

Corporate Partners Research Programme

The ageing workforce

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Executive summary

- The aim of this report is to look at the implications and management challenges of ageing in the workforce. It is based on a review of research literature to date, a secondary analysis of the Labour Force Survey¹ and case studies, and from which we can outline what the crucial issues will be for individuals, labour markets and organisations.
- By 2010, the proportion of the working population aged between 50 and 64 will be greater than at any time since the mid 1970s. This means that the experiences of people in this age group will become relatively more important for overall workforce performance.
- Workforce ageing is part of a broader demographic trend, for which the social and economic implications must be understood and considered. For example, data from the Office for National Statistics (ONS)² shows that the ratio between people aged 65 and children under 16 will increase from 81:100 in 2003 to 136:100 in 2031.
- The response so far from international bodies, the government and employers is tackling only certain areas and is not broad enough to effect cultural and attitudinal change. In the main, the response seems to be focused on helping older people access work and encouraging employers not to discriminate. Outside of legislation, there are even fewer initiatives that encourage employers to retain and retrain older workers, and fewer still that highlight the difficulties for some of maintaining a decent standard of living into older age.
- The key issues for individuals and the labour market, while discussed separately, overlap:
 - The Pensions Commission suggests that about 11.3million people are not saving enough for an adequately funded retirement, implying that people need better financial education to help plan their retirements properly. In addition, given increasing life expectancy, current retirement ages are starting to look out-of-date and people may need to work longer.
 - Older workers are less likely to become unemployed. However, if they do become unemployed, they take longer to return to work and are more likely to leave the labour force for good.
 - People will need to think about upgrading their skills throughout their working lives – particularly if they are working longer – and this is not about enhancing qualifications. The labour market's obsession with flexibility may have overlooked the reality that organisations take a long time to digest new technology, and that skills are developed and perfected over time.
 - People in their 50s may be of a 'pivot' generation that has both care and work roles. Some suggest that it will not be uncommon to see four surviving generations of the same family, with the increasing likelihood that workers will have other demands on their time.
 - Tight definitions and profiles are useful for policy. However, they do not account for the huge amount of diversity among individuals in different age 'brackets'. Defining people by age alone misrepresents the worth of an individual's contribution in the workplace and to society. Most crucially, it is important not to base organisational-level activity on generalisations about the older workforce.
 - Employers that ignore older workers may also be ignoring the increasing strength of older consumers,

¹ Office for National Statistics, *Labour Force Survey Spring 2005*, www.statistics.gov.uk/STATBASE/Source.asp?vlnk=358&More=Y

² Ibid

and the power of the 'grey pound' in the marketplace. Encouraging diversity in organisations can help respond to the changes in diversity externally, the argument being that an older worker is much more likely to be more in touch with an older consumer's needs.

- Through policy and practice, organisations as well as individuals and the government must take responsibility for responding to the effects of inevitable demographic change; most crucially, by leaving behind negative attitudes and behaviour towards older workers that are ignorant and outmoded. Unfounded 'myths' about older workers perpetuate, even though research suggests that older workers may even prove to be better and more committed employees overall.
- The evidence cited in this report thus presents a case to organisations for rethinking how they ought to respond to their ageing workforce:
 - In response to the forthcoming legislation, at the very least organisations will have to remove age bias from: recruitment, selection, promotion, training and development, redundancy and retirement.
 - Those organisations wanting to maximise their potential will think in a more detailed and holistic way about motivation and managing expectations. Flexible policies, how to provide high-quality work, health, wellbeing and workplace support, and workforce planning will all be key to this.

1. Introduction

By 2010, the proportion of the working-age population aged between 50 and 64 will be greater than at any time since the mid 1970s. This means that the experiences and outcomes of this age group will become relatively more important for the performance of the workforce as a whole.³ Looking further ahead, the Department for Work and Pensions (DWP) estimates that by 2021, 12 million workers will be over 65, combined with 1.3 million fewer workers aged 25–35. Such projections suggest that the UK's workforce is going to age in the near future, even if this is happening at a relatively modest pace.⁴ A number of factors is causing this ageing, including: falling birth rates, increasing life expectancy and, for a time, a decrease in the participation of younger workers in the labour force as increasing numbers remain in post-compulsory education.⁵

As the workforce ages there are a number of potential issues for both individuals and employers. How these issues will manifest themselves, their severity and how best to manage them is still being debated, but what is clear is that individuals, organisations and policymakers all have a role to play in adapting to the changes brought about by ageing.

Ageing in the workforce does not mean that the UK is going to struggle to compete, and older workers must not be treated as some sort of reserve employee group to fill bad jobs. Current broad definitions and profiles of the ageing workforce, while useful for policymakers, do not help employers understand how their workforce will change or help to alleviate the damage caused by negative attitudes and behaviour towards older workers. Organisations must take the time to understand the profile of their workforce and plan accordingly.

Some of the fundamental ways of managing ageing and its implications will be firm-level initiatives that support people throughout their working lives, and ensure that retirement can be funded and options provided for continued participation in the labour market as individuals' aspirations and priorities shift. Individuals too will have to take responsibility for how they are working. They will need to consider whether their skills match what is being demanded by employers and think beyond traditional career structures to accommodate the wider range of social roles that may be expected of them, mainly in terms of providing child and elder care.

In this context, this report argues four main points:

1. Workforce ageing is part of a broader demographic trend, whose social and economic reasons must be understood and considered.
2. That the response so far is only tackling certain areas and is not broad enough to effect cultural and attitudinal change.
3. That while tight definitions and profiles are useful for policy, they do not account for the huge amount of diversity among individuals in different age 'brackets'. Defining people by age alone misrepresents the value of an individual's contribution to the workplace and society.
4. Through policy and practice, organisations, as well as individuals and the government, must take responsibility for responding to the effects of inevitable demographic change. Most crucially, by leaving behind negative attitudes and behaviour towards older workers that are ignorant and outmoded.

³ Dixon S, 'Implications of Population Ageing for the Labour Market', *Labour Market Trends*, February 2003, pp67–76

⁴ Green A, 'Labour Market Trends, Skill Needs and the Ageing of the Workforce: A challenge for employability', *Local Economy*, Vol 18 No 4, 2003

⁵ Ibid

2. How is the ageing workforce currently profiled and understood?

2.1 Why is the workforce ageing?

Workforce ageing is a corollary to broader ageing patterns in the population. Those of the baby boom generations born in the late 1940s (1947 being the first peak) and 1960s (1964 being the second peak) achieve older age during the next four decades. And, according to projected trends, the population will continue to age. Broadly, there are three different ways to describe ageing and each of these is occurring at the same time in the UK:

1. rising average age of the population
2. the rise in the absolute number of older people
3. the rise in the proportion of the population who are older.

Issues stemming from ageing in the workforce must always be considered in the context of broader demographic trends. These trends, illustrated in Box 1 opposite, include a lower birth rate and higher life expectancy, growth in participation in further and higher education, and the increase in women's participation in the labour market. These broader trends suggest that there will be a change in the composition of the labour force itself, rather than just people getting older.

Along with demographic changes, the structure of society is also altering quite radically⁶; in particular, changes to family structures and the bridges between various stages of life. The latter have become increasingly complicated. Young people are experiencing this the most because they are encountering life events, such as graduation, first job or first child, later. This means that it is likely that people's attitudes will change, and included in this will be their attitudes to work. The consequences of this and the former point will be incorporated into our analysis throughout this paper.

Box 1 Summary of key demographic trends

The median age of the UK population rose from 34.1 years in 1971 to 38.4 in 2003, and is projected to rise to 43.3 in 2031⁷

Dependency ratio data shows that in 1971 there were 52 people aged 65 and over for every 100 children under 16. In 2003 there were 81, and by 2031 statisticians anticipate that there will be 136⁸

The population profile among the Government Office Regions of England does not vary considerably. However, London has the lowest proportion of people aged 65 and over (12%) and also the highest proportion in the working age group (68%)⁹

Life expectancy at birth and at 65 for both men and women has continued to rise. In 2002, life expectancy at birth for women born in the UK was 81, compared to 76 years for men. In 1901, life expectancy was 49 years for females and 45 years for males. Average male life expectancy at 65 has grown from 12.0 years in 1950 to an estimated 19.0 today. It is expected to rise to 21.0 by 2030 and to 21.7 to 2050.¹⁰ The impact of other factors (such as public health interventions) is also predicted to

lengthen life expectancy (as well as quality-adjusted life expectancy). For example, the scenario of a public fully engaged in its health issues (and a reduction in smoking prevalence from 27% to 17%) will further increase life expectancy (to 81.6 years for men and 85.5 years for women)¹¹

There has been a marked growth in participation in education beyond school leaving age. Almost half of 16–19 year olds are currently students, and approximately 10% of 20–24 year olds are in full-time education. Young people are entering the labour market in their early to mid 20s, later than their parents and grandparents. This will mean a shortening of the average working life, as well as a fall in the ratio of working-age people to those of retirement age¹²

The birth rate is predicted to fall over the next century, with the number of deaths expecting to exceed the number of births in 2031. The UK population is expected to experience natural decline from the 2030s onwards. However, projected migration means that the UK population is not expected to decrease until later this century

7 ONS, 2003

8 Ibid

9 Ibid

10 Government Actuary's Department's 2002-based projections cited in *Pensions: Challenges and choices*, Pensions Commission, 2004

11 Wanless D, *Securing Good Health for the Whole Population*, HM Treasury, 2004

12 Whiting E, *The Labour Market Participation of Older People*, Office for National Statistics, 2005

2.2 The composition of the ageing workforce

For employers, the broader demographic trends suggest that they are facing a:

- **rising average age in the working population:** the average age of workers in the labour force is gradually increasing. The process began in the late '80s. Between 1991 and 2001, the mean age rose from 37.5 to 39.0.¹³
- **rise in absolute numbers of older people in the workforce:** between 1992 and 2005, the number of people aged over 55 in employment rose from 3,225,647 to 4,532,837.¹⁴
- **rise in the proportion of employees who are older:** over the last decade there has been an increase in employment among older people. The proportion of women in their 50s and in employment increased from around 59 per cent in early 1993 to a high of 67 per cent in winter 2003/4. For men aged 50 to 64, the employment rate followed a similar pattern, increasing

from 65 per cent to 72 per cent over the period. It is projected that there will be one million fewer working-age people under 50 and three million more aged over 50 by 2022.¹⁵

Table 1 below shows how older people are participating in the workforce.

Table 1 Older people's participation in the labour market¹⁶

	Men		Women	
	50–64	65 and over	50–59	60 and over
Full-time employees	49	1	32	2
Part-time employees	5	3	28	6
Self-employed	18	4	6	1
All in employment	72	8	67	10
Unemployed	3	-	2	-
Economically inactive	25	91	32	90
All (millions)	5.2	3.9	3.8	6.6

NB Where relevant, due to way data have been rounded, the columns may not total 100 per cent

¹³ Dixon S, 'Implications of Population Ageing for the Labour Market', *Labour Market Trends*, February 2003, pp67–76

¹⁴ Office for National Statistics, *Labour Force Survey*, spring 1992 and spring 2005, www.statistics.gov.uk/STATBASE/Source.asp?vlnk=358&More=Y

¹⁵ Government Actuary's Department population projections, 2002

¹⁶ Jones A and Williams L, *Changing Demographics*, The Work Foundation, 2005

2.3 Diversity

There are many formal definitions of older age. For instance, the National Health Service Framework for Older People developed by the Department of Health (DOH) in 2001 identifies four distinct groups among those aged over 50 years.¹⁷ Those:

- entering old age
- who have completed their paid employment or childrearing
- in a transitional phase in their late 60s and 70s
- aged 75 and over who are distinguished by an increasing vulnerability to ill health or declining mobility.

In addition, 'older adult' is a term used to refer to those who are still of working age and those of retirement age. In this report we refer to all workers over 55 years of age as 'older workers'.

While definitions and profiling have their place, particularly in policy development, it is important not to base organisation-level activity on generalisations about the older workforce. Indeed, research increasingly shows that older workers are a diverse and varied group.¹⁸ The diversity of those people bracketed in 'older adult' groups is influenced by social, geographical and financial factors. The literature suggests that:

- people born in different eras have different socialisation experiences during childhood, influencing their aspirations and attitudes to work
- orientations to employment and attitudes in later working life tend to differ by position in the employment market
- different opportunities for education means many will have acquired different levels and types of skill before entering the labour market
- various levels of real income will have been earned

during the early and middle stages of working life, which will have dictated savings and asset levels during the 50–60 age group, and consequently labour supply choices.¹⁹

This suggests that the profiles of older workers now may be different from older workers' profiles in the future. This is known as a 'cohort effect', and means that society experiences change while individuals stay the same. This is in contrast to 'life-stage effects', which means that individuals change while society stays the same. So, as one generation replaces another there will be differences in financial position and changing attitudes to, say, work-life balance.

2.4 Bad attitudes and damaging myths

Ageing is considered a long-term trend by the government and one that is reflected in many countries across the world. The USA may see its population's age rising between 2000 and 2050; in China it will be fast, with a falling population from 2025; and Europe, Africa and the Middle East will all age, but later.²⁰ For this reason, an ageing population profile requires long-term solutions and a change to the way our culture currently conceptualises and responds to being 'old'.

As the UK moves further towards a knowledge-based, service-based economy, attitudes towards work and opportunity will change. In his investigation of the personal consequences of work in the 'new capitalism', Sennett suggests that:

*'The current conditions of corporate life are full of prejudices against middle age, disposed to deny the worth of a person's past experience. Corporate culture treats the middle-aged as risk-averse... these prejudices are hard to combat.'*²¹

17 Hardill I, 'Growing Old in England: Economic and social issues', *Local Economy*, Vol 18 No 4, pp337–346, 2003

18 Yeandle S, 'Older Workers and Work-Life Balance', paper prepared for the Joseph Rowntree Foundation, Sheffield Hallam University, 2004

19 Dixon S, 'Implications of Population Ageing for the Labour Market', *Labour Market Trends*, February 2003, pp67–76

20 European Commission (Employment and Social Affairs), *Green Paper – Confronting Demographic Change: A new solidarity between the generations*, 2005

21 Sennett R, *The Corrosion of Character: The personal consequences of work in the new capitalism*, WW Norton & Company, New York, London, 1998

While this may be more pronounced in particular industries and sectors – for instance, Sennett uses the example of advertising – generally there is concern that in industry, unfounded myths about older workers are being sustained and proving to be a barrier to changing attitudes. These myths can include perceptions that older workers:

- can't or won't learn new skills
- don't stay in the job long
- take more sick days than younger workers
- aren't flexible or adaptable
- are 'burned out' and cannot think clearly
- are 'deadwood'.

In fact, research shows that older workers represent a knowledgeable, reliable, experienced and stable workforce that has good interpersonal and customer care skills.²² Further research shows a correlation between attitudes to work and workforce maturity.²³ These may be a part of broader patterns of 'involvement' by middle-aged and older people. Putnam's famous exploration of community suggests that these groups are more active in more organisations, less misanthropic and more philanthropic.²⁴ So, currently, older workers may even prove to be better and more committed employees overall, and if the personal characteristics that cause this correlate to 'life stages', then this trend may continue into the future.

²² Kodz J, Kersley B and Bates P, *The Fifties Revival*, Institute for Employment Studies Report No 359, Brighton, 1999

²³ Lange T and Gibbons-Wood D, *Core Skills and the Role of Scottish Employers: Final Report for Scottish Enterprise*, Centre for International Labour Market Studies, Robert Gordon University, 2000

²⁴ Putnam R, *Bowling Alone: The collapse and revival of American community*, Touchstone, New York, 2000

3. What has the response been so far?

The effect of an ageing demographic profile generally and how it is affecting the workforce have been widely debated at European, governmental and organisational level. Ageing, in its broadest sense, poses a wide range of interlinking social and economic effects, the entirety of which this report cannot address in enough detail to be thorough.

However, for the UK, there are two key macro-level challenges.²⁵ First, that the pensions system can be configured to guarantee all workers an adequate income that secures dignity in retirement. Second, that the decline in the percentage of the population of working age will reduce the economy's growth potential, thus exacerbating the problems of pension provision. These challenges will have the greatest knock-on effect in the UK.

The specific challenges for individuals, labour markets and organisations will be examined in more detail in the next three chapters. This chapter describes how different groups have been responding to issues of ageing, and in what areas particular efforts have been aimed.

3.1 From international bodies

The United Nations, OECD, World Health Organisation (WHO) and European Union (EU) are all engaged in discussion about demographic changes.

In March 2005, the European Commission published its green paper on demographic change.²⁶ This paper considers the effects of an ageing demographic profile and the causes of it, and attempts to seek solutions. In particular, it looks at the reasons for the falling birth rate as well as how the challenges that stem from an ageing workforce combined with a rise in demographic dependency²⁷ can be managed.

European legislative influence brought about the Age Discrimination Act, which is due to be implemented in 2006. In addition, the EU has set two targets for 2010: increasing labour market participation to 50 per cent of the 55–64 age group, and increasing the average age of retirement.

3.2 The government

The implementation of the Age Discrimination Act in October 2006 is regarded as a significant landmark in dealing with age discrimination. The legislation makes discrimination on the grounds of age illegal, and this is all ages, not just older age. The government published its draft regulations on age discrimination in summer 2005 and they include:

- prohibiting unjustified age discrimination in employment and vocational training
- requiring employers who set their retirement age below the default age of 65 to justify or change it
- introducing a new duty on employers to consider an employee's request to continue working beyond retirement age
- requiring employers to inform employees in writing and at least 6 months in advance of their intended retirement date. This will allow people to plan for their retirement
- removing the upper age limit for unfair dismissal and redundancy rights; giving older workers the same rights to claim unfair dismissal or receive a redundancy payment as younger workers, unless there is a genuine retirement
- including provisions relating to service-related benefits and occupational pensions
- removing the age limits for Statutory Sick Pay, Statutory Maternity Pay, Statutory Adoption Pay and Statutory Paternity Pay.²⁸

Furthermore, the government has responsibility for

²⁵ Coats D, *An Agenda for Work: The Work Foundation's challenge to policymakers*, The Work Foundation, Provocation Series, Vol 1 No 2, 2005

²⁶ European Commission (Employment and Social Affairs), *Green Paper – Confronting Demographic Change: A new solidarity between the generations*, 2005

²⁷ 'Demographic dependency' is defined as the ratio of the population aged 0 to 13 and over 65 to the population aged between 15 and 64 years

²⁸ www.dti.gov.uk/er/equality/age.htm

managing the potential pensions 'crisis'. In summary, this includes the combination of a declining basic state pension, an ageing workforce and employer withdrawal from pension provision. It is likely that a combination of increasing longevity, declining asset prices, changes in taxation and accounting rules are causing employers to change their behaviour.²⁹ More older workers and a decline in people active in the labour market exacerbates existing problems, with individuals saving inadequately for retirement. David Coats, writing in 2004, outlines the rather 'unpalatable' range of policy options to remedy these issues:

- pensioners will experience lower incomes in the future
- taxes will have to rise to cover the costs of the state pension and increased means-tested benefits
- private saving will have to increase
- retirement ages will have to rise.³⁰

While the effects of the crisis might not be felt for another 20 years, the government has demonstrated concern and called for activity to manage this situation to start now. Two bodies have been set up in line with the pensions green paper *Simplicity, Security and Choice: Working and saving for retirement* (published in 2002), both of which support the secretary of state for work and pensions. The Pensions Commission is an independent body set up to review consistently the regime for UK private pensions and long-term savings. However, the commission has faced some criticism, principally about its size – it has only three commissioners – and the lack of stakeholder involvement from employers and the insurance industry.³¹ The second body, the independent Employer Task Force on Pensions, was set up by the

government in summer 2003. It is an employer-led body with a mission to increase and extend occupational and private pension provision. Two key aims are to work in partnership with government and individuals to help employees achieve security and independence in retirement, and to identify and promote employer-led solutions that enable and encourage employees to save more and for longer.

3.3 Lobby groups

UK programmes, such as Age Positive, have been pushing organisations to think about and start to manage the potential effects of an ageing workforce. For instance, Age Positive produced a practical business guide to age diversity at work and have a website full of information.³² Other organisations like the Employers' Forum on Age, the Third Age Employment Network and Age Concern all have publications and offer support and advice.³³ In addition, the Joseph Rowntree Foundation has produced an excellent programme of research on the topic.³⁴

3.4 From employers

Evidence on employer support for older workers in the UK shows that the promotion of an age-diverse workforce has so far made limited progress.³⁵ That said, some employers are developing and implementing constructive and innovative arrangements in the workplace, and work-life balance and flexible employment arrangements. For instance, the service, retail, banking and finance sectors are offering flexible working patterns. However, this is often in low-paid work.³⁶ And while there is evidence of employers using gradual or flexible retirement schemes, there is a lack of research into actual practice and take-up

²⁹ Coats D, 'A Secure Future for Occupational Pensions? Rebuilding the UK's occupational pensions system', a paper for the TUC Pensions Task Group, The Work Foundation, 2004

³⁰ Ibid

³¹ Ibid

³² Department for Work and Pensions, *Age Diversity at Work: A practical guide for business*, 2002, available to download from www.agepositive.gov.uk

³³ See www.efa.org.uk, www.taen.org.uk and www.ageconcern.org.uk, for example

³⁴ See www.jrf.org.uk, for example

³⁵ Hirsch D, *Crossroads after 50: Improving choices in work and retirement*, Joseph Rowntree Foundation, 2003

³⁶ Yeandle S, 'Older Workers and Work-Life Balance', paper prepared for the Joseph Rowntree Foundation, Sheffield Hallam University, 2004

rates.³⁷ In part, these issues could be due to a lack of understanding about changing demographic profiles and their likely effects.³⁸

The DTI commissioned research to identify how prepared employers are for the implementation of the age discrimination legislation.³⁹ The report suggests that employers are struggling against a backdrop of skills gaps and shortages, and are fully aware of the pending legislation. While the research reported fewer prejudices about age than previous studies have done, there was scepticism among employers about the potential impact of the legislation. In addition, there were a number of specific concerns about understanding and illuminating the boundaries between legitimate and illegitimate practices. The report suggests that explicit policies on managing the age balance of the workforce were rare, even though age was identified as a key issue in equal opportunities.

The same DTI report revealed some practices that may demonstrate a malaise towards older workers and age in many organisations. Of particular concern was how the performance management systems were applied in a generally patchy manner, and much less firmly to people nearing retirement age. In addition, HR managers felt that older workers were less likely to participate in training, and it was felt this was a result of reluctance on both sides. There was very little evidence of succession planning, which suggests that employers are not thinking hard enough about knowledge retention, in particular because this was combined with a confused understanding among employees of flexible retirement options. Other recent research suggests that access to flexible working is restricted to particular occupations

and more prevalent in the public sector.⁴⁰ Moreover, access to flexible work seems to be less prevalent in occupations where older women are more likely to work. Employers must make moves towards removing these restrictions.

The fact that older workers find it increasingly difficult to re-enter employment suggests that employers are still not taking older applicants seriously enough.⁴¹ In summary, one might conclude that while employers understand that discrimination on the grounds of age is unacceptable, their practices do not follow this through. Employers must do more to understand their workforce and workers in the labour market as individuals and move away from stereotypes. Simply favouring the young is an unsustainable strategy. Chapters 4, 5 and 6 of this report will look at these issues in more detail.

3.5 Conclusion

In the main, the response seems to be focused on helping older people access work and encouraging employers not to discriminate. Outside of legislation, there are fewer initiatives to encourage employers to retain and retrain older workers. And fewer still that highlight the difficulties of some to maintain a decent standard of living into older age.

In many ways, the response to the ageing population generally and with the workforce may be hampered because, for policymakers in particular but perhaps also for employers, the problems are not immediate. Coats suggests that: 'Policymakers could quite happily muddle through for 20 years before the demographic squeeze really begins to have serious effect.'⁴² In addition, he suggests that many of the obvious solutions for

37 Loretto W, Vickerstaff S and White P, *Older workers and Options for Flexible Work*, Working Paper Series No 31, Universities of Edinburgh and Kent, 2005

38 Taylor P and Walker A, 'Policies and Practices Towards Older Workers: A framework for competitive research', *Human Resource Management Journal*, Vol 8 No 3, pp61–76, 1998

39 McNair S and Flynn M, *The Age Dimensions of Employment Practices: Employer case studies*, Employment Relations Research Series No 42, produced by Centre for Research into the Older Workforce, University of Surrey, 2005

40 Loretto W, Vickerstaff S and White P, *Older workers and Options for Flexible Work*, Working Paper Series No 31, Universities of Edinburgh and Kent, 2005

41 Performance and Innovation Unit, *Winning the Generation Game: Improving opportunities for people aged 50–56 in work and community activity*, Cabinet Office, 2000

42 Coats D, 'A Secure Future for Occupational Pensions? Rebuilding the UK's occupational pensions system', a paper for the TUC Pensions Task Group, The Work Foundation, 2004

politicians are 'unpalatable'. For employers too the attraction of a young, flexible workforce to compete in a global, knowledge-based environment might seem at odds with retaining older staff. In addition, in some sectors or organisations employers may not notice a huge shift in their workforce in the near future – for

others this will become apparent much more quickly. For these reasons, it is important to understand as a whole the implications of an ageing population at an individual, firm and macro level over the long term, and base strategies and initiatives on this.

Table 2 Summary of organised responses to the effects of the ageing demographic profile on the workplace

Body	Initiative	Aim of initiative
Age Positive	Code of Practice on Age Diversity	The code is voluntary and encourages employers to make decisions that do not discriminate against someone because of their age. It covers six areas of employment: recruitment, selection, promotion, training and development, redundancy and retirement
HM Government	Opportunity Age: the first-ever UK strategy on the ageing society	Aims to set the direction for how central and local government, business and individuals can adjust thinking about age. Moving away from a stereotype that equates ageing with dependency
	'Active Ageing' project by Prime Minister's Strategy Unit ⁴³	Looked at how to improve the wellbeing and quality of life of older people by helping them to remain active. Recommendations: <ol style="list-style-type: none"> 1. Changing the culture 2. Enabling and encouraging over-50s to stay in work 3. Helping and encouraging displaced workers to re-enter work 4. Helping older people to make use of their skills and experience for the benefit of the wider community

Body	Initiative	Aim of initiative
Department for Work and Pensions	New Deal programmes extended to include New Deal for Adults and New Deal 50 plus	<p>New Deal for Adults is for over-25s who have been out of work and claiming Jobseeker's Allowance for 18 months, and provides short courses that build on existing skills</p> <p>New Deal 50 Plus aims to help people aged 50 and over who have been unemployed for six months or more return to work, by providing access to a personal adviser, as well as an in-work financial incentive and a training grant</p>
	Occupational pensions changes	New changes allow people to continue drawing their occupational pension while working for the same employer
Department of Trade and Industry /EU Council	EU Employment Directive 2006	Designed to outlaw discrimination at work and training on grounds of age, sexual orientation, disability and religion or belief
Learning and Skills Council (LSC)	Enhance participation rates among adults	Among other aims, the LSC aims to help adults obtain work by integrating adult and community learning more effectively with other types of provision at the local level
PRIME	PRIME initiative on self-employment	Encourages over-50s to consider the possibility of starting their own business by providing loans if money cannot be borrowed elsewhere, but the main support is through finding local organisations that can offer initial business help and advice for free
Volunteering England	National Volunteering Scheme	A code of practice on age discrimination in volunteering. Everyone wishing to volunteer should be able to do so regardless of age

4. What are the implications for individuals?

The implications of work and ageing for individuals are both financial and social. Choices in retirement are usually related to the access individuals have to funding. Choices can also be constrained by social factors, like having to perform caring roles, which can affect individuals both financially and physically in terms of their health. The interweaving of factors makes understanding the differences among individuals – in terms of circumstances and needs, as well as aspirations and expectations – in the ‘older worker’ bracket a complicated task.

4.1 Retirement

The previous chapter outlined some of the broad and macro-level issues about pensions and retirement. Yet, for individuals the reality of retirement will be a combination of push and pull factors. Decisions about retirement will be constrained by the need, the ability and the desire to work. For some, ‘choice’ over retirement age is feasible because of occupational pensions and unmortgaged equity in housing.⁴⁴ For others, poor health, displacement and disability can mean they are forced into retirement without sufficient funds to support themselves. Some research suggests that an individual’s retirement activity is often mostly based on push factors from their employer and individual choice is removed.⁴⁵

Funding retirement will be an issue for many given the inadequate state pension, and people may need to or want to work longer. Indeed, a recent survey by The Work Foundation found that funding retirement is a major barrier to choice of retirement age.⁴⁶ It found that just a third of respondents expect to retire at their desired age. The majority think that they will be retiring later than they would like to, with almost a third expecting to retire more than 5 years later than desired. The main barriers to

retirement at their desired age are:

- not having enough money to fund retirement (63 per cent)
- needing to pay the mortgage (16 per cent)
- needing to support financially dependants (14 per cent)
- concerns over the effect on pensions if retiring early (12 per cent).

The Pensions Commission suggests that about 11.3million people are not saving enough for an adequately funded retirement, suggesting that people need better financial education to help plan their retirements properly.⁴⁷ In addition, increasing life expectancy means retirement ages are starting to look out-of-date. In order to allow for diversity among individuals, it would seem sensible for the normal retirement age to be abolished and decisions made on an individual basis, considering the needs of both the organisation and the employee. How this will work in practice might include phased or partial retirement schemes, which will be discussed in detail in Chapter 6.

Increasing life expectancy may mean that people are frustrated by the feeling of being pushed out of the workforce too soon for social rather than financial reasons. Layard suggests that work is the third most important factor that contributes to happiness, after family relationships and financial situation (presumably also affected by work).⁴⁸ He highlights the fact that for many people work gives a feeling that they are contributing to society and an extra meaning to life. If work is this important, then a new type of dialogue needs to exist between employees and employers about individuals’ working lives, a dialogue that gives individuals some control over how they work. And if Marmot’s

44 Hardill I, ‘Growing Old in England: Economic and social issues’, *Local Economy*, Vol 18 No 4, pp337–346, 2003

45 Loretto W, Vickerstaff S and White P, *Older workers and Options for Flexible Work*, Working Paper Series No 31, Universities of Edinburgh and Kent, 2005, p38

46 The Work Foundation commissioned IFF Research to carry out a telephone survey of 1,000 adults aged 16+ in September 2004. The main findings from this survey were reported in *Changing Demographics* by Alexandra Jones and Laura Williams, and available at www.theworkfoundation.com/pdf/Demographics0105.pdf. *Changing Demographics* looks at how current demographic trends will affect the future labour market and discusses how these changes influence people’s expectations about how they work at different stages of their lives.

47 Vickerstaff S et al, *Happy Retirement? The impact of employers’ policies and practice on the process of retirement*, Joseph Rowntree Foundation, 2004

48 Layard R, *Happiness*, Allen Lane, London, 2005

hypothesis that for people to participate fully in society, control and opportunities are vital is right, then creating a good dialogue may have much broader benefits.⁴⁹

So, while industry comes to terms with changing demographic trends, individuals will be required to think about how they can add value in their organisation as they approach retirement. In particular, if they want to downscale their responsibility or modify their work routine. For instance, mentoring and coaching is one frequently cited idea, particularly among retiring managers. However, this is a greater challenge for certain groups, for instance those in lower level grades and for manual workers, again suggesting that there will be different challenges for individuals in different occupational groups and sectors.

4.2 Access to work

A central concern for individuals should be their ability to get into new work as well as trying to stay in current jobs as they get older. ONS figures suggest that unemployment rates are low for older people. In fact, they are well below the national average. For example, the unemployment rate for 55–64 year olds is 1.6 per cent compared to 2.9 per cent for the whole of the working age population.⁵⁰ However, while older workers are less likely to become unemployed, once unemployed they do take longer to return to work and are more likely to leave the labour force for good.⁵¹ A study by Hirsch, Macpherson and Hardy shows that older male and female workers face substantial barriers to entry in occupations that have steep wage profiles, pension benefits and computer usage.⁵²

Dixon highlights that older workers are much more differentiated in terms of skills and experience than

workers in the early stages of their careers.⁵³ For this reason, any adjustment in employment or relative wages that happens in response to demographic change is likely to differ across different sectors of the labour market and affect individuals differently. Gottschalk suggests that any adverse effects from increased supply are most likely to be felt by less skilled older workers, who are more easily replaced by younger workers and may not have the basic skills needed to adapt to technological and other changes in the workplace. Again, this highlights the need to encourage older workers to train and retrain, as well as workers themselves taking the right attitude to re-skilling themselves – particularly those in low-skilled occupations.

4.3 Good work, not just filling the gaps

It is also important that individuals have some control over the quality of work on offer to them. Being made to feel like second-class citizens in the workforce or a 'reserve' of workers to fill gaps in an increasingly 'flexible' economy is not acceptable. Table 3 overleaf shows that those who continue to work aged 60 or over are much more likely to work part-time than others of working age. This is important because it is essential to understand whether this is a symptom of the type of work they choose, or whether this is the only work they are able to get. It may also say something about the quality of work on offer, with part-time work being more closely associated with lower pay and basic skill requirements.

If we are to avoid a situation where a growing number of older workers are being corralled into low skilled, poorly paid part-time work then it is important for policymakers and employers to think about the quality and design of jobs on offer. A good deal of best practice has been achieved in retail through the positive recruitment of older workers. However, it is likely that this practice may

49 Marmot M, *Status Syndrome: How your social standing directly affects your health and life expectancy*, Bloomsbury, London, 2004

50 Office for National Statistics, *Labour Force Survey Spring 2005*, www.statistics.gov.uk/STATBASE/Source.asp?vlnk=358&More=Y

51 Dixon S, 'Implications of Population Ageing for the Labour Market', *Labour Market Trends*, February 2003, pp67–76

52 Hirsch B, Macpherson D and Hardy M, 'Occupational Age Structure and Access for Older Workers', *Industrial and Labour Relations Review*, Vol 53 No 3, pp401–418, 2000

53 Dixon S, 'Implications of Population Ageing for the Labour Market', *Labour Market Trends*, February 2003, pp67–76

Table 3 Working patterns by age group⁵⁴

	16 to 24 (%)	25 to 34 (%)	35 to 44 (%)	45 to 54 (%)	55 and over (%)
Full time	64	82	76	78	63
Part-time	36	18	24	22	37

be constrained by the forthcoming age discrimination legislation. It is also important that individuals take some responsibility and help organisations think about how their roles could work in a modified way as they approach retirement, perhaps working a different routine to the normal 9–5.

4.4 Skills

Already, the discussion in this section points to how critical skills are to ensuring that older workers have access to and can remain in work. Most crucially for individuals, the arguments so far have suggested that those with more skills and knowledge may have more control and choice about work and retirement. This is borne out in the evidence. Older people with formal qualifications are more likely to stay in work than those with no qualifications.⁵⁵ Yet, Table 4 shows that, currently,

people aged 55 and over are much less likely to have a degree or equivalent than those aged 25–44. This trend may continue as the government pushes for a 50 per cent attainment of degree-level qualifications for all school leavers in the future. Therefore, there is concern that older workers with fewer qualifications than university leavers may be left to fill the spaces in low-level positions.

In addition, it is likely that existing skills will become outdated the longer people stay in the labour market, and alongside an increase in the use of generic skills: eg technical know-how, team working, client communication, problem solving and planning and, in particular, computer skills. Together, these factors underline the fact that people will need to think about upgrading their skills throughout their working life.⁵⁶ Upgrading skills does not necessarily mean gaining new qualifications, and this is a

Table 4 Qualification attainment by age group⁵⁷

	16 to 24 (%)	25 to 34 (%)	35 to 44 (%)	45 to 54 (%)	55 and over (%)
Degree or equivalent	8	27	20	18	14
Higher education	4	8	10	11	10
GCE A Level or equivalent	33	21	21	23	22
GCSE grades A–C or equivalent	33	23	25	18	14
Other qualifications	9	13	13	14	15
No qualification	13	8	11	17	25

NB Due to way data have been rounded, the columns may not total 100 per cent

⁵⁴ Office For National Statistics, *Labour Force Survey Spring 2005*, www.statistics.gov.uk/STATBASE/Source.asp?vlnk=358&More=Y

⁵⁵ Whiting E, *The Labour Market Participation of Older People*, Office for National Statistics, 2005

⁵⁶ Green A, 'Labour Market Trends, Skill Needs and the Ageing of the Workforce: A challenge for employability', *Local Economy*, Vol 18 No 4, pp306–321, 2003

⁵⁷ Office For National Statistics, *Labour Force Survey Spring 2005*, www.statistics.gov.uk/STATBASE/Source.asp?vlnk=358&More=Y

real issue for policymakers to consider. ICT skills programmes as well as 'softer' skill courses have a role in ensuring older workers can remain in the workforce. Adult education policy therefore needs to respond to the demands of an ageing workforce, and engage with it to motivate interest and create accessibility to those skills required in the labour market.

4.5 Career progression

The problems with accessing work and the issues around skills may be exacerbated as career progression becomes increasingly meritocratic. If employment decisions are based on academic qualifications, progression and employability, the gap between what older workers can deliver and employer demands may widen.⁵⁸ A particular danger is the long-hours culture that is associated with the UK. If employees are assessed by the time they spend at their desks⁵⁹, then older workers may be excluded from progressing because their time is drawn on by external roles. Again, attitudes towards performance and progression need to change and this will be helped by the forthcoming legislation.

4.6 Caring roles

Caring roles will become increasingly influential over people's life choices because more individuals will have both children and elderly relatives to care for. In fact: 'It will not be uncommon to see four surviving generations of the same family.'⁶⁰ This trend may be exacerbated as communities become more atomised and family structures change, causing weakened or even dissipated kin networks.⁶¹ It means that people in their 50s represent a pivot generation with both care and work roles.⁶² A survey by Mooney *et al* showed that:

- two in three people aged over 50 and up to retirement

- age (60 or 65) are in paid work
- by age 50, one in three people will have grandchildren
- three in five 50 year olds still have living parents
- nearly half those surveyed had some caring responsibility.

Research by Howard on support for working carers suggests that carers may be inclined to leave work if they are unable to balance work and caring.⁶³ This might be prompted by:

- an increase in the amount of care needed or workload
- a change in working hours, shift patterns or rota
- the start of caring responsibilities
- lack of support or understanding from managers or colleagues.

She also suggests a number of barriers that prevent carers from staying in paid work:

- restricted access to flexible working
- limited flexibility of flexible working
- reluctance to disclose
- line managers' responses
- problems with inflexible support.

For individuals, it is crucial to have open dialogue with line managers about roles outside of work and to press for support.

4.7 Health and wellbeing

The increasing demands on individuals to perform a variety of roles during their lives may have consequences with regard to health and wellbeing. Mooney *et al*'s 2003 research suggests that combining work with caring responsibilities can have a negative impact on wellbeing, including tiredness, ill health and lack of leisure time.

Further to this, as health and wellbeing are likely to

58 Brown R and Danson M, 'Going Grey: Demographic change and the changing labour market in Scotland', *Local Economy*, Vol 18 No 4, pp291–305, 2003

59 Cowling M, *Still at work? An empirical test of competing theories of the long-hours culture*, The Work Foundation, 2005

60 European Commission (Employment and Social Affairs), *Green Paper – Confronting Demographic Change: A new solidarity between the generations*, 2005

61 Hardill I, 'Growing Old in England: Economic and social issues', *Local Economy*, Vol 18 No 4, pp337–346, 2003

62 Mooney A *et al*, *The Pivot Generation: Informal care and work after 50*, Joseph Rowntree Foundation, 2003

63 Howard M, 'Support for Working Carers', paper for Joseph Rowntree Seminar, 2004, Carers UK, www.Carersonline.org.uk.

become key factors in choices about retirement and work⁶⁴, individuals will need to seek ways of working that relieve these pressures and allow them to plan for their own futures while minding other people's.

A key theme in this research conducted for the Joseph Rowntree Foundation suggests that people feel increasingly out of place at work as they get older.⁶⁵ If this is the case, then it will impact on the wellbeing of older employees. Other countries are managing to respond to this in a positive way. The research cites the example of Finland, where thinking about how the world of work might adapt to the needs of older workers is a priority. In addition, positive and supportive cultures will go a long way to solving some of these problems, and probably much broader issues in the workforce more generally.

In addition, there is a risk to wellbeing if people choosing to work more flexibly or take advantage of phased retirement decide to 'downsize' their jobs. What is important is that individuals in these circumstances do not feel a loss of status or importance in the organisation. Individuals, however they work, need to feel that they have an element of control over their working lives. In fact, Marmot's research suggests that: 'Autonomy and social participation are so important for health that their lack leads to deterioration in health.'⁶⁶ Creating an environment where respect for experience is a key feature and where people have enough autonomy to decide how their contributions can be delivered will encourage people to pass on knowledge and skills, and this will be a benefit to any individual and organisation.

4.8 Isolation and community roles

For some individuals, caring roles will not be an issue. They may feel only the isolating effects of increasingly disparate communities. Creating roles for older adults in their communities will therefore be vital to decreasing feelings of isolation for those individuals, and increasing broader community support more generally.⁶⁷

Policymakers and managers should be aware that while older individuals are a diverse group in terms of expectations and characteristics, their experiences are also diverse. Hardill explains that:

*'There is a growing polarisation in the lived experience of the 80 per cent of England's older adults living in urban areas. These economic and social changes have resulted in a blurring of working life and retirement with impacts on material circumstances and quality of life in retirement. For some, working life is truncated, while some remain in paid work beyond the state retirement age. There are tremendous quality of life differences experienced by older adults both between and within urban areas because of difference in income levels and economic resources.'*⁶⁸

4.9 Great expectations

Individual expectations and aspirations are expanding and diversifying in flexible and opportunity-rich economies; we can expect intergenerational differences to influence the employment decisions of future older workers. This makes it difficult to extrapolate future trends from the employment patterns of today's older workers.⁶⁹

64 Hirsch B, Macpherson D and Hardy M, 'Occupational Age Structure and Access for Older Workers', *Industrial and Labour Relations Review*, Vol 53 No 3, pp401–418, 2000

65 Ibid

66 Marmot M, *Status Syndrome: How your social standing directly affects your health and life expectancy*, Bloomsbury, London, 2004

67 Hardill I, 'Growing Old in England: Economic and social issues', *Local Economy*, Vol 18 No 4, pp337–346, 2003

68 Ibid

69 Yeandle S, 'Older Workers and Work-Life Balance', paper prepared for the Joseph Rowntree Foundation, Sheffield Hallam University, 2004

Table 5 Generational expectations of expected retirement age⁷⁰

	16 to 24 (%)	25 to 34 (%)	35 to 44 (%)	45 to 54 (%)	55 and over (%)
Age they would like to retire	57	56	56	58	62
Age they expect to retire	61	61	62	62	65
Gap	4	5	6	4	3

Nevertheless, the finding that in contrast to older workers younger workers are much more likely to want to stop working before they reach 60 is not particularly surprising (see Table 5 above). At 25, the prospect of working for more than 40 years is daunting. However, the mismatch between the expectations that young people have about retirement ages and the reality of their pension provision is likely to be storing up a policy problem for the future.

Our analysis of the figures suggests that survey respondents in their 20s, 30s and 40s are more likely to want to retire before their 60s than respondents currently in their 50s. However, there is on average a 5-year gap for the whole sample between when people would like to retire (57.5 years) and when they expect to retire (62.5 years). While there is no gender gap here, there is a generation gap; older respondents are more realistic about when they are going to retire.

⁷⁰ Based on survey figures in Jones A and Williams L, *Changing Demographics*, The Work Foundation, 2005

Table 6 Generational differences in attitudes to work⁷¹

	16 to 24 (%)	25 to 34 (%)	35 to 44 (%)	45 to 54 (%)	55 and over (%)
Ideal working situation: When just started work					
Full-time fixed	28	41	35	33	36
Full-time flexible	39	49	51	54	53
Part-time fixed	1	3	1	1	4
Part-time flexible	28	6	9	10	4
Ideal working situation: When have young children					
Full-time fixed	5	4	3	4	7
Full-time flexible	34	42	32	33	38
Part-time fixed	5	4	2	2	1
Part-time flexible	47	42	48	44	40
Ideal working situation: When have older children					
Full-time fixed	20	18	12	11	14
Full-time flexible	60	57	54	48	48
Part-time fixed	4	3	2	4	1
Part-time flexible	14	19	29	35	34
Ideal working situation: When have eldercare responsibilities					
Full-time fixed	5	3	2	2	4
Full-time flexible	32	44	35	32	31
Part-time fixed	6	3	2	3	5
Part-time flexible	50	45	54	55	52
Ideal working situation: When empty nester					
Full-time fixed	35	54	18	14	17
Full-time flexible	41	45	52	44	48
Part-time fixed	4	3	2	4	2
Part-time flexible	10	19	19	29	26
Ideal working situation: When aged 60 or over					
Full-time fixed	1	3	3	3	6
Full-time flexible	12	8	8	11	19
Part-time fixed	8	4	4	4	4
Part-time flexible	35	44	44	45	49

When looking at expectations for both full time and part-time flexible working, there are differences between the generations. With young people beginning working life later than their parents or grandparents, it is unsurprising that there is a considerable generation gap in expectations of work and retirement. Most older workers want to keep working when they go past the age of 60. For example, 49 per cent of workers aged 55 and over would like to work flexibly part-time, and 19 per cent on a full-time flexible basis.

Other key trends include the fact that younger workers are more likely to work for an organisation that offers flexible working, and also more likely to make use of it. Two-thirds of respondents aged 16–24 work in a job allowing flexible working, but this drops to fewer than 50 per cent for those aged 55 and over. And when we asked respondents how they would like to be working when aged 60 or over (full-time, part-time, fixed, not working), the majority of respondents would prefer to be either working flexibly on a part-time basis or not

working. However, older respondents are far more likely to see working – full-time and part-time – as ideal at this stage of their lives and careers. For those aged over 55, more would prefer to be working full-time than not working at all.

There were also generational differences in attitudes towards ideal career success (see Table 7). For all respondents, earning enough money to live comfortably was important, but this was marginally more important for the 35–54 age group.

However, ambition to climb the career ladder was significantly more important to the 16–24 age group than for older workers. Ambition became less important as the age of respondents increased, demonstrating that perhaps for older workers ‘status’ and ‘achievement’ are not the only reasons for wanting to work. This is supported by anecdotal evidence that suggests that the social aspect of work, and feeling valued and involved, may become more important as people get older.

Table 7 Perceptions of ideal career success by age group⁷²

	16 to 24 (%)	25 to 34 (%)	35 to 44 (%)	45 to 54 (%)	55+ (%)
Climbing the career ladder as high as I can	36	20	9	6	2
Really enjoying my job	25	40	46	50	56
Earning enough money to live comfortably	28	34	38	39	33
I don't really know what I want to do	10	1	3	1	-
I don't care what I do as long as I have a job	1	2	3	2	2
Not working	-	1	1	2	4

NB Due to way data have been rounded, the columns may not total 100 per cent

72 Ibid

For a large proportion of all respondents enjoying work was important, but this was considerably less so for the 16–24 year olds. The need to enjoy work was something that became more important as the age of respondents increased, again suggesting that the process of working may become more important than its ends as workers get older.

4.10 Conclusion

Funding and social demands will affect greatly the choices of older people in and around retirement. More people may be forced to work for longer as funding retirement becomes a greater challenge. The ability of older workers to stay in work and the type of work they have access to is constrained by both their skills and knowledge, as well as the negative and outmoded attitudes and behaviours of employers. Individuals must start to consider how they are working throughout their working lives and what effect this will have on personal savings. This includes continual learning and refreshing skills, or perhaps retraining at various stages of their careers. Individuals must also open up a dialogue with employers, and unions or employee representatives where appropriate, about their working expectations and needs as they approach retirement. This will help organisations to understand how they can accommodate the variety of changes individuals may face throughout their working lives, and build policies and practices around them.

5. What are the implications for the UK labour market?

Policymakers and experts agree that Europe's future success depends on developing a knowledge-based economy; as well as preparing for the ageing population and safeguarding social cohesion.⁷³ The Lisbon strategy for growth and employment calls for a number of measures to help build an inclusive labour market for stronger social cohesion:

- increasing the employment rate
- defining a multi-annual programme on business adaptability
- removing disincentives for female labour force participation
- adapting the European social model to the transformation of society and the knowledge economy
- eradicating poverty.⁷⁴

While definitions of the 'knowledge-economy' vary, most imply that this will involve increasing skill levels and access to education and training, as well as growing employment in knowledge-intensive sectors. The main implications of this for UK industry are to:

- keep people in work
- encourage them to take up work
- ensure that business can be adaptable with good access to transferable skills, use of new technologies and development of flexible organisation of work.

Retaining the knowledge, skills and experience of older workers will be an essential part of this. Employers must also take action towards challenging outmoded attitudes towards older workers and debunking the useless myths, as well as investing in skills through (re)training and ensuring sufficient social support for those moving between jobs.

5.1 Threatened flexibility?

Dixon suggests that the ageing population could also lead to changes in the nature, speed and costs of labour

market adjustment, because so far older workers tend to change jobs less often and are less geographically mobile.⁷⁵ Further investigation into whether this is a life-stage or cohort effect is needed, as well as a better understanding of how flexibility contributes to organisational performance.

Organisational flexibility is distinct from geographical flexibility, even though the two may be interdependent. Flexibility has been an obsession of organisations since the 1980s. It is a term whose meaning has been stretched and confused through overuse in management speak. The original model of the 'flexible' firm by Atkinson and Meager relied on three types of flexibility: numerical, functional and financial.⁷⁶ This model was created as an ideal type, and so it is unlikely that organisations across the board would be able to achieve this. In part, this is because the component parts may conflict with each other. For instance, to develop functional flexibility it may be necessary to provide greater job security, which may be at odds with numerical flexibility.⁷⁷ Flexibility as a concept has evolved into something much broader and confusing, encompassing anything that falls outside traditional working routines and bureaucracy, and extending to something akin to organised chaos. Now, the idea of flexibility is more of an obsession about the demand to respond to external pressures at a rapid pace – the need for fast change.

However, some argue that industry's obsession with flexibility and the need for fast change is unfounded in reality. And herein lies the caution for organisations thinking that pushing out older, less flexible employees for younger, cheaper and more adaptable ones is a good strategy. Sennett argues that, in fact, change and developments happen in organisations at a much slower

⁷³ Pichelmann K and Roeger W, 'The EU Growth Strategy and the Impact of Ageing', *Review of International Economics*, Vol 12 No 2, pp213–232, 2004

⁷⁴ *Facing the Challenge: The Lisbon strategy for growth and employment*, report from the high-level group chaired by Wim Kok, November 2004

⁷⁵ Dixon S, 'Implications of Population Ageing for the Labour Market', *Labour Market Trends*, February 2003, pp67–76

⁷⁶ Atkinson J and Meager N, *Changing Working Patterns: How companies achieve flexibility to meet new needs*, London, National Economic Development Office, 1986

⁷⁷ Brown R K, 'A flexible future in Europe? Changing patterns of employment in the United Kingdom', *The British Journal of Sociology*, Vol 41 No 3, pp301–327, 1990

rate.⁷⁸ He observes that it is well documented in industrial sociology that institutions take a long time to digest new technologies, and that skills are developed and perfected over time. So, new and young are not always better and faster. It would be a short-sighted and unrealistic manager who based their business strategies on such a limited assumption.

There are two further forms of flexibility identified in the research that older workers can contribute towards. These are working time and place of work.⁷⁹ Working time, or temporal flexibility, is the extent to which routine hours can be varied according to various demands. Flexibility in the place of work is understood as the extent to which a job can be done at different sites, teleworking for instance. These elements of flexibility could suit the desire of older workers to work in different ways and at a different pace. Research shows that if flexible work options were more widely available, then older workers would stay in work for longer and find it easier to find work.⁸⁰ This is something that organisations should be thinking carefully about in terms of how adapted work patterns can contribute to organisational success, and how this can be managed.

5.2 Skills

Changes in occupational structure mean that there will be an adjustment in demand for certain skills, which may conflict with those on offer in the labour market. Skills gaps, defined as the divergence between an organisation's current skill levels and those that are required to meet organisational objectives, are a continual challenge for UK industry even though a good deal of progress has already been made in this area.⁸¹ An ageing

workforce combined with changes to industry in the form of de-industrialisation and the increasingly prolific service sector mean that certain skills and competencies will be in even shorter supply in the future, unless employers change their attitudes towards training and re-training. This may include 'softer' skills associated with customer service and team work⁸², and those skills associated with knowledge-based economies – understanding and using technology. Concerns have been raised over the ease at which these skills can be developed because of inherent psychological and cultural obstacles created by established patterns of working.⁸³ Although Green argues that skills like social awareness and customer care increase with age.⁸⁴

Green also argues that it is important for employers to understand that there may be 'hard-to-fill' vacancies that are related to skill shortages, as well as those that may arise due to limited efforts at job advertising, unattractive salaries or job conditions, or an excess of demand over supply. Furthermore, employers will have to change their attitudes to skills 'certification' because while older workers are less likely to have formally recognised skills, their work experience is invaluable and it is not the case that older workers are not adaptable.

Employers are also going to have to be more progressive about investment in training. Second careers and flexible working lives will mean that employers need to change their attitude from concerns about not recouping training costs to understanding the very clear benefits of skilled staff. A recent report on the Lisbon strategy says that: 'Lifelong learning is not a luxury, it is a necessity – if older people are to remain active, they need to be equipped

78 Sennett R, *The Corrosion of Character: The personal consequences of work in the new capitalism*, WW Norton & Company, New York, London, 1998

79 Loretto W, Vickerstaff S and White P, *Older workers and Options for Flexible Work*, Working Paper Series No 31, Universities of Edinburgh and Kent, 2005

80 Ibid

81 Hutton W, *Where are the Gaps? An analysis of UK skills and education strategy in the light of the Kok group and European Commission midterm review of the Lisbon goals*, The Work Foundation, 2005

82 Green A, 'Labour Market Trends, Skill Needs and the Ageing of the Workforce: A challenge for employability', *Local Economy*, Vol 18 No 4, pp306–321, 2003

83 Brown R and Danson M, 'Going Grey': Demographic change and the changing labour market in Scotland', *Local Economy*, Vol 18 No 4, pp291–305, 2003

84 Green A, 'Labour Market Trends, Skill Needs and the Ageing of the Workforce: A challenge for employability', *Local Economy*, Vol 18 No 4, pp306–321, 2003

with skills that match the requirements of the knowledge society.⁸⁵ Currently, older workers' participation in both formal education and workplace-based learning is significantly lower than that of prime-aged and younger adults. This may be because they have less access to training – research suggests that delayering has led to reduced training and development opportunities⁸⁶ – or are not encouraged to take it up, but this will be critical to filling future skills gaps, perhaps more so in some sectors than others. Employers need to be clear about the fact that skills are closely linked to productivity, and therefore the bottom line. The productivity weakness in the UK compared to the USA and the rest of Europe has been linked to the inadequate level of basic skills, and a lack of access to training among certain categories of worker.⁸⁷

5.3 Quality of working environment, good jobs, health and wellbeing

The discussion so far has highlighted the increasing importance for employers of retaining older workers, their knowledge and skills. The European Commission thinks that reducing the risks of occupational accidents and improving workers' health will play a significant part in keeping people at work.⁸⁸ A new study by the Employers' Forum on Age found that almost half the workforce would be happy to work until they are 70, but only one in five thinks that they will be fit enough to do so.⁸⁹ Organisations, who are already open to the wellbeing debates, might want to think about the health status of their employees and what role they can play as workers move into retirement. Good health is heralded as 'one of

the cornerstones of wellbeing in later life'.⁹⁰ And research shows that work can have a negative impact on health through stress, depressed wages, and poor-quality jobs in terms of hours or working conditions.⁹¹

In addition, where wellbeing is concerned, organisations must consider the effects of changes to work routine if flexible working or phased retirement is going to be used. Many may feel that they have become second-class citizens, or feel a loss of status if they are demoted or as they reduce their hours. This is a particular management challenge, which organisations can only tackle through cultural and attitudinal change. Research that suggests that as people grow older they feel increasingly out of place at work has already been discussed in Chapter 4. Part of the solution to this will be for organisations to think about how they can fit jobs to older workers through a changed conception of work itself, as well as promoting occupational health and work-life balance.⁹² This might include simple changes such as moving manual workers into more administrative posts.

5.4 Sectors and occupations

The issues discussed here will affect sectors and occupations in different ways. Projections from 1982–2012⁹³ show that the percentage of UK output is declining in manufacturing, primary⁹⁴ and utilities, and rising in transport, distribution, business and other services. In addition, more people will be employed in the public sector, business and other services, at the expense of manufacturing, primary and utilities.

85 *Facing the Challenge: The Lisbon strategy for growth and employment*, report from the high-level group chaired by Wim Kok, November 2004

86 Brown R and Danson M, "Going Grey": Demographic change and the changing labour market in Scotland', *Local Economy*, Vol 18 No 4, pp291–305, 2003

87 *Labour Market Flexibility: Building a modern labour market*, an interim Trade Union Congress report, October 2004

88 European Commission (Employment and Social Affairs), *Green Paper – Confronting Demographic Change: A new solidarity between the generations*, 2005

89 'Attitude Not Age', the Employers' Forum on Age, September 2005 www.efa.org.uk/publications/default.asp

90 Howse K, 'Policies for Health Ageing', *Ageing Horizons*, No 2, pp3–14, Oxford Institute of Ageing, University of Oxford, 2005

91 Loretto W, Vickerstaff S and White P, *Older workers and Options for Flexible Work*, Working Paper Series No 31, Universities of Edinburgh and Kent, 2005

92 Hirsch B, Macpherson D and Hardy M, 'Occupational Age Structure and Access for Older Workers', *Industrial and Labour Relations Review*, Vol 53 No 3, pp401–418, 2000

93 Wilson R, Homenidou K and Dickerson A, *Working Futures: New projections of occupational employment by sector and region, 2002–2012*, Volume 1, Institute for Employment Research (University of Warwick), January 2004

94 The primary sector includes mining and agriculture

Box 2 Key labour market trends – 2010 projections⁹⁵

- Primary industries will account for less than 2 per cent of total employment in England as a whole
- Manufacturing will account for 12 per cent of jobs
- Business and miscellaneous services are projected to experience the largest employment gains, and make up 30 per cent of the workforce
- Distribution and transport will account for 28 per cent of work

Self-employment and small and medium-size enterprises (SMEs) are providing opportunities for older workers. Statistics show that self-employed men in their 50s are much more likely than those who were employees to still be working 10 years later. And that workers who are over state pension age are twice as likely to be employed in small companies (1–10 staff) and far less likely to be employed in larger organisations (over 50 staff).

The effect on specific sectors is difficult to predict from national-level data, and Table 8 shows little to alarm most employers in terms of ageing. The most striking figure is that which shows a disproportionate amount of younger people – those aged between 16–24 – working in distribution, hotels and restaurants, but this may say more about the choices of students and the availability of part-time work in this sector.

Likewise for occupations, the national-level data shows some unsurprising results about what occupations different age groups are working in (see Table 9). You would expect a higher percentage of managers, senior officials and those in professional occupations to be older because these are often jobs associated with experience. One would also expect higher numbers of younger people working in sales and customer services occupations because often these occupations provide training and they often offer part-time work and flexible work.

Table 8 Showing industrial sector workforce by age⁹⁶

	16 to 24 (%)	25 to 34 (%)	35 to 44 (%)	45 to 54 (%)	55+ (%)
A–B: Agriculture and fishing	1.14	0.93	1.22	1.37	2.38
C–E: Energy and water	0.61	1.16	1.06	1.12	0.82
D: Manufacturing	9.47	13.31	14.39	14.27	13.15
F: Construction	7.80	7.44	8.25	7.23	8.57
G–H: Distribution, hotels and restaurants	40.30	18.04	15.41	15.02	17.08
I: Transport, storage and communication	4.66	6.96	7.13	7.54	7.34
J–K: Banking, finance and insurance etc	12.38	19.44	16.64	14.00	13.96
L–N: Public administration, education and health	15.35	26.82	30.71	34.37	30.09
O–Q: Other services	8.30	5.87	5.16	5.06	6.55

⁹⁵ Dixon S, 'Implications of Population Ageing for the Labour Market', *Labour Market Trends*, February 2003, pp67–76

⁹⁶ ONS, *Labour Force Survey, Spring 2005*

Table 9 Showing occupational group by age⁹⁷

	16 to 24 (%)	25 to 34 (%)	35 to 44 (%)	45 to 54 (%)	55+ (%)
Managers and senior officials	4	15	19	18	14
Professional occupations	4	15	13	14	13
Associate professional and technical	9	18	15	13	11
Administrative and secretarial	13	12	12	13	13
Skilled trades occupations	12	10	11	12	13
Personal service occupations	10	7	8	7	7
Sales and customer service occupations	22	7	5	5	5
Process plant and machine operatives	5	6	8	8	10
Elementary occupations	21	9	9	9	13

NB Due to way data have been rounded, the columns may not total 100 per cent

However, while these figures do not reveal any particular surprises what will become a cause for concern is how supply can meet increases in demand within occupational change at firm level.

There are different components of occupational change: scale effect (expansion and decline), industrial mix effect (changing patterns of final demands) and occupational effect (impact of organisational and technological changes). Occupational effects are having the greatest impact and there has been substantial change over the last decade, with increase and decline in occupations in different contract types (full time, part-time and self-employed):

- **Full time:** increases for managers and senior officials, professional, associate professional occupations. Decline for skilled trades, administrative, clerical and secretarial occupations
- **Part-time:** increases in professional occupations (significantly so), personal service occupations, sales,

customer service occupations, skilled trades and associate professionals (for the last two only slightly)

- **Self-employment:** small increases among associate professionals. Decline for skilled trades occupations, managers and senior officials.⁹⁸

These changes are part of an overall ‘professionalisation’ of the employment structure, which has affected 1.9million people in England between 1991 and 2001.⁹⁹ In addition, changing patterns of consumer demand, regulatory changes, concerns about environmental issues and sub-contracting have been influential in forcing change in sectors and occupations.¹⁰⁰ Even in sectors and occupations where employment has/is projected to decline, there is likely to be a demand for new recruits to offset labour mobility through retirements (particularly in occupations and sectors with an older age profile), inter-sectoral and inter-occupational mobility, and geographical mobility.¹⁰¹

97 ONS, *Labour Force Survey, Spring 2005*

98 Wilson R, Homenidou K and Dickerson A, *Working Futures: New projections of occupational employment by sector and region, 2002–2012*, Volume 1, Institute for Employment Research (University of Warwick), January 2004

99 Dixon S, ‘Implications of Population Ageing for the Labour Market’, *Labour Market Trends*, February 2003, pp67–76

100 Green A, ‘Labour Market Trends, Skill Needs and the Ageing of the Workforce: A challenge for employability’, *Local Economy*, Vol 18 No 4, pp306–321, 2003

101 Ibid

Therefore, organisations will have to think about how demand for certain roles is going to change for them, and how their current workforce can shape up to meet that demand alongside what the labour market has to offer. In particular, organisations will have to consider what career aspirations students have and what choices they are making – looking at take-up among the different disciplines in further and higher education. These issues will be considered further in Chapter 6.

5.5 The ‘grey pound’ and the bottom line

In terms of broad economic strategy, creating an inclusive climate for older workers in the economy is essential. It is also crucial for organisations in terms of access to skills and human capital. But it will also have an effect on the bottom line.

Employers that ignore older workers may also be ignoring the increasing strength of older consumers, or the power of the ‘grey pound’. Encouraging diversity in organisations can help respond to the changes in diversity externally, the argument being that an older worker will be more in touch with an older consumer. Anecdotal evidence suggests that some organisations are already switched on to this. Home & Capital Trust Limited is a good example of an organisation using an employee base to match its customers (see Box 3 opposite).

In addition, other case studies (including those in the annex to this report) show that the impact on the bottom line from employing older workers is felt through retention and reduction in recruitment costs, reduced absence rates and increased sales through improved customer service. These outcomes are looked at in more detail in Chapter 6.

5.6 Conclusion

The evidence suggests that it will be a high-risk strategy for businesses and organisations to be drawn into aggressive competition over a reduced number of younger workers entering the labour market while ignoring older workers. Indeed, in many occupations and sectors, allowing older workers to leave en masse will leave them with a severe knowledge and skills shortfall, and there is no good evidence to suggest that older workers are bad workers. In fact, it seems that in an economy increasingly dominated by the service industry the experience and attitudes of older workers may be more suited to the customer care so central to organisational performance. For this reason, UK industry has as much responsibility in supporting the inevitable way the world is changing as government and individuals. Older workers want to work and have a positive attitude towards employment; organisations need committed and experienced employees – the answer is clear.¹⁰² More and more organisations will have to help individuals answer the question, ‘is it better to remain in work or retire?’. And give them good reasons to remain. There are a number of practical ways this can be and is being managed. The next chapter will discuss these in more detail in the context of the challenges outlined so far.

Box 3 Home & Capital Trust

Company background

In the late 1970s, one of the present directors of Home & Capital, who at that time had a chartered accountancy practice, started to develop a home-equity release product for his clients. In 1987, Home & Capital Ltd was set up to expand this aspect of the business. Today, the central product is the cash-release plan, which means that the age range of customers is 65-plus. It is a small firm of about 20 people.

Why focus on an older workforce?

It makes perfect sense for Home & Capital to employ a larger proportion of workers who are aged 40-plus for a number of reasons. The age range of its customers means that they are more comfortable dealing with employees who can empathise with them and understand their aspirations. In many circumstances, particularly with customers in their 80s and 90s, the ability to be patient and take the time to listen is vital to the customer's service experience. Employees agree that dealing with their customers takes a certain amount of maturity. Home & Capital Trust sees life experience as a key competency.

Being a small firm, Home & Capital Trust cannot offer its employees a vast array of benefits, but the employees say that's not necessarily important. Janice, who had joined the firm a year ago after being made redundant and finding it difficult to get a new job explained that:

'People [employers] do discriminate if you are older. Laws might help but you have to change attitudes. I like to work and want to be employed. I like the social aspects of working, being part of a team. People forget that even if you are over 50, you are still mentally agile and you have lots you want to give to society.'

6. What are the new management challenges and how can these be overcome?

To manage demographic change successfully, employers will have to deal both with the implications at industry level and understand the implications for individuals outlined in the previous sections. This demands a more detailed understanding and response than just reacting to the forthcoming 2006 legislation on age. Organisations may need to reconceptualise age by creating a profile of their workforce to understand individuals, and build on this to develop policies and practices that ensure that age prejudice is not a feature of the organisational culture.

Our research looked at a number of organisational case studies – some of which we researched in more detail – to try and illustrate the challenges organisations are facing, how they are approaching these and the barriers to dealing with them (see annex).

6.1 Reasons for focusing on workforce demographics

There are many reasons why organisations may want to focus policies and practices on older workers, including:

- Demographic change is inevitable.
- Forthcoming legislative demands.
- The loss of skills and knowledge, particularly in roles that are unlikely to be filled by new entrants into labour markets, ie graduates and school leavers:
 - A leading utilities company is now looking at strategies to buffer the effects of a wave of retirement in their own and partner companies over the next 4 to 5 years.
 - Similarly, British Energy is monitoring the demographics of its workforce to ensure that an older workforce does not lead to recruitment

Table 10 Summary of detailed case studies

Organisation	Sector	Size	Key characteristics
Asda	Retail	Large	Positively recruited older workers to reflect local populations. The success of initial schemes prompt a large-scale campaign.
British Energy	Utilities	Large	As a result of a merger, British Energy experienced difficulties with its culture and making the adjustment to becoming commercially aware. It began to carefully monitor its workforce and focus on issues resulting from an ageing workforce.
Bridgend County Borough Council	Public	Large	Recognised that demographic changes would affect the organisation internally and the services it provided. Developed a strategy on age.
Nationwide	Finance	Large	Developed initiatives around age through the overarching diversity policy. Realised the benefits of age-diverse teams on customers' satisfaction and company performance.

problems as skilled staff retire.

- Nationwide experienced a great loss of corporate knowledge due to high turnover in some areas of the business and a large intake of younger employees.
- The benefits of the life experiences of older workers is also a theme. At Home & Capital Trust, it found that the life experience of older workers made them more empathetic and able to provide excellent customer service (see Box 3 on page 33).
- The desire to be representative of the overall or local population. For example, at Asda the original impetus for focused hiring of older workers was to reflect the population at the store in Broadstairs.
- The benefits of reflecting the customer base. There is a lot of literature on 'diversity', and how having a diverse workforce that better reflects your customer base is beneficial to your business.
- The desire to change attitudes to age generally. Bridgend County Borough Council (Bridgend CBC) has an overarching age strategy that aims to support older workers and include younger people to a greater extent. It is confident that this strategy means that they are fully prepared for the forthcoming legislation.
- The nature and composition of jobs is also an aspect that may be affected by changing age demographics. British Energy needs a specific level of fitness for emergency situations, which may not suit older workers.

6.2 Policies and practices: the basics

The DTI has now realised its consultation of the draft Employment Equality (Age) Regulations 2006.¹⁰³ A checklist is provided to help guide employers through a potentially complicated piece of legislation. The areas covered included: recruitment, application, employment rules and procedures, harassment, retirement and

'knowing your staff'. Age Positive has also outlined some key areas that age-aware organisations should manage.¹⁰⁴

These areas (outlined below) cover the basics for organisations addressing age and may help provide a starting point for responding to the 2006 legislation. Case studies, both our own and existing ones, and the literature also provide some useful examples of activity in key areas that organisations should start to address in preparation:

- **Recruitment:** organisations will be required to prove that they recruit based on skills, ability and potential only – with no consideration of age (there are a few exemptions to this). Bridgend CBC has carefully removed all age bias from its advertisements.
- **Selection:** organisations will be required to prove that candidates are selected on the basis that they have the correct skills and ability, and not age.
- **Promotion:** as with recruitment and selection, promotion should be based on ability or potential – not age. Asda understands that its next challenge will be to look at how older workers fit into its management schemes. So far, many of the workers it has recruited have been for shop-floor positions.
- **Training and development:** organisations must encourage all employees to participate in training and development activities; not just the younger workers and those who organisations feel they will receive the most positive return from. All the organisations we spoke to said that there was no bias about who could train.
- **Redundancy:** must be unbiased and use employees' skills as a criteria – not age.
- **Retirement:** organisations must consider both individual and business needs. Bridgend CBC realised three years ago that forcing people into 'cliff-edge' retirement was not useful for the organisation or the

¹⁰³ DTI, *Equality and Diversity: Coming of age, consultation on the draft Employment Equality (Age) Regulations 2006*, 2005
¹⁰⁴ Age Positive, *Being Positive About Age Diversity at Work: A practical business guide*, 2002, www.agepositive.gov.uk

individual, and started to think about more flexible options and removing a strict retirement age. Welsh Water realises that retention is key to dealing with staff shortages, but managing people's expectations about early retirement is a sensitive issue.

- **Data collection:** the DTI also cites 'knowing your staff' in its checklist for preparing for the forthcoming age legislation.¹⁰⁵ While there will be no formal obligation to collect information on the age profile of employees, it is suggested as good practice. Data collection also functions as a way of identifying possible areas of discrimination, for example in training and development.

6.3 Going beyond the basics: responding to diversity in the workforce

While addressing the basics is a good starting point, organisations that are realistic about the challenges outlined so far in this report will go further.

Understanding that their workforces are made up of diverse individuals with different needs and expectations, organisations will use broad-ranging initiatives, policies and practices that will ensure that they retain crucial skills and knowledge. These organisations know that 'age' is not just about being old, but has many implications for the way staff are managed and the way work is organised and designed. Again, the case studies provide some excellent examples of organisations that have addressed the issue of age head-on.

6.3.1 Motivation and managing expectations

Managers will have to think of new ways to keep employees motivated and engaged. Different cohorts will have different experiences of work, and opportunities for early retirement may not be open to some cohorts as they were for others. If employees are finding that they have to work longer than they expected, then this will

also be an issue. A leading utilities company realised that many of its staff had early retirement as an option in their work contract, and while the company realises that it must think about trying to retain staff, it also understands that expectations need careful and sensitive management.

In addition, in an examination of what motivates younger workers, Horner and Jones highlight the potential difficulties that can occur when Generation Y workers manage Baby Boomers.¹⁰⁶ They point out that intergenerational differences can cause conflict, communication difficulties, a lack of empathy, low morale and motivation, poor performance, absence and early resignation. If younger, more qualified workers are going to be fast-tracked into managerial roles, then these outcomes are going to become very real issues for organisations.

6.3.2 Flexible policies

Employers are going to have to deal with the changes in demand for different types of work in two ways: changing senior-level attitudes and requirements to work long hours, and encouraging middle managers to regard requests for flexible working arrangements as opportunities to deliver work in innovative ways.

Flexible policies will be crucial, not only because people may have more demands on them externally in their role as carer, but also in the run-up to retirement when employees may want reduced workloads as they phase into retirement. For example, 'flexible' retirement schemes are one option for employers. Under such schemes, employees can draw some pension while continuing to work reduced hours. This will help also to accommodate caring roles, which are set to become more prevalent. Employers should be actively extending their family-

¹⁰⁵ DTI, *Equality and Diversity: Coming of age, consultation on the draft Employment Equality (Age) Regulations 2006*, 2005

¹⁰⁶ Horner L and Jones A, *Great Expectations: Understanding the motivation of young workers*, The Work Foundation prepared for Siemens, 2003

friendly and work-life balance policies beyond parenting.

Other policy options include:

- flexible start and finish times
- compressed working hours
- annualised working hours
- job-sharing or part-time working
- homeworking and teleworking
- term-time working
- flexible holidays to fit in with alternative care arrangements.

Asda has designed an excellent approach to managing its temporary workers. After realising that there was synergy between two key groups of workers – young people, often students wanting to work in holiday time, and older workers who want to work in holiday time because it is too expensive to travel then – Asda realised it was a great cost to the organisation to keep hiring temporary workers and lose the skills so they devised the ‘Seasonal Squad’. This means that workers were on a full contract, but only had to work 10 weeks a year during holiday times.

6.3.3 Providing high-quality work

It is insufficient to shoe-horn older workers into poor-quality, part-time work just because they require revised working patterns. Older workers, like any worker, will want stimulating and challenging work, and will not want to lose status if they are staying with their current organisation. Hirsch points out that organisations will need to think about ‘bridge jobs’ to manage the transition from full-time work to retirement, and think about how jobs can be fitted to older workers rather than older workers to jobs.¹⁰⁷ He suggests that this is an important part of looking at the resource older workers represent, and considering how work organisation can make best use of it. It will also help with retention; older workers are unlikely to want to experience a reduction in status or

have less-interesting work just because they are ‘downsizing’, and those who are trapped in poorly designed jobs are unlikely to be as productive. This may also involve redesigning processes or workplaces to accommodate individuals’ needs. Asda is now thinking about how its older recruits might work their way up to management level, and there is a realisation that not all recruits will be satisfied working with no possibility of progression.

6.3.4 Health, wellbeing and workplace support

Occupational health policies and health-promoting initiatives should also be considered by employers. There is some evidence to show that healthier employees perform better, and this may relate particularly to older workers.

Bevan suggests that workplace health-promotion initiatives fall into three main categories¹⁰⁸:

- 1. Awareness-oriented practices** intended to raise individual and collective awareness of specific health risks through:
 - written advice
 - participation in national initiatives
 - health screening
 - health education
 - risk-analysis and audit
 - policy development.
- 2. Lifestyle change interventions** targeted at making changes to individuals’ health behaviour or lifestyle:
 - work-related upper-limb disorders
 - advice, support and counselling
 - manual handling
 - weight-loss programmes
 - stress management
 - smoking cessation.
- 3. Ongoing supporting measures** intended to promote,

¹⁰⁷ Hirsch B, Macpherson D and Hardy M, ‘Occupational Age Structure and Access for Older Workers’, *Industrial and Labour Relations Review*, Vol 53 No 3, pp401–418, 2000
¹⁰⁸ Bevan S, *Attendance Management*, Corporate Partners Research Programme, The Work Foundation, 2003

encourage and sustain a healthy working environment and lifestyle:

- healthy eating options
- sport and exercise facilities
- complimentary therapy
- smoking ban.

However, he cautions against the pitfalls of such programmes. A voluntary approach is insufficient to ensure the maximum benefit of investing in such a programme; those who least need the care are most likely to use it, which means that little effect is seen among those targeted. He also extends criticism to the lack of evidence on the success of health-promotion measures, in part due to the 'bear traps' in the evaluation process. Nevertheless, he sees health promotion as a key employer duty in tight labour markets. And attempts at evaluation, while difficult, are key to any organisational initiative. In addition, providing adequate support mechanisms at local level, that is, in teams and departments, may help encourage those most in need of care to get involved with programmes.

These issues emphasise particularly the role of managers. Organisations must remember that launching is not enough; they need committed individuals to make them work. Managers will need help to support their direct reports. Some examples of practice might include:

- encouraging managers to liaise with health professionals and use their advice for those not able to carry on with normal duties
- making managers more involved in their employees' absence and health issues, and making them more accountable
- training for managers and staff in the procedures and support available
- lifestyle 'MOT' checks for all.¹⁰⁹

6.3.5 Workforce planning

The DTI's suggestion of collecting age profile information on staff outlined in the previous section is just a starting point in terms of what data collection can potentially provide for organisations. Workforce planning is an excellent way of understanding your current workforce and mapping what workforce may be required in the future. A thorough manpower planning exercise should enable an organisation to:

- a. predict future demand for manpower, which may include looking at productivity changes, technological changes, market forces and trends, and the corporate strategy
- b. predict the future supply of manpower, which may include a knowledge of manpower stocks and looking at future recruitment, wastage, working conditions, promotion policies and labour market trends
- c. examine policies to reconcile any difference between the results of (a) and (b). Closing this gap will also require an examination of training, remuneration, career planning, redundancies and consideration of all the factors under (a) and (b).¹¹⁰

This example demonstrates what a complicated procedure workforce planning is, and to an extent suggests why many organisations find this process extremely difficult. Monitoring internal workforce configurations often beats the best human resource departments, let alone having to weigh up the information in the context of external conditions and factors. This presents a challenge to HR managers to be able to balance quantitative and qualitative data about employees and external factors.

While the 'ideal' process outlined here might seem far-fetched, to many organisations it will be increasingly important to understand the needs of staff and their

¹⁰⁹ Adapted from a range of case studies by the Health and Safety Executive. Further examples can be found at www.hse.gov.uk/betterbusiness/case_studies.htm
¹¹⁰ Edwards J.S., 'A Survey of Manpower Planning Models and their Application', *Journal of the Operational Research Society*, Vol 34 No 11, pp1031-1040, 1983

working expectations, as well as harder measures. This report has already discussed in detail how individuals' attitudes will be influenced by many factors (see Chapter 4). Indeed, individuals will start to want to think more broadly about the structure of their working lives rather than just along traditional, linear career routes. The best way for organisations to understand this is through data collection; attitude surveys being the most prolifically used and easily adaptable. This could also be something worked into performance appraisals, encouraging managers and employees to have frank and open-minded discussions about expectations and aspirations.

6.4 What are the possible outcomes of age and diversity initiatives?

We looked at four organisations that had begun activity around age issues, whether it was a specific age strategy or as part of a broader diversity intervention. From these case studies we identified a number of potential positive outcomes – both tangible and intangible – for organisations:

- **Decreasing labour turnover** and improving retention were cited as huge benefits to organisations, both in terms of cost savings and retaining skills and knowledge. Asda has to spend £3,500 to recruit and train a new employee, so reducing these costs is really beneficial. Nationwide save £3million a year for every percentage point reduction in turnover.
- **Improved external reputation and media coverage.** Asda, Bridgend CBC and Nationwide have all received positive press coverage and improved external reputations for their work on demographic change. Some of these organisations have also won awards for their work in this area.
- **Intangible benefits** that have, directly or indirectly, a positive effect on company performance. Nationwide cited improvements to morale, motivation, employee

satisfaction and productivity. In addition, the very act of trying to retain the skills of existing staff may also make employees feel more secure, although this is not measured.

- **A wider recruitment pool** makes it easier to fill vacancies and Nationwide found that removing age barriers instantly opened up its pool. This was particularly important with unemployment at a 25-year low and with increasingly discriminating candidates.
- **Improved levels of customer satisfaction** have also been cited as a major benefit of addressing demographic change. Nationwide feels that an age-diverse workforce helps it to understand a varied customer base and assists in the development of new products. This has contributed to improved customer satisfaction and increased sales. Since Asda has been positively recruiting older workers, it has seen its customer satisfaction levels rise above the national average.

6.5 What factors will make initiatives successful in practice?

The four case studies contained in the annex also highlight some key factors that they felt made their organisation's activity successful, and provide a useful reference list for organisations planning work in this area. These were:

- **A realistic vision.** At Bridgend CBC, having a clear vision is vital to the continued success of the age strategy. Similarly, building a strong business case to communicate the positive aspects of diversity was key at Nationwide.
- **The use of targets.** At Nationwide, diversity targets are included in the personnel and development division's overall targets. So far, these targets have been met and extended for the next year.
- **Commitment** was seen as a key factor at Bridgend

CBC. Realising that changing demographics would have an impact both internally and in the wider community that the council served cemented commitment to the age strategy. The commitment of Asda's people director as well as commitment from the top team at Nationwide were seen as essential to the success of the process in the respective organisations.

- **Time and effort** was a key intangible resource during the 'Goldies' campaign at Asda: for example, in driving through the initiative, being imaginative and taking the time to explain the initiative to colleagues. Similarly, at Bridgend CBC participants have taken the time to take their learning externally to other organisations.
- **Communication** is always essential to the success of new initiatives. Asda was particularly careful to 'get the tone right' for the Goldies campaign. All the organisations used the main methods of communicating activity: intranet, staff newsletter, forums and presentations. At Bridgend CBC, it was also important to bring its members in early on in the process.
- **Support from external bodies** such as Age Positive and the Third Age Employment Network were also cited as useful. For instance, a sense of shared learning and support was developed between Bridgend CBC and Age Positive.

6.6 What will the key challenges be to addressing ageing in the workplace?

Together with a good deal of organisational analysis, the case studies were useful in highlighting the potential challenges that organisations may face when dealing with age issues and diversity. Most crucially, these include:

- **Changing attitudes** has proved – among all the organisations in our study and others – to be the biggest challenge to managing changing demographics. Attitudes are worked on both through

formal and informal routes, with policies, practices and communication being the most prolifically used. It will be illegal for organisations to discriminate against age and organisations will have to be more wary of harassment cases related to age. It is important to start tackling attitudes now because attitudes change through time and experience.

- **Understanding what the legislation will require** is a challenge for organisations. Asda was unsure that it would be able to continue with the Goldies campaign because under the new legislation it may be considered positive discrimination. The draft guidelines outlined earlier in this chapter along with the advice in this report should help organisations to make a start.
- **Measurement of initiatives and understanding outcomes** is a real and consistent challenge for organisations. Nationwide had developed an excellent numerical model to link the behaviour of its workforce to company performance. This requires resources, usually financial, and expertise that many organisations do not have access to. Bridgend CBC is committed to measuring the new policies once they have been allowed to 'settle in'. It is important that the monitoring process is carefully thought through, as measurement was described as a 'resource-hungry' activity.

7. Employers' checklist for action

7.1 Responding to the legislation

Check your policies for age bias, in particular age bias in:

- recruitment
- selection
- promotion
- training and development
- redundancy
- retirement.

7.2 Going beyond the legislation for improved performance

Consider:

- **Who your employees are:** aggregate employee data or think about ways to collect employee data if there are no existing systems. This includes demographic data related to level and job role.
- **What your employees want:** in terms of work aspirations and external roles. This should be an internal attitude audit, which could be incorporated into the existing attitude survey and included in performance appraisals.
- **Where your organisation wants to be:** tighter business planning in the context of skills, growth areas and workforce planning.
- **What your employees need:** identify the existing skill base, training activity and mentoring roles, and target rather than make ad hoc investments. Most crucially, formulate ways to support and retain your existing workforce.

8. Conclusions

The myths about older workers are unfounded. No research shows that older workers cannot learn and develop new skills, are ill more frequently, or are content to sit a job out until retirement. The inevitability of the ageing workforce, both in the UK and around the world, means that attitudes towards age must change. Moreover, research suggests that there are clear benefits to changing discriminatory attitudes. Retaining and employing older workers' skills, knowledge and experience can have a tangible impact on the bottom line. In particular, older workers are well-suited to services because of their ability to provide good customer care, and increased customer satisfaction can result in increased sales and repeat business. Likewise with retention in terms of cost savings from a decrease in recruitment activity, and the productivity lag between a new recruit starting and the time they have got to grips with the organisation and their role.

Tight definitions and placing individuals in age brackets do not respond satisfactorily to the diversity of character and characteristics among 'older workers', and give employers poor direction in knowing how to understand and respond to ageing in their own workforce. It is critical that employers begin to examine who is working for them, why they work, how they want to work and how this existing workforce will support sustainable future success. This understanding will be central to business in more general ways – for instance, understanding employee turnover in departments – so, limiting an examination to age-profile stereotyping and potential retirement dates is not sufficient, either. Successful organisations will be those that see employees as people with diverse plans, aspirations and skills, and understand the range of possible policies and practices to support this in their own particular context.

Employers will not have their questions answered by policy developed externally. The responsibility rests inside

the organisation. There are four key areas where employers must take action:

- addressing the requirements of the legislation as well as encouraging attitudinal changes towards the value and ability of older workers
- understanding the profile of their own workforce in terms of skills, needs and aspirations
- more proactive workforce planning in light of business strategy, and how this relates to the existing workforce and what is and will be available in the labour market
- investment in skills, and a revised approach to both careers and day-to-day work routine to complement this.

Policymakers charged with supporting business must understand that the forthcoming legislation will only go so far in managing ageing effectively. The complicated internal relationships in organisations and entrenched attitudes mean a more considered approach will be needed. In particular, policymakers should consider:

- Where businesses get information from on:
 - demographic change
 - how the issues relate to specific sectors and occupations, now and in the future
 - skills and investment in training
 - the range of policy and practice options open to them, and how these can be implemented and managed successfully.
- To whom does the role of business support belong?
 - the DTI
 - Business Links
 - small business services
 - informal networks
 - lobby groups
 - unions.
- How will SMEs cope with the issues, in particular responding to potentially complicated legislation?

Annex: Employer case studies

CASE STUDY 1: Asda

Company background

Asda is one of the UK's major retailers, which became part of the Wal-Mart family in June 1999. Asda now has 280 stores and 24 depots across the UK. Its main products include: fresh food, grocery, clothing, home, leisure and entertainment goods.

Asda employs 150,000 people (about 125,000 of these are permanent). Attracting and retaining good staff is difficult in a tight labour market, and 93,000 of its 150,000 staff own a stake in the business through a share-ownership scheme. Each Asda store has a focus on community activity, whether it is establishing a new local supplier or working with the area's emergency services.

The retail industry continually experiences squeezed profit margins, which get tighter all the time. Cutting out costs becomes a key part of simplifying overheads.

Why focus on older workers?

Asda is the UK's largest employer of people aged over 50, and has taken its total of workers aged over-50 from 17,405 to almost 27,000. Asda sees a distinct benefit to employing people aged 50 and over, claiming that it makes business more efficient, more flexible and more cost effective.

Asda regards company desirability as key to attracting good people, and it is therefore essential that it gets its reputation right. A key part of this is creating stores that reflect the demographics of the areas or country in which it operates. This is also the way that Asda approaches recruitment.

Initiatives

The initial driver for recruiting older workers was the opening of a new store in Broadstairs, Kent in the late '90s. To truly reflect demographics in this area meant employing a workforce where 50 per cent of workers were aged 50 or over.

This store's recruitment was driven by this aim, and even though Asda was careful to select only the best-quality candidates, it achieved the target easily.

Asda had realised that common myths about older workers were wrong. The advertisement for Broadstairs attracted a lot of applications and the spaces were easily filled. Morale and customer service improved greatly and anecdotal evidence suggested that customers liked the experience and practical advice the new recruits could offer. Other local stores were encouraged to copy the Broadstairs initiative, particularly the ones with high turnover, and increased their percentage of older workers significantly, eg:

- Golbourne by almost a third*
- Eastbourne by around a fifth*
- Rhyl by around a fifth*
- Hampshire Centre near Bournemouth by a fifth.*

These successes were formalised when a campaign was started on a much larger scale. In April 2002, the 'Goldies' campaign was launched, with one aim to increase the number of over-50s in the workforce from 15 per cent to 20 per cent in no particular time frame. Asda colleagues visited bingo halls, dance halls and pension queues so they knew they were reaching the right people. They also used 'recruit a friend' practices, leaflets, collars on products and wall posters to look for potential recruits in their 60s, 70s and 80s.

The success of this recruitment drive was unprecedented. For instance, before the store opening at Sefton, Asda held an older workers' open day, promoted mainly through posters in the local area. This resulted in a total of 400 applications from people aged over 50 for roles in the store.

Asda introduced initiatives that emphasised opening up the business to the scrutiny of older people thinking of re-entering the job market. For example:

- Pensioner tours and 'bring your granny to work' days aimed to be fun and communicate the Asda personality. They also*

represented the attitude that age in employment at Asda was not a concern.

- A trial day gave people an opportunity to 'try before you buy' and see what it was like to work in an Asda store.
- Asda also needed to demonstrate an understanding of the unique requirements of an older age group, so leave packages were designed to suit older workers:
 - **Carers' leave** gives colleagues up to 3 months off work to look after a dependant and was introduced as a result of feedback from our older colleagues.
 - **Benidorm leave** was based on the idea that it is not just students who want to travel, but mature people without dependants too. Many older employees liked to take a couple of months out to travel somewhere warm during winter.
 - **Grandparents' leave** recognised that because couples left starting a family later and returned to work sooner, grandparents were often relied on to help with childcare.

Asda's positive recruitment of older workers as an approach to managing changing demographics feeds into broader equality and diversity policies. Last year, the diversity policy was re-launched, which provided a reminder to colleagues about what Asda was about and its standpoint on age discrimination. In addition, every month there is a 'Best Welcome' induction for new starters with a quiz to gauge and inform attitudes on a number of issues. Encouragingly, most people already think that age discrimination is outlawed.

Asda believes it is important to think about age broadly, rather than just issues around older age. Things are changing for younger workers too and Asda feels that graduate jobs may not be as prolific if there is greater competition for jobs. For this reason, Asda is growing internal talent.

Asda also understands that there is diversity among its staff. Time was spent analysing these differences. Some interesting

results were highlighted: mothers needed school holidays free, but students and older workers wanted to work in popular holiday times because it was too expensive for them to travel at this time. The symbiosis between these two groups led to the development of the 'Seasonal Squad', which launched in Christmas 2003. This initiative was looking to find 8,000 permanent temps who, while on a permanent contract with Asda, only work for 10 weeks a year. This scheme is perfect for both the over-50s and students. It will also cut the £2.6million annual budget for finding temporary workers, which involved waste on spend, effort and time, and means that the temporary workers retain what they learn, which is invaluable.

Outcomes

The organisational outcomes were positive, with lower absence levels, reduced turnover and improved morale even though the work was often physically demanding and the environment characterised by high pressure. Levels of customer service increased above the national average.

Reducing labour turnover is a significant outcome of this initiative because it costs £3,500 to recruit and train a colleague. Recruiting the over-50s reduces this.

Table 11 Turnover by age and division

Division	Total labour turnover (%)	Labour turnover among age 50-59 (%)
North	21.17	10.16 (Lowest)
Central	23.67	11.25 (Lowest)
West	25.76	13.13 (Lowest)
East	25.07	11.80 (Lowest)
Stores	23.84	11.56

In addition to reducing turnover costs, the benefits in terms of reputation and external coverage for the company were great. Asda came number one in the Sunday Times's best companies to work for survey in 2004 and runner-up in 2005, and was awarded the Nestlé Social Commitment Award in 2002, voted for by peers in the food industry. Asda enjoyed a great deal of positive publicity off the back of the Goldies campaign, which is difficult to quantify.

Challenges

The main challenges were confronting some of the preconceptions people had about older workers, both internally and externally, by engaging with the 'hearts and minds' of employees. Helping people understand what was on offer (particularly with the Seasonal Squad) and what Asda was doing in terms of recruiting employees to reflect the population was also a challenge. Asda thinks this is a visionary way of looking at work, so getting people on board was important.

Conditions for success

An understanding that increasingly older workers are remaining competitive in the labour market, reflecting society and community issues, was essential among those driving the initiatives, and changing the perceptions of others was crucial. The success of the processes used were based on a number of elements, including resources, individuals, communication and partnership.

Box 4 Learning points at Asda

Asda has learnt three things from its work on age:

1. Unless you try it, you might be missing an opportunity
2. Take time to forge relationships with those in the know
3. Don't do it because you are morally obliged to do it; do so because it works.

The resources required for the initiatives are difficult to quantify in their entirety because the processes evolved to a certain extent from the successes in the Broadstairs store. However, the following were mentioned as important:

- **Time:** the process has taken time, from the initial initiative at Broadstairs's store, right through to the Seasonal Squad. The process is seen as continual, rather than finite.
- **Effort and thought:** from all those involved and specifically in, for instance, getting the tone right when driving the initiatives and in communications. Those involved tried to be imaginative and think of creative names for policies to grab people's attention and to give a clearer meaning to them.
- **Analysis:** some detailed analysis of colleagues was conducted to develop the idea for the Seasonal Squad; understanding who the staff were and what they required was essential before a solution to the high cost of seasonal temporary staff could be developed.
- **Committed individuals:** Philip Horn, head of resourcing, was the main driver for the overarching campaigns, but the commitment of all the colleagues involved, from human resources to store line managers, was crucial.

Communication was essential to the success of the initiatives. The existing philosophy of listening to and engaging with employees has resulted in loyalty. Asda built on this when it consulted with colleagues, in particular communicating equal opportunities policies with older workers as the audience. This also meant communicating individual store success internally in Asda so other stores could see what was possible. Before anything was promoted or publicised, it was a reality, so this gave the initiative more credibility.

The stores and depots act as businesses in themselves, so they use a variety of methods to create awareness about age discrimination in stores. This included through:

- an information pack

- briefings and information for colleagues
- listening groups – sample to get feedback.

The Goldies campaign material was attractive to the target audience, and focused on stories of people working in stores to illustrate reality and give people something to relate to.

Lastly, Asda feels that working in partnership with external bodies was a great help. Lobbying groups such as Age Positive and the Employers' Forum on Age were made aware of the successes to strengthen their arguments among UK industry. In return, Asda received invaluable expert advice, which was useful in keeping the campaign on track.

Sustainability and future planning

Asda is planning to extend the recruitment initiative. At the time of writing this case study Asda was planning to increase its older workforce by a quarter from 20 per cent, which is around an extra 7,000 workers.

The next challenge will be to look at recruitment and development of an older workforce into managerial and head office roles, rather than just shop-floor ones as at present. This will involve thinking about second careers and the aspirations of older workers to inform the development of management talent among this group.

The People Action Group (PAG) on Age will look at how Asda will be affected by the detail of the Age Discrimination Act, including length of service benefits and clarifying exemptions. This is a potentially massive piece of legislation with overlap across the entire business. In contrast to having a number of years to prepare for the Disability Discrimination Act, the guidelines for this act arrived in summer 2005, and organisations will need to prepare for their introduction in October 2006. At this time, Asda is unsure if the Goldies campaign, now rebranded as 'Young at Heart', will be considered positive discrimination or not.

Asda also feels that more work is needed around workforce planning, which will include understanding differences among age groups and measuring local labour markets.

CASE STUDY 2: Bridgend County Borough Council

Organisation background

Bridgend County Borough Council (BCBC) is a unitary authority in Wales. Established in 1996, it employs approximately 8,000 people in 69 occupational groups, from accountants to those working in social care. The council provides a wide range of services to 149,000 people; 69 per cent of staff are also residents of the authority. Annual revenue is £181million, with a capital budget of £49million. Half of this budget is devoted to the Education, Leisure and Community Services directorate, which employs over 2,000 school-based staff.

Why focus on older workers?

The council has felt the effects of changing demographics, with the last census highlighting an expanding elder population. This general change in the wider population has been mirrored in BCBC's workforce, where now 45 per cent of employees are aged 45 or older. At BCBC age means all groups: younger, middle or elder, and it is felt that age matters in many ways. It is considered not just an employment issue, but a service delivery and community issue that cuts across everything that the council does.

BCBC started thinking about ageing in the workforce about 3 years ago. Statistical analysis illustrated a retirement scenario whereby first- and second-tier managers could retire at the same time, with little in the way of succession planning to cope with this loss.

BCBC started to ask why it was necessary to force employees into retirement, especially in a recruitment environment where the number of younger people entering the local labour market was decreasing. BCBC is competing with many well-known and established private sector agencies, as well

as other public sector bodies for engaging young student talent. This particular challenge fits in with broader recruitment challenges, like the fact that people who could be suited to social work are being attracted to other posts with less responsibility and better financial packages in such areas as retail.

In addition, ageing in the general population threatens to increase pressure on BCBC's social services, eg home-care provision.

Initiatives

The council did not want to wait for the implementation of the 2006 EU legislation on age. The issues were already pressing. The council's human resources policy forum (consisting of council members and professional officers) established and agreed a policy document entitled Workplace Age Diversity – within the concept of employment. This document has focused on the integration of age and equality in the realm of employment, and aims to establish the concept of age diversification free from any form of discrimination.

The council's age policy examines age at both ends of the spectrum: older employees, and the employment and engagement of young people. The council has developed a raft of policies to address these issues:

- **Recruitment:** A 'root-and-branch' review of all recruitment, selection and retention procedures and policies is being administered. Age issues and barriers are being removed and a number of measures are planned, including:
 - ensuring application procedures are free from age references and prejudices
 - collating and analysing information from exit interviews, including specific reference to age issues
 - monitoring by age the 'drop-off' rate from different

posts in relation to the council's appointment process

- *engaging young people in relation to the opportunities offered to them in a career in local government.*
- **Workforce development:** *Development and training opportunities are afforded to all and is inferred by the council's Investors in People programme. There is an annual performance appraisal for all staff and a monthly training prospectus. Retention is important, so career paths are needed that allow employees to work out their careers on a gradual basis, as well as avoiding 'cliff-edge' retirement.*
- **Redundancy:** *A detailed age policy specifies that age is not the sole criterion when linked to decisions surrounding redundancy. (Despite having to face some hard economic decisions, redundancies instigated by the council have been low and mostly voluntary.)*
- **Retirement:** *The council no longer enforces retirement at the age of 65. It feels that this allows individuals to make choices about how long they work for based on mutual agreement and in line with business requirements.*
- **Work-life balance:** *The strategy around age is closely linked to the council's work-life balance strategy, which focuses on the issues that affect staff. This strategy is aimed at the needs of both younger and older workers. It also includes offering flexitime with no set core hours, childcare vouchers, career breaks, a homeworking policy and a carers' strategy, shortly to be developed.*
- **Pay and non-pay benefits:** *The council is reviewing its long-standing benefits, which in effect incorporate certain age factors.*
- **Youth partnership and older person strategies:** *The council considers these strategies to support communities that have seen both social and economic challenges over the last 20 years. Engaging younger and older people is a key objective of the council's community strategy. In relation to younger people, there is the intention to visit schools, including outlining to students career paths that are available in the local government environment. BCBC*

is the only council in Wales to elect a 'youth mayor', (elected by Bridgend's youth council, which is made up of 14–25 year olds), who is formally sworn in at the same time as the mayor.

Outcomes

BCBC's involvement in the broader age agenda has led to a positive external profile. It received the overall national award from the DWP in 2004 for best practice in eliminating age discrimination.

The consensus at the council is that attitudes are changing for the better, and that all strategic plans relating to age have been well-received, and in many cases are seen as fundamental to future service delivery.

Conditions for success

There are a number of reasons behind the success of the council's approach to addressing age issues.

- **Vision:** *BCBC sees an agenda on age as a vital part of the organisation with implications for equal opportunities, recruitment, service delivery and good people practices. It is not just done on faith.*
- **Individuals:** *Anyone in a position of responsibility in the council needs to be conscious of issues relating to age that cut across all service areas.*
- **Communication:** *The council's future community strategy is seen as pivotal to the success of its age strategy.*
- **Partnerships with external bodies:** *The council works closely alongside many organisations and partners in developing its age strategy. It plans to share its learning and experiences with other organisations.*

Sustainability and future planning

There is an ongoing commitment to this process with a clear emphasis on community and service. The forthcoming age discrimination legislation is not an issue because the council

is confident that it already satisfies most of the requirements through its age strategy. Sustainability is merely a matter of continuing in the same vein – the effort is part of a broader attitude to age.

It is vital now for the council to develop workforce capacity and a planning strategy for the future; it is important to understand the workforce it needs today, and tomorrow. Service delivery can change, so possible scenarios need to be mapped out. It is important for workforce planning for the council to understand its workforce in terms of gender, age, ethnicity, tenure, and pay and remuneration. This will help to identify workforce gaps and develop career escalators that build future management capacity.

CASE STUDY 3: Nationwide¹¹¹

Company background

Nationwide is the biggest building society in the UK, with 700 branches managing 12million customer accounts and assets worth over £107billion. It employs around 16,000 staff. Its mutual status means that it is owned by its customers, managed by an executive team and governed by an elected board of directors.

Why focus on an older workforce?

Subsequent to a merger a few years ago, a good deal of corporate knowledge was lost due to a large intake of younger employees and high turnover levels in certain areas of the company. Positive action was needed to re-establish stability, and supporting the reinstatement of age-diverse teams was seen as a key initiative. In addition, Nationwide hopes that strong and sound values filtering through the employee base will increase customer satisfaction and loyalty to the company.

Initiatives

Action towards managing the effects of an ageing workforce is embedded in Nationwide's broad equal opportunities policy, which has a clear focus on age.

Most crucially with regard to older age, targeted advertising excludes age barriers and telephone conversations with applicants are used in the process of short-listing candidates. In addition, a flexible retirement option was introduced in October 2001 so that employees can work beyond the age of 60; employees now have the choice of extending their retirement age to 70.

Nationwide, like many organisations, is enhancing its benefit packages in an attempt to make the business more attractive to the workforce. Nationwide is using salary-sacrifice schemes

where employees can accept a reduction in gross salary in return for benefits as diverse as childcare, health insurance and additional holiday. A flexible benefits scheme, called Choices, has been introduced that enables employees to choose benefits that suit their lifestyles.

To make sure the issue is taken seriously, the personnel and development division has diversity targets as part of its formal performance measurement. These targets include age profiles.

Some of the organisational initiatives at Nationwide have clear links to addressing the issues of an ageing workforce. In particular, the 'Genome' model (see Box 5) identified the importance of employee retention for improving the customer satisfaction experience, and the work-life balance initiative which, for example, allows employees carers' leave.

The centralised training department, comprising over 100 people, is responsible for organising, designing and delivering training across the entire organisation. Its remit stretches from graduate recruitment and training through to coaching and mentoring and succession management.¹¹²

Outcomes

The company has received a great deal of recognition for its work on age in the press and in other areas. The Nationwide approach for managing age was recognised in the Sunday Times's 100 Best Places to Work awards in 2002, 2003 and 2004. It also won the DfEE-sponsored Personnel Today award for promoting age diversity.

In addition, a wider recruitment pool makes filling vacancies much easier, which is currently a real challenge for businesses with unemployment at a 25-year low and candidates becoming increasingly discriminating. In addition, finding the right person for the job reduces recruitment and training

¹¹¹ See also Age Positive at www.agepositive.gov.uk

¹¹² Incomes Data Services, case study on Nationwide Building Society's training strategies, *IDS HR Study 798*, January 2005

Box 5 The Genome model

The Genome model helps Nationwide understand the link between employee commitment, customer satisfaction and business performance. Employee retention was identified as key to this link because longer serving employees can maintain good relationships with customers, which positively affects sales. Retention is being focused on, particularly in the retail branch network. The model draws on metrics from HR, sales, retail branch performance and employee opinion scores.

The results showed that the average length of employee service was as a key influence on customer activity, alongside employee commitment, which was less influential. In addition, retention and commitment were also found to be highly correlated, with increased average length of service linked to increases in experience and skill, and a positive service attitude. It wants to attract 'barnacles' not 'butterflies'. The value of retaining someone with long service is that their experience helps to put the customer at ease and encourages subsequent sales – so the initiative is not just about cost savings.

Initiatives that are key to Nationwide's success:

- **Pay:** flexible benefits, recognition schemes and a final-salary pension scheme
- **Retention:** supporting career development through access to online career opportunities and learning centres
- **Resource management:** local initiatives to increase the mobility of employees and the training of managers in business flow needs

costs, and reduces turnover. There is a saving of £3million a year for every percentage point reduction in turnover.

For employees, through its policies Nationwide wants to demonstrate that the contribution of employees is valued. Individual employee attitudes are monitored through the company attitude survey, 'Viewpoint'. This improves a number of intangible and tangible measures, like: morale, motivation, employee satisfaction and productivity. Showing that Nationwide is keen to retain its staff's skills should also encourage feelings of security among staff.

For customers, an age-diverse workforce helps to understand a varied customer base, and assists in the development of relevant products. This has achieved improved customer satisfaction and increased sales.

Conditions for success

Top-level commitment is essential for all organisational change initiatives. The board and chief executive's committee have expressed their commitment to the diversity strategy and are closely involved in implementation. And the use of targets works. The personnel and development division's diversity targets have been met and extended for the following year.

Building a business case to communicate the positive aspects of diversity has been essential in influencing the business.

This has been achieved through:

- monitoring employee profiles
- comparisons with external benchmark data and making recommendations for action to the diversity and equality of opportunity committee
- a business forum, chaired by the deputy chief executive.

Box 6 Nationwide's work-life balance initiative

The initiative started in 2000 when pressures from inside the organisation and in the wider marketplace for a more flexible working culture became apparent. Research confirmed this.

Part of the driver for these initiatives is creating a more diverse workforce that better reflects the society's customer base and helps to further understanding of its needs.

Nationwide asks individuals and managers to answer a series of questions so they can understand the implications of changes to working practices. This assists people to find a balance between the business case and individual needs. Among the array of options on offer there are opportunities for carers' leave and an extended holiday scheme.

The diversity team in corporate personnel, which has led developments, has used all the communication channels at Nationwide to create and maintain interest in the work-life balance initiatives.

The society believes in employee choice, and has developed initiatives and policies around the changing needs of different employees.

Partnership working with external bodies has also been central. Nationwide has worked with the government on the Code of Practice on Age Diversity in Employment, the Foresight Ageing Panel's Age Shift report and the Winning the Generation Game report.

CASE STUDY 4: British Energy

Company background

British Energy is the UK's largest producer of electricity, generating around a fifth of the nation's electricity. It employs around 5,200 staff in the UK at eight nuclear power stations and one coal-fired station. British Energy was formed after Scottish Nuclear and Nuclear Electric merged in 1996, following the privatisation of the electricity industry in the early 1990s.

Why focus on an older workforce?

Following the merger of Scottish Nuclear and Nuclear Electric, British Energy retained the culture of a nationalised industry. British Energy was a public body with close trade union ties. Employees and managers regarded working for British Energy as having a job-for-life. Its history of being a public utility made the adjustment to becoming commercially aware difficult and British Energy was not initially successful in the market.

In 2002, British Energy announced financial difficulties, and used this as an opportunity to restructure financially and shift the culture from that of a national public utility to a commercially-aware organisation.

The changes implemented over the past three years following the financial restructuring have given British Energy the opportunity to focus on three strands of work, which affect their policy and practice relating to the older workforce.

These three strands are:

1. addressing age discrimination as part of equal opportunities policy and practice
2. monitoring workforce demographics to ensure that an older workforce does not lead to recruitment problems as skilled staff retire

3. workforce planning to ensure that there are sufficient numbers in the workforce with the fitness required for emergency situations.

Initiatives

- **Equal opportunities** British Energy takes an active approach to equal opportunities, and looks to develop and implement policies that go beyond the legislation. In 2000, an equal opportunities focus group was set up with sub groups and staff membership from across the organisation to focus on the following areas:

- ageism
- disability
- gender
- race and religion
- harassment and bullying.

Since 2000, British Energy has had policies on ageism (well before the legislation comes into force). Ongoing monitoring and survey work, as well as the work of the focus group on age, have indicated that ageism is not specifically a problem for British Energy.

- **Recruitment and workforce planning** While the work of the focus group on ageing has helped British Energy to monitor discrimination, concerns about an ageing workforce have also resonated with the company when planning its workforce and considering recruitment.

British Energy has a low turnover rate (roughly 4 per cent). However, prior to the financial restructuring, the turnover rate for those graduates that had completed its training programme was considerably higher. Coupled with a suspension of the graduate recruitment programme for a couple of years, these issues meant that British Energy's workforce was ageing.

While this was not regarded as a problem in itself, there were concerns about future workforce planning and about the

impact of an ageing workforce on the strict fitness requirements for emergency procedures in the nuclear power stations.

British Energy is legally required to ensure that on each shift there are sufficient members of staff with A1 fitness, meaning that nominated employees need to be fit enough to deal with an emergency situation that could involve running while wearing heavy respirator equipment and moving heavy weights. These members of staff must have full lung-capacity. British Energy recognises that across all age groups some employees will not meet this level of fitness. However, this could potentially be more significant for older workers.

British Energy is currently dealing with this problem with shift rotation patterns, ensuring that each shift has enough people working with the required level of fitness. These shift roles have a premium associated with them, meaning that the solution of moving older workers out of these shift roles as their fitness declines will disadvantage them financially. This is likely to become an issue as the workforce ages and British Energy is working closely with its unions on how to manage this.

To address the concerns about future workforce planning, British Energy has also re-launched its graduate recruitment programme to increase the number of skilled employees entering its workforce. They have also introduced an apprenticeship programme, which does not just focus on school leavers.

Outcomes

The main success measures used by British Energy are the regular monitoring and profiling exercises that are used in workforce planning. The equal opportunities focus group is used to test policies and get feedback from staff on the approach to workforce planning.

• **Equal opportunities focus group outcomes:**

- Recruitment is now totally anonymous (internally and externally). It recruits based on qualifications and experience, and this has been shown to work.
- Turnover is low at around 4 per cent. Although it is not currently a problem, British Energy foresees that in future this could lead to an ageing workforce, which may mean that it is left without crucial skills as people retire.
- British Energy has introduced flexible working for all employees (where possible), and is keen to ensure that work-life balance policies are designed to meet the needs of the whole workforce rather than just parents. For example, employees are offered career breaks regardless of their age.

- **Recruitment and workforce planning** British Energy has redesigned its graduate programme and is monitoring how this affects the retention of graduates after they complete the scheme. Early indications are that turnover is low. The apprenticeship scheme, which does not have an age limit, is proving to be successful.

Conditions for success

- **Executive commitment** British Energy regards executive commitment as the key to success. There has been visible buy-in from senior management to the equal opportunities focus group and to the diversity survey as a method of monitoring success. Communication to staff about the cultural change of the organisation has also been critical: newsletters, the staff intranet and letters to all staff from the HR director have demonstrated the commitment of senior managers to equal treatment.
- **Staff involvement** The equal opportunities focus group and sub groups comprise members of staff from across the organisation working in different locations. Membership of the group is open to any employee: target membership is a minimum of one employee from each site, with an optimum overall membership of 20. This voluntary

involvement of staff is regarded as critical to ensuring that equal opportunities policy and practice are successful.

- **Working with the unions** *The company is keen to ensure the support of staff and trade unions in meeting its objectives on equal treatment. Recently, the company and one of the major unions embarked jointly on an equal treatment initiative.*

Sustainability and future planning

In terms of the work of the equal opportunities focus groups, British Energy is keen to take an active approach to developing its strategy and reviewing its current practice.

It also recognises that there are some key issues that will affect its future planning. These issues include:

- **Planning for potential skill gaps:** *like many engineering companies, British Energy is concerned about a drop in the number of students enrolled on engineering courses. This is due, in part, to a rise in those opting to study new technology. A drop in the number of skilled graduates entering its workforce will mean that the issues related to having an ageing workforce will become more pertinent. British Energy will need to assess how it manages this in the future. One option would be to work with universities to sponsor study programmes.*
- **Meeting emergency requirements with an older workforce:** *British Energy regards this issue as ongoing and will continue to work with the unions and with its focus group on ageing to ensure that any response is not discriminatory.*
- **The impact of the finalisation of the Age Discrimination legislation:** *British Energy is keen to ensure that its commitment to tackling age discrimination goes beyond the legal requirements.*

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