

21 June 2012

The Executive Director  
Australian Law Reform Commission  
GPO Box 3708  
SYDNEY NSW 2001

E-mail: [info@alrc.gov.au](mailto:info@alrc.gov.au)

Dear Sir / Madam,

**Re - Review into Commonwealth legal barriers to older persons participating in the workforce or other productive work**

**Key submission**

In the experience of Cbus the dominant factor influencing the supply of labour by older construction workers is (at least insofar as labourers and tradespeople are concerned) is the worker's capacity to continue to meet the physical demands of the work. Put simply, increasing the pensionable age, or the preservation age will be unlikely to boost participation by older workers.

A recent report<sup>1</sup> for the Grattan Institute Report by John Daley noted that "...increases to the pension age would potentially cause hardship for those involving manual labor who may be physically unable to work into their 60s". Daley suggested that one option would be to have industry or occupationally based pensionable ages. Alternatively, he suggests that individuals who are otherwise unfit for work could access the aged pension/preserved superannuation.

**Introduction**

Cbus provides superannuation services to construction, building, and allied industry workers and retirees, their families and their employers. Cbus was established in 1984, and is one of Australia's oldest industry funds.

The fund has some 660,000 members and some 90,000 employers. Cbus manages assets valued at over \$18 billion. The average age of a Cbus member is 38 years and the average account balance is less than \$30,000.

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<sup>1</sup> 'Game-changers, economic reform priorities for Australia' John Daley, June 2012 at p56-57

## Construction industry

The construction industry accounts for about 7% of Australia's GDP. The total labor costs in 2009/10 were just under \$50b and some 994,000 people were employed in construction or about 9 per cent of the workforce.<sup>2</sup>

Employment in the construction industry is often project-based and employment arrangements within the industry reflect this structure. Employment is typically defined by a discrete project and is not continuous. Daily hire arrangements are commonplace.

The construction industry as a whole has a relatively high proportion of workers with Certificate III and IV qualifications. The industry employs fewer workers with university degrees than the average. This reflects the central role of a wide range of skilled trades within the construction industry.

The range of occupations within the broad ABS construction classification is diverse.

Occupation Classification	Construction
Managers	95,000
Professionals	41,000
Technicians and Trades Workers	552,000
Community and Personal services Workers	1,000
Clerical and administrative workers	104,000
Sales Workers	8,000
Machinery Operators and Drivers	67,000
Labourers	160,000
Total	997,000

The construction workforce is not homogeneous – it would be fair to expect that most of the 160,000 labourers are required to engage in roles that require a high level of physical activity in contrast to sales or administrative workers. Similarly potential exposure to a variety of poisonous materials and other harmful products is likely to focus on those involved in 'hands on' construction activity.

## Inquiry

Cbus welcomes the opportunity to contribute to the inquiry. We note that the Commission's terms of reference are essentially to identify changes to Commonwealth regulation that will boost employment participation by older Australians. While Cbus supports this objective, we caution the commission against assuming that workers' choices are unconstrained. In fact, in the construction industry, many workers cease work due to poor health.

## Workforce Participation

Key factors that determine the supply for older workers have been recently considered by MIAESR<sup>3</sup> and include supply side factors:

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<sup>2</sup> ABS Catalogue 8155.0 Australian Industry 2009 – 10 at page10 and 26

- the preferences of mature age people; their desire to work, either full-time or part-time, rather than retire;
- the health of mature age people;
- their levels of education;
- the extent to which they have retained or gained appropriate skills;
- their wealth including retirement savings;
- their earning capacity; and
- incentives and disincentives due to taxes and transfers.

And demand factors such as aggregate demand, indicated by annual economic growth, and employer attitudes to older workers.

Cbus intends to provide a brief comment on several of these factors to the extent that they are relevant to the Inquiry.

### Supply factors

Blue-collar men are more likely to suffer poor health and die earlier than other Australians. AIHW data indicates that Australians with lower income levels, lower educational attainment, and working in blue collar occupations have poorer health outcomes than other Australians<sup>4</sup>. The determinants are both direct (workplace hazards) and indirect (social and cultural). While not all workers in the construction industry fit this profile, it is a large employer of blue collar men.

The construction industry is characterised by a young workforce. The most recent ABS age profile of industry in May 2012<sup>5</sup> indicates that relative to other industries the construction industry has a greater representation of workers in the 20-35 year age cohort. As with the data for other industries there is a significant step down in participation between the 45- 54 year cohort and the 55- 59 year cohort. Construction has relatively fewer workers in the 65+ age cohort.<sup>6</sup>

It is unlikely that construction industry employees exit the labour force earlier than other industries because they have sufficient savings to fund a comfortable retirement. The average retirement account balance for Cbus members is a little less than \$35,000.

Qualitative research commissioned by Cbus, indicated that

- 60% of members studied had retired as planned, 40% of the group were 'forced to retire.'
- Of those who were 'forced' to retire, most listed a health-related issue as being the trigger to retiring earlier than they had planned. A minority listed retrenchment or an inability to get insurance (esp. after the age of 70).
- Members who retired due to health issues made comments like:

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<sup>3</sup> Melbourne Institute of Applied Economic and Social Research, Dynamics of Mature Age Workforce Participation: Policy Effects and Continuing Trends Headey, Freebairn and Warren September 2010.

<sup>4</sup> Australian Institute of Health and Welfare, Health Inequalities in Australia: Morbidity, Health Behaviours, Risk Factors and Health Service Use, Chapter 6, April 2006

<sup>5</sup> 6291.0.55.003 - Labour Force, Australia, Detailed, Quarterly, May 2012, see data cube E05\_aug94 - Employed Persons by Sex, Industry, Age, Status in Employment, August 1994 onwards

<sup>6</sup> See Attachment 1, table 2

- “I knew the end was coming... I started working in 1958 and I pushed myself pretty hard... I wore my body out.”
- “I knocked on a few doors but they said, ‘No, too old.’ They can’t give me any more jobs and that is it, I have to be retired.”
- “We were just starting to get old and feel it. At 66, you can’t be bothered anymore, so we retired.”

In Cbus experience the dominant factor influencing the supply of labour by older construction workers is (at least insofar as labourers and tradespeople are concerned) is the worker’s capacity to continue to meet the physical demands of the work. Put simply, increasing the pensionable age, or the preservation age will be unlikely to boost participation by older workers.

A recent report<sup>7</sup> for the Grattan Institute Report by John Daley noted that “...increases to the pension age would potentially cause hardship for those involving manual labor who may be physically unable to work into their 60s”. Daley suggested that one option would be to have industry or occupationally based pensionable ages. Alternatively, he suggests that individuals who are otherwise unfit for work could access the aged pension/preserved superannuation.

Arguably construction workers who are unable to continue in a physically demanding job are nonetheless able to work in less physically demanding roles. Whether employees who have spent their working life in occupations within construction that have a low formal education, high physical demand job, can be retrained in the later years of their working lives seems doubtful.

### **Demand factors**

Similarly, the demand for older workers in the construction industry is predominantly influenced by employer preference for younger workers. While this may be common across a number of industries, it is more visible in construction because the project nature of the work. This means that older workers are regularly competing with younger workers.

Employees need to be hired and re-hired many times throughout the economic cycle. In a market where physical ability is a significant factor in recruitment, it is probable that younger workers will be preferred over older workers. In normal labor market conditions where there is some excess supply, older workers will be amongst the last to obtain work. The delineation between unemployment and retirement is problematic.

Competition for work is also a by-product of the increased incidence of contracting and labour hire arrangements in the construction industry. Many of the jobs once reserved for older workers, such as traffic controller, gateman, or ‘peggies’, are filled by labour hire firms using temporary labor.

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<sup>7</sup> ‘Game –changers, economic reform priorities for Australia’ John Daley, June 2012 at p56-57

## Conclusion

Cbus accepts the need to reduce projected national dependency rates and supports attempts to remove barriers to participation for older workers as part of a broader strategy. Reforms to legal impediments to participation should not be based on assumptions that choice is the only determinant of participation. Strategies that provide incentives for participation rather than penalising those that do not participate should be a preferred approach.

If any matter needs clarification or elaboration please contact Peter Keogh on telephone 03 9367 4286.

Yours sincerely

A handwritten signature in black ink, appearing to read "David Atkin", with a stylized flourish extending to the right.

David Atkin

CEO