



# wavelength

edition one 2007

## Changing faces

How older workers are  
solving workforce issues

New national  
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Weighing up  
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Media, community and business attention is well and truly focused on employee attraction and retention. Widely cited as a key business concern for all businesses from major corporates to SMEs, finding and keeping good staff is imperative to the success of any business. The additional complication in this mix is the employment patterns of Generation X and Y, who, in the words of my Gen Y daughter, tend to change jobs like they change their underwear!

In this light, many businesses are turning toward the retention of older workers to solve their employee issues. Practices such as encouraging older workers to not retire but move to part-time or consultancy type roles ensure valuable corporate knowledge does not disappear entirely and keep the workforce stable. These issues are explored further in our cover article.

Media, community and business attention is also focused on the single occupational health and safety law. This is now a reality and for national companies it is not a moment too soon. We explore the ramifications of this new law.

In this edition of Wavelength we also announce our latest news for the Aon Master Trust and look at the pros and cons of alternative investments.

Enjoy the read.



**STEWART  
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## new national safety laws

A single, national OHS law is now a reality for some.  
By Lesley Parker.

The slow but steady move towards federal self-insurance by eligible companies now comes with an incentive. Self-insurers under Comcare will be covered by federal OHS legislation rather than the OHS laws of every state in which they operate.

As reported in the previous issue of Wavelength, in April last year logistics and supply chain company Linfox (in the form of Linfox Australia and Linfox Armagard) joined Optus as a federal self-insurer. In June, transport company K&S Freighters followed in their footsteps.

Now Workplace Relations Minister Kevin Andrews has also declared National Australia Bank and John Holland Group eligible to become self-insurers with the federal workers' compensation scheme, Comcare.

Under the 1992 amendment to the Safety, Rehabilitation and Compensation Act, the minister may declare a corporation eligible to be granted a licence if he is satisfied it would be 'desirable' for the act to apply to a company 'carrying on business in competition with a Commonwealth authority or with another corporation that was previously a Commonwealth authority'.

The underlying principle is that these companies should be allowed to self-insure so they are on a 'level playing field' with formerly government-owned competitors such as Telstra, Commonwealth Bank or Qantas.

After being declared eligible, companies then have to apply for a

licence and meet the entry criteria set by the Safety, Rehabilitation and Compensation Commission.

For some companies this is an eminently sensible move – removing costly duplication, simplifying administration and slashing the amount of money paid out annually to provide for workers' compensation. For others, the short-term financial gain has the potential to be more than offset by the long-term financial pain of compensation liabilities.

### laws amended

But now there's a new element in the mix. The OHS and SRC Legislation Amendment Act 2006 exempts employers and employees covered by the Commonwealth Occupational Health and Safety (Commonwealth Employment) Act 1991 from state and territory OHS laws unless these are specifically prescribed in regulations under the Commonwealth Act.

Currently, the legislation does not apply to former Commonwealth authorities and the private sector companies that become licensed self-insurers.

"These groups operate under the Commonwealth workers' compensation regime but are covered by the relevant state and territory OHS legislation in the jurisdictions in which they operate, meaning duplication of the OHS laws that apply to them," explains Ros Burke, senior consultant, people risk solutions, with Aon Consulting.

“...new rules for workplace OHS arrangements, employee representation and the role of unions.”

Ros Burke  
Senior Consultant,  
People Risk Solutions



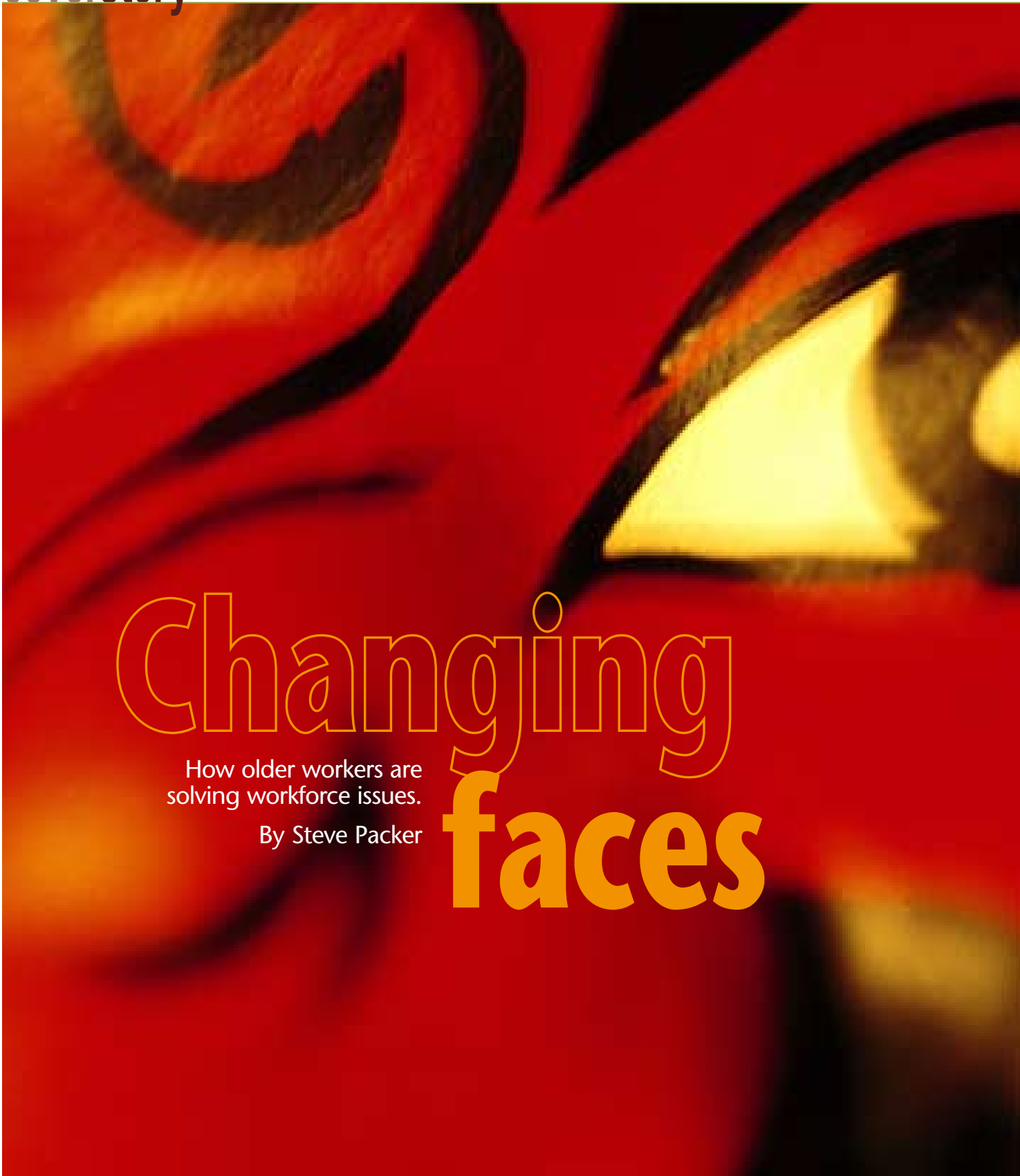
"If they are national employers, it can mean that they have to comply with eight separate and quite distinct OHS jurisdictions – making OHS administration complex, confusing and expensive, yet without health and safety benefits for their employees," she says.

In other legislation changes, the OHS (CE) Amendment Act includes new rules for workplace OHS arrangements, employee representation and the role of unions. It also contains a number of administrative and technical amendments for example, in the area of investigations, notification and reporting.

Burke says the two amendment acts – the OHS (CE) Amendment Act and the OHS and SRC Legislation Amendment Act – will require employers in the Commonwealth OHS jurisdiction to review and adapt their occupational health and safety systems.

LESLEY PARKER is a freelance journalist.

coverstory



# Changing faces

How older workers are  
solving workforce issues.

By Steve Packer

## It is the latest trend in an employment landscape being turned upside down and inside out by the ageing population: the oldies are taking the jobs the Generation Ys discard.

With younger workers changing jobs at ever faster rates, employers with large numbers of entry level and unskilled positions, such as data entry and call centre operators, are paying the price of constantly recruiting and training new employees. Then there are the disruptions to workflow and knowledge management and the potential for unhappy customers caused by the constant changes to the workforce.

Enter the older worker. It might be someone who has retired early and is looking for a part-time job, or a recently retrenched worker. Sometimes over-qualified for the jobs they seek, older workers are a key plank in a recruitment and retention strategy by savvy employers who also see value in using their more worldly approach in customer service roles.

“Companies are looking at older workers [45 and over] as a viable, more stable source of labour,” says Professor Louise Rolland, from the Centre for Business, Work and Ageing at Swinburne University, Melbourne. “The trend is particularly strong in customer service-type roles around the \$37,000-\$38,000 a year range.”



“Companies are looking at older workers as a viable, more stable source of labour.”

Given the right conditions, such as training and flexible hours, older workers can be willing to stay in ‘entry-level’ jobs for many years on remuneration lower than they have been

used to, and lower than employers might expect to have to pay.

“Employers really need to understand the offer,” says Rolland. “For example, older workers will often trade off remuneration for flexibility, which can be permanent part-time, seasonal, project-related and so on. As well as remuneration, older workers are looking for social engagement and stimulation, and they want to feel useful. Employers need to reflect that in their job offers.”

### Dealing with older customers

Older workers also have the advantage of meeting the expectations of older customers who prefer to deal with someone their own age. Australia already has three million retirees, and 3.7 million workers aged 45 and over in a workforce of 10.2 million. The Treasury Department reported in November that the most dramatic increase in workforce participation was among men aged 60-64, and there has also been a significant increase with men aged 55-59. The unemployment rate among older men is even lower than the overall unemployment rate, which is at a 30-year low.

The shift to less demanding work

is a widespread trend but it should not be exaggerated, says Alison Monroe, a director of the consultancy SageCo and job board Adage.com.au, which specialise in mature-age employment. It should be seen as only one level in an across-the-board



“In the last 12-18 months we’ve seen an increase in the level of awareness of the need to attract and retain older staff...”

shift to tapping into the older workforce.

While agreeing that some employees aged over 45 are looking for roles with considerably less responsibility and remuneration, she says the numbers “aren’t overwhelming” and many are still set on climbing the career ladder. “There’s a lot of disparity and diversity, with people looking for opportunities at all levels of specialisation.

“In the last 12 to 18 months we’ve seen an increase in the level of awareness of the need to attract and retain older staff, and a steep increase in organisations actually implementing solutions,” says Monroe. “However, it’s happening in some areas more than others such as banking, financial services and insurance. In these areas, they may have shed too much mature talent in the downsizings of the 1990s and become too youthful. Now the customer and shareholder bases are ageing, and it’s very difficult to maintain growth projections if your talent is walking out the door.”

### Reducing the churn

Monroe says she knows of annual attrition rates of up to 60 per cent in organisations based on volume-type roles such as call centres and customer service. Their push to create a young, dynamic environment to attract Generation X and Ys has led to constant turnover. They are having to do some work on their

culture and conditions in regard to older employees to reduce the churn. "Where it's happening, there's a lot of anecdotal evidence that it's working."

Adage.com.au lists as its first benefit for older jobseekers: "Access to niche job types including consulting, part-time, board seats and directorships – all highly sought after positions for downshifting executives."

SageCo's directors started Adage.com.au in July to meet an obvious need. "We're talking about a wealth of talent that feels it isn't getting a fair go," says Monroe, noting that they are not the sort of candidates to be found in general agency databases. The job board,

said they were looking for part-time or flexible work arrangements. "I use that stat with employers," says Monroe, "because if you are not offering that flexibility, you are cutting your options in half. And it follows on that ads for part-time and flexible jobs attract about twice the traffic."

### The learning factor

About a quarter of respondents to a recent Centre for Business, Work and Ageing survey indicated internal pressure, most likely from management, to retire early (before the age of 65). Most Australian workers have left the workforce by 59.

Australians' work and retirement intentions through surveys of public and private sector employers. Asked what factors would encourage them to stay at work longer, older workers put health considerations first, followed by the impact on retirement income, and flexible work arrangements.

"Employers need to note that access to learning opportunities comes a clear fourth," says Rolland. "It's really about saying, 'If I'm going to continue working, I want to feel I have the skills to do that effectively and productively.' Again, it's about feeling useful. In the customer service area, entry-level roles have a degree of technical skill, and we've seen older workers struggling to build a comfort level of speed and accuracy."

She cites one company where employees aged over 40 were not participating in a highly valued training program. "We asked them why and they said you had to be under 40 if you were going to be approved – they knew they were going to be knocked back. So we went back and asked management about it and they said the older staff weren't interested in the training. They knew that because they didn't apply."

"One statement that struck me from the surveys that seemed to sum up the mood of older workers was that if

In a survey of the registered jobseekers... 49 per cent said they were looking for part-time or flexible work arrangements."

whose founding sponsors were AMP, St George Bank and IAG, now has about 100 employers and 4,000 jobseekers registered and it is attracting significant web traffic.

In a survey of the registered jobseekers in September, 49 per cent

"There is no doubt that people wanting to stay can suffer from management approaches more suited to younger people, especially where employers continue to offer only full-time positions," says Rolland.

The centre has developed a comprehensive understanding of older

“ I go to the recruitment websites of some companies and agencies and there isn't a face over 27 – and it does reflect what you think it reflects. Or when an older person goes into a sports shop, they are intimidated by nothing but images of spritely youths. The gym market has learnt that lesson.”

you look closely at the range of factors reducing older people's options in a company's workforce, it more often than not comes down to managers' attitudes.”

An employee at another company wrote: “The trouble with this organisation is that it treats older employees like a bucket. Every year it wants to empty the bucket of knowledge and fill it up again. What I need is to keep the two-thirds I already have and get it topped up with a third of new knowledge.”

#### Intimidating assessments

Monroe talks of the clash at the assessment level. “You can't assume a 25-year-old and a 50-year-old are going to respond the same in an assessment situation. Gen X and Y change jobs a lot and a computer test is no problem to them. But it can be very intimidating to a baby-boomer who could well be in an assessment centre for the first time in their life.”

The smart companies are getting higher success rates by tweaking the process, she says. For example, candidates are given a few minutes to warm up and practise on the computer, and clear instructions that don't assume familiarity with the processes.

“ You can't assume a 25-year-old and a 50-year-old are going to respond the same in an assessment situation.”

“Organisations might be assessing 50 or 100 candidates a week,” says Monroe, “and the candidates are as much interviewing the company as

the other way around. Processes have to be looked at end-to-end, and it begins with branding. Do we present as an age-balanced company? When people come in or look at our brochures or whatever, what are we projecting – all young faces? I go

to the recruitment websites of some companies and agencies and there isn't a face over 27 – and it does reflect what you think it reflects. Or when an older person goes into a sports shop, they are intimidated by nothing but images of spritely youths. The gym market has learnt that lesson.”

Many companies have a stock standard 2-4 weeks of induction and training for new staff of all ages, when older people might take a couple of extra weeks before they shine with software programs and other processes. “Yet we hear it all the time – ‘We did try employing some older staff, but they couldn't keep up with the younger people next to them and they didn't like it here.’ Don't lower your standards, but ensure that candidates of all ages are getting a fair go.”

## Aurora: avoiding the 'big crew change'

At Aurora Energy in Tasmania, 59 per cent of the 1,200 employees are aged 40 or over. The government corporation, which provides the state's electricity services, has an attrition rate of less than 5 per cent and staff stay for an average period of 14 years.

Aurora has won a number of HR awards and other distinctions since its inception in 1998, in particular for its employee engagement program and approach to mature-age employment. And it has shifted up a gear.

"At the end of last year we adopted a strategic model of workforce planning," said Mike Whittle, group manager, HR. "I'd just done some best-practice study in Canada where business has recognised that it could lose a quarter to a third of its workforce – and Canada has a similar demographic to Australia. We looked at major corporations where it's a huge problem. They call it the 'big crew change'. They turn 55 or 60 and walk out the door. It made us very aware of the situation at Aurora."

One of the first things the company did was introduce phased retirement which, in allowing people to work two or three days a week with flexible options, creates a knowledge transition period of a couple of years. "Take-up has been low, but we expect it to accelerate now the system is there," says Whittle.

"Another factor is that as people get older, the physical requirements of a job can get more difficult. We have a fitness program called Lifeline, with free annual assessments with health consultants, and we look for alternative roles for people if necessary. Our rehabilitation process is comprehensive and we have a very strong return-to-work rate."

Aurora's leadership program, which 300 employees have completed

so far, includes an understanding of generational differences – "value sets and what turns them on and off". Rather than focus on mature-age employees, the emphasis is on generational drivers. "If a 30-year-old is managing a bunch of 50-year-olds, they need to understand the differences," says Whittle. "I'm 54 and it works the other way around too."

“ Rather than focus on mature-age employees, the emphasis is on generational drivers.”

He is wise to recognise the importance of making the age mix work. It's a myth that Australia is running out of young people, says social scientist Dr Bob Birrell. His projection for people aged 15-19 over the period to 2051 has their number increasing for the rest of this decade, then dropping slightly over the decade 2010-20 as the result of relatively low birthrates in the mid-1990s. Mirroring the current mild increase in births (from 247,400 in 2002-03 to 257,900 in 2004-05), their number is then expected to increase again.

The real crisis will be in the availability of university-trained personnel, says Birrell in the report *Clearing the Myths Away: Higher education's place in meeting workforce demands*, co-written with Virginia Rapson for the Centre for Population and Urban Research at Monash University, in partnership with the Dusseldorp Skills Forum. The number of people employed at the managerial,

One of the first things the company did was introduce phased retirement which, in allowing people to work two or three days a week with flexible options, creates a knowledge transition period of a couple of years.

professional and associate professional level is growing far more rapidly than the overall level of employment, while the proportion of people in these occupational groups with degrees is also increasing. Meanwhile, the share of managers, administrators and associate professionals aged 25-44 who lack qualifications at the degree, diploma or Certificate III or IV level is shrinking rapidly. "These findings highlight concern about the limited career prospects for young people who have not obtained any post-school qualifications," says Birrell. "They are, in effect, being cut off from the most rapidly growing, skill-intensive and well-remunerated positions in the labour market."

The oldies might have to fight for those entry-level service jobs after all.

STEVE PACKER is a freelance journalist.



## Aon Master Trust goes platinum\*

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a difference for you and your employees.

\*SuperRatings, an independent agency reviewing Australia's major funds, has awarded Aon Master Trust its top Platinum rating for 2006/07. The review process covers fees, returns, member benefits, employer services, website access and functionality, super advice and fund governance.



# Weighing up the alternatives

A flood of money has washed away unrealistic expectations about alternative investments, but it can still pay to be patient. Janet Torney reports.

Big investors, such as superannuation and endowment funds, have been releasing an avalanche of new capital to alternative investments. A recent Reserve Bank of Australia report said US private equity fund inflow increased by almost 60 per cent to US\$110 billion in 2005-2006. Hedge fund inflows, at US\$66 billion in the first half of 2006, were double the average rate of the past three years. As a result, many of the less established managers of funds that invest in private equity, hedge funds, commodities and infrastructure have struggled to find investment opportunities to match the flood of money.

The Australian stockmarket has seen several examples in recent months of share prices being driven higher by speculation that big global private equity firms such as Kohlberg, Kravis and Roberts are trying to build controlling stakes in local firms.

In some cases the managers of alternative investments have increased their use of leverage and

financial engineering to enhance returns, which also substantially increases the risk element. Some hedge funds have even resorted to momentum-based trading strategies which are the antithesis of true 'hedging'. The outcome is that alternative investment funds have not delivered on the heightened expectations of some new investors, especially when short-term interest rates have been rising globally.

It's likely that this torrent of money into alternative assets has effectively soured expectations of returns for some time. This will disappoint overconfident investors who have flocked to these highly specialised managers as a way to add greater diversification or higher returns to their portfolios.

However, the logic of the strategy is still correct. Adding a measured component of alternative investments should improve a diversified portfolio's risk-adjusted returns. To avoid the 'maverick' funds that can come spectacularly unstuck, the guidelines for successful investment in alternatives are that:

- the investment provides broad diversification and professional risk management,
- the investment usually requires a long-term commitment, and
- high fees demand a full cost-benefit analysis before investing.

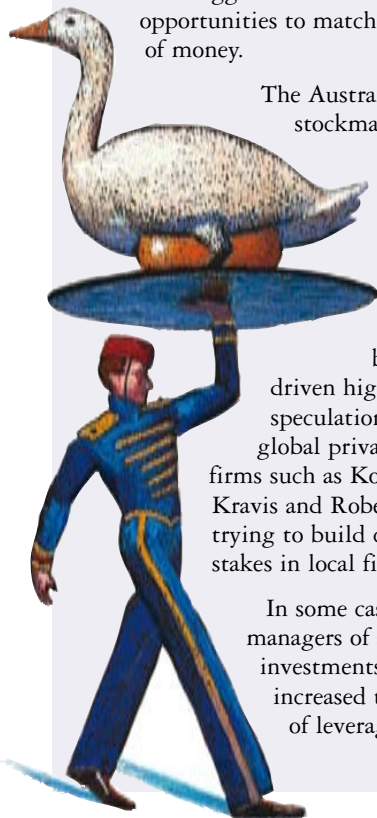
One means of ensuring adequate diversification is to invest through a

fund-of-funds structure. This limits the potential for losses on any single private equity investment, hedge fund strategy or individual manager. For example, large US hedge fund Amaranth was recently forced to declare huge losses. While many fund-of-funds had invested with it, their typical exposure level was less than five per cent, limiting the impact. (None of the hedge fund-of-funds managers Aon Consulting has recommended to its clients were exposed to the Amaranth collapse.)

Private equity fund-of-funds can also provide investors with well-diversified portfolios for better risk control in what can be a very volatile sector. They are a good way to gradually build up a private equity portfolio with broad 'vintage' diversification. Private equity funds usually intend to spend several years patiently restructuring the acquired company in preparation for selling to another investor or to list it on the stock exchange. It is therefore important to have a pipeline of investments waiting to be sold when conditions are suitable for achieving a high selling price.

Investing in alternatives requires long-term commitment. It is essential that investors participate in comprehensive education before they agree to invest in alternatives of any ilk to ensure they understand the risks. Sometimes the returns in the early years can be negative, and there can be a penalty for early redemption from such funds, which adds to the regret for investors who change their minds.

JANET TORNEY is Aon Consulting's Principal – Investment Consulting



## Aon Master Trust goes platinum



Aon Master Trust Corporate Super has just been rated platinum – the highest rating for a superannuation fund – by SuperRatings, an independent agency reviewing Australia’s major super funds.

Aon’s superannuation director, Steven Gaffney, said the Aon Master Trust was awarded the ‘Rising Star Award’ in 05, then rated solid gold in 06 and now platinum in 07.

“The rating is testament to our ongoing product development and improvements to client service for both employers and members,” he said.

“We believe, and the industry now agrees, that we’ve made a difference for employers and their employees. We’re always improving the fund and

offering more, such as:

- additional employee benefits programs,
- upgraded employer and member communications,
- improved online employer services,
- ongoing product development,
- clear, value-for-money fees, and
- an expanded financial adviser network.”

The SuperRatings rating process includes reviewing more than 300 superannuation funds looking at fees, returns, member benefits, employer services, website access and functionality, super advice and fund governance.



Pierre Kraft  
Managing Director,  
Aon Wealth Management and  
Aon Financial Planning & Protection

## Aon appoints new wealth management leader

Aon Australia has appointed MLC advice platforms head, Pierre Kraft, to lead its wealth management businesses – Aon Wealth Management and Aon Financial Planning and Protection.

Aon Director, Stewart Fotheringham, said Kraft’s combination of leadership and technical and business management skills made him extremely attractive to Aon.

“Pierre has a strong understanding of the wealth management industry, both at a tactical and strategic level,” Fotheringham said.

“Pierre’s project management skills were also an attraction. He was the driving force behind MLC’s AdviserCentral project – MLC’s largest in recent years. He has also held sales and sales leadership positions within the MLC/Garvan dealership. And he spent two years on the board of the Financial Planning Association in South Australia.”

Kraft is looking forward to his new role.

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