



Rethinking Retirement

AN EMPLOYER'S GUIDE TO MANAGING THE
WORKFORCE WITHOUT A FIXED RETIREMENT AGE

Researched and written by TAEN for Saga

SAGA THOUGHT LEADERSHIP

Foreword

Saga Director-General, Dr Ros Altmann

As the Government abolishes the Default Retirement Age this year, employers must start rethinking retirement procedures for their employees. No longer will they be able to compulsorily retire workers just because they reach age 65. This presents some challenges for employers who may not be sufficiently prepared, as they have to think differently about managing their older workers. But it also presents new opportunities for employers to harness the talents of an ageing workforce.

As part of Saga's initiatives in leading contemporary debate on issues vital to the over 50s, we are introducing a series of Thought Leadership Seminars, the first of which is about 'Rethinking Retirement' and widening access to work once the Default Retirement Age is abolished. To support these seminars, Saga is producing information for employers and employees covering important issues for older workers.

This Guide for Employers aims to help them recognise the challenges and opportunities they face as the world of work changes. It includes examples from other countries where the Default Retirement Age has already been abolished and also from UK firms who have embraced the values of extending their employees' working lives.

Saga's mission is to improve the lives of the over-50s, who tell us that they want to work longer, but have often faced age discrimination in the workplace. Such ageist attitudes will need to change as employers embrace the new workplace realities. In our most recent survey, 43% of the over 50s said they want to work beyond retirement age. Many of those who have already retired say they wish they had been able to continue working, while many of those who have not yet retired, would welcome the opportunity to keep working – especially part-time.

As the first baby-boomer turns 65 this year, employers will be better able, in future, to harness the talents of older workers and benefit from the experience and wisdom that they can bring. We hope that this Guide will provide helpful pointers for employers managing their workforce without a Default Retirement Age.

Dr. Ros Altmann
Director-General
Saga
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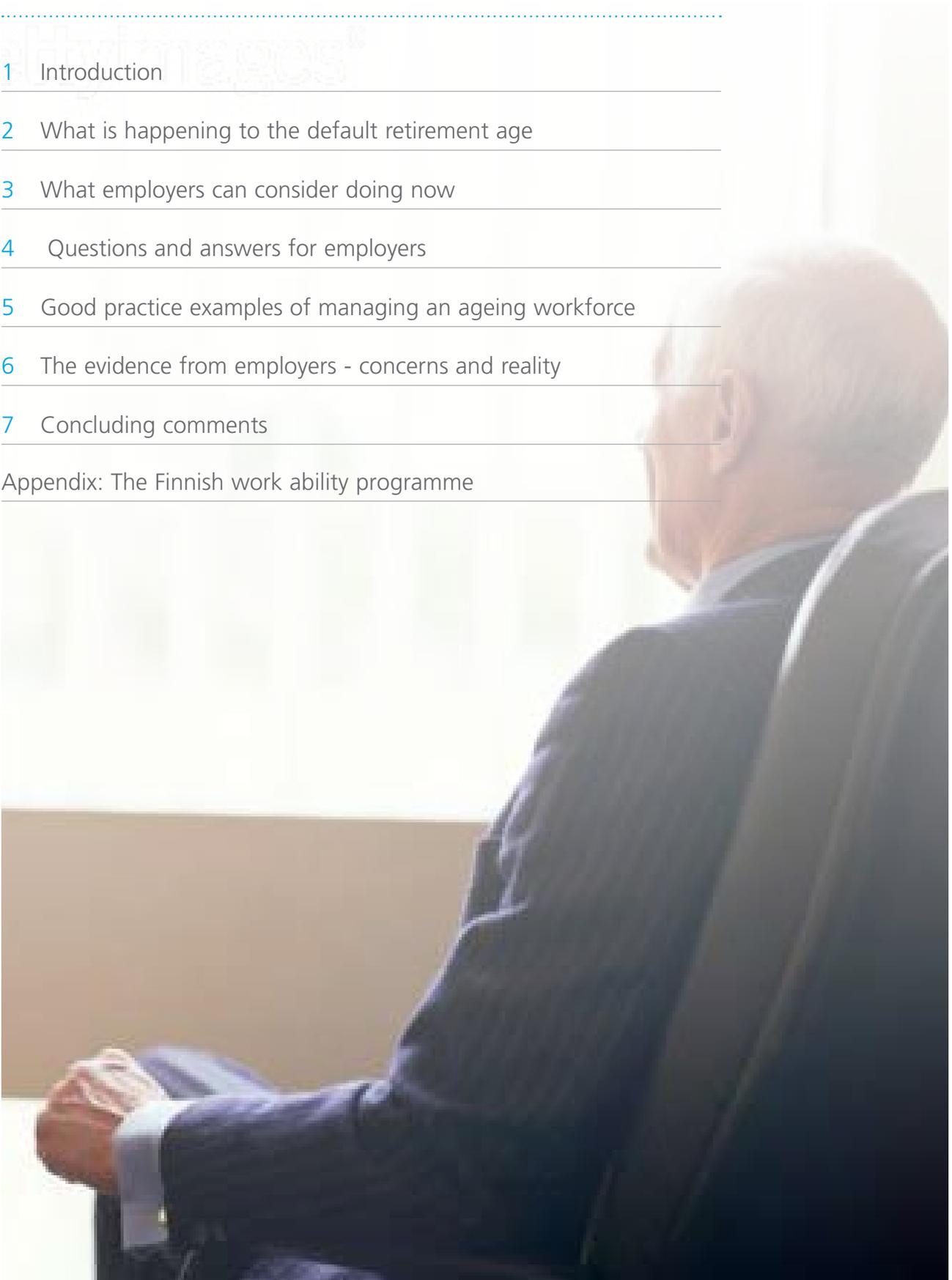
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We are grateful for the support of all those who supplied case studies quoted in the text; their names are given with their contributions. A number of valued friends helped in the identification of case studies, in particular Deborah Russell, Director of Workforce Issues of the AARP, USA; Roger Tweedy, Chairperson of the New Zealand Work and Age Trust; Kathy Kelly, Manager of Training Services in the Local Government Association of Queensland, Australia; The AARP *Best Employers for Workers over 50 (International)* Award (for which Chris Ball is a member of the International Judging Panel) was an important source of case studies. We thank the AARP and Matthew Suntag, Senior Advisor in their Office of International Affairs, for permission to use them.

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1. Introduction

Employers will need to move beyond the era of mandatory retirement as the Government abolishes the default retirement age in 2011. New challenges and possibilities lie ahead to harness the talents of older people who have consistently shown themselves able and willing to work longer.

Working on beyond what is currently perceived as a normal retirement age will increasingly be the norm; the idea of a *normal retirement age* itself may well cease to be useful. From the point of view of individual workers, the impact of the financial crisis on their savings means that many now have to rethink their plans for later life. Employment (perhaps part time), combined with saving and contributing to or drawing on a pension, may be necessary. Options for working longer range from early retirement on partial pensions to working on in the same job, or in a different job. Many people are already working longer anyway - 870,000 UK people over 65 were in work in the last quarter of 2010, and the number has been rising throughout the economic downturn. Of those employed beyond state pension age, 59 per cent of men and 68 per cent of women work part time¹.

Employers need good professional advice on how the change in the law will affect them, but in our view it is important that they understand how to cope with changes in the workforce and how to adapt workplace policies and practices to reflect this. People are fitter and living longer than they were 20 or 30 years ago, but they may have caring responsibilities or other reasons to need to work flexibly. Just as importantly, demographic change will make it essential for employers to put in place policies to retain older workers as the baby boomer generation leaves work, and the generations that follow have fewer people to fill the jobs.

There are two sets of challenges for employers:

In the shorter term, employers need to think through:

- Transitional arrangements for the end of the default retirement age and how they affect the organisation.
- Arrangements for people approaching retirement and how these mesh with workplace discussions on performance, developmental or training needs, future plans of the employer and employee, and future performance issues.

In the longer term, employers need to consider:

- How to shape jobs, workplaces, working conditions and employees' attitudes to careers to make working later possible for workers.
- How to encourage individual workers to take care of their own employability so that they have the best chance to work and earn for longer if they choose to do so.

¹ In April - June 2010, Pension Trends, ONS, February 2011

Employers' views will change

Some employers have seen the challenge posed by the removal of the default retirement age as: *"How are we going to get rid of workers who are not up to the job?"*

Others realise that the more important challenge is: *"How are we going to ensure that every worker who has potential continues harnessing his or her talents for the benefit of the organisation?"*

Those who worry whether older workers are as fit and productive as younger workers and who fear the end of the default retirement age may be bad for business, could focus on what older workers can do rather than what they can't.

The case studies in this guide provide examples of employers who have been convinced that older workers are a valuable resource. These examples demonstrate that a strong business case can be made to retain older workers.

Rather than encouraging older workers to retire at a set age, you can gain business advantage by adopting policies and practices that encourage older workers to stay on. Properly managed, older workers can make an enormous difference. Their willingness to accept flexible working patterns, serve as mentors for younger employees or share unwritten know-how throughout the organisation are valuable in furthering knowledge transfer and succession planning, as the case studies in this guide show.

Age management will become more important. As demographic changes begin to affect the workplace as the baby boomer generation begins to retire in large numbers with the risk of skill deficits following the departure of so many experienced people.

We should regard the response to the repeal of the default retirement age as simply one chapter in a longer story of managing the ageing workforce. We hope this guide will help employers who want to explore the rest of the story.

Structure of this guide

Section 3 of this guide deals with the most immediate issues related to managing without the default retirement age.

Section 4 provides answers to questions frequently raised by employers about the impact of the abolition of the default retirement age.

Section 5 describes new thinking around managing the ageing workforce.

Section 6 covers employers' views of older workers and issues around ageism and Section 7 provides concluding comments.

2. What is happening to the default retirement age

This section of the guide is a summary of the Government's proposals for ending the default retirement age. However, HR managers will want to refer to other sources, including the Acas guidance for employers: working without the default retirement age.

The end of the default retirement age: what is about to happen?

The default retirement age will be phased out from 6 April 2011. From this date it will no longer be possible to maintain a mandatory retirement policy for employees aged 65 or above, unless it can be objectively justified.

Transitional arrangements

From 6 April transitional arrangements will apply. These will be relevant where retirements have already been initiated. That is, where the employer has chosen to give longer than the current minimum six months, but no longer than 12 months, notice of enforced retirement, so that on 6 April 2011 some employees are already under notice that they are to retire.

Acas has provided the following guidance for employers regarding the transitional arrangements:

"Under the DRA employers must give a minimum of six months notice of retirement but no more than 12 months notice. Retirements notified on or before 5 April 2011 can continue through to completion provided that the following conditions are met:

- The DRA procedure, as set out in the previous Employment Equality (Age) Regulations 2006, is followed correctly (including the employee's right to request to stay on is given serious consideration by the employer)
- The person retiring reaches 65 or the normal retirement age (if this is higher) before 1 October 2011. Therefore an employee must be 65 by the 30 September if they are to be retired using the DRA.

Employers will not be able to issue notifications of retirement using the DRA after 5 April 2011. Employees may be given between six and twelve months notice of retirement and a further extension of employment of up to six months may be agreed following an employee request to work on. Hence, the absolute last date on which enforced retirement can take effect under the DRA procedure is 5th October 2012.

The provision allowing short (two weeks') notice of retirement, will also be repealed on 6 April 2011, and such short notice notifications will not be permitted on or after this date."

The Government intends to remove all the administrative procedure associated with the default retirement age, including Schedule 6. This means that notices of intention to retire employees, and requests from employees to continue in employment beyond the default retirement age will no longer apply or be relevant.

3. What employers can consider doing now

1. Brief your workforce on the change

Ensure your managers and employees are briefed about the change. You may want to introduce ideas around different ways of working for employees to consider.

2. Organise age awareness seminars

Help your staff understand age discrimination issues. Ageist language and attitudes, in particular, could give rise to employment tribunal complaints.

3. Adjust pre-retirement courses

Your employees should be able to make plans concerning their future intentions to work or retire. If you currently have pre-retirement courses, consider adopting an open ended approach, explaining that people are entitled to retire or work on and setting out some ideas for employees to consider.

4. Hold discussions with your employees about their future plans throughout their careers

Introduce regular discussions on the future expectations of all your employees and where they see themselves in the next few years to gain insight into their plans for working on or retiring. Encourage your employees to enter into such discussions as openly as they feel able.

General principles of good practice after the end of the default retirement age. These points are an edited extract from the Ucas guide:

Working without the Default Retirement Age

The removal of the default retirement age is an opportunity to review your practices for managing employees and their performances.

You do not have to treat people of different ages exactly the same. However, you should treat them fairly and consistently ensuring that you do not treat an employee more favourably because of their age unless you can objectively justify the treatment as a proportionate response to a legitimate need.

When you have evidence of poor performance, you should address it. It is not necessary to have a complicated procedure but you should have a fair system for dealing with performance issues.

When you have someone approaching or beyond pensionable age, you should ensure that any poor performance is addressed as it is for other employees.

Effect on employers of the abolition of the default retirement age

Over the past few years, opinion has been sharply divided over whether or not the default retirement age served a useful purpose. Some employers are naturally nervous about managing without a default retirement age. But most of the evidence collected suggests that the removal of the default retirement age, far from being something to fear, can be part of a more positive approach to managing the ageing workforce.

The case studies in this guide show that when we look at organisations and countries where mandatory retirement ages have been abolished, many of the fears currently expressed by UK employers about the removal of the default retirement age seem unfounded.

Succession planning

It is important to identify those people whose retirement might leave your organisation deficient in certain skills and knowledge. A flexible approach to work and retirement will make possible the retention of these employees and can help in succession planning. Above all, adopt procedures to discuss issues with employees before they become critical or sensitive.

The following case study from New Zealand, (which has moved away from fixed retirement ages), demonstrates a successful approach to capturing the knowledge of experienced people before they leave, for good succession planning.

Case study 1

Christchurch City Council, New Zealand

“The introduction of options to reduce working hours as a transition to retirement combined with retirement counselling has been a significant success for employees and the organisation as it provides the employee with well received support and guidance and the organisation with processes for knowledge transfer and recruitment planning. As it becomes harder to recruit new workers, employers may invest in more technology and/or develop ways of holding on to older workers for longer. Many older workers, while still willing to work, may like greater job flexibility. Options for employers include offering part-time work or phased retirement, or bringing back retirees as contractors.”

Joe Tonner, Employee Relations Consultant

Discussions about retirement

Some employers have said that even *raising* the sensitive issue of retirement might provoke an employee into bringing a claim of age discrimination. Clearly, if these fears are borne out, it would represent a significant headache for managers. Your skill in handling such discussions is going to be very important.



Case studies of managing retirement discussions

We have included case studies of managing retirement discussions in countries that have moved away from mandatory retirement ages. The first example is from Bon Secours, a US health services provider based in Richmond, Virginia.

Case study 2

Bon Secours, a US health service provider based in Richmond, Virginia.

“Employees at Bon Secours Richmond are evaluated by their managers twice yearly. In the fall, an employee will sit down with his/her manager and talk about the previous year’s performance and goals for the upcoming year. Merit pay has been used as an incentive for quality job performance. Managers and employees complete an online evaluation form that can be accessed throughout the year. Comments can be made. Goals can be adjusted. At the mid-way point in the year, typically February or March, employees and managers revisit the evaluations. Performance is discussed, along with long-term professional goals and plans. This cycle continues year to year. By addressing employees’ work in this fashion, plans for retirement or future work intentions are natural and part of ongoing conversations with employees.”

Dawn Trivette, Administration Director

The essence of this approach is similar to that adopted by Marks and Spencer in the UK.

Case study 3

Marks and Spencer

“We consider that succession planning and regular career discussions are vital for all employees to ensure successful resource planning. These discussions and reviews should take place regardless of age and include the ability for employees to set out their plans and career aspirations. In this way if everyone is involved the question of age discrimination should not be such an issue. In addition, regular performance reviews and coaching are important to enable the employee to understand their performance relative to peers and how they are viewed by the line manager and company. This can also help shape career aspirations.”

Deborah Warman, Head of Employee Relations and Reward

And in Christchurch City Council in New Zealand discussion of long term plans is included in the yearly performance review.

Case study 4

Christchurch City Council

“The Council, like most large organisations, introduced *Planning for Retirement* seminars for employees who wish to attend. These are run on demand or at least a couple of times each year for a staff of 2,500. Discussing long term career plans with employees is included in the yearly cycle of performance review and development process for all employees.”

Joe Tonner, Employment Relations Consultant

This final example is from the US National Institutes of Health.

Case study 5

National Institutes of Health

"We do have a performance review every year and the manager will have to look at the actual performance... *This is what you were asked to do and this is what you didn't quite get done...* Sometimes if people are not doing as well as we would like, there may be a difficult conversation. But if someone has given 30 years of their life to working here it is difficult to push them out of the door. We try to find roles for them. We have some older workers whom, if we were a military organisation, we might have asked to pack their bags and leave but we don't do that. We are always looking at performance and competency. We run a competency programme, which is more relevant to the administrative side of the house than to the research side.

Phil Lenowitz, Deputy Director, Office of Human Resources

The examples above illustrate various ways to make discussions about future plans for working on, or retiring, part of an ongoing arrangement. You can reduce the sensitivity of holding such discussions with older employees by the way you handle them. For example, by having regular and continuing conversations with employees about career development, as the National Institute of Health case study shows.

Employer concerns about the declining work capacity of older staff

Some employers have raised concerns about the declining work capacity of older workers, saying that the repeal of the default retirement age will remove a convenient and 'dignified' way of removing underperforming older workers. One employer even said, in relation to the impact on the cost of providing employee benefits: "We could end up with firms paying for staff suffering from senile dementia."²

These examples show how organisations without mandatory retirement ages deal with the issue of declining capacity among older workers, where it occurs.

² Letters to Recruiter
1 September 2010

Case study 6

Britain's oldest boss

Britain's oldest boss in 2009, Phyllis Self, was still working a six day week at the age of 101. Mrs Self put in a 36 hour week dealing with all the correspondence, payroll and personnel matters at the garden centre business she had opened 40 years before. "The secret is keeping busy all the time, meeting people. That's what I love," said Mrs. Self, who was a director and company secretary of the company in Wiltshire. "I have got a scooter that I use to get around the garden centre and have a scoot around at least three times a day to keep in touch." Her son Chris, 70, was the chairman and two of her grandsons were managing director and marketing director.

The Times, 3 July 2009

Marks and Spencer provide an example from the UK that is not dissimilar.

Case study 7

Marks and Spencer

"The majority of our older workers tend to be store based and customer facing. We can offer a fair amount of flexible working in terms of the hours worked and job role performed. It might be possible to accommodate some decline in physical capability. However, our view is that a strong attendance and absence management policy is also extremely important to manage physical capability or other competence.

"Some line managers at M&S were worried about how to handle a situation where a 65 year old worker wanted to continue working when a manager did not perceive them to be fit enough. HR colleagues discussed and allayed these concerns, stressing that performance management should be approached in an identical way for workers of all ages.

"Since the policy has been introduced, M&S hasn't had any negative feedback. The company found implementing the policy was simple as the changes required to working practices were minimal and no amendments to existing performance systems were necessary."

Deborah Warman, Head of Employee Relations and Reward

These case studies show how crucial it is to have adequate procedures in place and to use them in humane and common sense ways. Good people management and problem solving skills are always important as is the necessity of discussing issues thoroughly and finding out the facts. In cases where an individual's performance has really declined, you may reach the conclusion that a parting of the ways is needed, but in many cases, unearthing the facts should point to less painful outcomes.

Proper procedures needed for the performance management of employees

Employees who fall below acceptable standards can be performance managed at any age.

You should follow procedures for dealing with competence, performance, redundancy or other such issues. Employers who lack procedures are vulnerable to claims for unfair dismissal. If an older employee is dismissed on grounds of competency or conduct, this could be presented as an employment tribunal claim. It will be assessed in exactly the same way as other claims, unless there is evidence of age discrimination.

Employer Justified Retirement Ages

While risks of claims on the grounds of mandatory retirement will be negligible if retirement ages are abandoned altogether, the idea of Employer Justified Retirement Ages (EJRAs) may be considered appropriate in specific industries. It remains to be seen whether they will in fact be adopted and, if so, whether they will be legally challenged.

The law allows mandatory retirement and other discriminatory measures where there is adequate *objective justification*. Hence, it is possible to have an Employer Justified Retirement Age.

The legal test which tribunals would have to apply in any case where justifiability is being considered can be summarised by the following questions:

- First, was there a *legitimate aim* so as to justify discrimination taking place?
- Second, was the discriminatory action a *proportionate response* to the underlying need that gave rise to this aim?

A tribunal would doubtless find protecting the health and safety of the workforce or the general public a *legitimate aim*. However, it might also believe that this did not alone justify retiring (or not employing) workers above a certain age.

The tribunal would have to consider the *proportionality* of responses in each situation. Balanced against the business needs of the employer, the tribunal would be expected to consider the impact of forced retirement on the individual and perhaps on wider society. It will be for both parties to the case to bring forward evidence. Unfortunately, there is very little to go on at the present time. The situation is likely to be more complicated because, while a finding in one case might be a good indication that a tribunal could reach a similar decision in other cases brought against the same employer, there is no guarantee of this. Each employee might produce different evidence relevant to their own circumstances, leading the tribunal to reach different decisions regarding similar employee roles in the same organisation.

In summary, the technical possibility of continuing with a mandatory retirement age by means of an EJRA should be set against the high risk levels that such approaches might entail.

The emergency services and air traffic controllers have been cited as examples where EJRAs might apply³ on the basis that they require exceptional mental and / or physical fitness. Even so, the sensible employer should tread carefully, many cases exist of older workers who are fit enough to meet rigorous challenges.

An alternative to seeking to justify retirement ages for all employees might be for employers, in sectors like the emergency services, to consider measures to maintain the mental and physical health of their employees. Employees who become unable to meet demanding conditions of the job, but who have had relevant experience, could be used in supporting roles such as training and mentoring, rather than being forced to retire.

³ *Age and the Workplace: Putting the Employment Equality (Age) Regulations into practice 2006*, revisions forthcoming

The notion of retiring everyone over a certain age because *some* people of that age are physically unable to do the work, seems wasteful, particularly if some of those retired would prefer to work and could continue doing a good job.

Summary of business sources available

Advice on the practical management challenges of working without a mandatory retirement age is available from several sources, such as the following:

- Acas booklet *Working without the Default Retirement Age*⁴
- DWP / Age Positive 'Good Practice Case Studies: Managing without a Fixed Retirement Age'⁵
- A short TAEN checklist and first briefing for HR managers is also available.⁶

This guide focuses on managing without mandatory retirement ages, but the Acas guide '*Age and the Workplace*' deals with broader policy implications and actions to comply with the law.

⁴ Published 13 January 2011 <http://www.acas.org.uk/CHttpHandler.ashx?id=2976&p=0>

⁵ Published 13 January 2011 <http://www.dwp.gov.uk/docs/good-practice-managing-without-fixed-retirement-age.pdf>

⁶ Managing with Fixed Retirement: A checklist and first briefing for HR managers, published January 2011

4. Questions and Answers for employers

While we welcome the repeal of the default retirement age, we recognise that there are many issues about which employers have concerns.

Does abolition of fixed retirement ages mean employees can go on working for ever?

No, although we should recognise that in some jobs people can carry on a lot longer than they might have been allowed to do previously. Try to value your older employees, and not think that working longer will be a negative thing. Most people will continue to see retirement as natural and will plan for it, albeit at a time more convenient than an arbitrary cut off date coinciding with a birthday.

How can we deal with older employees who are operating below acceptable standards?

How do you deal with *any* employees who are operating below acceptable standards? There is no reason to think that older employees need to be treated differently. You clearly have to have systems of performance management in place but you might decide to adopt a 'tea and sympathy' approach first. You should certainly find out the causes of any problems and only when all else fails should you reach for the capability procedure. That is a good rule generally.

Will I be in danger of a tribunal claim if I take a badly behaving older employee to task?

Your duties not to discriminate on age grounds mean that whatever rules you have in your organisation regarding conduct and misconduct, they should be applied regardless of age.

Can we make adjustments to working conditions for an older person to facilitate their working longer?

The duty not to discriminate on grounds of age does not mean that everyone should always be treated identically regardless of any incapacity or limitation. Older people, in common with others (parents of small children, carers, etc), may have particular needs which should be taken into account if they are to be helped to remain in work. One problem is that older workers may not wish to ask for special treatment. Someone, say with a growing arthritic problem, may not want to be seen as disabled, even though they have suffered a drop in mobility and work capacity. It is important to be alert to such situations and encourage the low key adoption of changes that facilitate working longer. It is worth remembering that anyone at any age can acquire a disability and, where this happens, you are under a duty to make reasonable adjustments to facilitate their remaining in the workforce or to support their ability to do the job.

Will we need to make new arrangements regarding workers who might be entitled to draw their company pensions or who might wish to continue contributing to accumulate additional pension?

Yes. If you have a company pension scheme that provides for pensions to be paid at 65, you will need to consider with your pension scheme manager whether new rules or administrative arrangements should be adopted. These could allow flexible retirement arrangements whereby employees earn their salary and also receive their pensions, or could allow employees to keep contributing into the pension scheme while working beyond 65 and accrue further years of pensionable service. The cost of buying additional years of service under a defined benefits scheme may encourage some employers to consider a new defined contributions scheme; to provide additional pensions benefits for employees beyond the normal retirement age. This will be an area where care is needed to ensure differences can be objectively justified.

My organisation would like to retain a mandatory retirement age for some of our employees. How do we go about adopting an employer justified retirement age (EJRA) that will not expose us to claims of unfair dismissal or age discrimination?

It is technically possible to do this but, as the question implies, the cost and uncertainty of being taken to an employment tribunal, where you will be asked to produce a case of justification, provides strong reason for eschewing this approach. Concerns over health and safety or work performance of some workers may not alone be *sufficient* reasons when the tribunal is considering the 'proportionality' of an enforced retirement policy. If you still feel that an EJRA is necessary, you will need a sound evidence base for *justification*.

5. Examples of employer good practice for managing ageing workforce

Moving on from ageism is important if employers are to adjust to the new workforce environment after the ending of the Default Retirement Age.

In several countries, good employers have been designing work arrangements so that working longer becomes possible and attractive to older employees. In many countries in mainland Europe, 'age management' is now understood as being an essential response to workforce ageing.

Age management entails adopting policies and practices aimed explicitly at overcoming the demographic challenges that organisations face. Approaches can be focused at the individual, country and enterprise level, though in this context we will concentrate on the level of the enterprise. As one Swedish age management consultant said:⁷ **"Age management is not about being nice to people; it is about making money!"**

Flexible working

Research on the values and needs of older workers highlights a need for more flexible working opportunities. Flexible working conditions are of benefit to employees of all ages who have to combine work with other responsibilities. BT in the UK shows how far it is possible to go to make the times and places where people work less important than getting the job done.

Case study 8

Flexible working in BT

"The removal of our fixed aged retirement in 2005, which resulted in our working population aged over 60 increasing from virtually zero to just under 2,000 at the end of the 2009/10 financial year, created a demand among our employees for more imaginative ways of extending their working lives.

"Our *Achieving the Balance* website offers practical advice for all employees and managers considering flexible working. A range of options is available that may prove particularly attractive to the older worker, who may consider a change of working pattern beneficial.

"Options include *Wind Down* which allows them to reduce their working hours; *Step-Down*, which enables them to move to roles with less responsibility and a less pressured environment; *Time-Out* which allows them to take sabbaticals for up to two years; *Helping Hands*, which facilitates secondments to a charity, for example; and *Ease-Down* which gives them the opportunity for more gradual change, utilising a number of the other options.

Dennis Gissing, Head of People Practices, BT

⁷ Barbro Skoglund, Consultant, Age Management i Sverige

The Cabinet Office in the UK offers another example of flexible working options for older employees.

Case study 9

Cabinet Office, UK

“Our approach to flexible working has been that we allow people to work how they want as long as their manager can support it. Because of the confidential nature of some of the things they deal with, that is not always possible but part of the flexibility is that anyone can choose to reduce their salary by up to 20 per cent and the way they choose to do that is up to them. From 55, they can negotiate to do a job at a lower grade, or reduce their hours or cash in some of their lump sum. Say someone reduces from five to three days per week, they could do that and take a partial pension and get access to a lump sum.”

Martin Gegg, Head of Engagement and Employee Relations

The National Institutes of Health in the US tries to accommodate requests to work differently, as shown below.

Case study 10

National Institutes of Health

“For some, their work is their life. They don’t have a hobby and they don’t have anything else. But with others, there may be other things they have to do and they want to do, so they may say to us that they want to work differently and we try to help them.

“We have a variety of interesting programmes. Tele-work, where this is possible. This works well for the sandwich generation: those with elderly parents at home. This helps those who have to make doctors appointments and so on, and also with childcare. We try to be non age group specific.

Phil Lenowitz, Deputy Director of Human Resources

Health and well-being of older workers.

Over the age of 50, the main barriers to working longer are ill health and disability.⁸ Measures to maintain health and well-being of workers throughout the life course can prove most beneficial to prolong competency in the workplace.

Employers can help enormously by not only providing a safe and healthy place of work (as they are legally obliged to do) but also by encouraging healthy living among their employees. The pay back for such measures is that fit and healthy employees take less time off and will be available to work longer. They are also likely to be happier and perform better in the work they do and convey a positive impression of the organisation as a good place to work. In addition to this, learning and continuous opportunities to vary ones’ work experience can play an important part in the maintenance of employability over the life course.

⁸ Population Trends 142
Winter 2010 ONS

Integrated approaches to workforce age management

The most successful approaches to managing the ageing workforce combine several elements, often embracing job content / work design, working conditions (including flexible working), programmes to change attitudes and raise age awareness, health and well-being programmes, knowledge transfer, and learning. A striking example of this approach was developed by the Finnish Government in response to a real need by the Finnish economy and enterprises in the early 1990s. The work ability programme was motivated by the need to arrest the haemorrhaging of prime age workers which, in turn, was leading to chronic skill shortages, exacerbated by large numbers of retirements and a smaller age cohort replacing those who had gone.

In this context, the Finnish Government supported a range of initiatives in an attempt to extend the working lives of employees. (See the appendix for more information on the work ability programme.)

The following example from a Finnish paper mill illustrates the way that traditional HR processes, learning programmes, knowledge management and health and well-being arrangements have all been drawn together and seen as an integrated whole.

Case study 11

UPM-Kymmene's Tervasaari Paper Mill, Finland

Each employee over 55 has a personal plan. They are asked when they intend to retire and what measures they need to stay longer. The training and development manager takes the plans into account when planning training. Training is delivered in styles and formats appropriate to seniors.

There has been a change in attitudes. Older workers are more accepted by younger colleagues. Banter about age has diminished. "Age discrimination was a fact of life before. Some were treated as though they were past their sell-by dates," commented Heinele.

One reason for the change is the company's 'tacit knowledge' programme. 'It is essential tacit knowledge remains in the mill,' said Heinele. He means the advanced wisdom from years on the job, often lost when a worker retires. They operate in pairs, senior and junior, in ways reminiscent of master craftsman and apprentice.

Over three years the average retirement age increased from 56 or 57 to 59. "We are moving closer to our target of 61 or 62 and hope to achieve it in coming years," said Turkka Heinele.

Source: Original Research for Article in People Management, Chris Ball, 2005

A programme adopted by Brisbane City Council in Australia is, in many ways, similar to the Finnish example above. It shows that careful planning followed an understanding of the problems posed to the Council by the ageing workforce and demographic change. Instead of following a single strand intervention, the Council adopted a multi-faceted programme aimed at preventing early retirements and prolonging working lives. Its interventions combined the provision of flexible working patterns with structured approaches to learning new skills, succession planning and knowledge transfer.

Case study 12

Brisbane City Council

The Council has a sophisticated retraining and placement programme to give the individual support to develop skills and knowledge in a new role.

“Our flexible work policies support mature age staff to transition from full time work to part time, and the one day learning and development offering, called *Smart Moves for Wise Heads Career Transition Programme*, assists them to identify the best flexible work arrangement for their skills, interests, financial and health situation. This programme can be followed by one on one career guidance. As well as assisting staff to identify ways to remain employable, the programme gives them the tools to approach flexible work arrangements in ways that are good for the business as well as good for them. ”

Source: Brisbane City Council with the support of Kathy Kelly, Local Government Association of Queensland, Australia



SAGA THOUGHT LEADERSHIP

6. The evidence: concerns and reality

How do employers generally feel about the value and role of older workers? A 2008 survey by the UK manufacturers' organisation EEF⁹ shows that manufacturers believe older workers to be a valuable part of their workforce, more productive and less likely to be absent than their younger counterparts. The more physical nature of manufacturing employment is also felt to be no impediment to the employment of older workers.

As the table below shows, by far the greatest concern of employers was that the ageing workforce meant they would lose specialist skills as workers retire. The importance of the skills and experience older workers possess is illustrated by the fact that "loss of specialist skills" was cited by over three-quarters of companies as a concern, with 59 per cent describing it as "significant".

Concerns of employers about the ageing workforce¹⁰

	"a concern"	"greatest concern"
Loss of specialist skills due to retirement	76	59
Loss of significant proportion of workforce due to retirement	35	5
Rise in number of workers unable to undertake physical tasks	27	5
Rise in number of workers unable to do shift work	22	3
Rise in number of days lost through absenteeism/sickness	30	5
Other	4	2
No concerns	13	13

The survey also showed that older workers were not just valued for their skills but also for their levels of productivity. Fifty-four per cent of companies thought there was no difference in productivity between older and younger workers and just over a third said that older workers were more productive than their younger counterparts. Fifty-eight per cent of employers also believed older workers get the same benefit from training and only 9 per cent of employers thought that older workers were more likely to be absent from work.

⁹ *An Ageing Workforce – How are manufacturers preparing?* EEF 2008

¹⁰ *ibid*

7. Concluding comments

The examples in this paper draw from numerous sources where fixed retirement is either unlawful or has been rejected by choice. They illustrate that working without mandatory retirement is not only possible, but advantageous, providing it is accompanied by HR policies that help retain the full work capacity and potential of older workers. As we have seen, the repeal of the default retirement age is only the beginning of a change process which employers must now take on board if they are to draw on their full resources.

Not every example will readily transfer from one organisation to another. However, in scoping their future policy needs we hope some employers will be stimulated to try fresh initiatives along similar lines. In years to come, the test of how useful the repeal of the default retirement age has been will not be gauged by the number of tribunal applications against forced retirement. Rather, it will be evaluated by the extent to which older people who wanted to go on working and earning were able to do so.

We hope that the case studies in this publication stimulate discussion and encourage imaginative ideas to harness the potential of older workers. Saga and TAEN are keen to hear more of employers' experiences and to participate in discussions around these issues, wherever they take place.

Appendix

The Finnish work ability programme

Following the recessions of the 1970s and 1980s, Finnish economists identified early retirement on health grounds as a source of economic self-harm. With the most rapidly ageing population of all European countries, Finland had to find ways of keeping its over-50s in the workforce.

Leena Malin, Secretary General of the Finland HRM Association, observed: "HR professionals in Finland realised that the situation was changing rapidly. In certain areas and sectors there were labour shortages. Knowledge and experience were vanishing from workplaces. At the same time, younger employees were experiencing more and more 'burn out'. The results could be seen in rising rates of absenteeism and pension costs as more people retired early."

The concept of maintenance of work ability (MWA) captures the Finnish policy response to this state of affairs. Much of the credit for the idea goes to Professor Juhani Ilmarinen, Director of the Department of Physiology in the Finnish Institute of Occupational Health. At the beginning of the 1980s, the Institute came up with a paradigm of good practice covering line and personnel management, as well as occupational health and safety services.

At the core is a conceptual model of the elements that contribute towards an individual's work ability or work capacity. This includes the individual's mental and physical health, but also his or her skills, the management style, the demands of the job and the working environment generally. A low work ability score in a younger or mid life employee, was found to correlate with early exit from the workforce. A 'prevention is better than cure' approach was introduced to improve low work ability scores in those who had them and maintain work ability among those whose work ability was good or excellent.

MWA evolved from there, with active contributions from government agencies and unions. Collective agreements encouraging employers and unions to collaborate locally put flesh on the bones of the concept in most workplaces.

Finland's extensive network of occupational health centres helped. This, together with strong government support and traditions of collaboration between government, employers and unions, explain the rapid growth of MWA, which became the centrepiece of a wider government programme for ageing workers in 1998. Since the first work ability centre was established in 1994, best practice has been rolled out to occupational health centres nationwide.

One project has trained all full time occupational health professionals in the application of work ability. Five thousand representatives from workplaces attended the same training events. "Companies can see how they are losing out by not implementing work ability," says Professor Ilmarinen. "Sickness and absence costs are something like €3,500 per person annually if work ability is poor, but if it is excellent, the cost is only €200 per person.¹³" The pay-off from MWA includes retention of skilled workers who can contribute to the organisation. Improvements to productivity and quality are claimed too.

¹³ 2005/2006

About Saga

Saga is focussed on providing services for those aged 50 and over. We have some 2.7 million customers. Our product range is diverse and includes, holidays and cruises, insurance, savings and other financial services. We also have a health care business that amongst other things provides over a million hours of domiciliary care for local authority and private clients. We also publish Saga Magazine, the UK's largest subscription-only magazine read by around 1.5 million people each month. The appointment of a director-general in 2010 provided a focal point for our non-commercial mission to champion issues affecting the lives of Britain's over 50s.

About TAEN

TAEN – The Age and Employment Network was established in 1998 to help create an effective labour market for people in mid and later life, for employers and the economy. TAEN has grown into an internationally recognised organisation representing the leading experience on age and employment issues. For information about services from TAEN or membership, contact: chris.ball@taen.org.uk or go to www.taen.org.uk

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