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PwC Golden Age Index

How well are OECD economies harnessing the power of an older workforce?

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PwC Golden Age Index

Harnessing the power of an older workforce – a potential $2.6 trillion prize

The United Nations predicts that, between 2015 and 2030, the population of those aged 60 and above in high–income countries will grow by around a third to more than 400 million. Rapid population ageing is putting significant pressure on health and social care systems and threatening the financial sustainability of some public and corporate pension arrangements. To offset these higher costs, it would be helpful if older workers could be encouraged and enabled to remain in the workforce for longer, increasing both gross domestic product (GDP) and tax revenues. An employed and stimulated older population could also be a healthier one.

However, countries across the OECD vary significantly in the extent to which older people remain active members of the labour force. The Nordic countries perform consistently above average in the employment rates of 55–64 year olds, with Sweden at 74% in 2014 being the leader in the EU. Australia (52%), the US (56%) and the UK (51%) are only middling performers, however, whereas in Turkey, Greece and Slovenia, equivalent employment rates are well below 40%.

To understand the extent to which different economies are harnessing the power of their older workers, we have compiled a 'Golden Age index' that captures a broad range of indicators relating to the participation of older people in employment and consider how their relative rankings have changed since 2003, as well as what has driven these trends. We first published this index last year, and have now rolled the data forward a year as well as adding extra analysis of why some countries perform well on this index and how much the lower performers have to gain by matching their example.

Across the OECD, we find that the potential long–term GDP gains, at today's values, from raising performance to Swedish levels could be around $2.6 trillion. In Australia, the potential gains could be around $78 billion, which represents 4.7 % of GDP. We also consider in more detail in this year's report how governments and businesses can work together to achieve these gains, drawing on best practice examples at country and company level.

We hope you find our analysis useful as a contribution to this important area of debate. Please do come back to us with any comments.

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Note: All figures in the following pages are in US dollars. Data most recently available

1 Executive summary

Executive summary

Our Golden Age Index measures how well countries are harnessing the power of their older workers. The index is a weighted average of seven indicators that reflect the labour market impact of workers aged over 55 in 34 OECD countries, including employment, earnings and training.

Country rankings and key trends

- **The Nordic countries again perform strongly on the Golden Age Index,** with Iceland coming in top again and Sweden and Norway at 3rd and 6th place respectively. Denmark (12th) and Finland (14th) don't perform quite as well as their peers, but still make it into the top half. These results are similar to those observed in our Women in Work Index.
- **Israel, Germany and New Zealand have shown the most significant improvement from 2003 to 2014,** primarily driven by an increased employment rate for older workers, especially within the 65–69 age group. Greece and Turkey have fallen the most in the rankings since 2003, partly due to falling employment rates for older workers.

UK performance

- **Australia has fallen 4 places in the rankings since 2003,** from 20th place to 16th place in 2014. Relative to last year, Australia has moved down one slot in the rankings, from 15th in 2013. When compared to other Asia – Pacific countries in our sample, however, Australia performs poorly, ranking last out of New Zealand, the US, Korea, Japan and Canada).

Potential long–term GDP boost

- The **OECD could add around $2.6 trillion to it's total GDP** if economies with a lower full–time equivalent employment rate among people aged over 55 than Sweden increased their older worker employment rates to levels in Sweden, which is the best performing EU country in the index.
- **Greece could experience an approximate 19% long–term increase in GDP** by increasing employment rates to Swedish levels Other countries lagging behind in the index could also experience large gains, such as around 15% in Belgium and 14% in Slovenia. Gains would be lower, but still significant, in countries such as Germany (6.8% of GDP) and the US (2.9%).
- If Australia's employment rates for workers aged 55+ was increased to Swedish levels, **Australian GDP could be around 4.7% higher,** equivalent to around **$69 billion** at 2014 GDP values.

Policy implications

- To support older workers remaining in the workforce, **governments should introduce policy measures** to encourage or facilitate later retirement, improve employability and reduce employment barriers. Policies could include pension reform and financial incentives to encourage working beyond national retirement ages, providing training throughout people's working lives, and tightening regulation around labour market discrimination against older workers.

Business implications

- **Businesses should look to adopt flexible working policies,** such as 'phased retirement', or expanding training programmes to encourage and support their older workforce. They should also take steps to achieve age diversity, for example through opening up apprenticeship schemes to older workers so that they can capitalise on their experience.

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Key results

About the PwC Golden Age Index

Labour Market Indicators

The PwC Golden Age Index combines national performance on the following labour market indicators (with relative weights shown in brackets):

- Employment rate 55–64 (40%)
- Employment rate 65–69 (20%)
- Gender gap in employment, 55–64: ratio women/men (10%)
- Incidence of part-time work 55–64 (10%)
- Full time earnings 55–64 relative to 25–54 (10%)
- Average effective exit age from the labour force (5%)
- Participation in training: ratio 55–64 to 25–54 (5%)

Process

These indicators are normalised, weighted and aggregated to generate index scores for each country.

The index scores are on a scale from 0 to 100, with the average OECD value in the base year of 2003 set to 50. However, the average index values for 2007, 2013 and 2014 can be higher or lower than this 2003 baseline.

See Annex for more details of the methodology.

Data

All data are taken from the OECD.

We focus mostly on the 55–64 age group for data reasons. We do, however, include total employment rates for 65–69 year olds in the index and look at all workers over 55 in calculating potential boosts to GDP from higher employment rates for older workers.

The latest data available across the broad range of countries covered are for 2014.

PwC Golden Age Index:

Iceland and New Zealand lead the way

Iceland continues to occupy 1st place

Australia has remained near the middle in the rankings since 2003 and was in 16th in 2014, despite some rise in its absolute index score over time.

Greece continues to fall in the rankings, by another 2 places between 2013 and 2014

Rank				Country	Index			
2003	2007	2013	2014		2003	2007	2013	2014
1	1	1	1	Iceland	92.5	92.5	93.0	96.5
9	3	2	2	New Zealand	60.8	71.7	80.7	82.2
4	5	5	3	Sweden	68.3	70.9	76.6	78.2
13	11	3	4	Israel	58.1	65.9	77.4	78.1
8	2	4	5	Estonia	63.1	77.1	76.8	76.4
3	8	8	6	Norway	68.4	69.1	73.7	76.1
2	4	6	7	United States	68.6	71.4	74.5	74.7
14	12	7	8	Chile	57.2	65.8	73.8	74.1
7	7	9	9	Korea	64.0	69.7	72.2	72.3
5	6	10	10	Japan	66.7	70.4	71.4	70.6
10	13	11	11	Switzerland	60.6	62.7	67.3	67.8
11	14	14	12	Denmark	59.6	59.5	63.8	64.6
6	10	12	13	Mexico	64.4	66.0	65.2	64.4
16	15	16	14	Finland	51.2	58.5	63.0	64.1
15	16	13	15	Canada	53.4	58.3	64.7	63.7
20	**17**	**15**	**16**	**Australia**	**45.6**	**54.8**	**63.3**	**62.8**
25	20	18	17	Germany	37.0	47.8	60.3	62.4
17	19	19	18	United Kingdom	48.0	51.4	57.5	58.2
12	9	17	19	Portugal	59.2	67.8	60.9	55.3
21	22	21	20	Czech Republic	43.5	46.5	52.7	54.4
27	26	20	21	Netherlands	33.5	40.9	52.9	53.7
23	23	22	22	France	42.8	45.5	51.1	52.4
18	18	25	23	Ireland	47.5	54.6	49.1	51.9
30	25	23	24	Austria	32.5	41.6	49.8	51.2
24	21	24	25	Spain	42.6	46.8	49.2	49.9
29	27	27	26	Hungary	32.6	38.0	44.3	46.9
28	29	28	27	Italy	33.1	37.0	44.2	46.9
32	31	26	28	Slovak Republic	29.9	36.4	45.3	46.5
34	30	29	29	Belgium	29.0	36.9	44.2	45.3
26	34	31	30	Poland	36.8	33.3	42.6	44.6
31	32	32	31	Luxembourg	30.2	35.7	39.8	43.1
19	24	30	32	Greece	46.2	45.4	43.0	42.0
33	28	33	33	Slovenia	29.7	37.5	38.4	41.9
22	33	34	34	Turkey	43.5	34.4	37.1	37.8
				OECD Average	**50.0**	**54.8**	**59.4**	**60.3**

The Nordic countries perform strongly, with Iceland, Sweden and Norway all ranking in the top 10

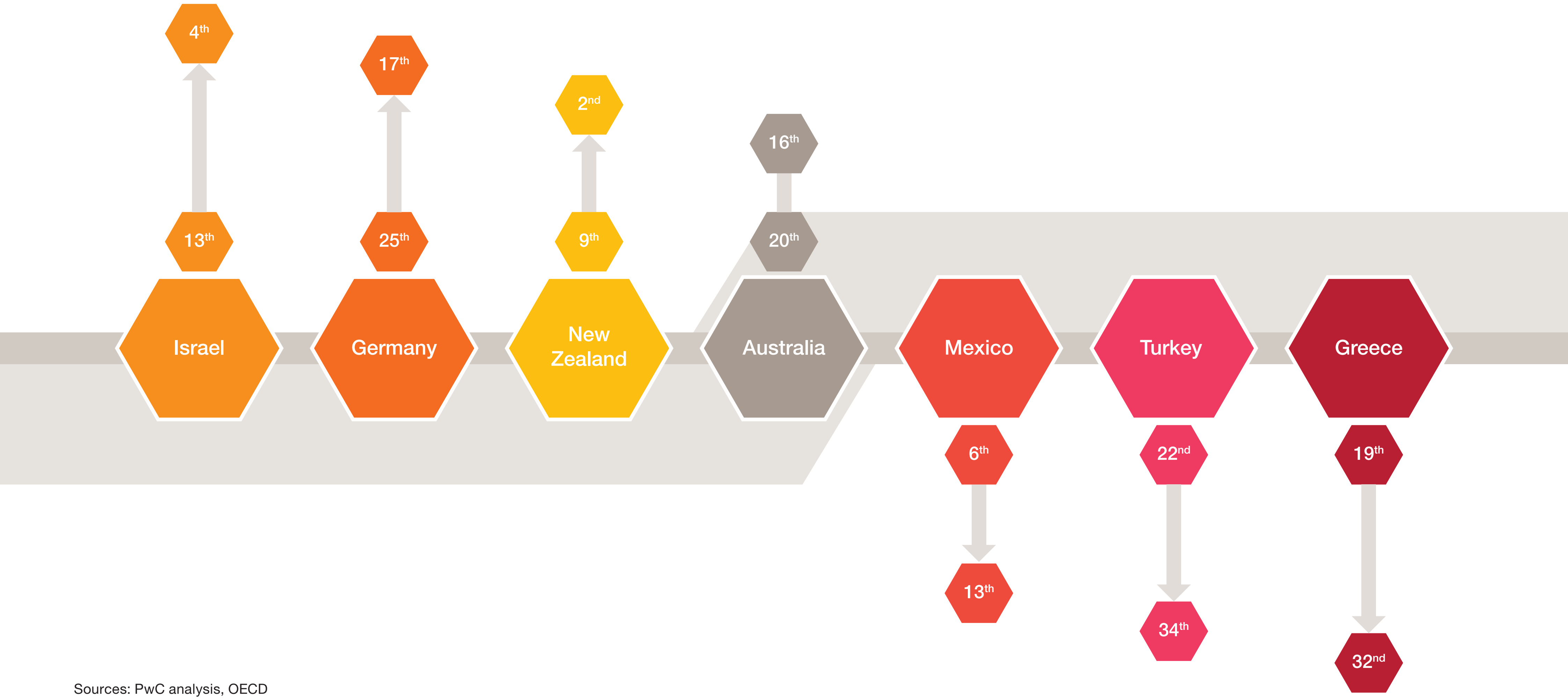
The US still has the highest ranking of the G7, but has fallen from 2nd to 7th place since 2003 as others have improved faster.

Italy and France have made little improvement in their rankings from 2003 to 2014, while Spain fell by 1 place.

Sources: PwC analysis, OECD

Biggest movers

Israel, Germany and New Zealand have been the biggest risers in the rankings between 2003 and 2014, while Greece, Turkey and Mexico have seen the largest falls. Australia has experienced a slight improvement.



Sources: PwC analysis, OECD

Top 10 performers in 2014

Looking at the top 10 performers in 2014, Israel and New Zealand have made the most progress in moving up the rankings between 2003 and 2014, while the US and Japan have drifted down the list.

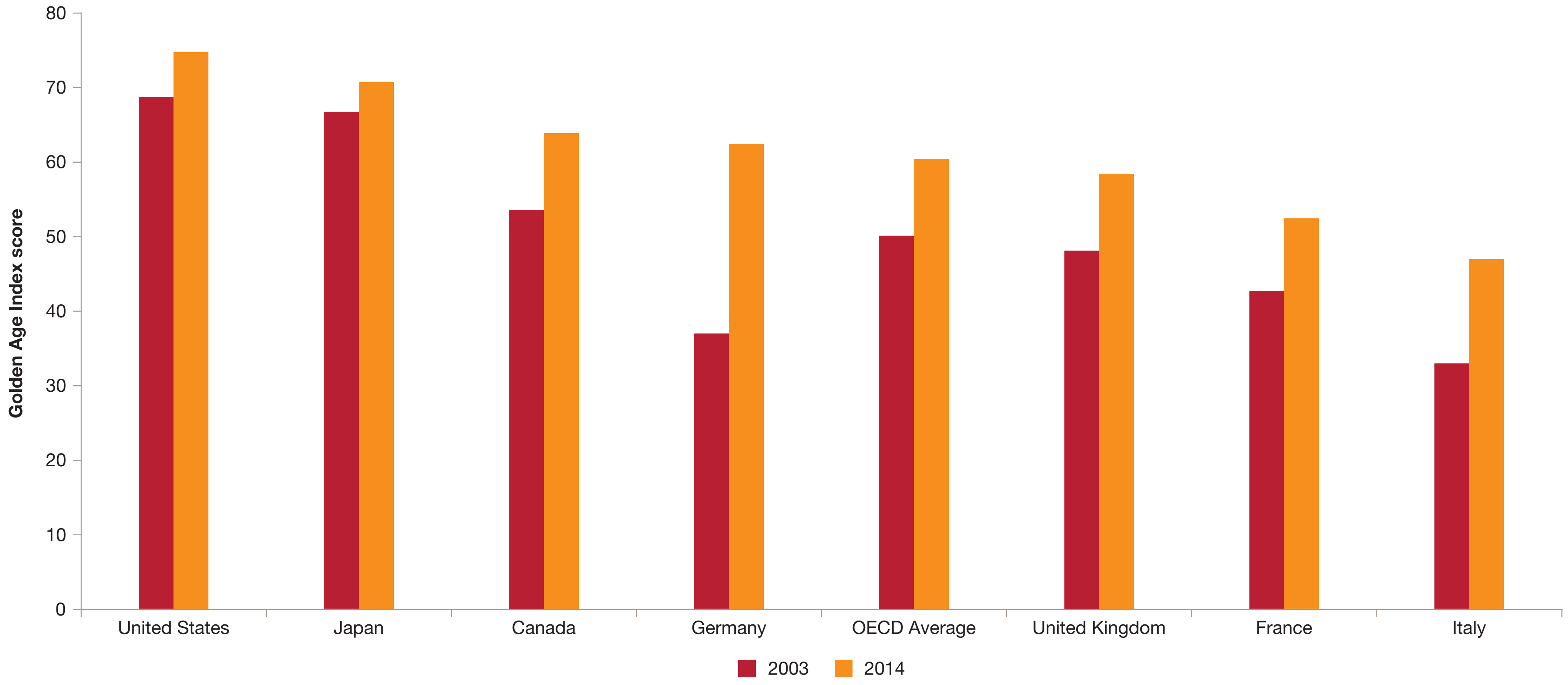
2014 Rank	Country	Change from 2003	Change from 2013
1	Iceland	=	=
2	New Zealand	↑7	=
3	Sweden	↑1	↑2
4	Israel	↑9	↓1
5	Estonia	↑3	↓1
6	Norway	↓3	↑2
7	United States	↓5	↓1
8	Chile	↑6	↓1
9	Korea	↓2	=
10	Japan	↓5	=

Note: The 2013 index rankings refer to those calculated in this edition of the report using updated data from the OECD, and may have changed relative to the 2013 rankings published in June 2015.

Sources: PwC analysis, OECD

G7 countries

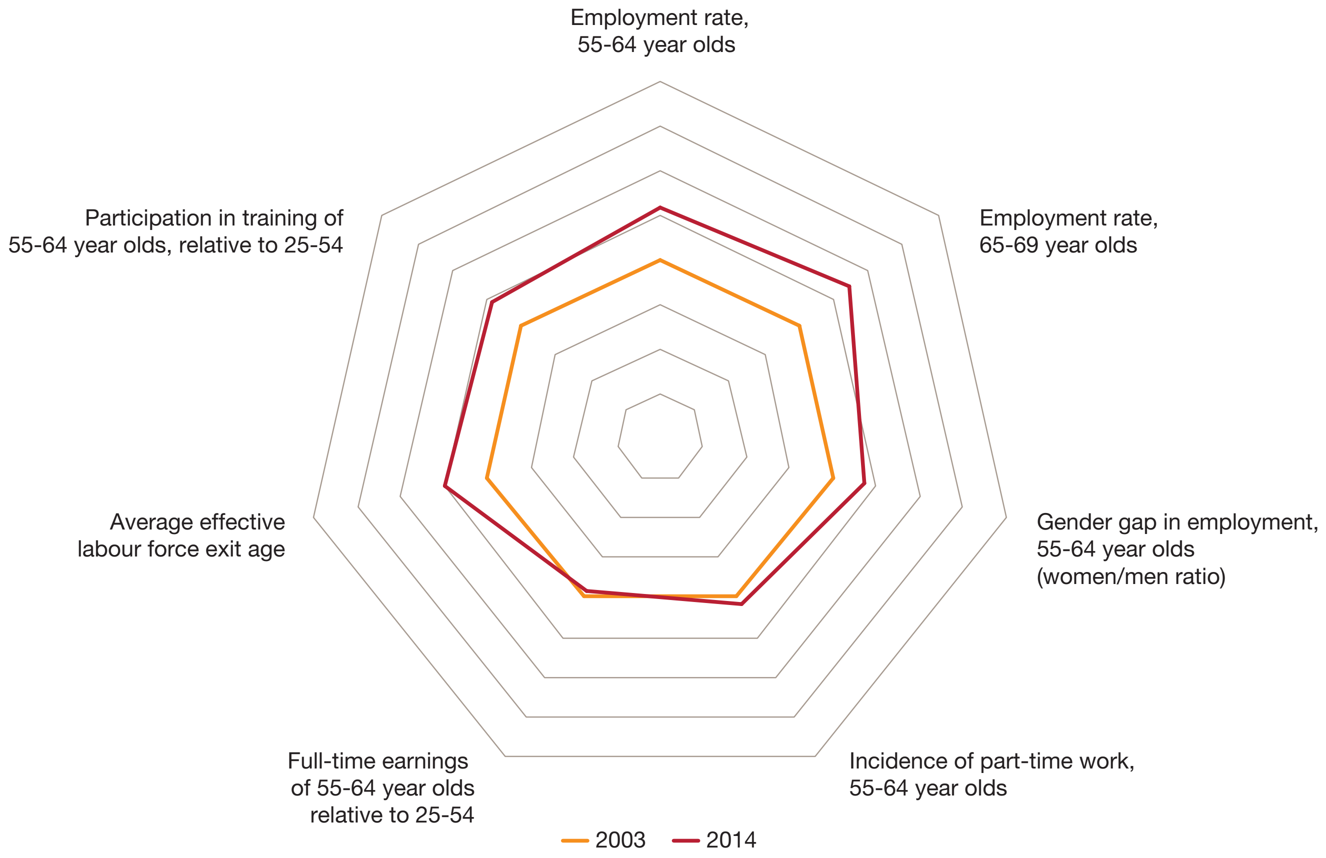
All G7 countries have seen a gradual rise in absolute index scores since 2003, as has the OECD average. Germany has seen the most improvement, rising from below the OECD average in 2003 to slightly above it by 2014.



Sources: PwC analysis, OECD

Improvements 2003 – 2014

Between 2003 and 2014, there has been an improvement in the OECD average for most indicators (as indicated by outward movements in the diagram below.)



Note: Outward movement from the centre conveys an increase in the score of the relevant variable. In most cases this is an improvement, but for the incidence of part-time work, it indicates a worsening of performance as it enters negatively into the index.

Sources: PwC analysis, OECD

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Potential long-term boost to GDP from increased employment rates for older workers

Potential long-run boost to GDP from increasing employment rates of those aged 55 and over to match Sweden

The OECD could add around $2.6 trillion to total GDP if countries with a lower full-time equivalent employment rate among their older workers increased their rates to Swedish levels

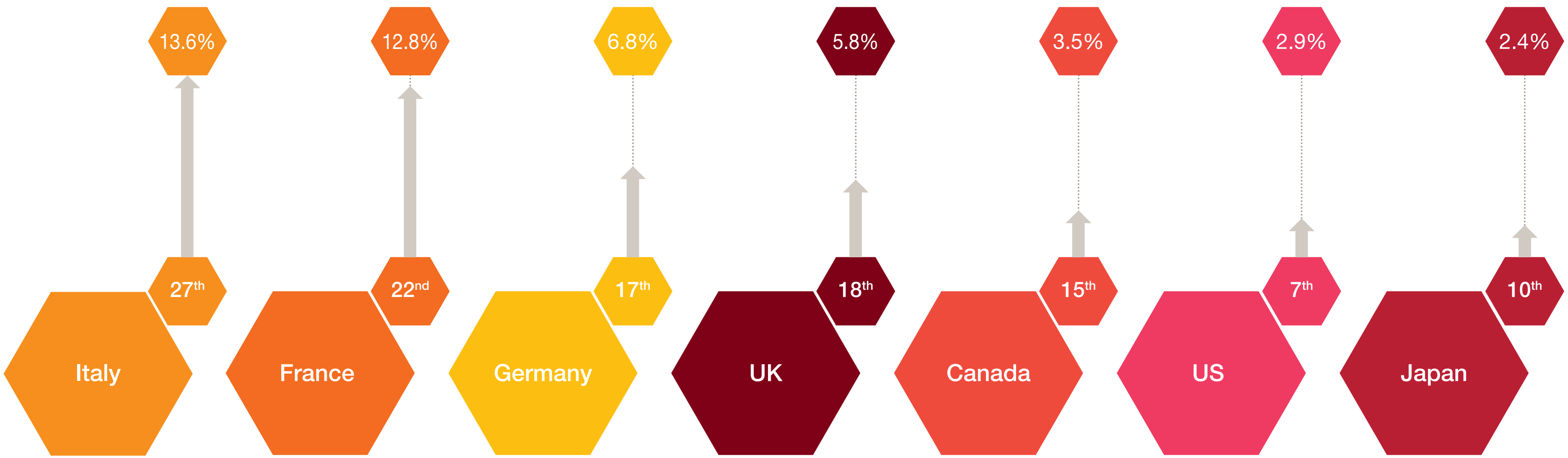
- Our analysis provides an estimate of the broad order of magnitude of potential gains from increasing employment rates to match those of Sweden – the top ranking EU economy in our index*.
- The potential GDP boost from increasing the employment rates of 55-64 year olds and people aged 65+ varies significantly across countries, from around 1% in Norway to around 19% in Greece.
- Within the G7, the overall gain could be c.$1.7 trillion, with Italy and France having the potential for long-run increases in GDP of over 10%.

Those who scored lower on the Golden Age Index have the most to gain in the long-run from increasing their employment rates for those aged 55+

- Greece, who came in at 32nd place, could experience the largest increase in GDP of around 19%.
- For top scorers the gains are lower as their employment rates are likely to be quite close to Swedish levels already.

Australia could achieve an increase in GDP of around 4.7%

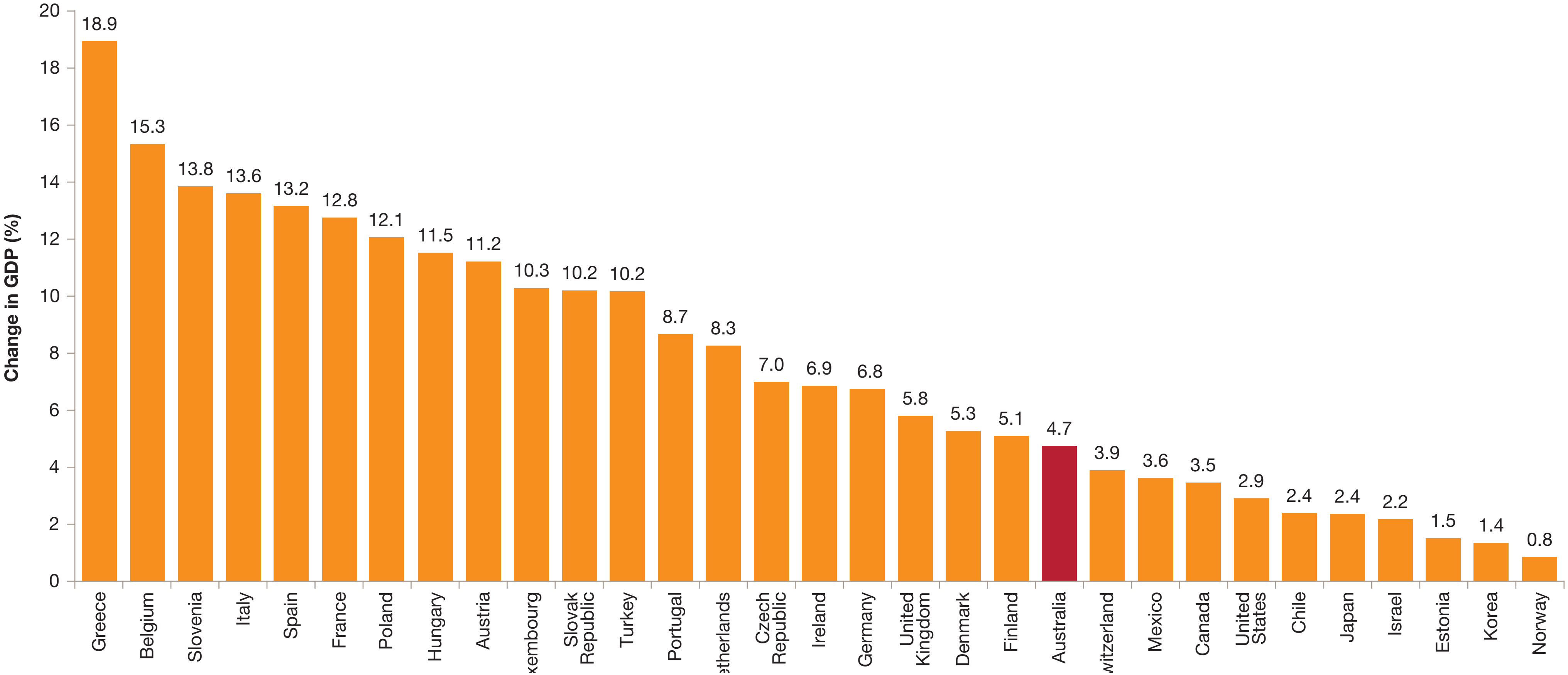
- By increasing its 55+ employment rates to Swedish levels, Australia could increase its GDP by around $69 billion (at 2014 values).
- 83% ($57) of this potential economic benefit would be achieved by improved employment of 55-64 year olds, with the remaining 17% (12%) attributable to those 65 and older.



*Iceland and New Zealand rank higher but are considered less relevant benchmarks as they are relatively small island economies.

Potential gains

Countries scoring lower on our Golden Age Index have the most to gain from increasing their employment rates to Swedish levels. Australia could potentially boost its GDP by around 4.8% by increasing the employment rates of people aged over 55 to Swedish levels, with other estimated long-run gains ranging from around 1 to 19% of GDP.

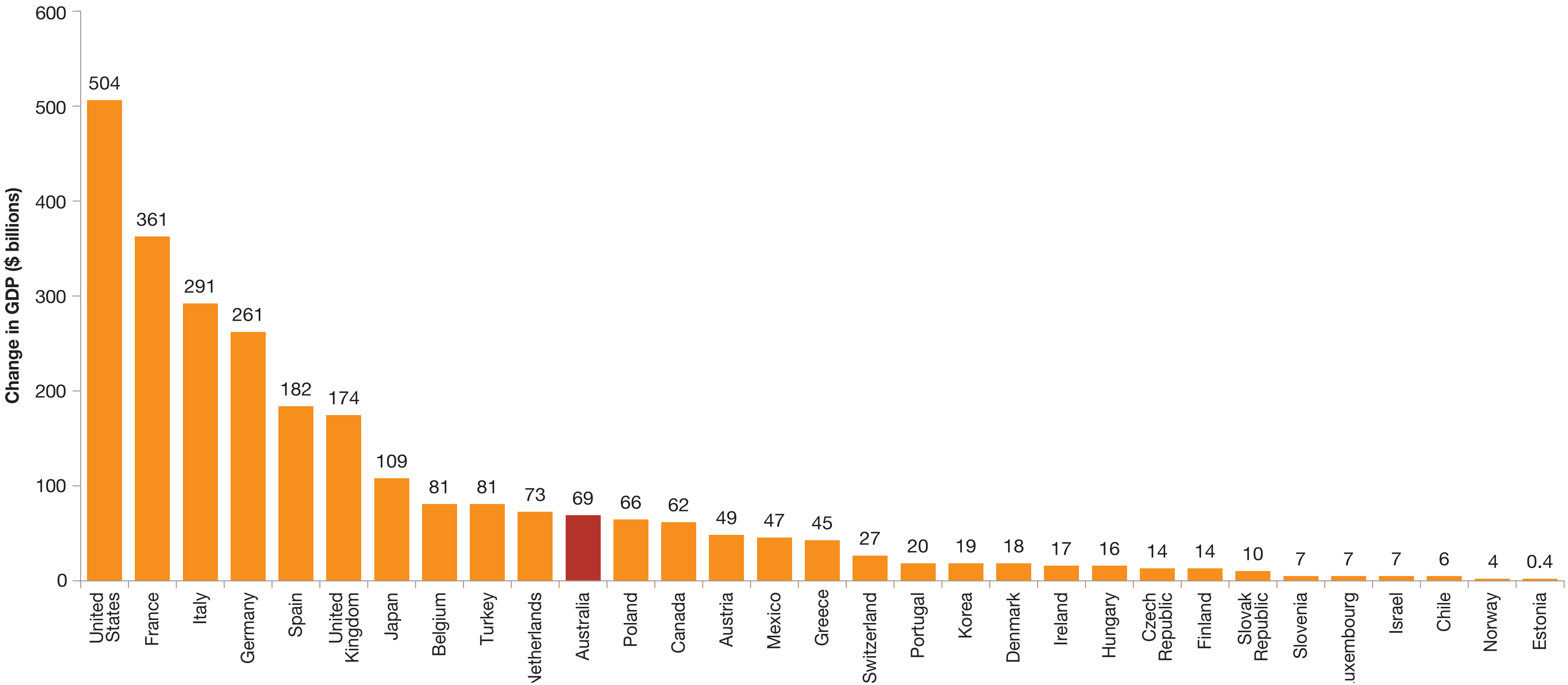


Note: If a country has a higher full-time equivalent employment rate than Sweden, for either age group (i.e. 55-64 or 65+), we did not assume any change to the employment rates currently experienced in that country.

Sources: PwC analysis, OECD

Potential gains

The total gain across the OECD could be around $2.6 trillion, but varies significantly across countries. Given its size, the US has the largest potential absolute gain of around $0.5 trillion. Australia could add around $69 billion to GDP by increasing the employment rates of workers aged 55+ to Swedish levels in the long run.



Note: If a country has a higher full-time equivalent employment rate than Sweden, for either age group (i.e. 55-64 or 65+), we did not assume any change to the employment rates currently experienced in that country.

Sources: PwC analysis, OECD

In most cases, the biggest potential impact on GDP comes via the 55-64 year old age group

Country	Full-time equivalent employment rate		Change in GDP ($ billions)			Total % change in GDP
	55-64	65+	55-64	65+	Total	
Greece	33%	2%	31	14	45	18.9%
Belgium	36%	2%	56	25	81	15.3%
Slovenia	33%	5%	6	1	7	13.8%
Italy	43%	3%	184	106	291	13.6%
Spain	42%	1%	114	68	182	13.2%
France	42%	2%	236	124	361	12.8%
Poland	40%	4%	51	15	66	12.1%
Hungary	40%	2%	13	3	16	11.5%
Austria	39%	3%	35	14	49	11.2%
Luxembourg	37%	3%	5	2	7	10.3%
Slovak Republic	43%	2%	7	3	10	10.2%
Turkey	28%	9%	78	3	81	10.2%
Portugal	43%	8%	17	3	20	8.7%
Netherlands	49%	4%	48	25	73	8.3%
Czech Republic	52%	4%	9	6	14	7.0%
Ireland	46%	8%	14	3	17	6.9%
Germany	56%	4%	125	136	261	6.8%
United Kingdom	51%	7%	122	52	174	5.8%

Country	Full-time equivalent employment rate		Change in GDP ($ billions)			Total % change in GDP
	55-64	65+	55-64	65+	Total	
Denmark	57%	5%	9	9	18	5.3%
Finland	54%	7%	11	3	14	5.1%
Australia	52%	9%	57	12	69	4.7%
Switzerland	57%	7%	17	11	27	3.9%
Mexico	48%	22%	47	0	47	3.6%
Canada	55%	10%	57	4	62	3.5%
United States	56%	14%	504	0	504	2.9%
Chile	58%	18%	6	0	6	2.4%
Japan	58%	15%	109	0	109	2.4%
Israel	57%	14%	7	0	7	2.2%
Estonia	61%	16%	0.4	0	0.4	1.5%
Korea	61%	25%	19	0	19	1.4%
Norway	63%	14%	4	0	4	0.8%

Note: If a country has a higher full-time equivalent employment rate than Sweden, for either age group (i.e. 55-64 or 65+), we did not assume any change to the employment rates currently experienced in that country.
Sources: PwC analysis, OECD

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Implications for public policy and business

We have identified three key labour market themes that commonly feature in countries that perform strongly on our Golden Age Index

1. Encouraging later retirement

This could be achieved through pension reform or by creating other financial incentives that encourage workers to continue working past the official retirement age.

2. Improving employability

Policymakers could focus on promoting lifelong education and training, which could upskill older workers and thus potentially reduce unemployment of older workers.

3. Reducing employment barriers for older workers

Public policy could place an emphasis on tightening regulation around labour market discrimination against older workers.

In the next few slides, we set out some of the policy measures adopted in selected economies to support older workers.

Top three

The top 3 performing countries in the index have a common focus on facilitating later and flexible retirement.

Iceland

Index rank: 1

- Early retirement is discouraged in Iceland by a three-pillar pension system consisting of: basic benefits, a fully funded compulsory occupational pension system and voluntary individual accounts with tax advantages. Furthermore, people tend to continue working part-time, even above the age of 70 and after taking their pensions.
- Iceland has historically placed a strong emphasis on lifelong learning. The 2003 pensions reform aimed to encourage access to training for workers aged over 50 who were entitled to their 'individual training entitlement'.
- Iceland also established several centres for in-service training, such as the 'Education and Training Service Centre' in 2003. This has helped Iceland to maintain its position at the top of the rankings.

Sources: European Agency for Safety and Health at Work (2016), Journal of Social Service Research (2016)

New Zealand

Index rank: 2

- New Zealand has significantly higher labour force participation rates among older workers relative to other countries such as the US or Australia.
- Some of the key drivers behind this include: the increase in the age of eligibility for New Zealand Superannuation (NZS, payments for people aged 65 and over) from 60 to 65 between 1992 and 2001, no compulsory retirement age, anti-age discrimination legislation, and the removal of the surcharge on additional income earned by those claiming NZS.
- New Zealand has also adopted a holistic and community-focused approach to labour market policy for older workers. For example, the government has invested in EANP (Elder Abuse & Neglect Prevention) services, which supports older workers from a mental, physical and financial perspective.

Sources: University of Auckland Retirement and Policy Research Centre (2015), New Zealand Parliament (2011)

Sweden

Index rank: 3

- The Swedish Government has showed its intention to encourage a later effective retirement age through pension reform measures as far back as 1991, which allowed flexible retirement. This was reinforced with an in-work tax credit in 2007 that was larger for those aged over 65.
- More recently, public policy has focused on influencing employer incentives. Payroll taxes for older workers were abolished in 2007/2008 to raise the demand for older workers. In addition, employers were made exempt from paying social security contributions for employees older than 65.
- The Government has also passed legislation to protect older workers against labour market discrimination. For example, the Employment Protection Act, was updated in 2007.

Sources: Aging Well in Work (2016), Eurofound (2013), OECD (2012)

Holistic approach

Other countries have adopted a holistic approach to public policy and introduced anti-discrimination legislation.

Norway

Index rank: 6

- A high priority for Norway in developing the potential of its older workers is to strengthen financial incentives to continue working.
- In particular, Norway has devised public policy to strengthen the link between contributions and pension entitlement. The Government has introduced a mandatory occupational pension in the private sector to supplement the state pension.
- Before the 2011 pension reforms, workers tended to leave the labour market via alternative pathways before the age of 67, which led to minor losses in old age pension benefits. The new reforms abolished the statutory retirement age of 67 and introduced flexibility by allowing workers to draw old age pensions between the age of 62 and 75. This pension benefit is also actuarially calculated and adjusts for life expectancy.

Sources: OECD (2012)

US

Index rank: 7

- There has been an increasing trend in the full retirement age for social security, which has encouraged later retirement. Workers can still receive retirement benefits earlier but their benefits will be reduced.
- This has been reinforced by changes in employer-provided pension schemes, which have seen a shift from defined-benefit to defined-contribution plans.
- Contrary to other countries, the disincentive to continue working in the U.S. is not particularly strong. This is demonstrated by a recent PEW survey, which states that 1 in 5 people are expected to continue working after retirement and over 50% anticipate working in a different job.
- Poor health has been identified as a key factor in the decision around when to retire. This has informed an increase in government expenditure on Medicare.

Sources: PEW Charitable Trusts (2015), OECD (2012), National Institute on Aging (2011)

Korea

Index rank: 9

- In Korea, the incentive to retire early is not as strong as in European countries. Therefore, public policy is generally framed around job security, which is a key factor in the decision to retire. For instance, there has been an emphasis on the extension and deregulation of the mandatory retirement age and deregulation of employment contracts.
- In 1991, the Korean Government introduced the Aged Employment Promotion Act. This led to a range of measures such as wage subsidies for older workers, voluntary quota system for larger firms and training programmes for older people.
- Age discrimination law on employment was updated in 2010, where policy was extended to other areas such as income, education, training and career progression to combat Korea's rigid seniority pay system.

Sources: Korea Development Institute (2010), Center for Strategic and International Studies (2007)

Labour market

Labour market policy for older workers in some countries aim to promote flexibility around the legal retirement age.

Japan

Index rank: 10

- The existence of mandatory retirement policies in Japan has meant that the Japanese Government has placed more emphasis on incentivising employers to employ older workers through subsidy programmes, introducing the 'Subsidy to Promote Older Persons' Business and Self-Employment Opportunities' in 2004.
- The progressive increase in the minimum age for entitlement to public pension from 60 to 65 between 2001 and 2018, in particular, is expected to have a large positive impact on work incentives for those aged 60-64.
- There has been a reduction in the maximum duration of benefits under the unemployment benefit scheme for older people who don't work. This has reduced the risk of the benefit system becoming a pathway to early retirement.

Sources: OECD (2012), Center for Retirement Research (2007)

Germany

Index rank: 17

- Germany has attempted to address 'pro-early-retirement-consciousness', evidenced by the upwards trend in the legal retirement age for all workers as well as the legal retirement age for specific types of old-age income. Those who retire early face a reduction in pension benefit for each given year of early retirement.
- Furthermore, a part-time retirement law was introduced in 1996 whereby older workers could work less without a significant reduction in income.
- Recent policy measures have included vocational training for unemployed older people and granting employers exemption from unemployment insurance contributions when hiring older workers. On the other hand, there is still scope to progress the role of formal and informal adult education for older workers.

Sources: OECD (2012), University of Dortmund (2007)

UK

Index rank: 18

- In 2010, the government set out their intention to equalise the State Pension Age (SPA) for men and women.
- Policymakers have also used legislation, such as the Pension Act 2014, to propose increases in the SPA to 66 by 2020 and 67 by 2028.
- The default retirement age has also been abolished so that employers can no longer force workers to stop working once they have reached the age of 65.
- Specifically, other pension reform policies include changes in the way people save through occupational pensions in order to encourage them to save for retirement.

Sources: Office for National Statistics (2015), UK Department for Work & Pensions (2014), Resolution Foundation (2012)

Businesses have recently adopted flexible working policy in order to better leverage the skills of older workers

Below are several examples of employers across a range of industries that have taken measures to benefit from the experience of their older workers. Common employer policies to support older workers include: transition to retirement, encouraging flexible working and promoting relationships where older and younger staff can take responsibility for reverse mentoring.

FMP Group

Manufacturing

Regional manufacturing business

Policy to support older workers

- In order to survive a changing local and global automotive industry and maintain business sustainability in a regional area, FMP needed to "do things differently". It has introduced age based workforce metrics and monitoring; age-based analysis of the biometric impacts associated with repetitive work; identified the need to capture knowledge of older workers that would be leaving; and developed a model to assist employees with life planning.
- Its Ageing Workforce Program in conjunction with an Employee Wellness Program has seen the injury rate reduce and the costs of workers compensation claims decrease.

Suncorp Group

Financial services

60% of participants making ***healthy lifestyle changes.***

Policy to support older workers

- In 2014 - 15 Suncorp launched its Horizons Program to support employees aged over 50 to build a meaningful career and plan for transition to retirement, whenever that was appropriate.
- The program showcased mature-aged employees who are successfully leveraging flexible working arrangements, and encourages sharing stories with other employees about the options for career and working arrangements.
- 350 employees have completed the program, with 4 out of 5 valuing it, and 3 out of 5 participants considering working flexibly.

Accor

Hospitality and tourism

200 hotels, 10,000 employees, ***8% aged 65 or over***, 12 % aged 44 - 55 years

Policy to support older workers

- In 2014 Accor developed, trialled and implemented a five-day training program for experienced workers aged 50 and above. On completing the programme, participants are given professional feedback and opportunities for future employment. Many are employed by Accor.
- The HR manager said the program's success was due to its focus on maturity and customer service. The Experienced Workers program was more about what they could bring to the table with their life experience, with their interactions with guests, with the way they could show empathy.

Catholic Homes

Care

Average age between ***40 and 50 years,*** and high staff retention

Policy to support older workers

- Catholic Homes reports that being flexible around shifts and tasks are key components of successful return to work outcomes. Flexibility in the length of shifts as well as the amount of physical work undertaken during a shift may reduce the possibility of injury for older workers.
- In another initiative, Catholic Homes looked at combining a variety of suitable roles in sites across the business that allow for a combination of administrative work and manual handling tasks. Exploring the viability of 4 or 6 hours shifts also allowed older staff to remain engaged for much longer.

Sources: Willing to Work, National Inquiry into Employment Discrimination against Older Australians and Australians with a Disability, Australian Human Rights Commission 2016

A common policy among employers is phased retirement, which encourages older workers to continue working

Transgrid
Energy

3% of all staff have worked for Transgrid for 40 - 50 years

Policy to support older workers

- Transgrid undertakes strategic workforce planning each year to enable analysis of risks and fills gaps over the next 5 - 10 years. A number of years ago there was an 'age-cliff" as many engineers planned for retirement. In response, the organisation brought on quite a number of graduate over a few years in preparation for transferring mid-career engineers into senior engineering roles.
- Other benefits include flexible work arrangements to phased retirement such as condensed four-day week, a nine day fortnight, 35 hour week, 15% superannuation and personal leave of 18 days per annum..

Hobsons Bay City Council
Government

28.3% of employees aged ***55 years and over***

Policy to support older workers

- The council is a large employer with older people mainly employed as direct care workers providing respite, personal and home care to Home and Community Care Clients, or as depot workers.
- Older workers who can no longer carry out physical work are being transitioned into mentor roles. They accompany a trainee care worker to provide continuity for clients and an opportunity for training for junior staff. Flexibility has also been important.
- Phased retirement, where hours of work are reduced and another staff member shares the role has also been successful to ensure transfer of valuable knowledge.

Australia Post
Post

50% of the workforce is over 45

Policy to support older workers

- Australia Post is keen to retain and transfer the skills and knowledge of older workers who may otherwise decide to leave.
- From January 2010 employees who are over 53 years of age and have at least 5 years continuous service have been able to request flexible working arrangements in order to transition to retirement.
- This allows older workers to reduce hours of employment to enable them to combine work and family responsibilities and phase in more leisure time. Employees may access their accrued long service leave or annual leave on a regular or patterned basis to maintain their salary.

Westpac
Banking

71% of all employees working flexibly

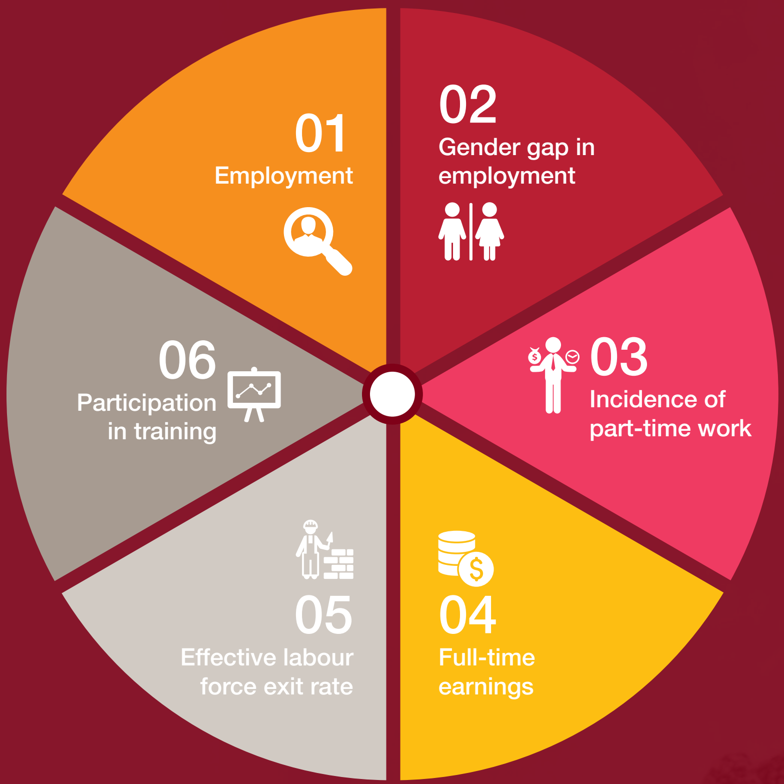
Policy to support older workers

- With 5 generations in the workforce for the first time in its history, Westpac Group knows that the power of its people lies in in the richness of the diverse skills, experience and knowledge they offer at differents stages in their careers. Its "Prime of Life" employees aged 50+ are a vital part of the workforce and hold a significant amount of skills, company knowledge and experience.
- In addition, Westpac Group offers its Prime of Life employees a range of options to help them plan their next move, including transition to retirement.

5

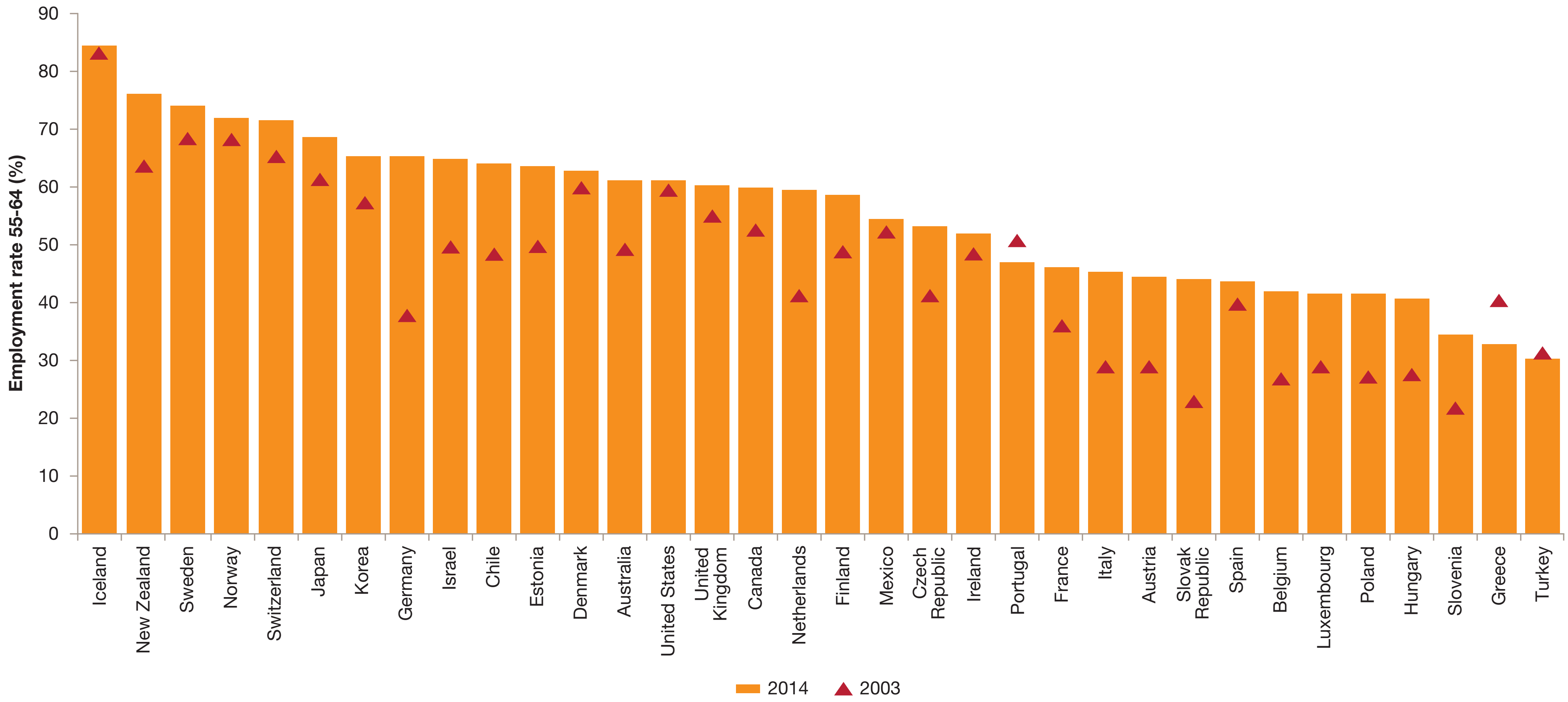
Comparison of individual labour market indicators

Our Golden Age Index is constructed using 6 key labour market measures



Employment rate of 55-64 year olds

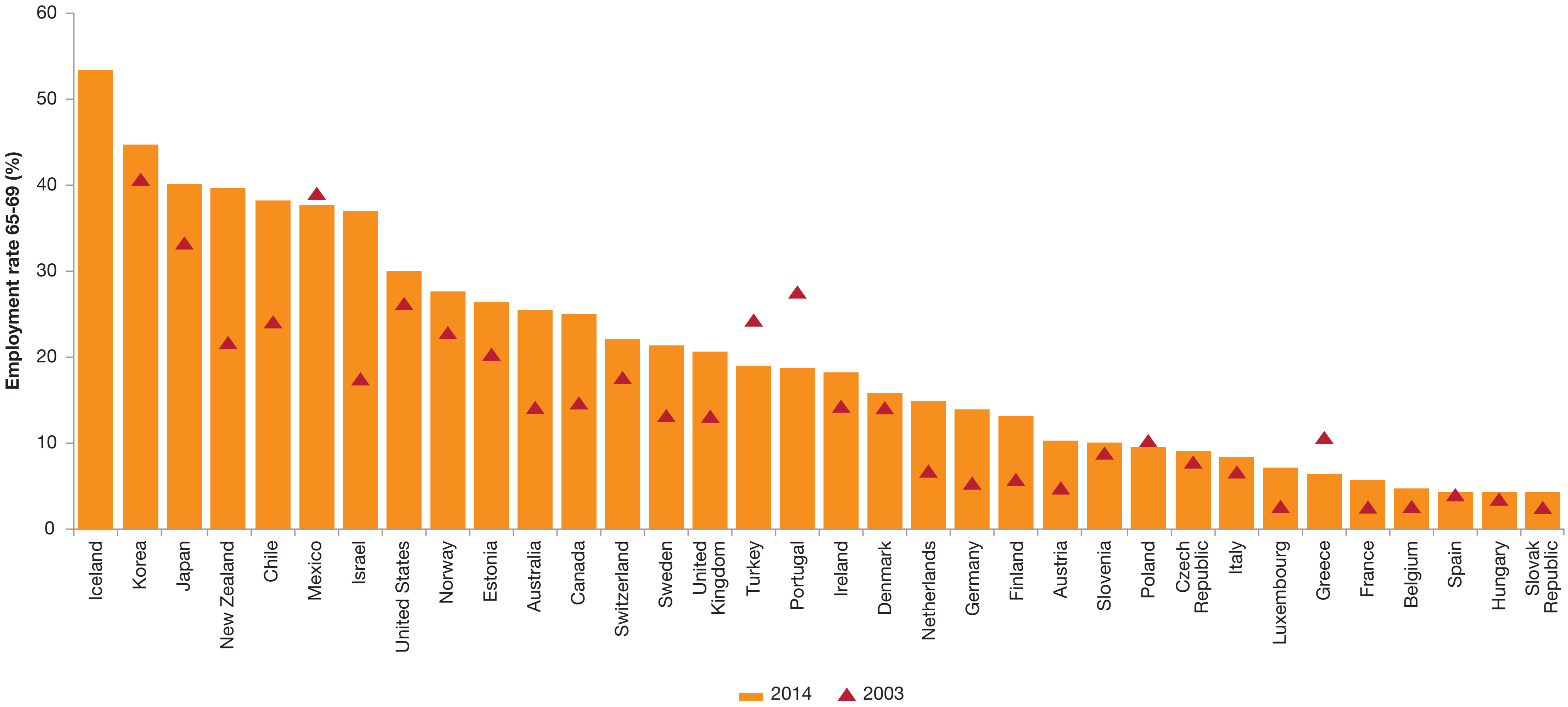
Iceland continues to lead the pack, with the other OECD countries gradually catching up. Germany has made a noticeable increase from 2003 to 2014 to become one of the strongest performers. Australia remains middling.



Source: OECD

Employment rate of 65-69 year olds

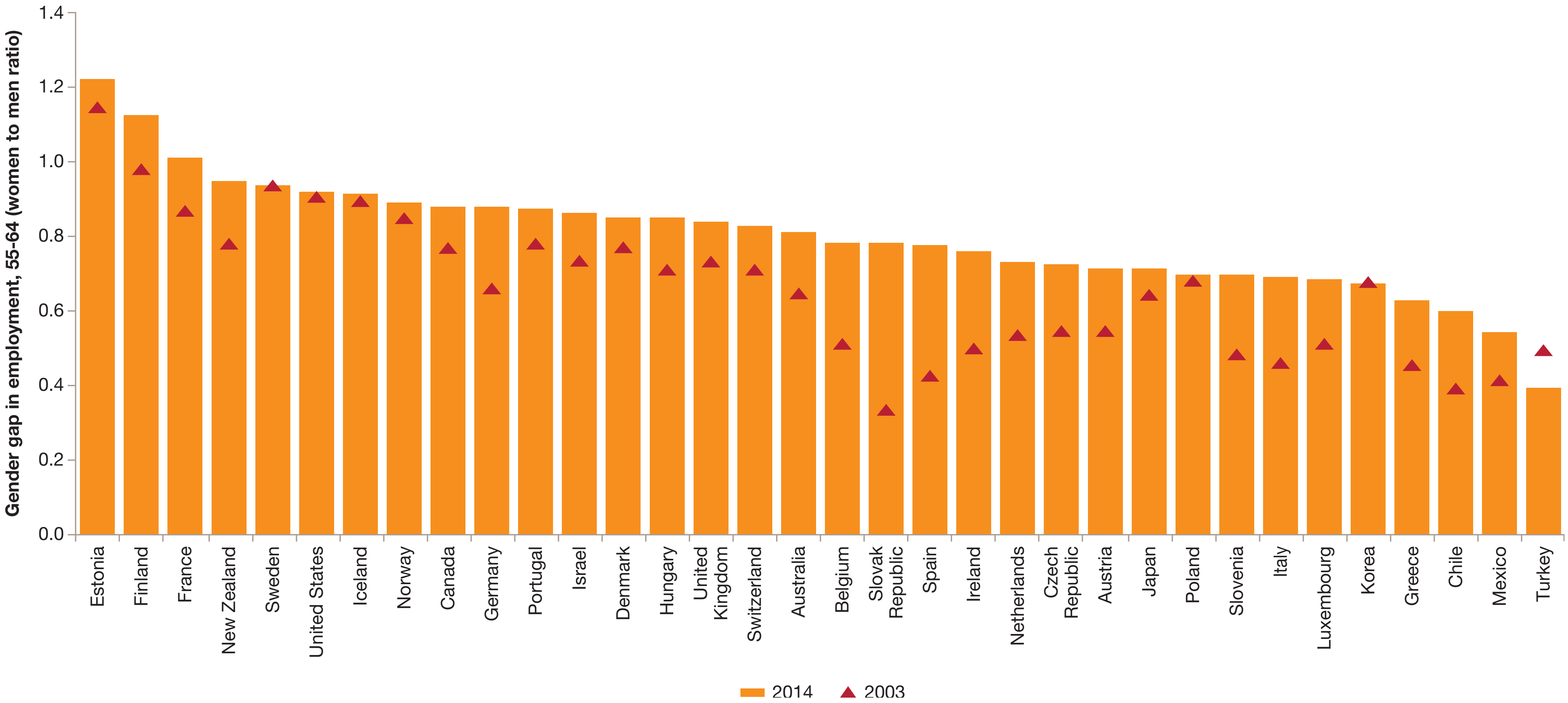
Iceland again has the highest rate, almost 10 percentage points higher than Korea. Thus employment rate has fallen in Mexico, Turkey, Portugal and Greece since 2003. Australia's performance has increased considerably over time.



Source: OECD

Gender gap in employment for 55-64 year olds

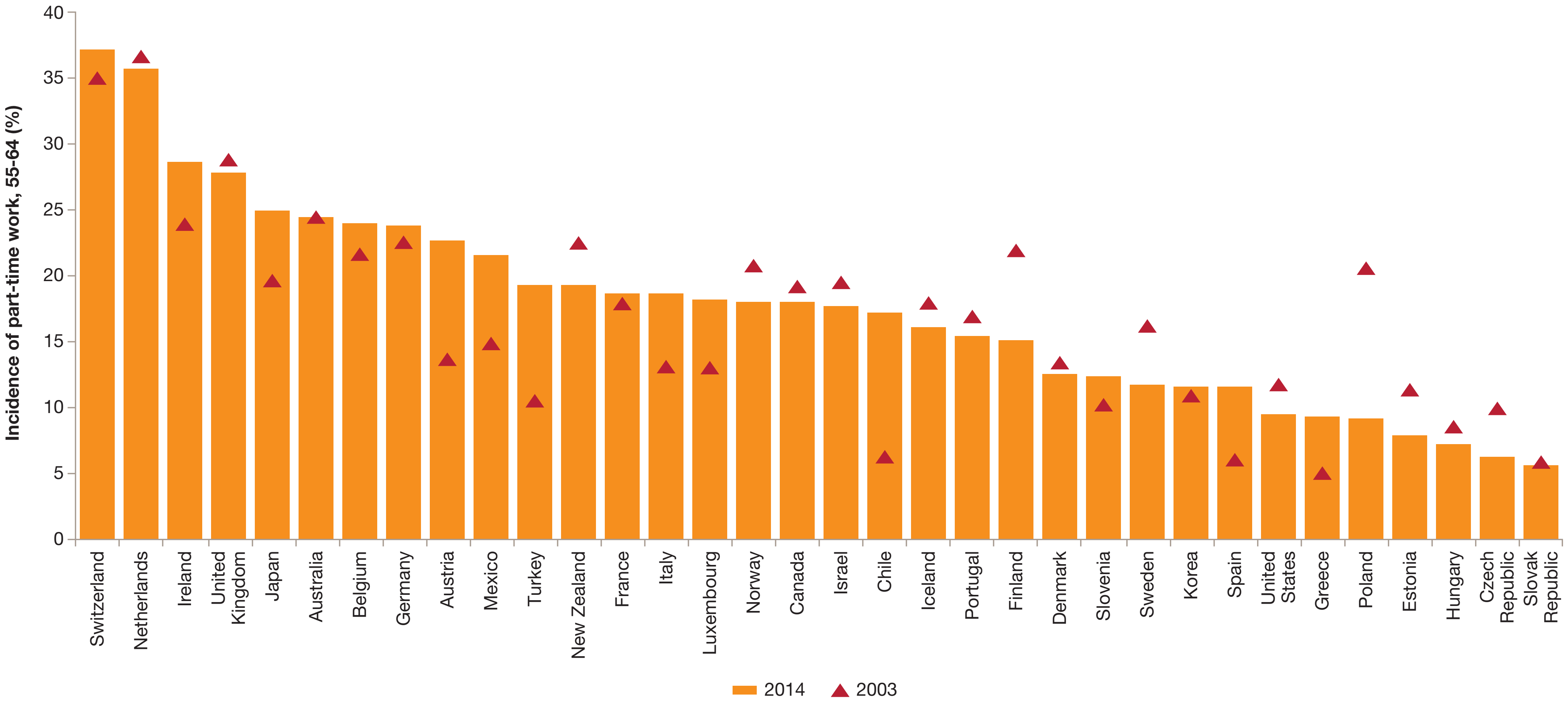
Ratios are relatively consistent across countries, but Estonia, Finland and France stand out due to their high ratio of women to men in employment. The US is an above average performer, but Australia is only middling despite a rise since 2003.



Source: OECD

Incidence of part-time work for 55-64 year olds

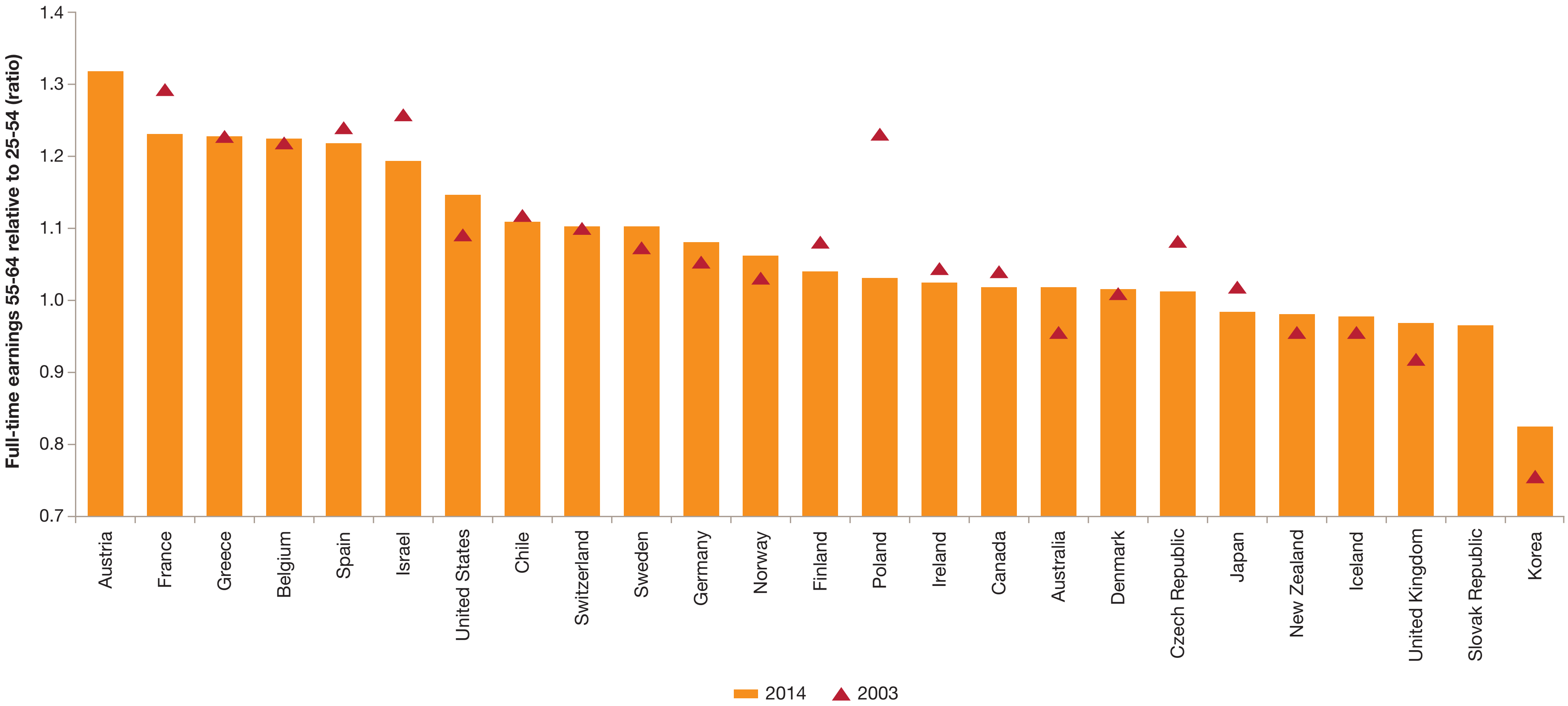
The incidence of part-time work does not appear to show either an upward or downward trend, but varies significantly between countries. The proportion of older workers in part-time employment is relatively high in Australia.



Source: OECD

Full-time earnings of 55-64 year olds relative to 25-54 year olds

Many of the high performers, such as France, Spain and Israel, have seen earnings relative to 25-54 year olds fall since 2003. Australia performs relatively poorly on this measure (i.e. in the bottom third of countries).

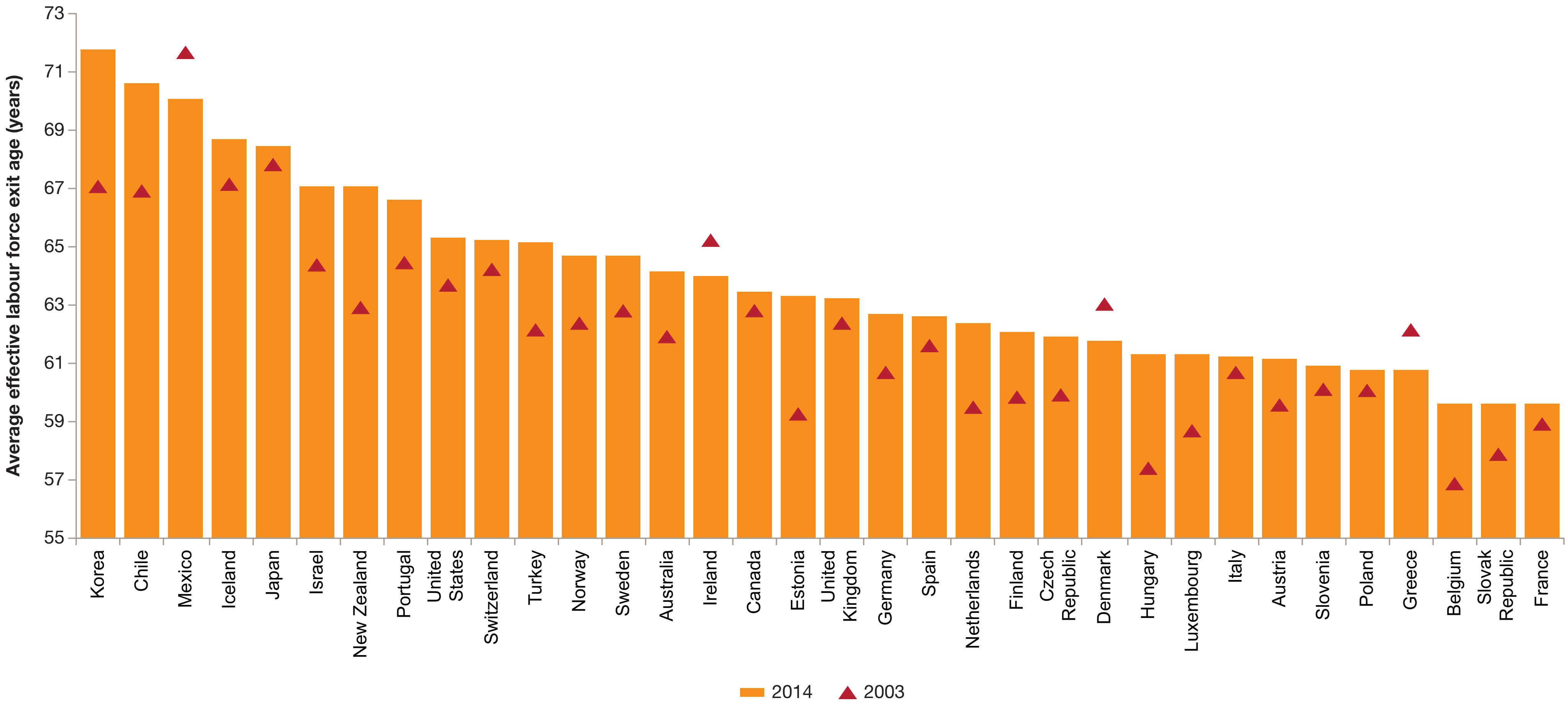


Note: 2003 data for Austria and the Slovak Republic are unavailable

Source: OECD

Average effective labour force exit age

Labour force exit ages have increased in the vast majority of countries from 2003, but with notable falls in Mexico, Ireland, Denmark and Greece. Korea's exit age has increased by 4.7 years since 2003.



Source: OECD

Participation in training of 55-64 year olds relative to 25-54 year olds

Iceland performs exceptionally well, training more 55-64 year olds than 25-54 year olds. Ratios have generally increased from 2003, albeit by varying amounts. Finland and Slovakia, two high performers, have seen their ratios fall since 2003.

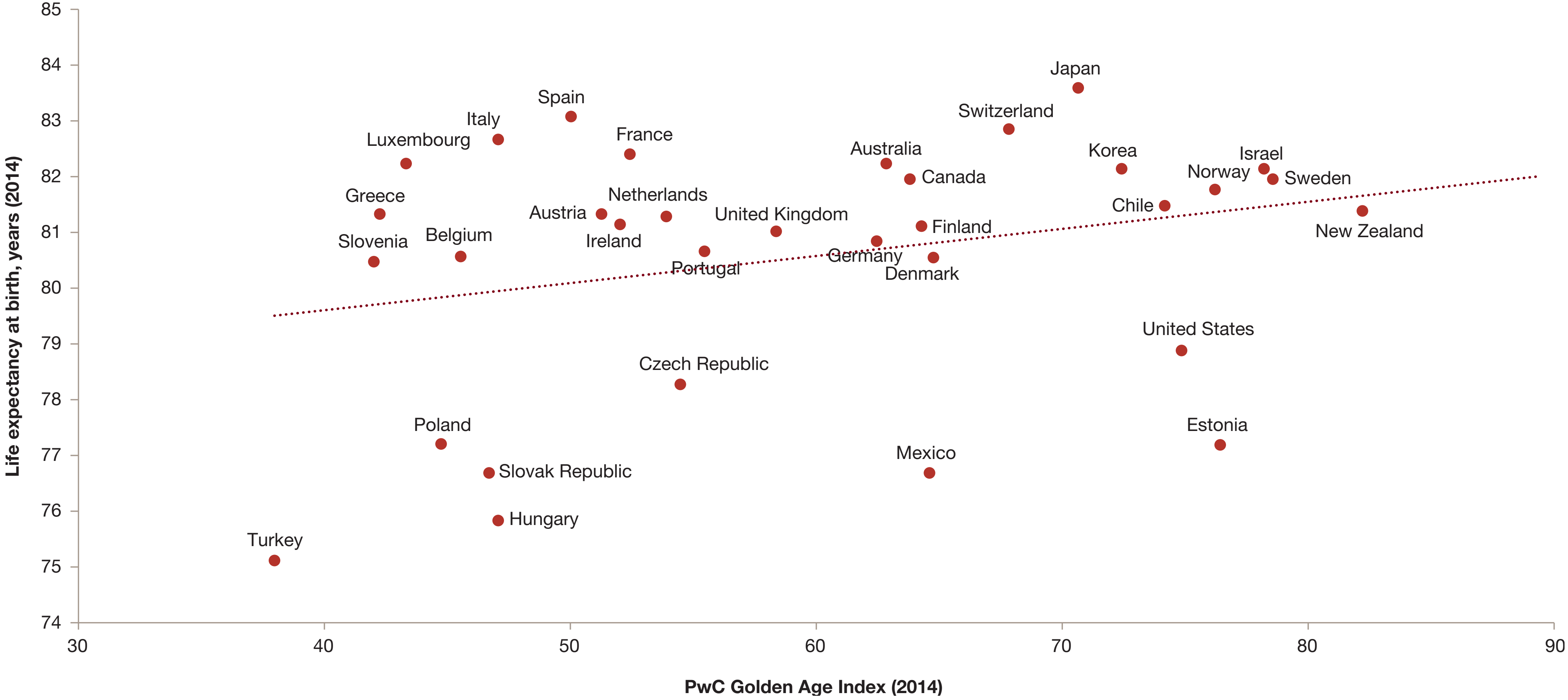
Source: OECD

6

Comparison with other indicators

Life expectancy

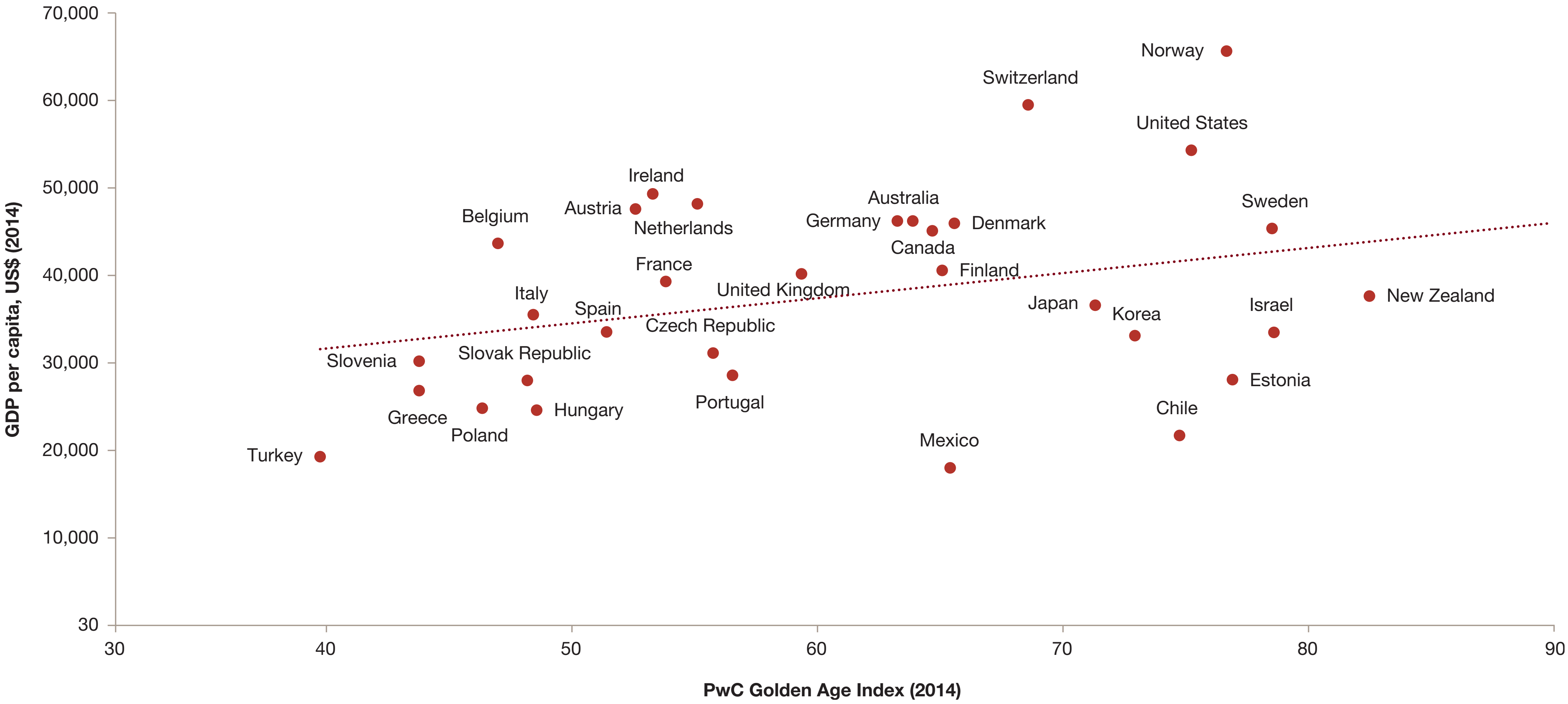
There is a positive correlation between the Golden Age Index and life expectancy, implying that in countries where people live longer, older workers play a larger role in the economy.



Sources: PwC analysis, OECD

GDP per capita

There is a clear positive correlation between our Golden Age Index score and GDP per capita, but some countries outperform on our index relative to their income levels (e.g. Chile and Estonia).

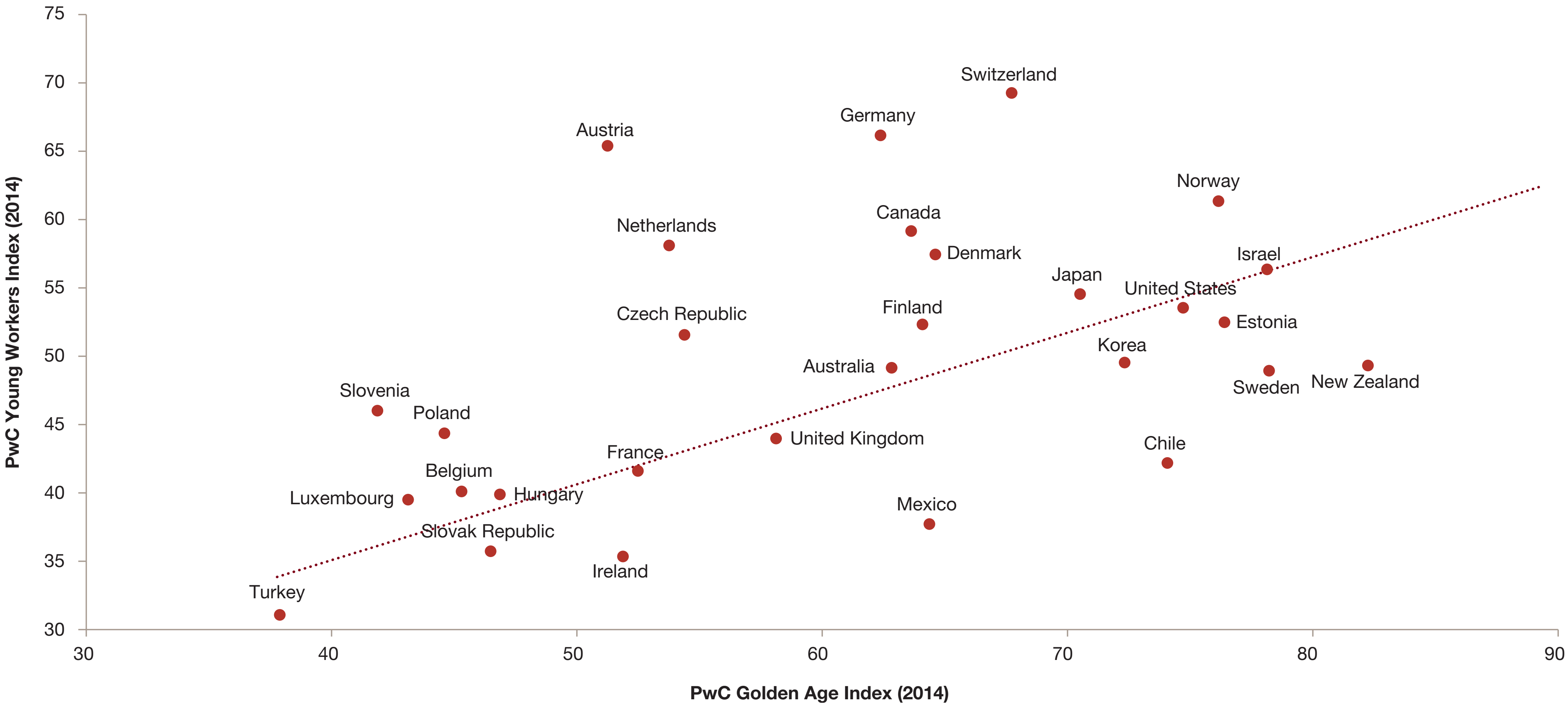


Sources: PwC analysis, OECD

Note: We have excluded Luxembourg on the basis that it is an outlier with a high GDP per capita of around $98,000.

Young workers

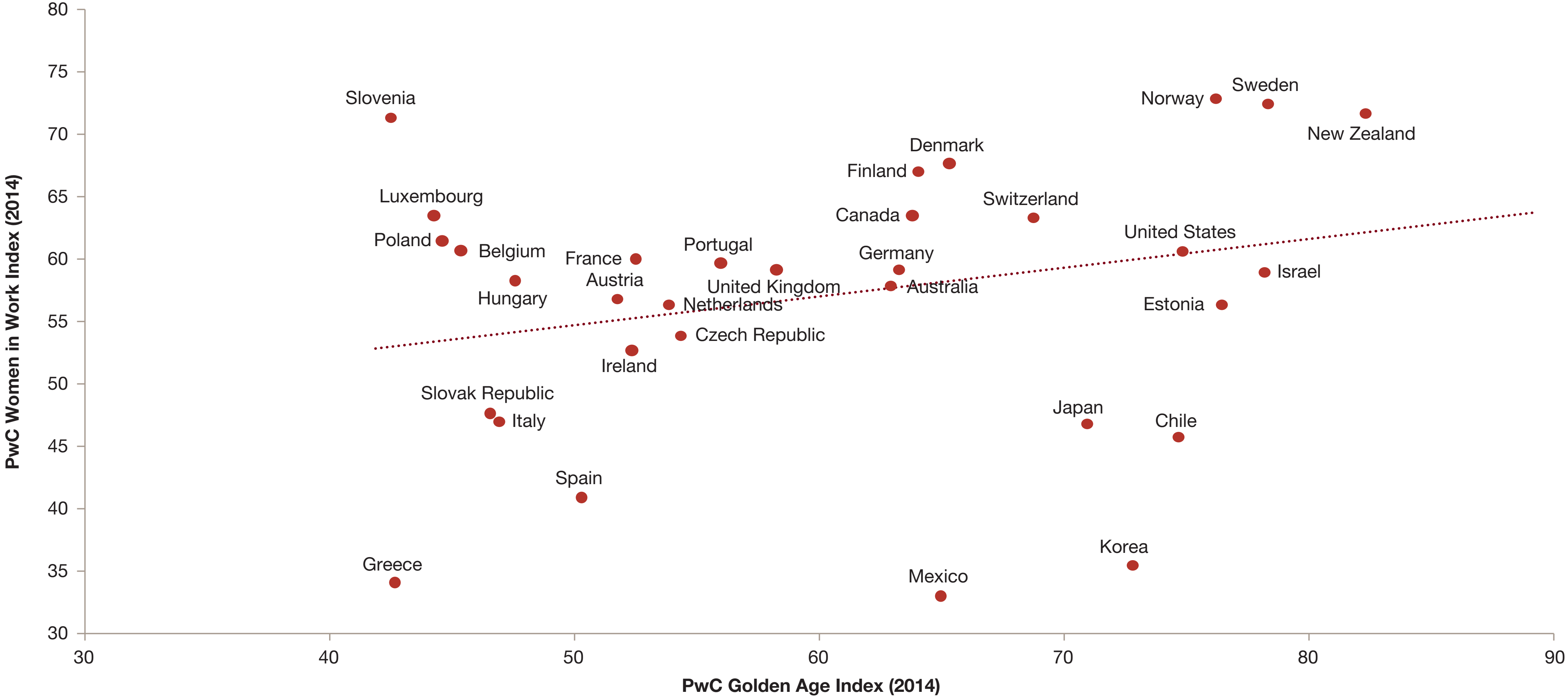
There is a positive correlation with the PwC Young Workers Index, which suggests that the employment of older workers does not crowd out youth employment at the economy-wide level.



Sources: PwC analysis, OECD

Women in Work

The positive correlation with the Women in Work index implies that, for example, good childcare policies also support women remaining in the workforce for longer.



Sources: PwC analysis, OECD

7 Annex: Methodology

PwC Golden Age Index Methodology

Variables included in the index.

Indicator	Weight	Factor	Rationale
Employment rate, 55-64 (% of the age group)	40%	1	The proportion of 55-64 year old workers in employment is the most important measure in our index and so has the highest weight of 40%.
Employment rate, 65-69 (% of the age group)	20%	1	The proportion of 65-69 year old workers has half the weighting of that of 55-64 year old workers assuming the 65-69 age group is roughly half as large in terms of population.
Gender gap in employment, 55-64 (ratio women/men)	10%	1	Gender equality in employment is included here as lower employment rates among older women tend to be a particular feature of many OECD countries.
Incidence of part-time work, 55-64 (% of total employment)	10%	-1	Part-time employment may adversely affect earnings, pensions and job security, but this is given a lower weight in the index since some older workers may prefer part-time work.
Full-time earnings, 55-64 relative to 25-54 (ratio)	10%	1	Earnings equality would represent equal pay across age groups and could also be an indicator of the relative labour productivity of older workers.
Average effective labour force exit age (years)	5%	1	This measures the length of time a worker stays in the labour force before they become economically inactive. However, there is some overlap with other variables such as employment rates so we do not give it too high a weight in the index.
Participation in training of 55-64 age group (ratio, relative to employed persons aged 25-54)*	5%	1	This is an indication of how far older workers keep learning beyond age 55, which will be important in keeping them employable and renewing their skills. But data are lacking for several countries, so we do not give this too high a weight in the index.

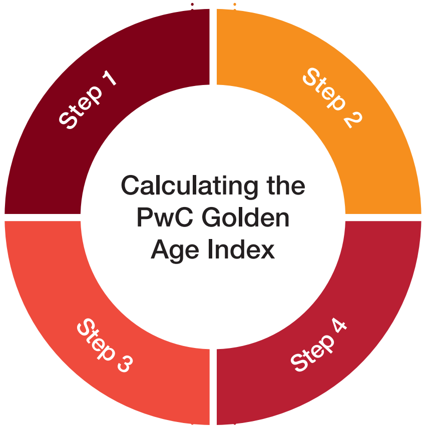
Note: The index scores reported in this 2016 release reflect the latest OECD data. Index scores for 2003, 2007 and 2013 may have changed relative to the results in our release last year (June 2015).

* This indicator was defined as the absolute number of 55-64 year olds in training in our previous June 2015 release, but we have had to change to this for data availability reasons. However, this does not have a major impact on the overall rankings relative to last year.

PwC Golden Age Index Methodology

How does it work?

We used a standard method to construct this index, similar to the one used in the PwC Women in Work, Young Workers and ESCAPE indices, and by many other researchers constructing such indices.



01

Normalise

Indicators are standardised using the z-score method, based on the mean and standard deviation of the sample of 34 countries in a base year of 2003, to allow for comparisons both across countries and across time.

02

Apply positive/negative factor

Positive/negative factors are applied so each variable enters the index with the correct sign (e.g. positive for employment rates, negative for gender gap in employment).

02

Calculate the scores

The scores are constructed as a weighted average of normalised labour market indicator values.

04

Scale the index

Scores are rescaled to values between 0 and 100 with the average value across all 34 countries set, by definition, to 50 in 2003.

PwC Golden Age Index Methodology

How did we calculate the potential long-term GDP increase?

We break down GDP in the following way:

GDP = 15-54 FT * GDP per FT worker + 15-54 PT * GDP per PT worker + 55-64 FT * GDP per FT worker + 55-64 PT * GDP per PT worker + 65+ FT * GDP per FT worker + 65+ PT * GDP per PT worker

Key assumptions

- Total employment in the economy is equal to the employment of 15 year olds and above
- A full-time (FT) worker is twice as productive on average as a part-time (PT) worker, due to working twice as many hours on average.

We took Sweden as a benchmark country as it is the best performing in the EU and calculated the impact on GDP if countries raised their 55-64 and 65+ employment rates to Swedish levels. Sweden is a high performer in the 55-64 year old employment rates category and performs relatively in the 65+ employment category as well. However, if a country has a higher full-time equivalent employment rate than Sweden in either age category, as is the case, for example, in the US and Norway for the 65+ category, we did not assume any change to the employment rate currently experienced in that country.

Data

- Employment data by age and FT/PT split is sourced from the OECD.
- Due to data constraints for some countries with the employment data based on a common definition, we used FT/PT data employment based on national definitions.
- FT/PT employment data based on a national definition is only available for the 65+ age range, as opposed to 65-69 which is used within our index.
- For Korea, the OECD did not provide data based on a national definition, so we used the employment data based on an OECD common definition instead (which was an option in the case of Korea). There was also no data on the FT/PT breakdown of the 65+ age group so we estimated this by applying the average change in the distribution of FT/PT workers across the OECD economies as you move from the 55-64 age group to the 65+ age group to the overall employment estimate for 65+ years olds in Korea.

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