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## 8 Factors affecting the part time employment of older workers

A common social theme in recent years has been the ageing of the population. Changing demographics in Australia have meant that an increasing proportion of the population is aged 55 years or older, and this proportion is set to continue to grow for decades (Jackson 2001). In addition, because of the longer life expectancy of this group compared to previous cohorts, they will be faced with different opportunities and decisions regarding their working future.

This has implications for the policy responses to the ageing of the population and the associated increase in the retired person dependency ratio, that is the number of retired persons compared to the number of persons working. Given a large share of retired persons will remain, at least in part, dependent on age pensions over the coming decades then there are implications for government finances flowing from their retirement decisions.

Understanding the employment patterns of older workers and, in particular, how retirement decisions are made is important in appreciating the environment facing the labour market in coming decades. It is also important to appreciate the role of part time employment in maintaining labour market participation among older persons.

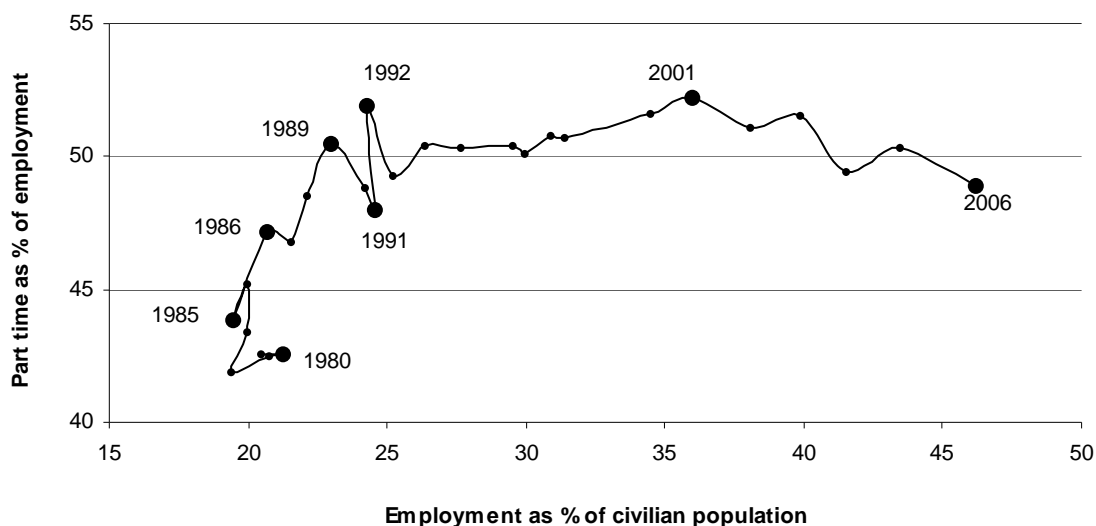
### 8.1 Women aged 55–64 years

As can be seen from figure 8.1, the share of employed women aged 55–64 years working part time increased rapidly during the 1980s, a period of only moderate increase in employment overall. This is clearly consistent with a shift of preferences towards part time employment.

Since, the late 1980s, the proportion of employed women who work part time has remained largely unchanged in the face of very strong growth in the employment of women overall. That is, there has been a shift away from home based activities and towards the labour market, while preferences regarding the mix of part time and full time employment have remained much the same.

**Figure 8.1 Involvement in employment and part time employment of women aged 55–64 years, 1979–2006**

Per cent of persons working and per cent of part time work among workers



Data source: ABS (*Labour Force Australia detailed — electronic delivery*, April 2007, Cat. no. 6291.0.55.001, table LM8).

In Australia, the age at which women can receive an age pension is being progressively raised from 60 years to 65 years. This change is being implemented gradually over the period 1993–2013. It is difficult to forecast the impact of this change on women who may be financially reliant on the age pension, but the change would be expected to result in a gradually increasing rate of employment among women just below pension age. But, women over the pension age may reduce their hours of work. Lim-Applegate et al. (2005) propose that some people who have reached the pension age may reduce their work hours or not work at all to ensure they maintain a full pension.

Another factor that will play an increasing role is the value of superannuation assets. After the introduction of compulsory superannuation in July 1992, there has been a marked decline in the proportion of retirees obtaining an age pension and a decline in the proportion of retirees accessing a full age pension (Lim-Applegate et al. 2005). This decrease in the proportion of retirees receiving the age pension has coincided with a rise in the real value of assets (excluding the family home) held by new retirees.

There are reasons other than changes to the age women plan to retire that could be influencing the rate of employment and the rate of part time work for women 55 years and over. As shown in Chapter 9, the physical ability to work and family responsibilities are also factors that influence people’s decisions on work hours.

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Some family responsibilities that have been identified as associated with working part time or not working at all include caring responsibilities and child minding. In addition, there are also some women in this age group who have a preference for either not working or working only limited hours and who have the financial flexibility to make such a choice. To the extent that any of these factors are operating they appear to be having a greater impact on the decision whether or not to work than on the hours worked.

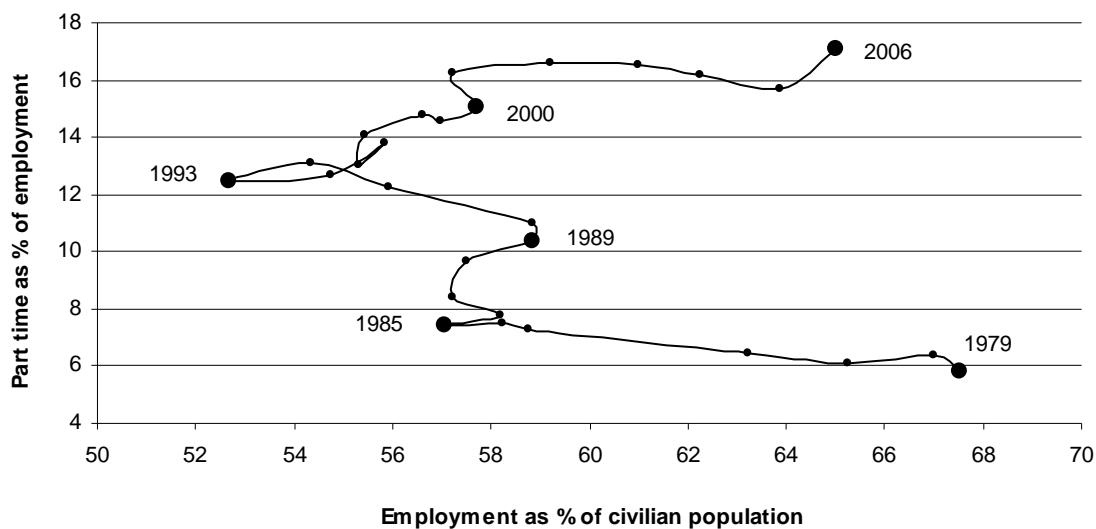
## **8.2 Men aged 55–64 years**

One of the groups experiencing strong growth in part time work in recent years is men aged 55–64 years (figure 8.2). When the overall employment of men of this age declined significantly between 1978–1992, the proportion of those employed who worked part time increased from 6 to 12 per cent. During the 1990s, both the share of part time employment and the proportion of this age group who are employed increased. Since 2000, the proportion employed has increased substantially whereas the share of employment that is part time has only increased modestly. It appears that for this age group, part time employment growth has been stronger when employment opportunities overall are limited or even in decline.

Kennedy and de Costa (2006) are of the view that the recent high rate of employment participation by men in this age group may be associated with the specific cohort of men that are currently in this age group. In fact, this cohort has had higher participation rates than previous cohorts in this age group and higher participation than the successive cohorts throughout their working lives. This would normally indicate that the labour force changes associated with this age group are a short run phenomenon. When combined with the current tight labour market which will tend to maintain the employment levels of these men, it is not clear if any longer term trends can be drawn from recent changes in part time work among men aged 55–64 years in recent years.

**Figure 8.2 Involvement in employment and part time employment of men aged 55–64 years, 1979–2006**

Per cent of persons working and per cent of part time work among workers



Data source: ABS (*Labour Force Australia detailed — electronic delivery*, April 2007, Cat. no. 6291.0.55.001, table LM8).

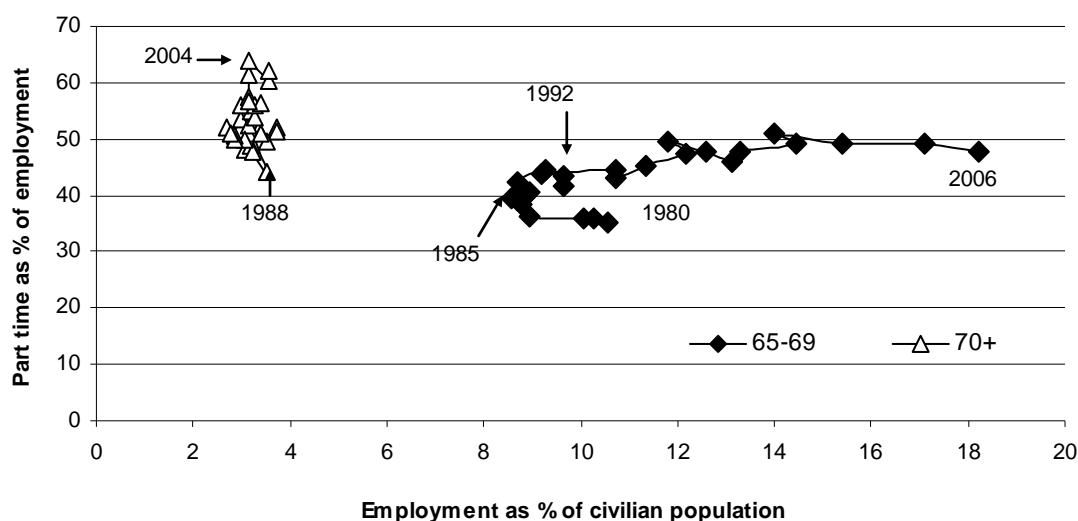
### 8.3 People aged 65 years and over

There has been a recent trend to increased workforce participation by men and women aged 65–69 years. Both the proportion of this age group working and the proportion working part time has increased since the early 1980s (figure 8.3). In 2006, this age group accounted for four per cent of part time workers and two per cent of all workers. There is a clear indication that a sizeable proportion of this age group is delaying full retirement, with over 18 per cent of 65–69 year olds still in employment in 2006.

There has been no change in the employment rates for people aged 70 years and over from 1999 to 2006 (figure 8.3), which remain below 5 per cent. However, the share of part time employment has almost doubled with most employed people in this age group now working part time.

**Figure 8.3 Involvement of those aged 65–69 years and 70 years and over in employment and part time employment, 1979–2006**

Per cent of persons working and per cent of part time work among workers



Data source: ABS (*Labour Force Australia detailed — electronic delivery*, April 2007, Cat. no. 6291.0.55.001, table LM8).

## 8.4 Part time employment and retirement intentions among older workers

Part time work is seen as a transition to retirement by older full time workers. In 2006–07, one-third of full time workers, aged 45 years or more, intended to move from full time to part time employment and eventually retire from the labour force (31 per cent for men and 37 per cent for women). These intentions are often realised with almost one quarter of the last jobs of older workers prior to retirement being part time.<sup>1</sup>

Wave 3 HILDA data can be used to explore more fully the motivations and circumstances of older workers working part time. But it is important to note that these data were collected in 2003, and therefore the responses do not reflect the impact of changes to tax and superannuation arrangements announced in the 2006 budget on the retirement intentions of Australians.

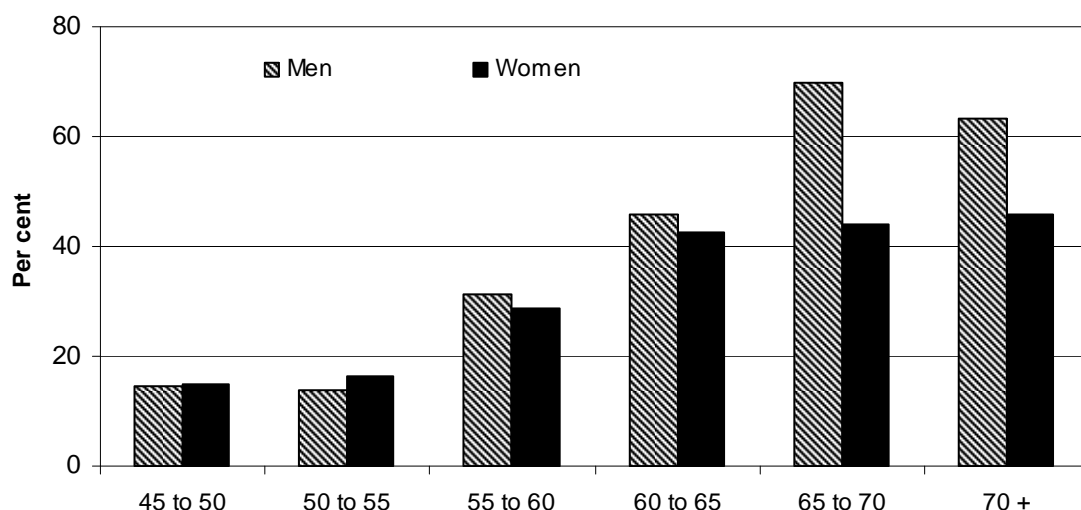
<sup>1</sup> ABS (2008b, tables 2 and 4).

From the HILDA survey data, it was found that 30 per cent of those employed part time, 45 years of age and over, had changed from full time to part time employment as a strategy of transition to retirement from the workforce. This rate was higher for men (41 per cent) than women (25 per cent). This difference between men and women may be partly explained by the higher rate of female part time work among people over 45 years. Therefore, less women have an opportunity to move from full time to part time employment. Unfortunately the HILDA survey did not question people who remained in part time employment when querying the use of part time work as a strategy for transition to retirement.

As expected, the proportion of part time workers who are transitioning to retirement increases with age (figure 8.4). In 2003, just under 15 per cent of 45–50 year olds working part time were doing so for this reason, compared to over 40 per cent of female part time workers and nearly two thirds of male part time workers who were 65 years or older.

The occupational distribution of such transitional part time workers is shown in table 8.1. Those persons employed in occupations who could be expected to have greater discretion over their working hours — such as managers and tradespersons — have a higher share of transitional part time workers. However, the differences between most occupations are not large.

**Figure 8.4 Share of part time employment that is a transition to retirement strategy, 2003**  
Per cent of part time workers in age group



Data source: HILDA 2007 Release 5.1, Wave 3 (weighted data).

**Table 8.1 Share of part time employment that is a transition to retirement strategy — by occupation<sup>a</sup>, 2003**

Per cent of part time workers 45 years and over

	<i>Total</i>
Managers and administrators	34
Professionals	34
Associate professionals	25
Tradespersons and related workers	41
Advanced clerical and service workers	33
Intermediate clerical, sales and service workers	27
Intermediate production and transport workers	24
Elementary clerical, sales and service workers	30
Labourers and related workers	24
All occupations	30

<sup>a</sup> Data for men and women have not been presented separately because some of the occupations contained low numbers (that is, less than 20 part time workers). Little confidence can be placed in such gender comparisons. There were in total 858 part time employed persons 45 years and over in the HILDA database.

Source: HILDA 2007 Release 5.1, Wave 3 (weighted data).

## Reasons for working part time as a retirement strategy

The reasons given for using part time employment as a retirement strategy are broadly similar for men and women (table 8.2). However, there were areas of difference between men and women which may reflect differing circumstances and work preferences. For instance, fewer women gave financial reasons for their change to part time work (14 per cent of women compared to 23 per cent of men).

The main reasons given by women for using part time employment as a transition strategy were that they could afford to retire/had enough income, and that their partner's income enabled retirement. The main reasons for men were that they could afford to retire/had enough income and the superannuation rules made it financially advantageous to retire. Women were more likely to use part time employment as a transition strategy for retirement for family and lifestyle reasons (32 per cent of women compared to 25 per cent of men).

A similar proportion of men and women cited their own ill health or that of their partner as reasons for undertaking part time work as a means of transitioning to retirement. Also similar shares undertook part time work because of job related reasons. For men, the main job related reason was that they were made redundant or dismissed. While this was a major job related reason for women, they also indicated that they were fed up with work, work stresses and demands.

**Table 8.2 Reasons for using part time employment as a transition to retirement, 2003**

Per cent of workers using part time as a retirement transition strategy

	<i>Men</i>	<i>Women</i>	<i>Total</i>
Financial	23	14	18
Job related	26	28	28
Health	18	18	18
Family and lifestyle	25	32	29
Other	7	7	7

*Source:* HILDA 2007 Release 5.1, Wave 3 (weighted data).

The opportunity to work part time is an important factor in maintaining attachment to the workforce for many older workers. Forty three per cent of such workers indicated that they would not be working if they had not been able to move into a transitional part time job. There was no major difference between men and women in this regard. The figure was lower for younger workers (38 per cent for people under 60 years) than older workers (53 per cent for those older than 60 years).

It is difficult to ascertain the net impact on overall workforce participation of transitional part time employment. Those workers described above used part time employment to maintain their workforce attachment. However, 57 per cent indicated that they would still be working if they had not been able to move into a transitional part time job.

The HILDA data relate to workers who have moved from full time to part time employment. The opportunity to take up transitional part time employment has, therefore, possibly reduced participation in full time employment while it has expanded the number of people working in part time employment. Therefore, the net effect on aggregate workforce participation in terms of working hours per person is unclear. In addition, just under a quarter of full time workers aged 55 years and over in the HILDA survey indicated that they would prefer part time work. This suggests that the intensity of work may further decline if more people wanting part time work could obtain their desired hours.

An important feature of workplace flexibility is the extent to which working arrangements match workers' preferences. The data suggest, for the vast majority of the transitional part time employed (84 per cent), the move to such work has been generally welcome. Only 16 per cent wanted to go back to the full time job they occupied before their current transitional part time job. There was little difference between men and women.

The process of arranging transitional part time employment does not appear smooth for many workers. Some 65 per cent of men and women changed their employer when they started their transitional part time job. The main reasons given for leaving their employer related to the unsuitability or difficulty of undertaking such work with their previous employer. Reasons cited include long working hours (20 per cent), unsocial and unsuitable working hours (8 per cent) or their employer would have dismissed them (18 per cent) (table 8.3). Accordingly, it appears that while the labour market is flexible enough to meet the working hour preferences of many older workers a large share of such workers have needed to change their workplace to achieve their preferred hours.

**Table 8.3 Reasons why employees left their former employer to work part time<sup>a</sup>, 2003**  
Per cent of persons giving reason

Working hours were too long	20
Working hours were unsociable/unsuitable	8
Didn't like the work offered	6
Work unsuitable because of ill health/disability	14
Employer would have dismissed/retrenched me	18
Offered an attractive early retirement package/financially advantageous to leave	12
Wanted to start own business/work in family business	11
Moved location	5
Other <sup>b</sup>	23

<sup>a</sup> The total of the reasons exceeds 100 per cent as multiple reasons could be given. <sup>b</sup> Other includes people who didn't know why they had left and those who had sold their business.

Source: HILDA 2007 Release 5.1, Wave 3 (weighted data).

## 8.5 Summary

The workforce participation of older Australians is likely to be an increasingly important source of part time workers, as the share of the population aged 55 years and older increases. Continued growth in workforce participation has been the main determinant of changes to part time work levels for older women. The proportion of employed persons in part time employment in this age group has not changed in over a decade and half. Changes to female workforce participation appear to be linked to the gradual increase in pension age and broader social and economic forces such as the increased availability of labour saving devices which has reduced the utility of home based activities..

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The story is quite different for older men. Overall employment levels for this group have fallen slightly over most of the last 30 years. As well there has been a shift from full to part time employment. The growth in the part time share of employment was particularly strong when overall employment growth was low or even negative. This points to non life style changes driving the growth in part time employment and indicates that demand side considerations have likely played an important role.

While the majority of part time work undertaken by older workers is not seen as a transition to retirement, an increasing number of older Australians are utilising part time work as a mechanism to transition to retirement. The availability of part time employment has played a role in maintaining the participation of the number of older workers in the labour market. But the net impact on aggregate hours of participation of older workers is problematic. There appears to be an unmet demand for part time work by many full time older workers. Aggregate hours of employment among these workers would fall if a substantial share of those workers were to work their desired reduced hours.

While the labour market appears to display flexibility in responding to this changed desire for part time employment, this flexibility is limited. Many older workers are working longer hours than they desire and many others who have reduced their hours have had to change employers to take up part time work. That is, the aggregate labour market displays more flexibility than individual workplaces in accommodating the preferred working hours of older workers.