The ageing workforce: Ethical implications for HRM practitioners

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“The ageing workforce: Ethical implications for HRM Practitioners”

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The ageing workforce: Ethical implications for HRM Practitioners’

Abstract

This paper adds a new dimension to the implications of Australia’s ageing workforce – the impact upon human resource practitioners (HRPs) in terms of the likely increasing ethical dilemmas they will face. Predictions of a labour shortfall of skilled workers means that organisations will need to employ more older workers than previously. However, the empirical research reported in this paper on ethical decisions made by human resource management practitioners (HRPs) in key HRM areas suggests they are faced with increasing ethical dilemmas (in terms of both frequency and complexity).

Literatures from both the human resource management and organisational ethics fields are presented, arguing that the future will be difficult for HRPs as the workforce continues to age. The ethical dilemmas involved in such decisions and practices will place HRPs in an ever more difficult and complex situation. This has implications for the successful management of internal workforces for organisations, and for HRM in general.

Keywords:
Ageing workforce, organisational ethics, human resource management, ethical decision-making

THE AGEING WORKFORCE

Australia’s population and workforce are ageing. The reasons include the post World War II baby boom followed by low birth rates in subsequent generations and increases in longevity, meaning that there are more older people than ever before and this trend will continue for several decades (Productivity Commission 2005). The proportion of people aged 65 years and over has increased from 10.1% to 13.0% between 1984 and 2004 (Australian Bureau of Statistics 2004b). An ageing population is important because of the consequent impact upon the ageing of the workforce. The average age of the Australian workforce (and especially the full-time workforce) has been increasing faster than the average age of the general population (Department of Parliamentary Services 2005). Thus we can expect a greater number of older workers in the mix of employees working in organisations.

However, the current slowly rising labour force participation rates are predicted to fall with ageing, from the current level of 63.5 per cent to about 56.3 per cent by 2044-45 (Productivity Commission 2005). Ageing largely causes a decline in participation rates because, as people grow older they
participate less in the labour force, retiring or leaving the workforce well before their sixties. For example in 2003, most men (90.2 per cent) and women (74.2 per cent) aged 45 to 54 years were in the labour force. By comparison, of those aged 55 to 64 years, only 66.7 per cent of men and 43.7 per cent of women were in the labour force that same year (Australian Bureau of Statistics 2005a). Combined with decreasing average hours worked (caused mainly by the increase in part-time work compared with full-time work), and the continuing trend for early retirement, this decline means that the future pool of skilled labour is likely to be insufficient (Australian Bureau of Statistics 2004a, Productivity Commission 2005). Worsening the demographics, the younger population has been decreasing. Between 1984 and 2004, the proportion of the population aged less than 15 years of age decreased from 24.0% to 19.8% (Australian Bureau of Statistics 2004b).

IMPLICATIONS OF THE AGEING WORKFORCE FOR ORGANISATIONS
Governments, researchers and interest groups have reached similar conclusions - the key themes of increasing labour force participation of older workers, by extending working lives, the reduction/removal of age discrimination, changing the negative stereotyping of employers concerning hiring older workers, increasing flexibility in working arrangements, better incentives for working, as well as more flexible financial arrangements, such as through the Australian taxation, pension and superannuation systems (Department of the Treasury 2004a, Encel 2003, House of Representatives Standing Committee on Health and Ageing 2005, Keating 2004, Patrickson 2003, Patrickson and Hartmann 2001, Platman 2004b, Productivity Commission 2005, Reday-Mulvey and Taylor 1996, Sheen 1999, 2000, 2001).

In order to address the predicted looming labour shortage by increasing the labour force participation of older workers, organisations must change the current negative attitudes and stereotyping of older workers (Bennington and Tharenou 1996, Encel 2003). The majority of Australian organisations have not realised the ageing workforce implications, and have “continued to reduce their older workforce and to disregard the advantages that these [older] people may bring” (Hartmann 1998: 10). Drucker (2001: 21) argued, “today’s human resource managers still assume that the most desirable and least
There are challenges to successfully enticing workers to continue working, to join, or to return to the workforce. One of these challenges is the availability of jobs, positively affected by employers recruiting and selecting older workers rather than choosing younger workers. Another challenge is that older workers might want to continue working well into their 70s or 80s, having consequences for organisational performance management systems. Organisational HRM has a key role in assisting organisations to attract and retain valued older workers and the role of HRPs is thereby highlighted. However, increasing the labour force participation of older workers by extending working lives is not simple to achieve or manage. For example, one study of both academic and non-academic employees in the tertiary sector, aged over 50 years, found the majority did not want to continue working past the age of 65 years (Shacklock 2005). While this is not representative of the entire workforce, it could be argued as potentially representing large organisations, and is nonetheless revealing.

As discussed earlier, while research has identified there would be a labour shortage in the future, employers’ perceptions of older workers continue to be stereotypically negative (Ranzijn, Carson and Winefield, 2002, 2004; Steinberg, Donald, Najman and Skerman 1996, Steinberg, Walley, Tyman and Donald 1998). Changes to organisational HRM are needed in the areas of hiring, training, health and safety, performance management and retirement planning and expectations (Patrickson and Ranzijn, 2004). Patrickson and Hartmann (1996, 1998) and Patrickson (2003) argued that many HRM functions need to refocus to embrace the needs and desires of older workers, to meet the labour shortfall.

Additionally, suggestions in the literature identified the need to increase employment flexibility (Arrowsmith and McGoldrick 1997, Avery and Zabel 2001, Dychtwald, Erickson and Morison 2004, Patrickson 2003), and to create more effective training and development opportunities, and using appropriate learning methodologies (Cully, Vandenheuvel, Curtain and Wooden 2000, Fuller and Unwin 2005, Keating 2004, Patrickson 2003, Patrickson and Hartmann 2001, Ranzijn, Carson and Winefield 2004). The need to consider the implications of performance management issues (especially the measurement of performance) used in managing/retaining and retiring older workers (O’Neill 1998, Patrickson 2003, Patrickson and Hartmann 2001, Shea 1991) was also identified in the HRM literature on older workers. Offering partial or gradual transition to retirement where appropriate was another strategy suggested in the research literature (Patrickson 2003, Patrickson and Hartmann 2001, Patrickson and Ranzijn 2004), as well as offering flexible work to older workers close to their retirement decision (Patrickson and Ranzijn 2004, Platman 2004a, Platman 2004b). Finally, remuneration systems linked to performance are required to ensure that pay is not linked to years of experience or age, making older workers more expensive without necessarily having greater expertise (Patrickson and Hartmann 2001).

Therefore, HRM has a role in attempting to change employers’ (and likely also peers’) attitudes towards older workers, both as new hires as well as current employees. Such change may include attempting to alter organisational culture to include older workers as valued employees and to hire older workers for their strengths. The strategic focus of HRM will also need to be aligned with the management of an ageing workforce, to ensure minimal shortfall of skilled workers.

Clearly, HRM has a key role in assisting organisations to effectively and strategically manage their human resources in the context of an ageing workforce. “Pressures to eliminate negative bias against recruitment of older people, to provide them with training opportunities befitting their learning styles, and to ensure that performance measures reflect actual competence and not prejudicial judgements, will increase as the ranks of the over 50s increase and their political voice becomes louder”
ETHICAL DECISION-MAKING

The task of making decisions of any kind is not usually an easy one for most of people. Competing demands, issues and pressures can sway us from one alternative or decision option to the next. Nielsen (1997) examined the behaviour options of when people are faced with an ethical dilemma, and when their sense of personal morality is at odds with that of their organisation. He listed ten options: “(1) not think about it; (2) go along with it; (3) protest; (4) conscientiously object; (5) leave; (6) secretly blow the whistle; (7) publicly blow the whistle; (8) secretly threaten to blow the whistle; (9) sabotage; and (10) negotiate and build consensus for a change in the ethical behavior” (Nielsen 1987: 309). When we add to this decision-making milieu the over-riding requirement that our decision must also be an ethical one, more complexities result. Denhardt (1991: 28) stated:

Ethics is not just avoidance of corruption, responsiveness to elected officials, or not keeping costs to a minimum while supplying a quality service or product. It is also the vigorous pursuit of principles such as justice, fairness, individual rights (for example, privacy and due process), equity, respect for human dignity and pursuit of the common good.

ETHICAL DILEMMAS FACING HRPs

HRPs have to make difficult decisions on a daily basis. These decisions often involve complex ethical dilemmas to achieve outcomes that are fair while complying with legislation and regulations. The degree to which this occurs and the level of complexity of decisions become vitally important in understanding this challenging area of management. In the Australian public sector, for example, significant change and, in some jurisdictions, past unethical events, have added to the need for HRPs to be vigilant. Research in the public sector across several States and territories in Australia has revealed HRM practitioners reported that their jobs entail increased frequency and complexity of ethical dilemmas (Shacklock 2002). That research firmly supports this view of the moral complexity of HRM work in other literature (Fisher 1999, Fisher 2000, Legge 1995a, Legge 1995b, Miller 1996, Schwoerer, May and Rosen 1995, Stone 1998, Velasquez 1998, Winstanley 2000, Winstanley and Woodall 2000a, Winstanley and Woodall 2000b, Woodall, 1996) and more recently in the Australian
Shacklock (2002) designed a survey questionnaire to investigate the nature of HRM practices within the Australian public sector in respect of ethical decision-making and the extent to which ethics plays an important role in the work of HRP. There were 276 respondents from 155 public sector agencies (80 responses from 50 Western Australian Public Sector agencies; 102 responses from 57 Australian Public Sector agencies; 94 responses from 45 Queensland Public Sector agencies). The gender split of the respondents was 55% male and 45% female, with the majority (71%) of ages ranging between 31 years to 50 years of age. The majority of respondents were HR Directors, HR Managers, and Senior HR Specialists, with most (52%) having substantial HR experience (more than 10 years), and a total of 78% having more than 6 years’ HR experience. The HRPs were presented with 15 HRM scenarios and asked whether they thought these scenarios represented ethical dilemmas, and how they would act in such circumstances. The scenarios included staff selection, performance management, redeployment, recruitment, equity/merit, performance pay and downsizing. The HRPs identified such scenarios as being realistic both with the public sector as a whole, and within their own organisations.

In terms of how exposed they were to ethical dilemmas, as detailed in Table 1 below, 69.5% of HRPs reported they had been confronted by ethical dilemmas “quite often” to “all the time”. On a weekly basis, 48.9% responded they were confronted by such dilemmas at least 3 times a week and some more than 20 times a week. The frequency of dilemmas had increased from “moderately” to “substantially” over the past 5 years for 28.2% of respondents, “increased a little” (28.5%) or “stayed about the same” (30.7%). This indicated how common ethical dilemmas of this kind occurred in day-to-day roles of HRPs, at least in the public sector. Further, the complexity of these ethical dilemmas had “increased substantially” over the past 5 years (23.8%), or had “increased a little” (46.5%).

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TABLE 1: Ethical dilemmas faced by HRPs
Notably all HRPs reported having experienced ethical dilemmas facing them in their positions, none reporting that the complexity of ethical dilemmas had decreased substantially. In contrast, the majority (95.9%) reported ethical dilemmas had increased or at a minimum, remained about the same as before, over the last 5 years. These findings suggest for many HRPs, both the frequency and the complexity of ethical dilemmas confronting them have increased. Such findings are supported by the conclusions of many authors in the literature, arguing that HRM and ethics are inextricably interwoven (for example: Danley, Harrick, Schaefer, Strickland and Sullivan 1996, Galang and Ferris 1997, Legge 1995b, Miller 1996, Winstanley 2000, Winstanley and Woodall 2000b).
AGEING WORKFORCE IMPLICATIONS ON ETHICAL DILEMMAS FOR HRPs

With the increase in the number of older people available, the falling unemployment rates (Australian Bureau of Statistics 2005), and the 2004 enactment of the Federal anti-age discrimination legislation, one might expect the number of employed older workers to increase. However, this expected consequence has not yet translated into labour market statistics (Australian Bureau of Statistics 2005). Ageism and negative attitudes by employers still exist to limit labour force participation by older workers (Encel and Studencki 2004). Further, Patrickson (2003) and Shacklock (2005) argued that HRM decisions will affect older workers, highlighting the need for a reappraisal of HRM functions such as recruitment, selection, training and performance management to embrace older workers. Other research (Patrickson 1998, Taylor and Walker 1998, Yeats, Folts and Knapp 2000) also found HR practice impacts upon decisions to remain in the workforce.

HRPs within at least three Australian public sectors found ethics a key element of their everyday work (Shacklock 2002). Those respondents reported the frequency of ethical HRM dilemmas is far from rare and they could be expected to occur widely and regularly across the sector. Additionally, the findings from that study suggested the complexity of ethical HRM dilemmas could be expected to increase. Furthermore, once the challenges of managing an ageing workforce are combined with existing HRM ethical dilemmas, it is likely that HRPs’ will be expected to address greater numbers and complexities of ethical decision-making. Based on the findings from Shacklocks’ (2002) research, one important possible outcome is that when HRPs are presented with older applicants seeking employment and other opportunities (likely more frequently in the near future), it may be expected that HRPs will tend to comply with some line-managers’ negative stereotypical views of older workers. If HRPs do not comply with some managers’ views and include older workers, they face the possibility of retribution. If they comply with some managers’ views and ignore older workers, they potentially face both an internal moral dilemma, as well as the likely negative consequences of a labour shortfall. Therefore, one of the negative potential consequences of increased ethical dilemmas is the likely continuing exclusion of older workers from participating in the workforce.
CONCLUSION

This increasing level of complexity, coupled with an increasing level of frequency, paints a troubling picture of HRP work. It also presents a timely warning to organisational management that they need to more closely address their HRM policies and practices on the matter of ethics in HRM, and especially in terms of the kinds of ethically questionable directions or requests they may make to their HRMs. Within the context of an ageing workforce, with shortfalls predicted of skilled workers, and greater numbers of older applicants for employment, training opportunities, performance management and performance pay related issues, it is likely that ethical dilemmas of the kind described (and perhaps others as well) will confront HRPs more frequently than previously.

The ageing of the workforce is likely to present HRPs with more, not less, ethical dilemmas, and with increased complexity. To meet the challenges of the ageing workforce and the predicted shortfall of skilled workers, organisations need to embrace older workers and train them and retain their skills, to minimise the loss of (often irreplaceable) corporate memory and skills. Additionally, as previously mentioned, the literature illustrates that age discrimination still occurs, and yet the number of older applicants will increase at the same time as the number of younger applicants will decrease. To meet their internal workforce needs, it appears that organisations will be forced to employ a greater number of older workers than previously. However, research has noted HRPs face ethical HRM dilemmas already, and that they would not make the ethical decisions they reported as being ideal. Moreover, they reported they would choose a less than ideal ethical option for action, reportedly because they felt pressured to take those actions. Therefore, given the likelihood of increased ethical dilemmas facing HRPs within the context of the ageing workforce, and that their responses to ethical dilemmas are less that ideal, it seems evident that Australian organisations may face worsening labour shortages as a consequence. Changes are needed to employers’ negative attitudes and stereotypes about older workers so that any pressure is removed from HRPs to take less than ideal ethical actions.
This critical need to address the ethical issues of dealing with an ageing workforce speak to the need for the HRM profession to raise this issue to a high priority and to take proactive actions to better equip HRPs to deal effectively and equitably with these increasingly complex and difficult ethical responsibilities. Future research into ethical dilemmas for HRPs over time, and particularly in relation to older workers and within the context of the ageing workforce, appears of value. A positive inclusion of such research may be a longitudinal exploration. Finally, there is a need to keep a “research watching brief” on these issues to ensure a desirable outcome for both older workers and organisations.

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