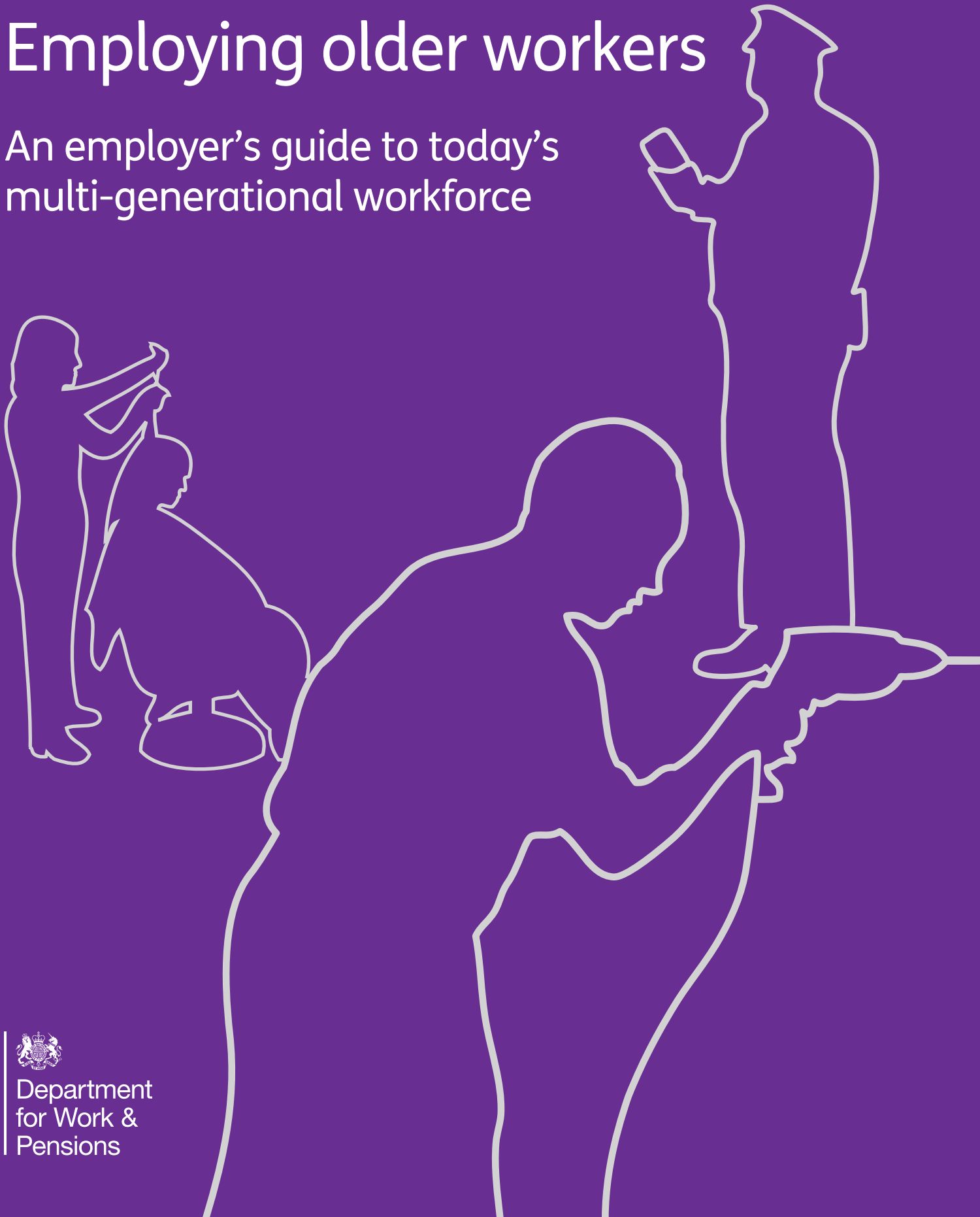


Employing older workers

An employer's guide to today's
multi-generational workforce



Department
for Work &
Pensions

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Read this guide alongside the Employer Case Studies to see real life examples of how employers of different sizes and sectors put into effect the practices set out in this guide.

Introduction

Already over 50s form 27 per cent of the current workforce. By 2020 it will be a third. Employers need to make the most of this resource by maximising the skills and productive contribution of all their workers – younger and older - especially in the current economic climate. Employers that do respond appropriately will gain significant competitive advantage in terms of recruiting and retaining productive workers.

This guidance is drawn from employers who report clear business benefits from effectively managing an ageing multi-generational workforce. This is all the more relevant now that many employees are looking to work up to age 65 or beyond, and employers can no longer compulsorily retire their employees unless it can be objectively justified. The guidance provides answers to employer questions and offers non-bureaucratic solutions tried and tested by employers of various sectors and sizes.

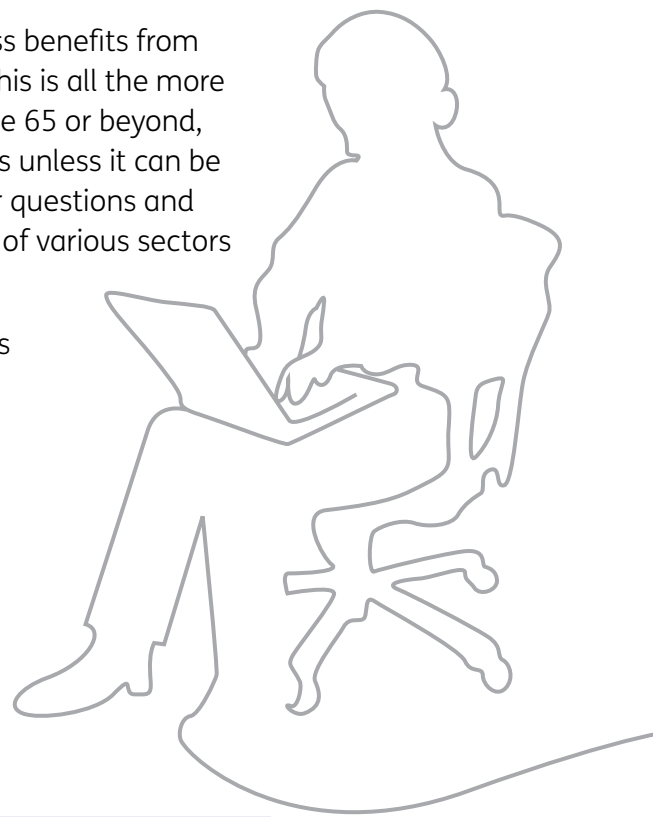
It also addresses misconceptions about employing older workers concerning productivity, up-skilling, health and ‘blocking’ opportunities for younger workers.

Many successful employers report the benefits of employing older workers as part of a multi-generational workforce include:

- a broader range of skills and experience;
- opportunities for mentoring new recruits;
- transfer of skills across the workforce;
- reduced staff turnover; and
- improved staff morale.

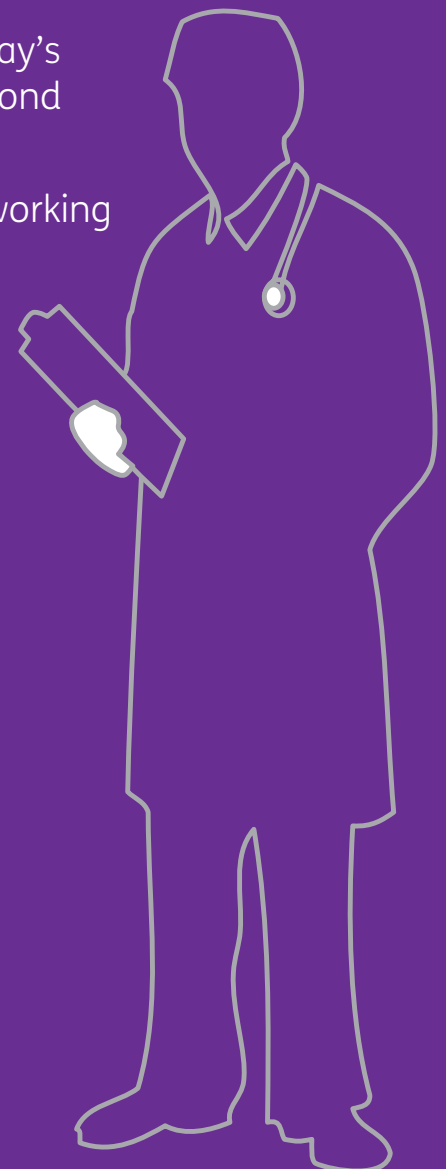
McDonald’s for example, reports 20 per cent higher performance in their outlets where 60+ workers are employed as part of a multi-generational workforce. Similar benefits are reported by employers from all sectors and sizes.

Although many employers are open to employing and retaining older workers, this isn’t necessarily reflected in how their workforce is made up. The key question, many employers ask is - this all sounds good in theory, but how can I put it into practice? For smaller employers without HR departments or big training budgets - how can I easily make this a reality without the bureaucracy? Read on to find out how making small changes to your working practices can benefit both your employees and your business, with real case studies to help you put this into action...



Demographics¹

- Putting it simply, we are running out of workers: current employer plans suggest that we will need to fill 13.5 million job vacancies in the next ten years, but only 7 million young people will leave school and college².
- Immigration will not fill the gap: current net immigration is around 200,000 people per year³ and the Government is committed to reducing this.
- Older people are the main untapped source of labour: unlike migrants, they already live here, and their numbers are growing.
- People are living and keeping fit for longer: most of today's 65-year-olds will live beyond 80, and some will live beyond 110⁴.
- Older workers are increasingly looking to extend their working lives, with over 50 per cent of workers aged 55 plus planning to work beyond the state pension age⁵.



1 The following points are taken from: Managing a Healthy Ageing Workforce; a National Business Imperative, CIPD March 2012

2 UKCES 2010/GAD

3 ONS 2011

4 Government Actuary Department

5 CIPD 2010

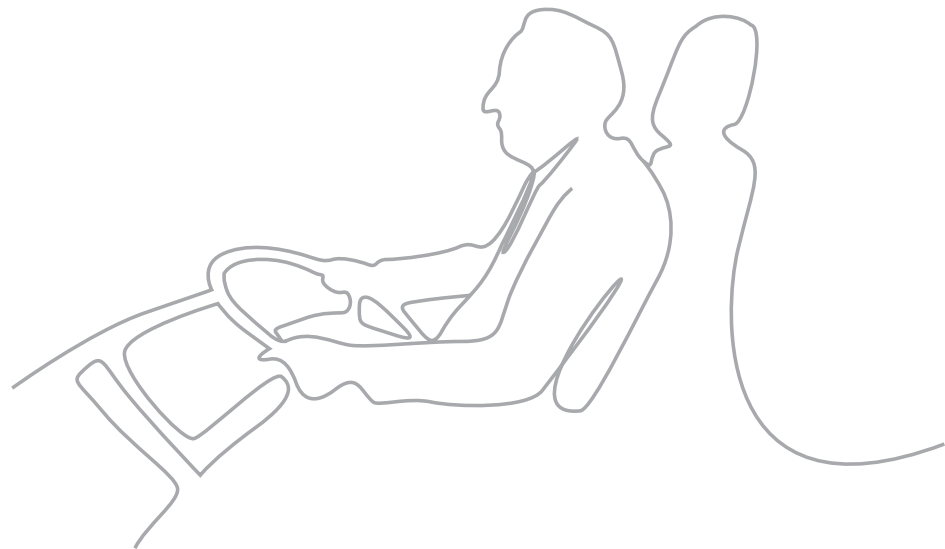
Risks of not changing practices

As an employer, failure to improve practices in relation to recruiting, retaining and supporting older workers carries a number of risks for your business, including:

- skills shortage;
- loss of experience and knowledge of workers gained from many years of employment;
- poor or underperformance of staff denied opportunities for further training and job development;
- low morale and premature exit of staff who feel they have no options for phasing their retirement through part-time or flexible working or step down roles; and
- risk of age discrimination claims and associated costs.

David Fairhurst, McDonald's UK & Northern Europe, said:

“Changing demographics in the workplace mean that later life workers are now the fastest growing age group in the labour market. Yet despite the growing numbers of mature workers, their contribution to business and the wider economy often goes unsung. It might surprise people to learn that at McDonald's we employ over 1,000 people aged 60 and above. These employees play an important role in our business and, as the research shows, they make a huge impact on customer satisfaction.”



Legislation

It is unlawful to discriminate directly or indirectly on grounds of age in the workplace, and in recruitment and dismissal, except where it is objectively justified.

- Only in certain circumstances might it be possible for an employer to objectively justify a retirement age, but in order to do so an employer would need to show that they were acting to further a legitimate aim of the business and their actions to achieve that aim were appropriate and necessary.
- The employer may need to defend these actions at a tribunal, if challenged.

For advice on age discrimination legislation: ACAS Age and the Workplace www.acas.org.uk.



How do I get the right person for the job?

As an employer you want to recruit the best person for the job regardless of their age. We don't expect you to recruit people who can't do the job or haven't the potential to train.

No employer actually thinks that they base their recruitment and retention decisions on misconceptions, but the facts are:

- although 88 percent of employers believe that older workers can bring skills and benefits to the business, people aged over 50 are least likely to be recruited once out of work;
- some recruiting managers and recruitment agencies wrongly assume there are risks in employing over 50s.

However, research and employer case studies⁶⁷⁸ show that the majority of older workers:

- are just as productive as their younger counterparts (at least up to age 70);
- are just as successful in training;
- take less short-term sickness absence; and
- tend to offset any loss of speed with better judgement based on years of experience.

Age is not a good indicator of return on investment - over 50s are as likely to commit to a new employer and offer many years service, even where they have previously had a more senior position or a higher wage.

The fact is each employee and jobseeker is an individual – their performance is affected more by their lifestyle and working environment than by their age. An effective working environment can help workers of all ages remain fully productive whether it is in heavy industry or services, private or public sectors⁹.

Making employment, training and operational decisions based on out-dated assumptions can limit your business success. So ensure your managers, supervisors and recruiting agencies don't judge people by their age. Ensure all workers are managed and valued based on what they do.

[Check out the Employer Case Studies for further information.](#)

6 An update of the literature on age and employment HSE 2011

7 Practical tips and guidance on training a mixed-age workforce DWP 2006

8 Employer Case Studies, DWP 2013

9 An update of the literature on age and employment HSE 2011

Recruitment

- Do focus on the type of skills and experience needed to do the job.
- Do not specify qualifications as selection criteria where they're not essential for the job. This could exclude older candidates who might have the right skills and experience but didn't have the opportunity to take the qualifications specified.
- Do not specify numbers of years experience (unless this is a legislated occupational requirement). This could exclude younger candidates with sufficient skills or experience to do the job or to offer great potential.
- Do not use language that could suggest age bias – 'mature', 'young and energetic'.
- Do not specify or indicate an age group (unless this is a legislated occupational requirement).
- Do not ask for date of birth in the main application, only in an equality monitoring section.
- Do monitor the ages of applicants, short-listed candidates and successful recruits to identify and address any unintended age bias.
- Do consider offering apprenticeships and work experience opportunities to people of any age: younger and older. The Government offers additional funding to employers for helping to develop the potential of younger workers at the start of their working lives, whilst older workers offer employers transferrable skills and experience.

Mandy Ferries, Head of Personnel and Training, JD Wetherspoon says:
"Some people's perception of our industry is that it's a youth-oriented one, so while we were very good at employing students, we'd always struggled to attract applications from the older age bracket. Although we had a retirement age, in practice we never used it, so early in 2006 we made the decision to scrap it and have never looked back. We now receive... job applications each month, from people of all different ages and often recruit trainee managers in their 50s or 60s."

Younger versus older workers

The employment of older workers should not be seen as a ‘younger versus older’ battle for jobs. Some people mistakenly believe that productive older workers should make way for younger workers and ‘free up the job market’ but the facts show this can create further problems for both the business and the wider labour market.

Employers report that removing older workers to make way for younger workers:

- can be damaging to productivity;
- can create dips in efficiency and outputs; and
- can increase staff turnover costs.

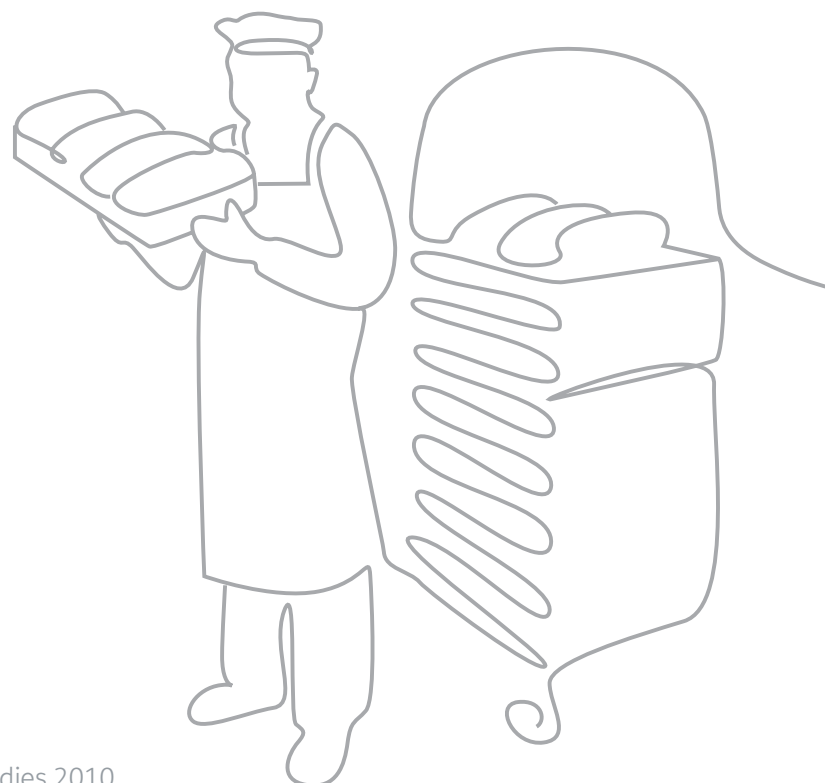
Contrary to some reports, in practice, most older workers are only interested in working an extra year or two longer and most would prefer to phase their retirement rather than stop suddenly.

This offers a solution to effective succession management across the generations. Employers report benefits from their older workers phasing their retirement through part-time or flexible working and supporting skills transfer to younger workers through training, mentoring and job-sharing.

Research has found no positive effect on youth employment from measures which allow older workers to retire early in order to release jobs for younger workers¹⁰.

Despite a high level of unemployment in the area, Perry Stephens, management services manager of Allevard Springs, says that:

“There is a shortage of skilled maintenance people, which older people play an important part in filling. For example, the company currently has five ‘super skilled’ engineering technicians and two of them are over 60 and one is over 50 years of age.”



Training

We all need upskilling at points in our working lives to continue doing our jobs effectively or to progress. All staff should be offered the same training regardless of their age. It doesn't make good business sense not to.

Although older workers are as likely to succeed in training as their younger counterparts, they are less likely to undertake training. This can impact on their motivation, productivity and on-going job options¹¹.

Some employers are much less likely to provide training to older workers if they are assumed to be within two to three years of possible retirement. Not only could this be unlawful age discrimination, it also doesn't make good business sense.

Age is not generally a good indicator of return on investment. The fact is:

- most training returns an investment within a year¹²; and
- the risk of an employee leaving the company after receiving training is the same across all age groups¹³.

Even where training is open to workers of all age groups, older workers are not always aware of the opportunities that are open to them or assume training is intended for less experienced workers.

So ensure supervisors and line managers encourage the take-up of training by all age groups: younger and older.

Be sure to speak to all of your employees, of all ages, to see if they have any concerns about their training needs and gaps in knowledge and look to remedy this for all.

South Wales Forgemasters:

“All employees undergo a formal induction period, after which the company and employee agree any necessary training and draw up a training plan. The company assesses the abilities of all employees annually, matching these to the work within the plant and arranging any necessary training.

When the company found that some older workers felt reluctant to undertake training, they made the style in which it was delivered more flexible. This makes the workers feel more comfortable within a learning environment, and appreciate the benefits training can bring.”

11 Practical tips and guidance on training a mixed-age workforce DWP 2006 and An update on the literature on employment HSE 2011

12 Default Retirement Age: Employer qualitative research DWP 2010

13 Labour Force Survey

Flexible working and phased retirement

Although most employers offer flexible working to some extent, many associate this with parents of young children or white collar workers. Many aren't aware that part-time and flexible working are key to helping many older workers stay in the labour market up to state pension age and beyond.

Phasing retirement fits well with an ageing workforce and the expectation of longer working lives brought about by increases to the state pension age, the removal of the default retirement age and longer life expectancy.

Some older workers want to phase their retirement to help them remain active and feel valued, but others have wider pressures to manage alongside their working lives such as caring for older or younger relations.

Around 60 per cent of over 50s say they would like to continue working after state pension age, but on a part-time basis. Some 40 per cent would like to stay in their current job, but have greater flexibility in their working pattern¹⁴.

Check out the Employer Case Studies & the Acas guide 'Flexible Working and Work-life Balance' for further information.

For employers, helping older workers to phase their retirement can help:

- retain skills and experience longer;
- manage succession through mentoring of new recruits;
- match productivity to periods of peak demand;

- extend periods of customer service; and
- keep semi-retired skilled workers on call.

You can achieve this through different approaches - one or more will be right for your business:

- flexi-time;
- part-time hours or split shifts;
- job sharing;
- compressed hours;
- temporary contracts;
- seasonal work or term-time only;
- home working;
- unpaid leave;
- annualised hours;
- call down & zero hours contracts.

Herefordshire County Council:

“Work undertaken to promote flexible working to older employees has had a positive effect on carers who work for us. We know that currently 18% of our workforce have elder care responsibilities and predicted demographic changes also point towards this increasing... It is really important that we look to support this group of employees so that they do not have to leave the organisation because of growing care commitments.”

So when should employees retire?

Just because there is no longer a default retirement age does not mean that your employees will have to “work ‘til they drop.”

It is for individuals to consider how and when they wish to retire, and ensure they let their employer have sufficient notice. Retirement should follow the same procedures as for resignation.

By having the choice in how they retire, it allows employees are able to take control of their lives and make their decisions with a positive outlook.

Employers needn't worry about older workers staying on beyond their capability to do the job. Research shows that generally, employees know when they are no longer able to carry on and self select to leave or 'retire' from employment¹⁵.

Many older workers are interested in phasing their retirement to help them remain active and productive while managing other pressures such as caring or a health condition.

Line managers and supervisors need to know how to prompt performance discussions and consider options for flexible approaches to work and phased retirement that not only helps their employee to work longer but maximises the opportunities for their business too.

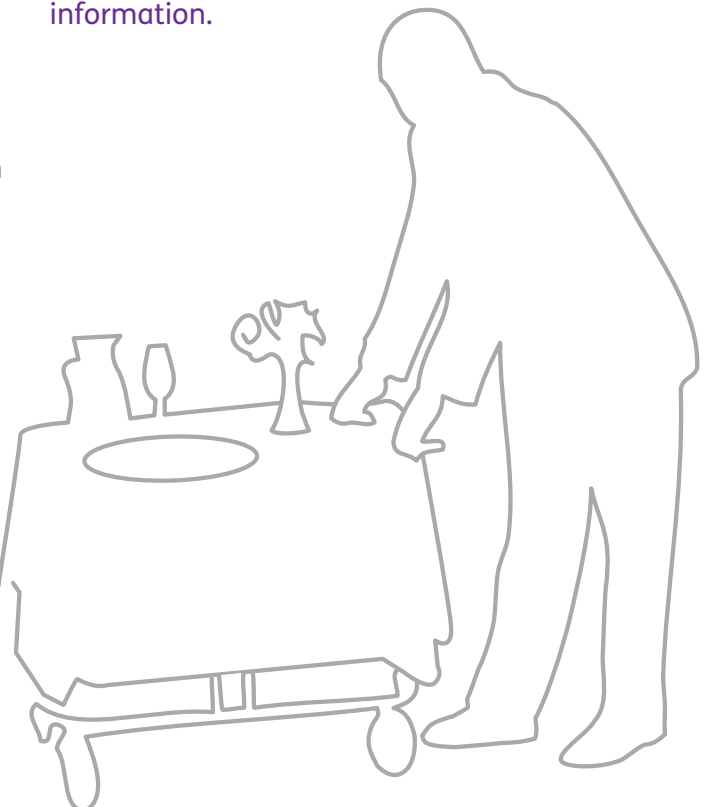
Ronseal:

“Dependant on their circumstances, preference or health they choose the option best for them. This also gives flexibility to the company.”

Nationwide's Robert Aldrich, Head of HR Strategy and Operations explained:

“People naturally know when it is time to stop working [we] have therefore not had a problem with people not being competent to do their job. As long as the performance is there, the full support will be available.”

Check out the [Employer Case Studies](#) for further information.



Performance discussions for effective succession management

Communication, communication, communication

Some Employers ask - without a compulsory retirement age how will I know when my employees are going to retire?

As an employer you need to have some idea when workers are likely to leave so that you can plan. However, employees of all ages can leave their jobs with little notice.

Don't second guess what your employees may want or need – just ask. By having regular, informal chats, you can discuss any issues that they may have about their performance and learn about changes in their personal circumstances that might mean they need to change their work pattern to help them remain fully productive.

Ask all your employees:

- How is it going for you?
- Do you see yourself in the same position over the next few years or are you looking for a change?

This is the most effective way of gathering succession planning information, discussing retirement planning, and options for phasing retirement and replacements.

If your best workers want to retire ask them if they would like to phase their retirement – explore options that would meet both their needs and yours.

Marks & Spencer uses performance management in an identical way for workers of all ages:

“Some line managers at M&S were worried about how to handle a situation where a 65 year old 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.”

Remember, most older workers may not want to start a conversation about moving to a less demanding role or changing to a flexible working pattern, for fear of 'letting the side down'. The truth is that you, the employer, will usually need to initiate that discussion.

Line managers and supervisors need to know they must have these discussions and share this information with you for the planning and management of skills retention and knowledge transfer.

Being able to talk freely with their employer will probably be a big relief to workers, and by making some small changes not only will it benefit their own well-being but their contribution to your business too.

Effective succession management

It can be costly to a business to wait for full-time older workers to leave, and only then to hire an apprentice or new recruit. They are likely to be less productive during their training.

However, if older workers phase their retirement, this opens up options for matching them with a new recruit or their successor, either as a job-share or a trainer or mentor. Even with fully skilled but inexperienced workers this approach can support the transfer of corporate knowledge from one employee to the next.

Employers report that this approach to succession management improves the productivity of new or less experienced employees, reduces sickness absence and increases commitment to the job. By phasing retirement, employers can better stagger the impact on the business and reduce the risk of productivity dips.

MD South Wales Forgemasters:

“Many of our older workers provide excellent support to many of our new workers from a practical industrial point of view as well as passing on their experiences.”

Check out the [Employer Case Studies](#) for further information.

Ronseal:

When an older and experienced member of staff with key skills indicates they wish to retire a successor is identified and mentored. In one case, an experienced member of the R&D team mentored their replacement for two years to ensure effective transfer of skills and experience.

Brian joined A T Brown Coaches at age 57 as a full-time garage manager:

With fifty years' experience 'on the spanner', Brian, now 67, plans to continue working part-time rather than retire. When he considered working differently he discussed options with his manager. A gradual twelve month handover was agreed, and he has moved from full-time to part-time three days a week. Brian is mentoring Andy (31) into the garage manager role, where Andy is “learning the lifetime of skills and knowledge they don't teach you in a course!”

Employees need to consider the financial implications of their options to phase retirement, both in the short term and for their later life. Employers can help by suggesting that their older workers talk to their pension provider and their tax office. The Money Advice Service website and helpline also offers free financial advice.

Under performance

Just like any employee, if an older worker is under performing they need to be advised through a performance discussion.

- You would always do this for a younger worker, so why wouldn't you do it for an older worker?
- In fact it would be unlawful to tackle performance issues differently for different age groups.
- It isn't very dignified to 'retire off' older workers or to leave them under performing rather than address their issues.

Under performance needs to be tackled for the benefit of both the employee and the employer. You may find they have a specific problem that you can help address.

You can still respect 20 – 30+ years good work in asking: 'how's it going?'; 'you seem to be finding things a bit more difficult – how can we help?'

Don't hesitate – some older workers will want you to prompt the discussion and will be relieved that you are willing to talk about their options.

If a worker is no longer able to do their current job, or an alternative, a change in their hours or responsibilities might help them cope better and enable you to retain their skills and experience a bit longer.

A mailroom operative with Nationwide was recruited at age 52 and worked full-time until age 60 when he asked to stay on but at reduced hours.

When under performance occurred, it [the performance discussion] enabled ill-health to be identified as a cause and support to be put in place to help him meet his objectives. Overall he values the flexibility and sympathetic approach of Nationwide in responding to individual needs as they arise, as he discovered when his wife was ill with cancer.

A worker who is under-performing may have a training need or new caring pressures that they have been worried about mentioning.

Or they may be suffering health problems – as an employer you may need to consider reasonable adjustments to help a disabled worker meet the requirements of their job.

Regular health & safety risk assessments can help you to maintain the health and productive contribution of your ageing workforce.

If performance can't be improved in these ways, then you should use the normal dismissal procedures as for workers of any age.

[Check out the Employer Case Studies for further information.](#)

Redundancy

Redundancy is an unfortunate fact of life and employers do have to make hard decisions when they need to let people go. When you do have to do this, it makes sense to try and keep the staff that have the skills and experiences that are essential to the running of your business, whatever their age.

Avoid making assumptions about people which could lead to employees of certain age groups being targeted for redundancy.

Remember it is unlawful to use age as a criteria for redundancy, unless it can be objectively justified in particular circumstances. Any 'justification' could be open to challenge at tribunal.

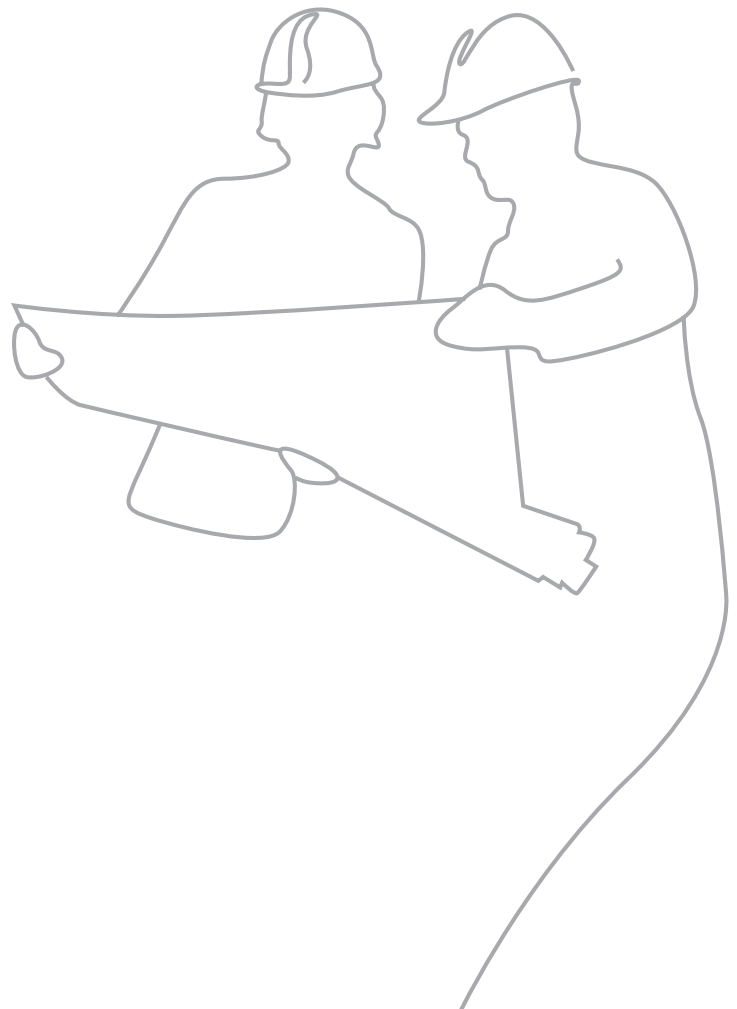
Voluntary early retirement may be an option for certain age groups, if permitted by a pension scheme offered by your business. But this would need to be just one of the options within a wider voluntary redundancy offer that is age neutral.

In 2009/10 the Clugston Group started to age profile its workforce:

"Having this information to hand makes it easier for us to see the impact of business decisions. We have had to reduce employment numbers – like many other companies in this sector. With our age profiling and our redundancy selection procedures we were able to see the likely impact of redundancies and better manage the loss of critical skills and experience."

Clugston use age profiling techniques to plan for the future:

"Looking into the medium term we see what the business might potentially look like. This will help us plan for the upturn and should ensure that we are not left without essential skills across a broad range of occupations/skills and allows us to better determine the opportunities available to new typically younger entrants to our businesses."



Pensions

State Pension

State pension age is not a retirement age.

- Just because an employee reaches state pension age does not mean they should or want to retire from their job.
- They can if they wish start claiming their state pension alongside retaining their normal working hours. Or they may choose to defer their state pension whilst they continue to work; in turn building up an enhanced entitlement or lump sum. Or they might prefer to decrease their hours once they are in receipt of their state pension.
- Whether to claim the state pension and when to retire is their choice.

The Co-operative Group uses workforce planning to focus on competence and ability: Head of Diversity, The Co-operative Group: “It simply doesn’t make sense to retire an employee because of their age. All that should matter is that they have the competency to do their job. Employees can continue in our pension scheme past 65, and draw on their pension while they work for the Group.”

Workplace Pension

Do you offer a workplace pension scheme? If so, does it support working longer and phased retirement?

You may wish to consider reviewing its terms with the scheme trustees or managers, to ensure the scheme supports members who want to work beyond the scheme’s normal pension age.

Some pension schemes effectively support later phased retirement in a variety of ways:

- by allowing contributions to be made to the scheme beyond the normal pension age; or
- offering alternative arrangements, such as access to a different scheme; and
- allowing the member to draw all or some of their pension while continuing to work full or reduced hours.

Employers should advise their employee to seek advice on the short and longer term financial implications of their options for working longer by contacting their pension scheme manager and their tax office. The Money Advice Service website and helpline provides free financial advice.



More information

ACAS

ACAS for free employer advice on employment legislation including guidance on:

- 'Age and the workplace'
- 'Flexible Working and Work-life Balance'
- 'Health and Well-Being'.

08457 47 47 47

www.acas.org.uk

HSE

HSE for free employer advice on health and safety legislation including guidance on:

- 'Five steps to risk assessment'

www.hse.gov.uk

Occupational Health Advice Lines

Free advice and information for your organisation on all health issues affecting your employees:

England 0800 0778844

Scotland 0800 0192211

Wales 0800 1070900

www.health4work.nhs.uk





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