

Longer working life

greater productivity and more skills

One of South Africa's approaches to job creation has been to encourage early retirement so that a young workforce can enter the labour market. **Michael Rogan and Pranitha Maharaj** argue that in the light of demographic shifts there is a need to lengthen the working lives of older workers.

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In both the developed and developing world, trends in retirement and an ageing population are beginning to have an impact on the strategies of firms and governments. While South Africa does not have an official retirement age, many pension plans and the retirement policies encourage retirement

between the ages of 60 and 65 years. It is becoming clear, however, that promoting a longer working life is an essential step in addressing demographic challenges looming for developing and middle-income countries.

In South Africa, the need to encourage workers across all employment sectors to delay their

retirement has been muted by the focus on job creation. The impending demographic shift, however, means that even countries with high rates of unemployment will need to become proactive in incorporating older workers (people older than 55) into the workforce. Demographic trends and

Figure 1 Population Structure of White South Africans

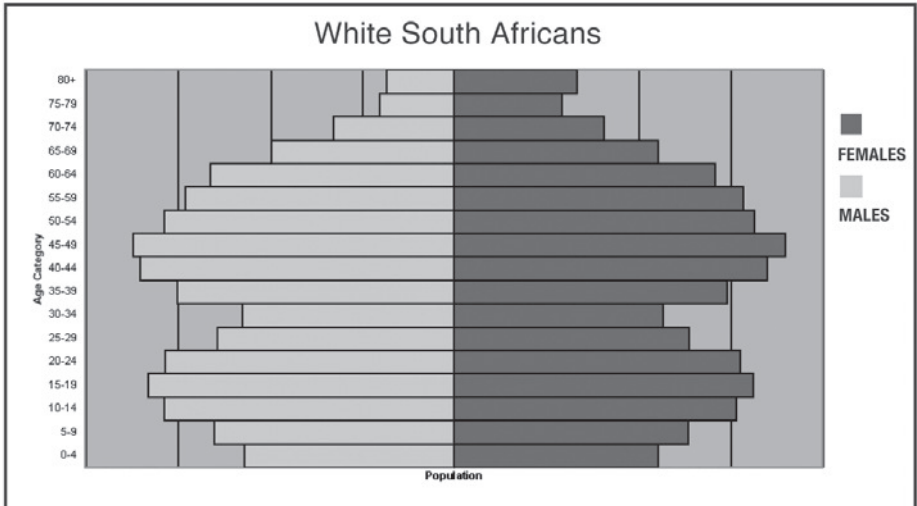
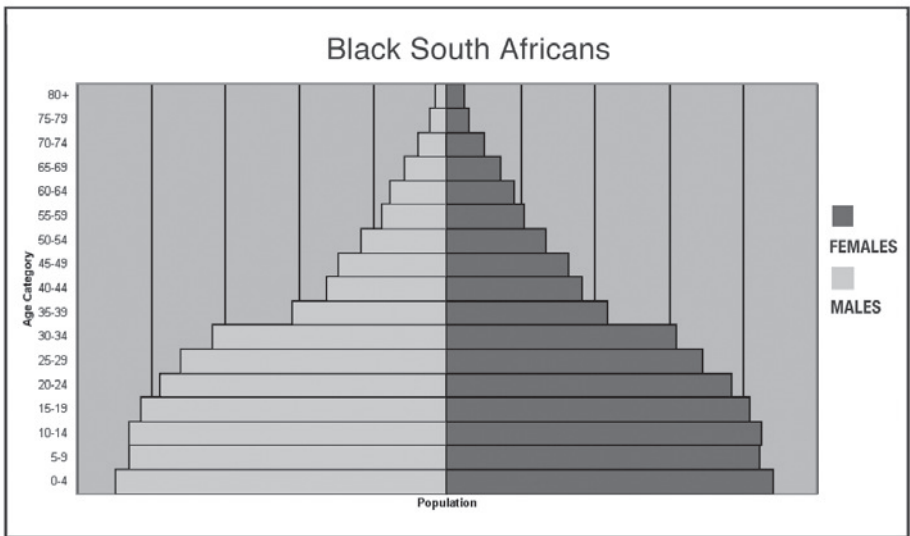


Figure 2 Population Structure of Black South Africans



economic, social and health related factors that impact on the decision to retire have become critical points of analysis in the context of recognising the need to encourage workers to remain in jobs for longer.

SHIFT TO AGEING POPULATION

In the past 50 years, most

countries have achieved steady gains in life expectancy. According to Stats SA, South Africa too has experienced significant gains in life expectancy - 49 for men and 52.5 for women. It now has one of the most rapidly ageing populations in Africa with 7.7% of all South Africans aged 60 and over. United Nations projections

suggest that by 2050 the proportion of the population aged 60 and above will have increased to 12.1%.

The HIV/AIDS epidemic, however, has eroded some gains in life expectancy and has hastened the demographic shift in countries with high infection rates. The epidemic is likely to impact on population growth and labour force structure because HIV is highest among young and middle aged adults who are the most economically active. In many countries we can see sharply reduced growth as a result of AIDS with some analysts forecasting negative population growth in Botswana, South Africa and Zimbabwe over the next few years. The impact of HIV/AIDS on an ageing population however, is not yet well understood and, although HIV/AIDS is a major concern for all age groups, very little research has been conducted in South Africa on the population aged 50 and over.

Overall, the steady shift towards an ageing population in South Africa has occurred as fertility rates (the number of children per woman of child bearing age) have fallen sharply. In many parts of the world, birth rates have declined dramatically and are now well below replacement levels in some developed countries. Stats SA data indicates that South Africa is one of the first countries in sub-Saharan Africa to experience a fertility decline, which fell from 6.0 in the mid-1950s to current estimates of about 2.7. The population pyramids for South Africa demonstrate that while the white population resembles that

of an ageing population, the population structure for black South Africans denotes a younger population.

Increased life expectancy, the impact of HIV/AIDS on the working population, and a reduction in fertility rates however are likely to contribute towards a shrinking workforce and an ageing population across all population groups. This is a trend that has major implications for South Africa's future economic prospects. As the share of the population over 60 climbs, a larger proportion of the workforce will constitute older workers in the future.

OLDER WORKERS AND RETIREMENT

Not only are South Africans living longer, but workers are also becoming more productive at older ages. There is evidence that the health of older people has improved dramatically over the past several decades. This improvement at older ages has coincided with a sharp decline in physical job demands and, with the increasing computerisation of the workforce, this trend is expected to continue.

Despite steady improvements in health and working conditions for older workers, the average male retirement age declined from 68.5 in 1950 to 62.2 in 1990 (from 66 to 60 for females over this same period) in Organisation for Economic Co-operation and Development (OECD – mainly developed) countries, according to the International Labour Organisation. In the developing world, South Africa included, past

policies encouraged older workers to retire early in the face of mass unemployment among the younger working-age population.

In South Africa, the trend towards compulsory early retirement has occurred in the context of an unemployment rate of 29-41%. The transfer of employment from one part of the workforce to another has not however met with success, as the entry and exit requirements of different employment sectors are often unrelated. The difference in skills between workforce age groups often prevents the replacement of skills lost to early retirement and worsens the existing skills shortage.

Retirement decisions in South Africa (which vary dramatically across gender lines, race groups and employment sectors) do not respond to pensionable ages to the same degree as in the United States, Europe and the United Kingdom. The decision in South Africa to retire, while varying across employment sectors, often includes feelings of inadequacy in the workplace. Evidence suggests that the source of perceived inadequacy is often the introduction of new technologies and systems into the workplace that require updated skills. 'Age discrimination' often affects older workers with skills that people see as obsolete while most workplace training and education are targeted towards younger employees that have just entered the workforce.

Significantly, older people in developed and developing countries with higher levels of education tend to remain in the labour force for longer. In South

Africa, less educated African male workers tend to withdraw from the labour force rapidly between the ages of 50 and 60 and participation in the workforce by the age of 60 is less than 30% among this group. In part, this trend is influenced by the type of work (heavy physical demands, low pay and low levels of job satisfaction) that is associated with low skilled and uneducated labour.

Health related barriers to continued employment at an older age are global but, in South Africa, the impact of HIV/AIDS has exacerbated the problem. While statistics are not able to establish a link between health, disability and labour force participation, exploratory studies have provided some insight. In particular, studies show that older workers, especially older women, are likely to adopt roles as caregivers for family members suffering from the disease. As such, productive time is diverted towards caregiving and represents serious challenges to older workers in South Africa.

A LONGER WORKING LIFE

In the face of looming demographic and structural challenges, there is a need to encourage employees to remain in the workforce for longer. This is justified, not just on economic, actuarial and social realities, but also on practical and human rights grounds according to the United Nations.

In South Africa, the skills gap that is often associated with mass unemployment in the face of skills shortages offers another motivation to expand the working life of older people. Over the past

decade, growth in sectors that are reliant upon highly skilled employees has dramatically outstripped growth in traditional sectors that absorb large numbers of unskilled workers, according to a recent SALDRU working paper. The result has been a skills gap that has marginalised large parts of the workforce while leaving the economy with a lack of skills in more capital intensive sectors.

In addition to these economic reasons for lengthening working life, a number of studies suggest that delaying the decision to retire can actually benefit older workers themselves. There remains a desire to work for longer and to expand employment earnings for many older workers. There is also evidence that a prolonged working life may even benefit the health of older workers by assisting them to remain active and engaged with society. Moreover, according to the Second World Assembly on Ageing, the right to remain engaged with the workforce past the age of 55 has significant developmental, social, economic and human rights implications for developing countries.

RECOMMENDATIONS AND CONCLUSION

While the focus on an ageing workforce is a response to demographic shifts in developed countries, developing nations will soon face the same challenges. The need to promote a high level of skill in the nation's workforce, together with the goal of maintaining a sustainable ratio between workers and non-workers means that South Africa will need

to encourage its older workers to work for longer than in the past.

Economic incentives to promoting a longer working life are likely to be a first step in both policy and firm-level responses to an ageing workforce. Most likely interventions include:

- Phased retirement options
- Flexible pension schemes
- Improved benefits for older workers
- Employer contributions towards medical aid.

Addressing the social factors associated with the decision to retire is an equally critical component. Interventions could include:

- Regular skills development workshops for all employees
- ICT skills development targeted at older employees
- Dedicated efforts to ensure that the roles of older employees are appreciated
- Flexibility in working hours for older workers.

These recommendations are in line with evidence presented by a broad range of studies and are especially appropriate for South Africa. The effects of apartheid and the high levels of poverty and inequality in South Africa have enforced a wider gap in education levels between different age groups within the economically active population. As such, it is especially critical to ensure that technological and computer skills among older workers (those that did not have the same access to education as younger workers) are developed and maintained.

Interventions to address the health problems facing older workers are also essential. As

health improvements accompany a longer life expectancy, changes in the workplace can ensure that longer lives translate into longer working lives. Recommendations include:

- Flexible working conditions for older workers
- Comprehensive health plans for long-term employees
- Less physically demanding tasks for older workers
- Proactive measures to integrate workers with disabilities into the workplace.

The fact that South Africa's overall fertility rate is now similar to those in developed countries 50 years ago, demonstrates that a demographic shift is looming. Lessons from these high-income countries suggest that increasing levels of education, urbanisation and improved gender equality all contributed to the demographic transition and an older working population.

Meeting the challenges presented by the demographic transition in South Africa will require a comprehensive re-thinking of the existing approach to retirement. Across both skilled and unskilled employment in South Africa, the need to offer older workers the opportunity to remain in the labour market will likely have economic, social and developmental implications for the country as a whole.

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