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# OVERVIEW

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### Key points

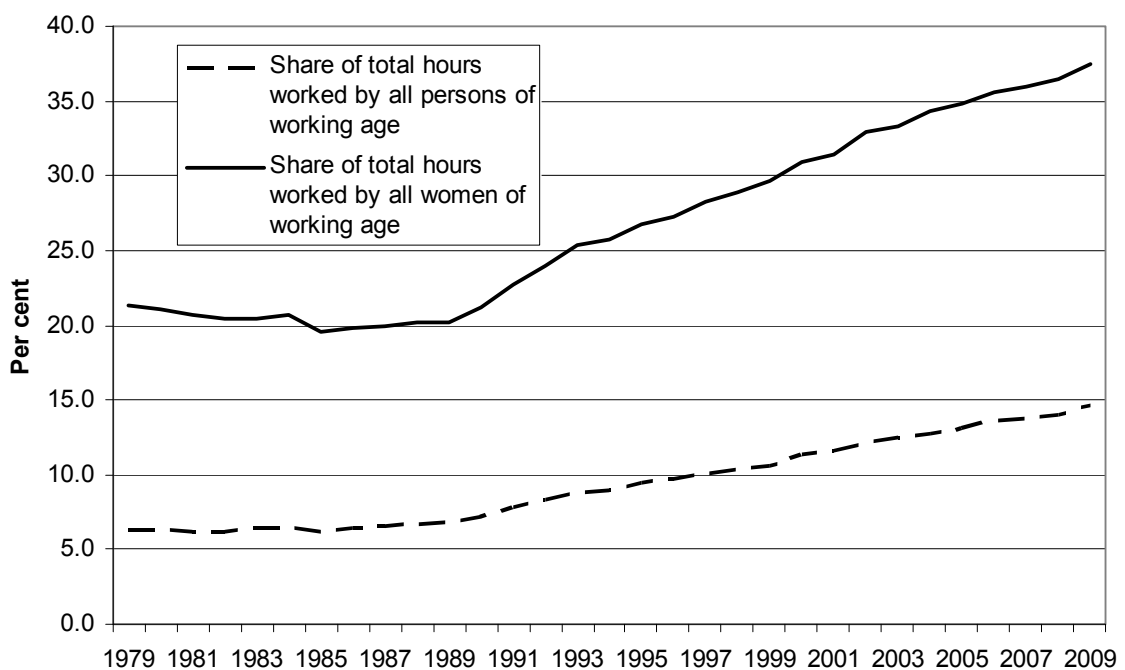
- The contribution of mature aged women (aged 45 to 64 years) to total hours worked in the economy by people of working age has increased from 6 to 15 per cent over the past three decades.
  - Over 40 per cent of this growth has resulted from an increase in the share of mature aged women in the working age population; the rest is due mainly to a steady increase in the labour force participation rate. Work intensity has hardly changed.
- The share in employment accounted for by mature aged women has increased across nearly all industries, including those where they have traditionally not been employed in large numbers.
- Younger women today have both higher levels of education and labour force participation than mature aged women had when they were younger. It is likely, therefore, that participation rates for mature aged women will continue to rise as these younger women enter older age groups.
- A woman's health status and caring responsibilities also influence her likelihood of participating in the labour force in later life. A mature aged woman is more likely to be in the labour force the longer her previous period of labour force engagement.
- Currently, proportionately fewer mature aged women participate in the labour force than either mature aged men in Australia or mature aged women in similar OECD countries. However, the gaps in participation have narrowed considerably over the past three decades.
- Most mature aged women who are not in the labour force appear to prefer not to work.
- Around 7 per cent of mature aged women could potentially be induced to enter the labour force. However, the barriers or obstacles to participation of many in this group are significant and difficult to address.
- Almost one quarter of mature aged women working part time want to increase their hours of work. However, one half of women working full time want to work less hours. If all mature aged women were to work the hours they preferred, the net effect would be a fall in total hours worked of nearly 11 per cent.
- As in most OECD countries, women retire earlier than men, although the gap is narrowing.
  - The decision to retire is influenced mainly by considerations of financial security and health/physical ability.
- Over the next couple of decades, the contribution of mature aged women to total hours worked will continue to rise steadily. However, the potential for additional growth in participation and average hours worked for the *current* cohort of mature aged women appears limited.

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# Overview

Mature aged women have greatly increased their participation in paid employment over the past three decades. The contribution to total hours worked by people of working age of women aged 45 to 64 years has increased from just over 6 per cent in 1979 to almost 15 per cent in 2009. Moreover, their contribution increased relative to other age groups, with their share of total hours worked by women of working age rising from 21 per cent to 38 per cent (figure 1).

**Figure 1 A growing contribution to hours worked**



These trends reflect greater societal acceptance of women in the workforce, increased education levels of women and greater diversity of household living arrangements. Increasing involvement of mature aged women in the workforce is also related to greater diversity in working arrangements, including growth in part time employment and increased workplace flexibility.

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## Why has mature aged women's contribution increased?

The change in share of total hours worked by mature aged women can be partitioned into changes in the relative share of mature aged women in the population (*demographic effect*), the proportion of these women who are in the labour force (*labour force participation effect*) and the average hours that they work (*work intensity effect*).

### *Demographic effect*

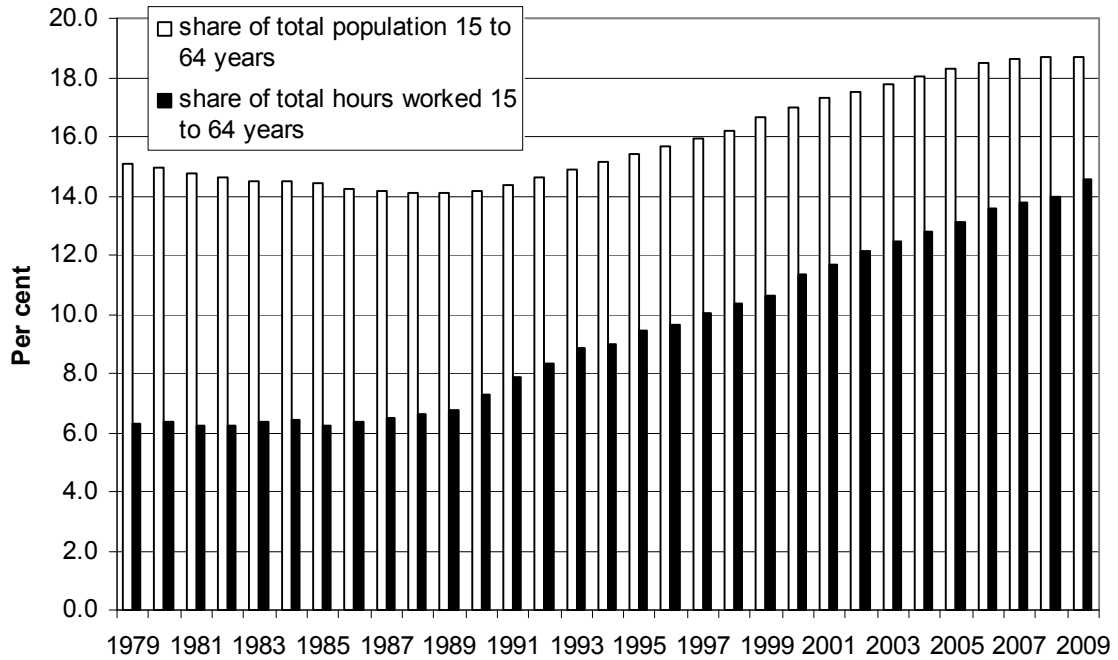
Part of the reason for the increase in the share of total hours worked by mature aged women is simply that they make up an increasing share of the working age population — up by 3.6 percentage points over the past three decades (figure 2). This demographic effect accounts for over 40 per cent of the rise in the share of total hours worked by this group since 1979. The balance (of just under 60 per cent) is accounted for mainly by increasing rates of participation.

### *Labour force participation effect*

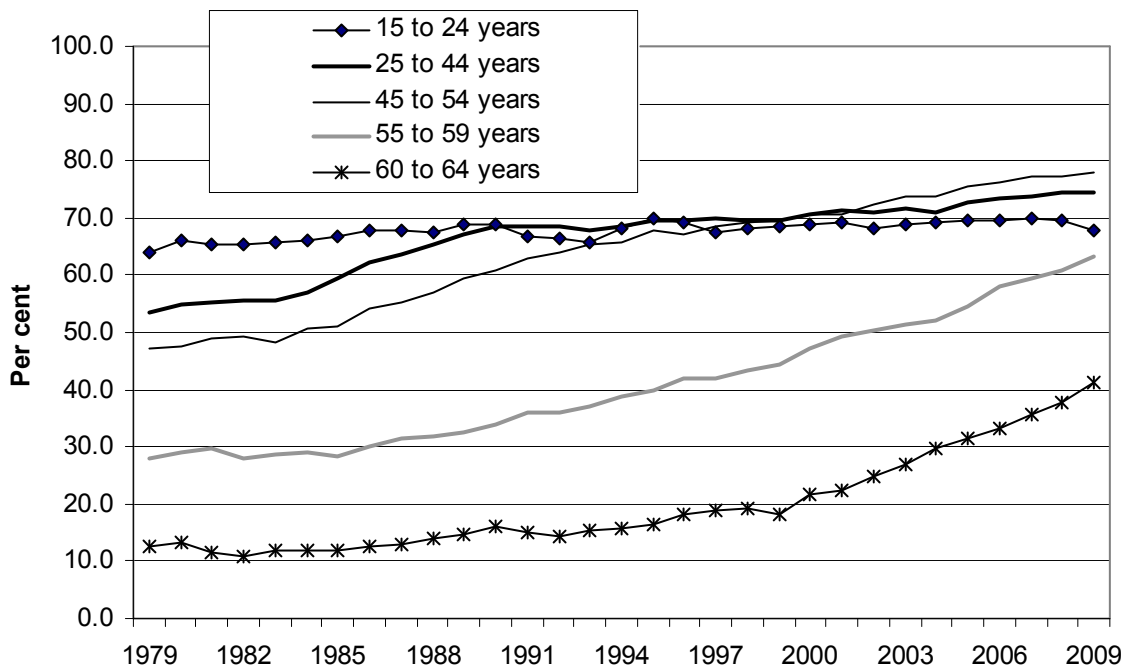
Over the past three decades the participation rates for mature aged women have also increased significantly relative to other demographic groups. For women aged 45 to 54 years, participation rates have increased from 47.1 to 78.0 per cent, for women aged 55 to 59 years from 27.8 per cent to 63.4 per cent and for women aged 60 to 64 years from 12.8 per cent to 41.2 per cent (figure 3). In contrast, the participation rates of younger women have increased to a far lesser extent, while the participation rates for men in all age groups, apart from those aged 60 to 64 years, have fallen over the period.

The long term increase in participation of mature aged women is primarily due to broad cohort effects. Increases in labour force participation within an age group tend to be retained by that cohort as it ages over time. Such trends are driven by underlying influences, such as changes in attitudes to women working, expectations and career aspirations, increasing education levels and by growing labour market opportunities during earlier years.

**Figure 2 Mature aged women's growing share of the population is helping to drive their contribution to hours worked**



**Figure 3 Mature aged women's participation rates are rising too**



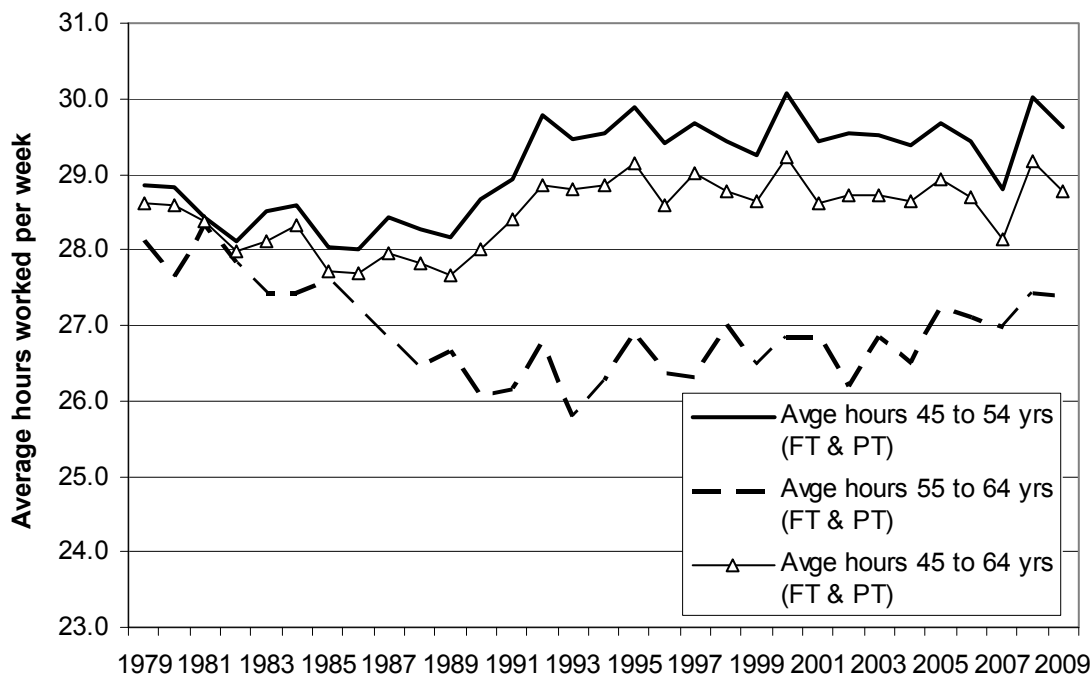
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### Work intensity effect

In 2009, women aged 45 to 64 years accounted for 16.7 per cent of employed people aged 15 to 64 years in Australia, while their share of hours worked was only 14.6 per cent. The disparity reflects the relatively lower average hours worked by employed mature aged women.

Over the thirty years to 2009, hours worked by women aged 45 to 64 years increased on average by just 12 minutes per week. For women aged 45 to 54 years, hours worked declined slightly in the 1980s, but have risen slightly again since. For women aged 55 to 64 years, hours worked trended down from the early 1980s to the mid 1990s, but have subsequently risen slightly (figure 4).

**Figure 4 Mature aged women's hours worked have changed little**



### What scope is there for further increases in participation?

Will the strong growth in mature aged women's participation in the labour force continue? The cohort effects described above suggest that participation will indeed increase, at least for the next three decades. The current higher participation rates of younger women will flow through to increased participation as they enter older age groups but how high is it likely to go? It is useful to look at some benchmarks.

One is the level of labour force engagement of mature age *men* in Australia. The question is whether mature aged women's engagement will converge to that of mature aged men, or follow a different pathway. Another benchmark is the level of participation of mature aged women in other countries.

*How do mature aged women compare to mature aged men?*

Women in the mature age groups still participate at a lower rate than men in the same age groups, though the gaps have narrowed considerably. For example,

- the gap in participation between women and men aged 45 to 54 years in 1979 was 44.5 percentage points (table 1). This gap had narrowed to only 10.6 percentage points by 2009
- the participation gap between women and men aged 55 to 59 years narrowed from 54.3 percentage points to 14.9 percentage points, while the gap between women and men aged 60 to 64 years narrowed from 41.6 percentage points to 18.2 percentage points.

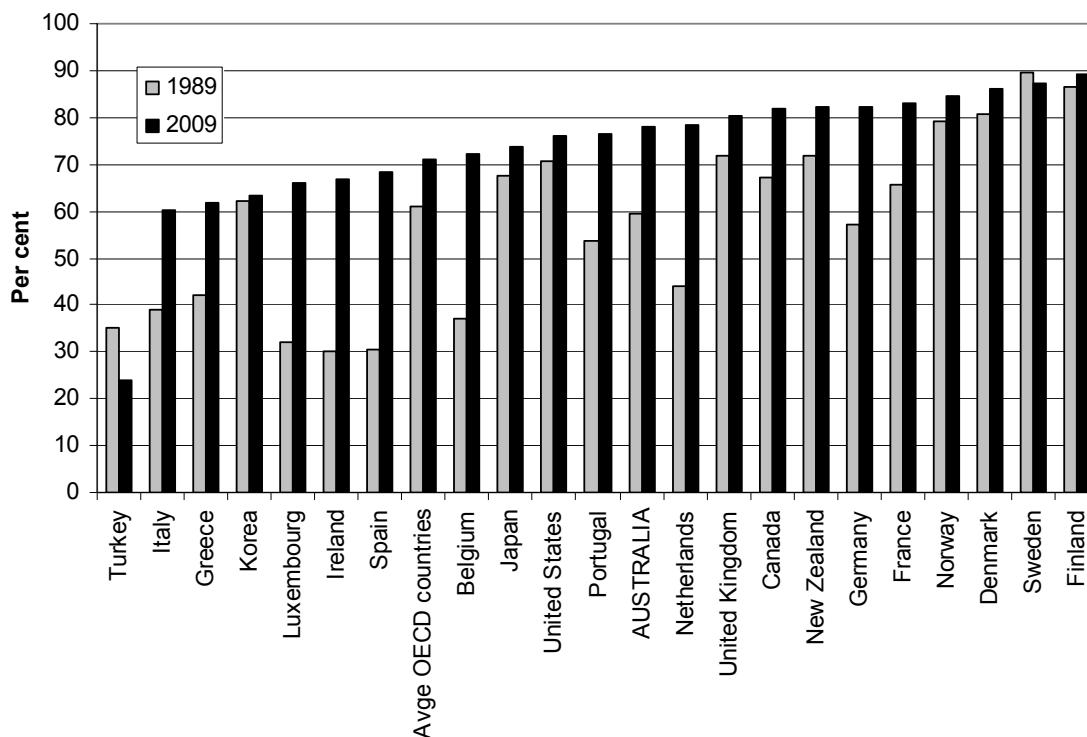
**Table 1      The participation gap between women and men has shrunk**

Age Group	1979			2009		
	Women	Men	PR gap	Women	Men	PR gap
	(%)	(%)	% pts	(%)	(%)	% pts
15 to 19 yrs	58.6	64.1	-5.5	58.2	56.0	2.2
20 to 24 yrs	69.3	90.9	-21.6	76.6	84.3	-7.7
25 to 34 yrs	51.0	96.2	-45.2	73.3	91.2	-17.9
35 to 44 yrs	57.2	95.9	-38.7	75.3	91.2	-15.9
45 to 54 yrs	47.1	91.6	-44.5	78.0	88.6	-10.6
55 to 59 yrs	27.8	82.1	-54.3	63.4	78.3	-14.9
60 to 64 yrs	12.8	54.4	-41.6	41.2	59.4	-18.2
65 plus	2.4	11.6	-9.2	5.9	15.1	-9.2

*How do mature aged Australian women compare to those in other countries?*

Participation rates in Australia for mature aged women were above the OECD average in 2009, but below those for some similar OECD countries (figure 5). For example, in 2009, the participation rate for women aged 45 to 54 years in Australia (of 78.0 per cent) was below the rates recorded for Finland (89.4 per cent), France (83.1 per cent), New Zealand (82.2 per cent) and the United Kingdom (80.3 per cent), among others.

**Figure 5 Getting close to the participation rates of OECD leaders**  
Selected OECD Countries



Australia was ranked 18<sup>th</sup> of 33 OECD countries in 2009 in terms of participation for women aged 45 to 54 years, and equal 12<sup>th</sup> for women aged 55 to 64 years.

Given these cross-country comparisons, this suggests that scope remains for the labour force engagement of mature aged women in Australia to grow further. Nonetheless, the narrowing of the gap between Australian participation rates and those in leading OECD countries suggests that this may be more limited than in the recent past.

### Why do mature aged women choose to enter the labour force?

Different women will be influenced by different things. For many women, a decision may hinge on broader lifestyle issues or values that can be insensitive to economic incentives and opportunities. For other women, the decision to work will be predominantly driven by financial considerations, particularly where they have the capacity to respond to those opportunities through possessing relevant skills and training which are attractive to employers.

For these women, decisions to enter the labour force involve weighing up the relative costs and benefits of allocating time between paid work and other activities

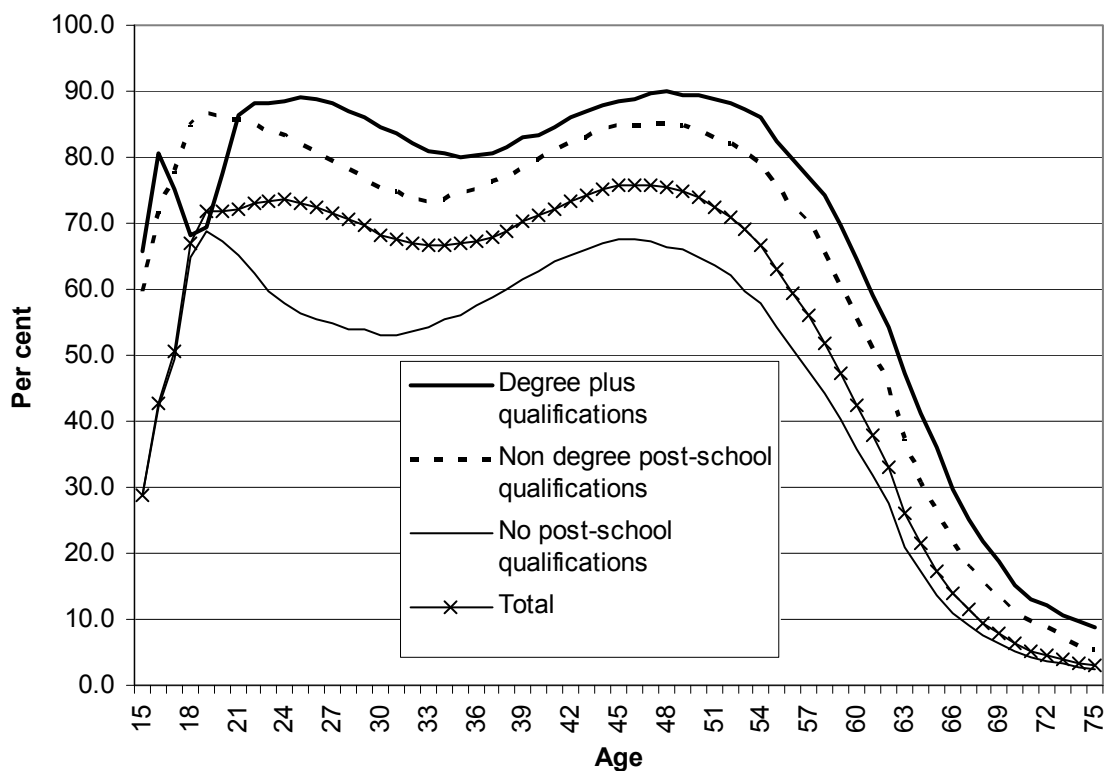


such as education, work, leisure, domestic activities and child care. These factors will vary over the life cycle.

### *Education levels*

Education levels affect the financial rewards from work and preferences for work, and as a result have an important influence on women's participation in the labour force. Figure 6 shows that women with higher educational attainment have consistently higher rates of participation than women with no post-school qualifications, except for the ages when most undertake additional non-compulsory education. The figure also shows the 'M shaped' labour force participation curve for women over the lifecycle is far more muted for relatively highly educated women.

**Figure 6 Education raises participation**



This robust relationship between labour force participation and level of educational attainment suggests likely continued strong growth in participation of mature aged women in the future. Younger women today have higher levels of educational attainment on average than mature aged women. The labour force participation of mature aged women is likely to continue to grow as these more highly educated women move into older age groups in the future.

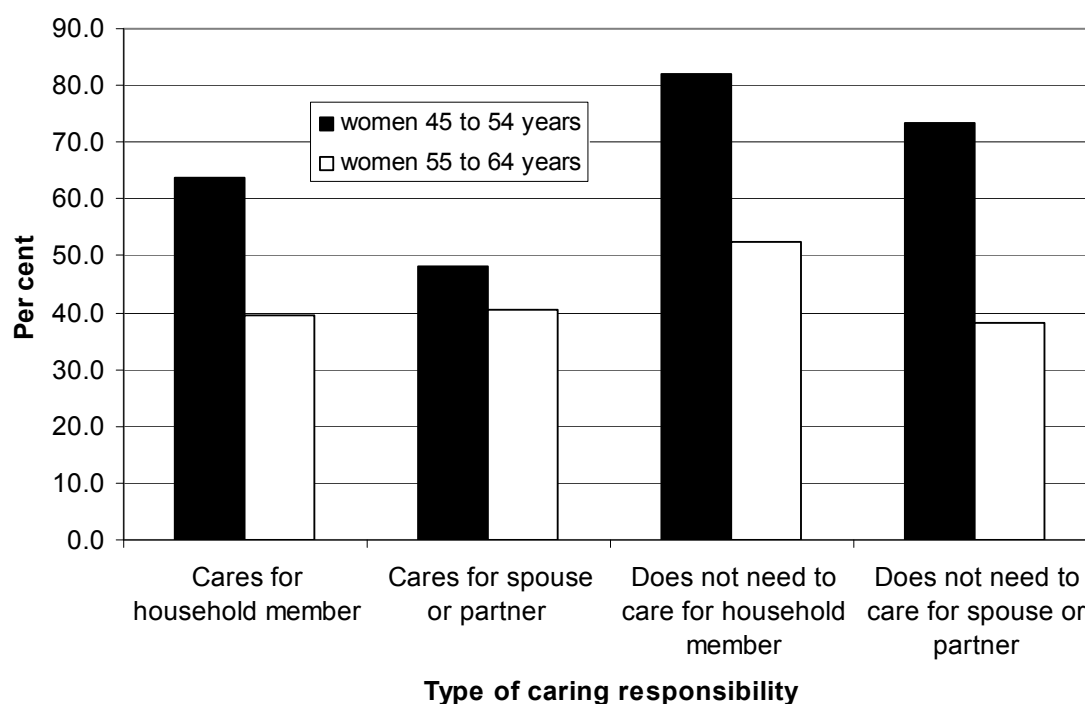
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### *Caring responsibilities*

Mature aged women who care for a spouse, partner or household member with a long term health condition have much lower participation rates (figure 7). Women with caring responsibilities are less likely to be employed and, if working, are more likely to be employed part time.

**Figure 7 Caring responsibilities lower participation**

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### *Wage levels*

Mature aged women appear relatively unresponsive on average to wage movements, particularly women in the 55 to 64 years group. The effect of an increase in wages was more likely to have an impact on participation decisions rather than on hours worked. Many mature aged women appear to have made a lifestyle choice either not to work or to work only part time.

### *Health status*

Health status has a significant impact on the labour force participation of mature aged women. Poor health can be seen as constraining the choice of those women who would have otherwise chosen to work. For example, of those women aged 50

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to 69 years who have retired, poor health is cited by 23 per cent as the major reason for their retirement.

### *Previous labour force experience*

There is a positive relationship between mature aged women's labour force participation and prior experience. In particular, the more labour market experience a woman has in her younger years, the more likely it is that she will participate in the labour force in later life (this is termed labour force 'persistence').

Labour force persistence is relevant for understanding the nature of the barriers that mature aged women are likely to face when seeking to re-enter the labour force. These barriers are particularly relevant for mature aged women who are marginally attached to the labour force. This also points to the importance of assisting younger women to remain in contact with the workplace, if they desire, during their child bearing/raising years. The provision of universal paid parental leave may assist in this respect.

### **Is there potential to increase the labour supply of mature aged women in the short run?**

ABS Labour Force Survey data indicate that most women (around 85 per cent) not in the labour force do not want to work, are unable to work or, if they expressed an interest in working, are not actively looking for work and unable to do so.

However, up to 7 per cent of the population of mature aged women (or 199 800) could potentially enter the labour force if their circumstances changed. This group includes:

- the marginally attached (5.1 per cent or 138 700 women)
- women who stated in the ABS Labour Force survey that they wanted to work, but were not actually looking or available for work (representing 2.2 per cent or 61 100 women).

Together, these two groups of women are the most likely candidates to contribute to an increase in the participation rate, in the short to medium term, as they expressed some interest in wanting to work. If all such women did enter the labour force they *potentially* could increase the participation rate of mature aged women by over 7 percentage points.

But this would require changes in the circumstances of many that have prevented their participation in the past. These include poor health and disability, lack of

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available jobs in the local area, inadequate education and training, language difficulties and lack of availability of jobs with suitable hours. There is limited scope to address many of these impediments to entering the labour force. Clearly, ill health and disability can be difficult issues to address fully. Also, it is not clear how strongly preferences are held and the extent to which individuals would actually enter the labour force if the barriers they identified could be addressed. These are questions that require further research.

Another potential source of additional labour supply in the short term is from expanding the hours of those women who are currently employed and who prefer to work longer hours. The Household, Income and Labour Dynamics in Australia (HILDA) data base provides information on desired and usual hours worked of employees working on a part time and full time basis. As a result, it gives a picture of potential supply of mature aged female workers if their preferences for work-life balance could be realised.

While almost 25 per cent of mature aged women working part time want to increase their hours of work, this would be more than offset by the 50 per cent of mature aged women working full time who want to reduce their hours of work. In net terms, there would be a 10.8 per cent reduction in working hours for all mature aged employed women if their preferences for hours were met. This suggests that, in the short term, there appears to be limited potential to increase the intensity of work of mature aged women in aggregate.

### **What are the benefits from working?**

Decisions to work depend in part on the benefits, including income and conditions of employment such as flexible hours that suit lifestyle preferences. The quality of the workplace environment and learning opportunities offered by the workplace also influence the attractiveness of working.

#### *Working conditions*

The availability of flexible working conditions, such as being able to negotiate start and finish times of work, is likely to have contributed to mature aged women staying in the labour force. It is also likely to have attracted some women back into the workforce after child caring responsibilities diminish. HILDA survey data show that around 60 per cent of mature aged women are satisfied with the flexibility offered by their workplaces to balance work and non-work commitments, with less than 10 per cent expressing some dissatisfaction.

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Access to training and learning opportunities at work plays an important role in the development of human capital and improves workers' productivity. Provision of training gives an indication of the level of investment employers are willing to make in their employees in order to reap potential dividends in the form of more highly productive workers. From an employee perspective, the greater the access to training in the workplace the higher is the likelihood of them having the skills that are current and in demand from other employers.

HILDA data show that women aged 45 to 54 years are slightly more likely to have participated in some form of training in the workplace in the previous 12 months than men of the same age or younger women. Women in the older group, 55 to 64 years, also experience levels of training which are higher than that for men of similar age and around the same level as younger women.

Access to promotional opportunities is also a factor in attracting and, especially, retaining mature aged women in the workforce. The HILDA data indicate two key patterns which are particularly relevant to mature aged women:

- the probability of being promoted is much lower than for younger women and the promotion rate for part time mature aged women is lower than that for similarly aged men working part time
- the rate of promotion for full time mature aged women exceeds that for full time mature aged men.

### *Pay*

On average, women's wages, as measured by the median hourly wage rate, initially increase as they grow older and then gradually flatten out and fall from the age of 35 years (figure 8). The increase in remuneration up to 35 years is associated with the increasing work experience of women as they grow older, which in turn increases their productivity and allows them to achieve promotions.

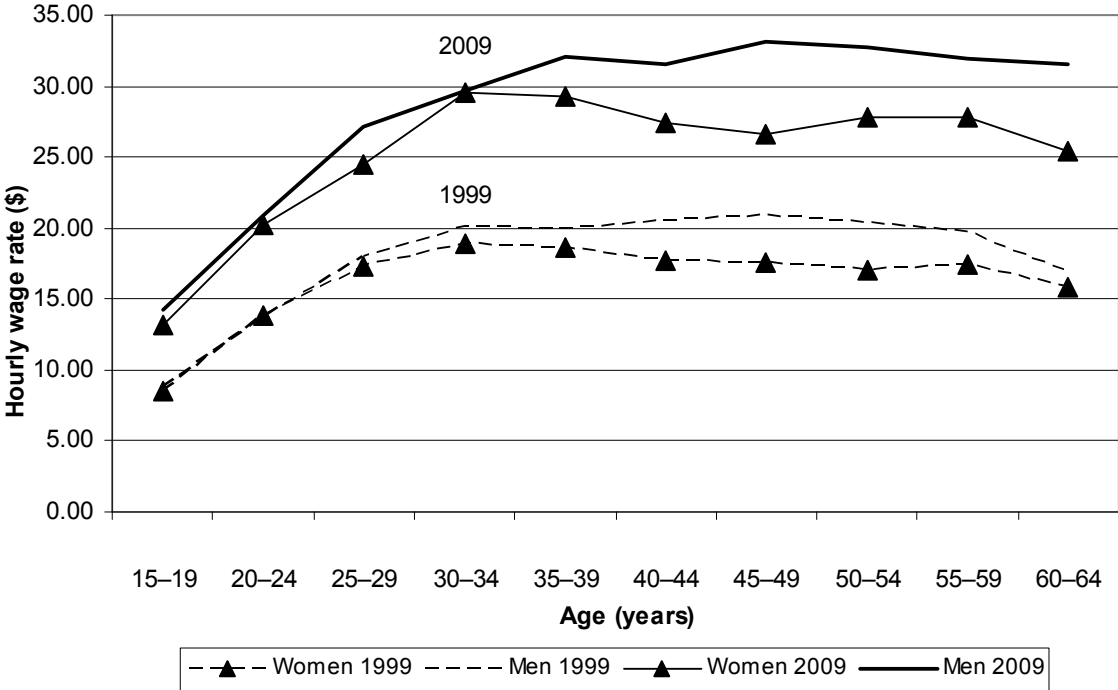
The pattern of declining earnings between 35 and 45 years reflects the impact on earnings of reduced attachment to the workforce during child bearing and caring years. The hourly rate of earnings for women with children never recovers in successive years.

The pattern for men differs, with almost continued growth in earnings through middle age years up to 45 to 49 years. The pay gap between men and women largely arises as men's wages continue to grow between the ages of 30 and 49 years as wages for women fall.

There has been considerable research undertaken to determine the reasons behind the gender pay gap in Australia. This research points to a number of explanatory factors, other than possible discrimination by some employers, including differences between men and women in hours worked (even for full time jobs); differences in educational attainment; the length and continuity of employment experience; and different employment patterns between men and women in terms of occupation and industry segmentation.

Employment experience plays a large part in explaining gender pay differences. Women tend to have more career interruptions than men, particularly when they have children. This has an adverse impact on work experience and subsequent earnings capacity and is highlighted by the difference in earnings between women with children and those without children. Indeed women without children appear to suffer no pay gap with men that have similar work experience.

**Figure 8 The gender wage gap grows with age**



The lower earnings of women with children may also in part be explained by lifestyle choices. Employment experience is likely to be a less important factor explaining relative earnings where women with children decide to step back from higher paying employment opportunities and career progression to focus on family responsibilities.

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In summary, it is notable that:

- women with children earn less than women without children, even where they have similar levels of employment experience
- the wage profile of women without children more closely resembles that for men, with such women earning up to 4 to \$5 per hour (or 20 to 25 per cent) more than women with children after 6 to 10 years of work experience.

As explained above, differences between women and men in employment patterns, length of work experience and hours worked explain much of the gender wage gap. There remains a reduced gender pay gap possibly explained by more intangible actions of women themselves — in terms of lifestyle choices, the extent of their career orientation — as well as employer attitudes towards mature aged women with children (where discrimination also cannot be ruled out). This will remain a topic for future research.

### **Where do mature aged women work?**

Notwithstanding that mature aged women's labour force participation has grown strongly over the past three decades, their unemployment rates have remained low. This means that demand for mature aged women workers has also grown strongly over this period.

The employment of mature aged women has responded to the strong growth in employment in the industries in which they are predominantly employed; that is, in the services industries such as health care and social assistance; education and training; and retail trade.

A major feature of mature aged women's employment, however, has been their increase in employment *within* industries. Mature aged women's share of employment has increased, sometimes quite markedly, within all industries, except mining where it remained unchanged. Large increases were recorded in industries even where mature aged women have represented very small shares of employment in the past, such as electricity, gas and water; wholesale trade; and information, media and telecommunications.

Thus, the employment of mature aged women has benefited from both the structural shift of employment towards the industries within which they are predominantly employed as well as strong growth of employment within industries where they have not been traditionally employed in large numbers.

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## What influences the decision to retire?

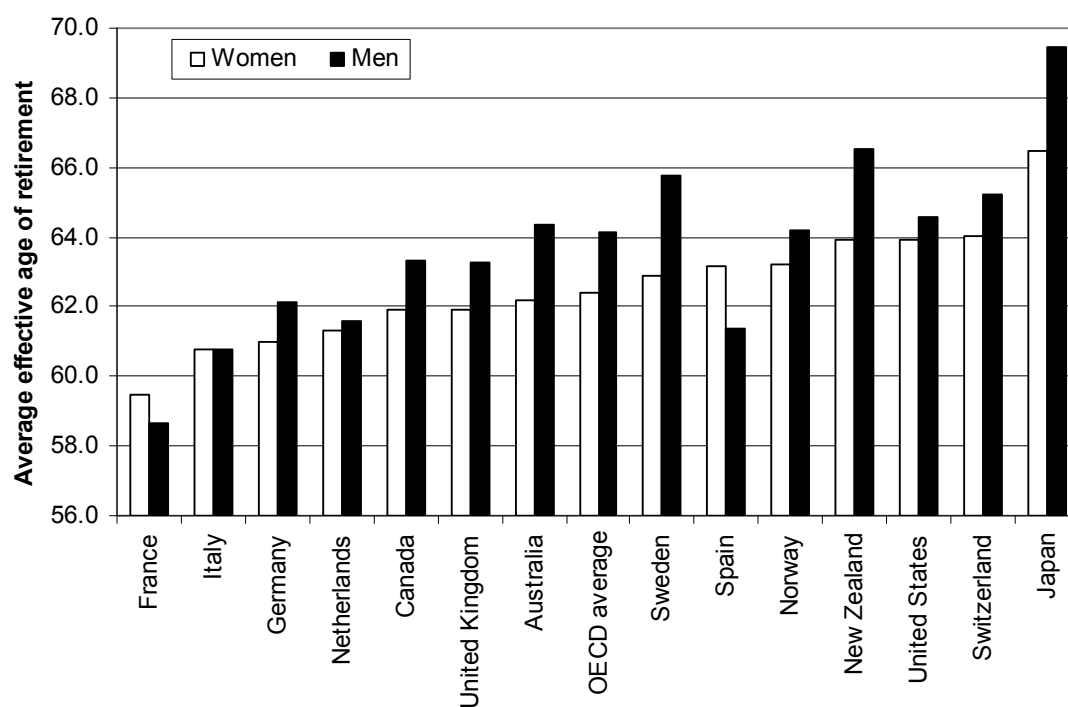
Retirement is influenced by various personal factors, such as health status, interest in work, desire for recreation and to spend more time with family. But it can also be influenced by government policies, such as eligibility for the pension and tax rates.

Women retire earlier than men in most OECD countries. The average ages of retirement for Australian women and men are very close to the OECD average, but younger than in comparable countries such as New Zealand and the United States (figure 9).

That said, average retirement ages for women in Australia have been rising and the gap between women's and men's retirement ages has narrowed. This has had a positive impact on participation rates for mature aged women.

Figure 9 Age of retirement close to the average

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Amongst women currently participating in the labour force, financial security or personal health/physical condition are reported, in ABS surveys, as the main factors expected to influence their retirement decisions (figure 10). Reaching the pension age, declining interest in work, or the retirement of their partner, were cited by fewer women as main factors.



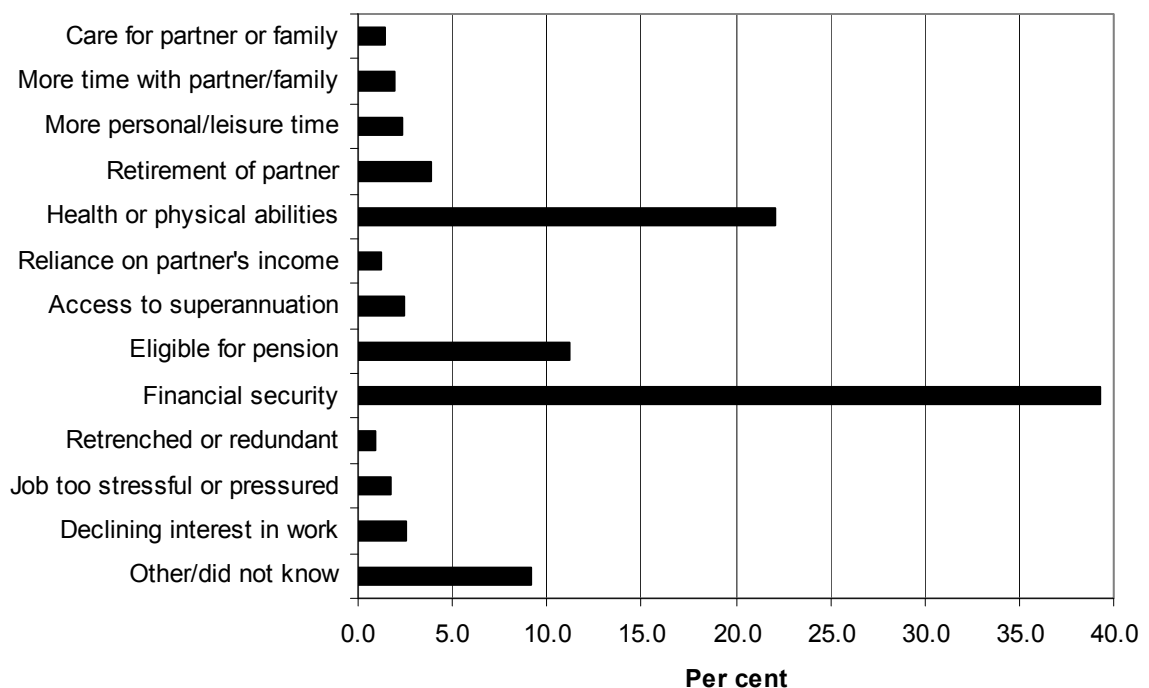
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Superannuation balances for women have been rising, but on average do not match those of men. Given the importance of financial security considerations, growth in superannuation entitlements for women are likely to have an impact on women's retirement decisions in coming decades.

### *Transitions to retirement*

A transition to retirement strategy appears to be important for a large number of workers. As part of such a strategy, many workers transition to retirement by first reducing their workload before withdrawing permanently. In 2007, around half of the women and men surveyed intended to pursue a strategy of working part time before retiring.

**Figure 10 What influences retirement plans?**



A transition to retirement strategy depends on the availability of suitable work. The availability of part time employment can encourage older workers to delay full retirement. More flexible work arrangements for mature aged workers may also impact on labour force participation. In this context, employment growth for women aged 55 years and over has comprised a mix of both full time and part time employment. However, while the labour market has displayed flexibility overall in the type of work available, in many instances workers have had to change employers to achieve their desired working hours. Individual workplaces cannot

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always provide sufficient flexibility to accommodate the changing preferences of their workforces.

### *The Age Pension*

The Age Pension remains the most important source of income for retirees. In 2008, 67 per cent of the aged population were recipients, at either the part or full rate. Some 58 per cent of women were paid at the full rate compared to 54 per cent of men.

The extent of the impact of changes in the pension eligibility age on the participation rate of mature aged women is uncertain. Expectations of those women currently in the workforce differs from the actual experience of existing retirees. Only a small proportion of women currently working cite eligibility for the pension as the main factor likely to influence their decision to retire in the future (just over 10 per cent) (figure 10). But over a third of existing retirees stated eligibility for the pension as the main reason for ceasing their last job.

An impressionistic view of the impact on retirement can be gained by comparing participation rates for women aged 60 to 64 years in a number of OECD countries. This comparison suggests a positive relationship exists between higher participation rates and higher eligibility ages for the age pensions. But there is considerable variation within this relationship and the *extent* to which changing the eligibility age for the age pensions will, by itself, lead to a change in participation rates is uncertain.

In summary, the survey evidence of mature aged women's reasons for retiring and the international evidence of participation rates and eligibility ages for pensions suggest that changing age pension eligibility requirements will be factors for consideration by some mature aged women when deciding to retire. But the extent to which such changes will increase the overall participation rate of mature aged women is uncertain. Many other factors also affect the decision of mature aged women to retire. They include sufficient workplace flexibility to allow working hours to be tailored to individual preferences, whether their partner is working, whether they have caring responsibilities and their own health status.