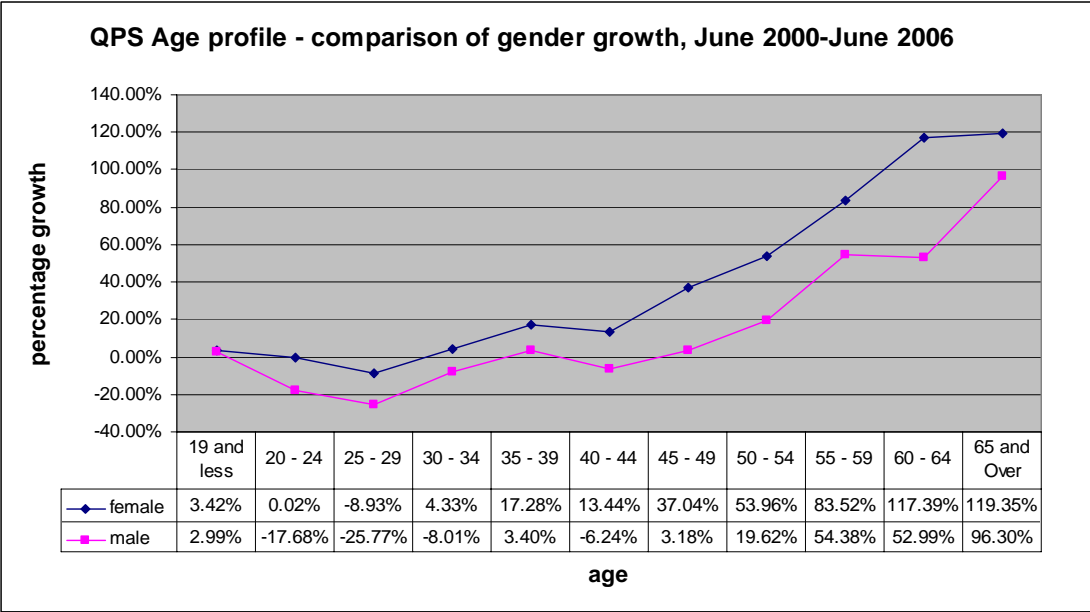
The QPS workforce profile

The QPS workforce is old and ageing. The overall growth in the number of employees was around 17% between 2000 and 2006, and this growth differs between age cohorts (see Figure 1). The number of employees in all age categories below 30 years of age has decreased over the period, while the number in all age groups above 30 years has increased, with those above 45 years rapidly increasing. While there has been a 108% growth in the 65+ age cohort, this represents only a small portion of the workforce. More significant is the 70.6% growth in the 55-59 year cohort and the 85.7% growth in the 60-64 year cohort.

Figure 1 QPS Age profile, Growth by headcount June 2000 to June 2006

QPS Age Profile - Growth by headcount, June 2000 to June 2006

age	19 and	20 - 24	25 - 29	30 - 34	35 - 39	40 - 44	45 - 49	50 - 54	55 - 59	60 - 64	65 and
2000-Q2	213	5,970	15,148	17,490	18,719	21,925	21,366	17,175	9,000	3,371	665
2006-Q2	220	5,683	12,917	17,402	20,898	23,137	26,291	23,847	15,357	6,261	1,384

Growth in the number of female employees between June 2000 and June 2006 is higher in all age cohorts (see Figure 2). This exacerbates the existing predominance of women in the QPS, representing 98207 compared to 55190 males. The number of females in the younger age groups remained stable or declined marginally, while the number of younger male employees decreased rapidly (up to 25.7% in 25-29 year cohort).

Figure 2 QPS Age Profile, Comparison of gender growth, June 2000 to June 2006

QPS Age profile - comparison of gender growth, June 2000-June 2006

age	19 and less	20 - 24	25 - 29	30 - 34	35 - 39	40 - 44	45 - 49	50 - 54	55 - 59	60 - 64	65 and Over
female	3.42%	0.02%	-8.93%	4.33%	17.28%	13.44%	37.04%	53.96%	83.52%	117.39%	119.35%
male	2.99%	-17.68%	-25.77%	-8.01%	3.40%	-6.24%	3.18%	19.62%	54.38%	52.99%	96.30%

As this data shows, the QPS workforce profile is old and ageing, and not being replaced by adequate proportions of younger workers. The following section considers the policies and strategies adopted to address this workforce profile.

The QPS policy framework

The QPS, like many public sector organisations, has many leave and hours policies that are more flexible than many private sector organisations. In the last decade, with a large proportion of the males and females in the workforce having dependent children, the Queensland Government has further enhanced employment conditions to accommodate employees' responsibilities to care for both children and elderly relatives (DIR 2005b). In the last five years, it has recognised that many of these same policies can be utilised as specific strategies to retain older workers.

The QPS introduced flexible working hours arrangements in the early 1990s, replacing mandatory working hours and days with more flexible accounting for hours on a four-weekly basis. This enabled employees to vary their starting and finishing times, within agency parameters, and access whole days off (*Queensland Government Departments – Hours of Work Arrangements – Industrial Agreement*). Some would argue that the result of this deregulation and the breaking down of the idea of a standard working day has meant longer working hours for most public servants. In a response to the peak trade union body, the Australian Council of Trade Unions (ACTU), campaign for reasonable hours, the Queensland Government has entered into enterprise bargaining commitments to address workload management issues (Certified Agreement 2003). A Workload Management Tool was developed to assist with research and monitoring of workload issues and employees and unions are able to raise these issues at agency level consultative committees (DIR 2005b).

In addition to flexibility of time, the QPS has policies to support flexibilities in the place of work. Working from home (or telecommuting) was approved in July 2002, as a measure to assist employees balance work and life commitments (DIR 2002b). Formal take-up rates appear to have been slow, and it seems to be used more in an ad hoc manner (DIR 2005b). It is unquestionably of appeal to older workers, who list detractions from working as being the effort to travel to and from the workplace (particularly if they have bought retirement or lifestyle change homes some distance from their office).

There are also a variety of options to extend leave periods. Special unpaid leave is available for up to three years, for any purpose, subject to operational convenience (DIR 2005c). Recreation leave on half-pay was introduced in 2005, which allows older workers (and other groups) to take up extended travel opportunities or other interests (DIR 2005b, Memorandum of Agreement 2005). More accessible long service leave provisions were also introduced (long service leave is a legislated entitlement for Australian employees). These include relaxation of restrictions on the purpose of the leave, a reduction in the minimum period of leave, and pro-rata long service leave after 7 years in certain circumstances (Memorandum of Agreement 2005). Purchased leave arrangements are also included in the suite of policies. These arrangements allow employees to "purchase" additional periods of leave over a specified time (often called 48/52 policies) and fund it via salary deductions throughout the year. It was first introduced in 1994, but recently extended, to a minimum of six weeks, with no maximum, as a result of the ACTU family leave test case in the Australian Industrial Relations Commission (Certified Agreement 1994; DIR 2005b; Memorandum of Agreement 2005). It is unclear whether this will have broad appeal, given other simpler processes such as half pay annual leave. All of these policies provide for extended periods of leave or shorter working weeks, most while on full pay, and have appeal for those seeking to transition to retirement.

In addition to these central policies, some agencies are pursuing innovative strategies to engage with their older or retiring workers. Establishment of an alumni is a powerful strategy for maintain contact with professional employees who are passionate about their field. It provides an opportunity to both stay up to date with developments, as well as to identify ways in which they might stay involved in paid or unpaid capacities. Some agencies have implemented coaching and mentoring strategies, to ensure the knowledge of older workers is passed on to remaining staff (OPSC 2007)

A longstanding benefit of Australian public services is a strong superannuation fund (a combination of self and employer funded retirement income scheme), with all employees required to contribute at least 5% of their salary, and the employer contributing at least 12.75%. Other arrangements are in place to ensure that transferring to part-time employment in the final years of work does not have a significant impact on the final benefit (with full time salary being counted for part-time employees, and only the length of service multiplier being affected) (QSuper 2006a). Salary packaging arrangements also provide opportunities to contribute additional monies to superannuation (Certified Agreement 2000; Memorandum of Agreement 2005), which might actually result in employees being able to afford to retire earlier. Forthcoming federal government changes to superannuation laws will further assist employees to ease into retirement, without having to retire completely. Employees over age 55 who have not yet retired completely will be able to access their superannuation while still working, by transferring some or all of it into an allocated pension and drawing on it to supplement their income. This raises a number of possibilities for both lifestyle and taxation planning (QSuper 2006b).

While these policies are important for employees making decisions about retirement, organisations must have a range of other policies and strategies to ensure they remain aware of imminent risks to their workforce and plan to minimise these risks. Workforce

planning is one tool that should assist agencies to forecast potential risks from retirements of key employees. However, workforce planning is an option rather than a requirement of agencies (due to the decentralised and hands-off approach to public sector human resource management). Workforce planning activities appear to be sporadic across agencies, and agencies rate them as not particularly useful in predicting workforce requirements. There are few central guidelines on succession management and knowledge transfer policies, and most agencies do not have sufficient policies or strategies in place to manage knowledge retention (OPSC 2007).

QPS specific ageing tools and strategies

In addition to this general employment framework, central personnel agencies have provided guidelines on ageing workforce issues for use in agencies. These include: *Guide to managing an ageing workforce* (DIR 2005a); and *Workforce Demographics Toolkit: Framework and Strategies for an Ageing Workforce* (DIR 2002a). As with many of the central agency resources, these guidelines were produced and placed on the website, without subsequent training and support to ensure they were utilised by agencies.

The QPS is participating in the broader Queensland Government *Experience Pays Awareness Strategy,* which is designed to assist "age-proof" Queensland workplaces. A key focus of the strategy is to debunk myths about the value of older workers, and highlight issues such as the tendency to offer them less training and make them most likely to be offered redundancy. These attitudes are not sustainable in the face of the shrinking workforce and skills shortages. (DEIR 2005). Given that the QPS already has an extensive policy framework in place, it intends to focus on raising awareness and dispelling myths about older workers (OPSC 2007). Most agencies indicated that they were interested in awareness training, as well as guidance on how to implement cultural change and remove discrimination. The project is at an early stage (OPSC 2007).

DISCUSSION AND RECOMMENDATIONS

When we compared the policies evident in the QPS to the recommendations in the literature, we found that the QPS appears to have many of the desired policies and strategies in place for employees. The QPS has an extensive range of flexible working arrangements in place including, flexible daily working hours with the capacity to bank hours and working from home, as well as a variety of policies that enable workers to take extended leave of absence, leave on half pay and purchased leave policies. All of these policies should permit employees to achieve a work-life balance, and enable ageing workers to trial retirement as suggested in the literature. Our preliminary investigations indicate that there may be limited employee use of some of these policies.

The public service superannuation fund runs a range of retirement and superannuation sessions to inform employees of their financial needs during retirement. The quality of the returns from the public service superannuation scheme runs counter to the retention of ageing workers, as many employees with long terms of service can afford to retire quite comfortably. Given the current federal government push for Australians to finance their own retirement, and the fact that reducing superannuation contributions would be industrial suicide, superannuation policies will not change, so other strategies need to be employed to retain employees. For example, it is possible to take more active steps within agencies to convince ageing employees that they are valued, and to try and dissuade them from retiring.

Many sections of the public service have team based working, which should allow employees to share their skills, and for older workers to develop the skills of less experienced workers. However, where this occurs it appears to be on an ad hoc basis, and there seems to be little evidence of broad-based and structured approaches to knowledge transfer. At the same time, there appears to be a lack of workforce planning and succession management. HR managers have data available to them and many have commenced analysis of their

workforce demographics, but that is not necessarily translating into active policies and strategies to manage retention or ascertain future workforce requirements.

The Queensland public service Classification and Remuneration System divides employees into bands with salary capped at the top of the band, and there are some barriers to career progression. In order to remove these barriers to career progression, training and career management systems would need to be introduced so that employees could move from one band to the next at times other than the occurrence of a vacant position. While linking pay to performance contradicts notions of equity, there does need to be some consideration given to targeted remuneration incentives in order to retain eminent professionals. In an environment where HR is devolved to agencies, this would necessitate significant training of HR professionals and cultural change.

What is apparent from our initial investigations is that performance management, career planning and succession management are done on an ad hoc basis and appear to depend on the skills and experience of the individual manager. In part, this may be due to the management culture, but a human resource environment where equity and merit are core values may also play a role here. An aligned issue is that a minimalist approach to performance management means that ageing workers may well stay beyond their productive capacity. These are issues that we intend investigating further.

CONCLUSION

A review of the literature on retaining ageing workers identified a range of suggested strategies, including linking pay to performance, retirement financial seminars, trial retirement, more flexible working hours, team based working and mentoring and developing a culture of learning. Our preliminary analysis of the QPS showed that many of these policies

were in place, although the degree to which employees are availing themselves of these opportunities and their success in retaining ageing workers requires further investigation.

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