



# Tackling age discrimination in the workplace

Creating a new age for all

October 2005





# Contents

Introduction	2
Summary of key findings	3
Section 1: Attitudes to age discrimination in the workplace	5
Section 2: Recruitment and talent management	8
Section 3: Careers and training	10
Section 4: Loyalty and service	12
Section 5: Redundancy	14
Section 6: Retaining older workers	15
Section 7: Retirement age and policies	18
Table of recommendations for stakeholder groups	21
Profile of respondents	22
Further reading	24
Acknowledgements	24

# Introduction

This new research is an in-depth benchmarking study on ageism and retirement. Produced in partnership by the Chartered Institute of Personnel and Development (CIPD) and the Chartered Management Institute (CMI), this report is based on a survey of more than 2,600 individual managers and personnel practitioners.

The research comes ahead of the new regulations outlawing discrimination on the grounds of age, which will come into force in October 2006. The research is unique in that it looks at all the dimensions of ageism, ranging from individual attitudes to organisational policies. It also covers the full employment cycle, including recruitment and selection, training and promotion, redundancy and length-of-service benefits, and retirement.

The research was designed to provide evidence on this wide set of issues from a large sample of practising respondents, from line managers through to those at director level, as well as personnel professionals. Respondents were asked, where appropriate, for their personal views and experiences in addition to reporting on organisational policy and practice. These respondents were in a position to report on recent and anticipated developments in a range of different organisations as they seek to harness the benefits of an age-diverse and inclusive workforce.

The research was undertaken against the background of efforts made by Government in the past decade to persuade organisations not to discriminate on the basis of age. Awareness of these issues has increased in the past ten years, being driven, at least in part, by the introduction of the Voluntary Code of Practice on Age Discrimination and the many and varied campaigns by government departments and other bodies that promote the aptitude of older workers. These range from the 'Getting On' campaign in 1996 to the

establishment of the Employers' Forum on Age through to the Age Positive 'Be Ready' campaign led by the Department of Work and Pensions.

This voluntary activity has stimulated a gradual change in attitudes and practices in the workplace, so it will be important that any legislation that is introduced creates an environment that supports such progressive activities.

The research was carried out through a self-completion online and paper-based questionnaire. This was sent in August 2005 to a nationally representative sample of 10,000 personnel practitioners who are members of the CIPD, and a stratified sample of 10,000 managers who are members of the Chartered Management Institute. In total, 2,682 replied, a response rate of 13%.

Replies were received almost equally from male and female respondents, from a broad age range, and were from a wide range of industry sectors and all sizes of organisation (see Methodology and profile of respondents (page 22) for more detail).

# Summary of key findings

## 1 Attitudes to age discrimination in the workplace

Age discrimination remains a significant problem in the workplace. Fifty-nine per cent of respondents report that they have been disadvantaged by age discrimination at work. Nevertheless, the past decade has seen significant progress: the number of people reporting that they have been passed over for promotion for being too old has halved since 1995.

### Personal expectations of early retirement need a reality check

There is a significant gap between people's expectations about retirement. While 69% anticipate that the age of retirement for the average person in ten years' time will be 66 or older, 80% expect that they personally will retire by the age of 65. Individuals may need to make more realistic assessments of the financial realities ahead.

## 2 Recruitment and talent management

The biggest problem lies in the recruitment process, where almost a quarter say that age has an effect on their recruitment decision-making process. Less than half of organisations monitor their age profile and only 7% target older workers.

## 3 Careers and training

Seventy-seven per cent of respondents agree that training and career advice will be critical to ensuring that older workers continue working effectively past retirement age.

Thirty-seven per cent of respondents expressed a desire for more careers advice for older workers, countering the stereotypes that career expectations decrease with age.

## 4 Loyalty and service

Concerns to reward loyalty may run counter to discrimination regulations.

The proposed ban on length-of-service benefits after five years will affect many organisations. For example, 67% of organisations report offering additional leave as a benefit. Some 45% expect to be able to justify this, but 30% of our respondents simply don't know.

## 5 Redundancy

Age is still most likely to be used in relation to redundancy decisions for those aged 55 or over.

## 6 Retaining older workers

### Retaining skills drives demand for older workers

The need to retain older workers is being driven by concerns about keeping skills and knowledge, rather than reducing costs. Eighty-five per cent of respondents report that older workers do not cost organisations more money. Ninety-three per cent of respondents agree that investing in updating the skills and knowledge of older workers is worthwhile.

### Flexible working arrangements will be key to retaining skills

There is demand from employees for more flexible arrangements in relation to retirement. This may take the form of flexible working arrangements – 68% anticipate working part-time towards the end of their career, and 24% of respondents even say that this would be the most important factor in their decision-making on when to retire. However, only 34% of organisations currently offer all older workers the opportunity to work part-time.

Employees would also like to see more flexibility from their pensions – 49% would like access to more flexible pension arrangements, for instance taking account of reduced hours or part-time working. Less than one in five organisations currently offer this.

## **7 Retirement age and policies**

### **Growth in flexible retirement policies questions proposals for a new default age**

Almost a third of organisations already have no mandatory retirement age and may be adversely affected if they now have to introduce a default age and new processes.

### **Older workers require access to employment protection**

Eighty-nine per cent of respondents say that workers over the age of 65 still need full employment protection rights.

# 1 Attitudes to age discrimination in the workplace

With the new age legislation coming into effect in October 2006, organisations will undoubtedly have to change some of their policies in order to avoid unjustified discrimination. An important step in ensuring that good practice is carried out will be addressing attitudes and perceptions to age.

Overall, respondents believe that their organisation's workforce is age diverse (61%), rather than mostly young or mostly mature. There is a slight variation in the perceptions of workforce age when broken down by age. A higher percentage of younger respondents feel that their workforce is mostly young, and a higher proportion of older respondents feel that their workforce is mostly mature. This perhaps suggests that people's views and perceptions of age may be biased, depending on their own age.

## Perceptions of older employees

When asked to suggest an age for both a male and a female 'older employee' in their organisations, the results illustrate that striking gender differences still persist. Respondents still conform to the stereotype that female employees become 'older' at a younger age. As Table 1 shows, the largest group defines a male 'older employee' to be aged 60–64. However, when asked to suggest an age for a female 'older employee', the most popular view is that it is someone aged 50–54.

This shows major shifts in popular attitudes towards age in the last ten years. Research carried out in 1995 by the Chartered Management Institute found that the average age given for an older worker was 51 for men and 48 for women. This probably reflects the wider societal changes during this period, such as the way that people now talk of 50 being the new 40.

Table 1: Perceptions of a male and a female 'older employee'

Age group	Male (%)	Female (%)
18–29	0.1	0.8
30–34	0.3	0.7
35–39	0.8	1.5
40–44	3.4	6.1
45–49	6.8	8.4
50–54	26.1	29.9
55–59	24.8	25.8
60–64	32.9	19.1
65–69	5.7	4.1
70–74	1.7	1.5
75–79	0.3	0.3
80+	0.0	0.0
Mean age	57	55

## Tackling discrimination: progress over the last decade

Respondents were asked whether they believed that they had experienced any unfair disadvantage in their career across a range of areas as a result of being perceived as either too young or too old. A total of 59% reported having been discriminated against during their careers on the basis of age in some way.

However, the research also shows a notable degree of progress in the past decade, as Table 2 shows. For instance, ten years ago, more than four in ten respondents felt they had experienced disadvantage in job applications for being too old, but this has now fallen to one in four. It appears that attitudes to age are slowly changing, but there is still much further to go to eliminate age discrimination from workplace practices.

Table 2: Perceptions of personal age discrimination

Year	Percentage of respondents											Total disadvantaged 2005
	Job application		Promotion		Training		Appraisal		Redundancy		Total by age	
	1995	2005	1995	2005	1995	2005	1995	2005	1995	2005	2005	
Too young	23	23	30	27	6	3	10	4	5	3	38	59
Too old	44	25	24	12	14	8	14	3	15	5	32	

### Managerial decision-making

The need for clear guidance as to what is and is not acceptable in relation to age is highlighted by the survey. Respondents were asked how, if at all, a candidate's age impacted on their own decision-making. Nearly a quarter agreed that it was a factor in recruitment and 16% agreed that it had an impact in redundancy or dismissal. Encouragingly, however, respondents are less likely to take age into account when making decisions regarding training or promotion (Table 3).

Furthermore, when comparing this to the 1995 study, the number of respondents making age-related decisions has dropped dramatically. In 1995, 55% of respondents agreed that a candidate's age impacted on recruitment decisions, compared to 22% in 2005.

This suggests that the voluntary and awareness-raising approach taken by the Government so far has had some effect, and may have helped to prepare employers for the forthcoming regulations. However, discrimination clearly remains an area to tackle – and

clarity in the forthcoming regulations as to how age can be justifiably used in employment decision-making will be essential.

### Stereotypes perpetuated? Perceptions about age and ability

In general, perceptions of certain abilities still tend to increase or decrease with age. In particular, large majorities of respondents agree that reliability (80%), commitment/loyalty (75%) and customer service (67%) increase with age. In contrast, 64% feel that physical ability decreases with age, although other research has suggested that ability to perform specific job-related tasks need not be affected by age. Respondents also feel that career expectations (61%) and ambition (51%) decrease with age. Table 4 shows this in terms of net level of agreement. Interestingly, the net view is that sickness neither increases nor decreases with age.

Table 3: The impact of age on decision-making

2005 survey	Percentage of respondents answering...		
	Yes	No	N/a
Recruitment and selection	22	74	3
Promotion	12	81	4
Training	10	86	3
Redundancy and dismissal	16	74	10

Table 4: Perceptions that abilities increase/decrease with age  
Percentage of respondents

	Net level of agreement in respect of abilities increasing with age
Reliability	78
Commitment/loyalty	73
Customer service	65
Punctuality	52
Productivity	23
Sickness	0
Ability to learn	-15
Energy	-34
Technical savvy	-38
Ambition	-41
Career expectations	-53
Physical ability	-62

It would therefore appear that traditional stereotypes prevail but the characteristics have changed as there are much more positive stereotypes about older people than would have existed ten years ago. Indeed, there are strong indications that the majority of respondents believe that older employees can offer a great deal to organisations. They are perceived to be more reliable, committed and productive: strong business reasons for ensuring age-diverse workforces. However, when asked if older workers were a key group that their organisation was targeting to deal with recruitment difficulties, 52% of respondents disagreed. There is a huge disconnect between employer activity and the perceived performance and contribution of older workers – as illustrated here. The organisational mindset therefore needs to change – from one that asks what older people can offer employers to one that asks employers what they can do for older workers.

#### Costs and stereotypes

And, while stereotypes of older workers have changed over time, so too has the prevailing view about older people being ‘past their sell-by date’.

The survey shows that only 5% of respondents agree that older workers cost their organisations more money. In addition, 89% support older workers’ rights to employment protection beyond retirement age.

The findings provide a challenge to the mindsets of those responsible for employing others, as they need to ensure that age isn’t used as an unreliable indicator of potential performance.

# 2 Recruitment and talent management

## Labour market trends

While there has been a modest slowdown in the level of demand for jobs, recruitment difficulties continue to pose a serious problem for UK organisations. And while this remains a key challenge for UK employers, the underutilisation of older workers is an anomaly that, if addressed effectively, could help ease acute recruitment difficulties and skills shortages.

So, against this background, with more than half of organisations indicating that their organisation doesn't target older workers as part of their recruitment strategy (Table 6), there is clearly more room for progress.

## Recruitment barriers

As Table 2 showed, the application process poses the biggest hurdle to older and younger workers. Almost a quarter of organisations consider age to be a factor in the recruitment process, while 48% of individuals say that they have experienced age discrimination. Far fewer claim to be the victims of age discrimination when they are established in their respective organisation, although 27% of younger workers feel as though they have been held back in terms of promotion.

## Promotion

The disadvantages faced by younger and older workers are underlined by the view that almost two-thirds (63%) say that you are most likely to be promoted in your 30s (see Table 5). The question of younger workers' promotion prospects is also illustrated by the fact that 40-somethings are considered to have better promotion prospects than those in their 20s. And when you reach your 50s and above, the prospects for promotion become seriously reduced.

Such discrimination, particularly against older workers, appears to be unjustified on the perceived performance grounds of older workers. Around three-

Table 5: Perceived promotion prospects, by age group

Age group	Percentage of respondents
Under 30	14
30–39	63
40–49	18
50–59	2
60–69	0
Over 65s/those who have already retired	0

quarters of employers report that reliability, customer service, and loyalty and commitment increases with age (see Table 4). Importantly, more than a third of employers say that productivity increases with age. These results destroy the stereotypical image of the 'past your sell-by date' older worker. The attendance records of older workers are testament to this, which appear to be no worse than the rest of the workforce.

Needless to say, of course, that there are physical challenges associated with ageing, but the impact these have on jobs depends on the job role and the individual. This looks set to become less relevant as the knowledge-based economy grows.

## Targeted recruitment practices

So, given the compelling business case for employing older workers, the results relating to employment practices that target older workers in particular are somewhat mixed. Less than half of respondents say that their organisation monitors its age profile, while only 8% target older workers. Interestingly, twice as many organisations say they target younger workers (14%), while only a quarter of organisations have no age restrictions on their graduate intake (Table 6).

Table 6: Recruitment practices used by organisations to ensure an age-diverse workforce

Recruitment practice	Percentage of respondents
Ensuring that recruitment advertising reaches a range of age groups	61
Removal of age from application forms	44
Monitoring recruitment to gain data on age	34
No graduate age limit	27
Providing recruitment documents in other formats (ie large print)	19
Targeting younger age groups	14
Targeting older age groups	8
Setting age-related criteria in recruitment practices	6

To get an age-diverse workforce, organisations are simply going have to reach a more diverse age range. Encouragingly, around a quarter have removed age limits from their graduate programmes, while another quarter offer fast-track development to people of all ages. Despite this activity, organisations need to become more inclusive in their approach to attracting talent to keep up with the two-thirds of respondents who make sure their recruitment campaigns reach a wide range of age groups.

And such an approach needs to be accompanied by smarter ways of motivating older workers. During the past decade, we've seen a gradual decline in the job satisfaction of older workers. Employers will need to make sure that the way they approach talent management counteracts this by offering older workers employment opportunities commensurate with their skills, abilities and expectations so that they don't become bored, disinterested and disaffected. This is crucial against the background of flatter organisational structures and limited promotion prospects that can contribute to a 'plateau effect' in personal performance.

# 3 Careers and training

## Background

Training and development has an important role to play in opening up opportunities for individual performance improvement, which is why any failure to train and develop older workers is a missed opportunity for improving productivity. We know from related CIPD research (see Table 7) that older people participate less in training programmes. This joint research sheds light on why this might be happening and how this could be improved – in particular to address the lack of targeted training provisions and lack of promotion opportunities for older workers.

Table 7: Percentage who received training in 2005 (CIPD survey report, *Who Learns at Work?*)

Age group	Percentage of respondents
16–24	85
25–34	81
35–44	83
45–54	73
55+	71

## Targeted training

The results from this latest survey suggest organisations could provide more targeted training to bridge the gap between the ‘haves’ and the ‘have nots’. For instance, where targeted or specific training is available, younger workers (13%) are twice as likely to be offered this than older workers (7%). This could be one of the factors why the level of training declines with age. And such an approach would be consistent with the overall shift that’s currently taking place from training to learning; namely, moving away from the tried, tested but ineffective sheep-dip approach to training.

## Technical training

Older workers find it harder to adapt to new technology precisely because they have fewer opportunities to do so. More emphasis needs to be placed on upskilling older workers in areas such as IT, given the perception that workers become ‘less savvy with technology as they get older’ (see Table 4). And, with IT skills being a requirement in many jobs in today’s knowledge-driven economy, it’s important that older workers maintain their skills in this area to add full value.

## Understanding career expectations

It would also be easy to dismiss the evidence shown in this survey about the lower career expectations of older workers as a sign of their diminishing drive. But this should be seen in the context of:

- their career achievements to date
- the importance they attach to work–life balance
- greatly diminished promotion prospects
- their opportunities to work part-time.

However, it’s important to note here that 37% of respondents see career advice as a key area for improving the retention rates of older workers.

## Spreading good practice

But it’s not all bad news. Three-quarters of organisations offer continued access to training for older workers. Encouragingly, more than half of those that don’t offer it would like to see it introduced.

Many age groups, in particular younger workers, are benefiting from the widespread good practice in training and development. We believe that employers should extend such excellent practice to all workers, and give more encouragement to part-time and older workers.

Table 8: Initiatives to encourage the recruitment and retention of older workers

Initiative	Percentage of respondents	
	Currently offering this initiative	Would like to see it introduced in five years' time
Continuing access to training	76	13
Providing career advice to older workers	25	37
Offering coaching/mentoring role	41	29
Consultancy/freelancing	21	32
Positive recruitment campaign aimed at over-70s	2	27
Independent financial advice on pensions and retirement income	30	32

### Good news on knowledge retention

There is widespread recognition of the important role older workers can play as mentors. With the retention of knowledge being key to organisational success in the knowledge-based economy, it could be argued that this trend could and should accelerate. As many as 40% of UK organisations use older workers to coach or mentor others – with a further third wishing to see more of this. This shows that employers understand the advantages of using older workers to transfer skills and knowledge to others and help deliver the training needs and expectations of younger workers. This provides a useful learning environment in which both older and younger workers can develop their knowledge and skills.

### Age-diversity training

Although 61% of respondents claim that their organisation offers equal opportunities training, only 12% offer any specific training on age diversity.

Not only is training in age diversity far lower than it needs to be to effect cultural change, but there is also a failure to use communication strategies in order to make a difference (see Table 9). The communication methods used are also impersonal – eg the company intranet (the most popular option) – and therefore less likely to influence changes.

Table 9: Techniques organisations use to communicate age diversity

Communication method	Percentage of respondents using this method
Internal newsletter	13
Intranet	17
Promotional leaflets/posters	5
Email	8
Induction process	13
Workshops	9
Team briefings	14
Other	6

# 4 Loyalty and service

## Motivating employees

The research shows the extent to which employers offer additional benefits in order to recognise employee commitment. One key example of these practices is the reward for long service, such as increased annual leave, especially after five years. The number of organisations that believe they can justify their length-of-service arrangements is double that of those that can't. This is worrying, given that hard evidence will be needed to defend cases in the courts under the Government's current proposal to only exempt awards for service of less than five years.

As general research on the psychological contract shows, when individuals don't feel valued, there is a negative impact on performance and productivity. This evidence shows that employers depend on the use of long-service rewards to recognise loyalty and commitment as a retention tool. Further, a significant proportion of employees report that they would like to see loyalty payments introduced at their organisation.

## Implications for Government

This evidence calls into question the Government's proposed exemptions. At the moment, these are likely to create unnecessary complexity and confusion for employers – and lead to either their withdrawal or substantial legal costs in retaining them.

Table 10: Do you think your organisation would be able to justify length-of-service benefits in terms of increased staff motivation?

	Percentage of respondents
Yes	45
No	23
Don't know	30

Table 11: Percentage of organisations offering employment benefits on the basis of length of service

	Percentage of respondents	
	Up to five years	Over five years
Pay benefits, eg rising pay scale	38	27
Annual leave	38	51
Company car	7	5
Healthcare	16	11
Reduction on goods and services	12	8

Table 12: Which of the following initiatives does your organisation currently offer and which would you like to see introduced in five years' time to encourage the recruitment and retention of older workers?

Service-related option	Percentage of respondents	
	Currently offering this option	Would like to see it introduced
Death-in-service benefits	76	10
Sickness benefit/occupational sick pay	76	9
Private medical insurance	40	30
Loyalty payments/long-service awards	38	34
Critical illness insurance	27	36
More generous pensions/pay rates	19	45
More flexible pension arrangements, eg that take account of reduced hours/part-time working	19	49

# 5 Redundancy

## Background

Despite the tight labour market since the beginning of the twenty-first century and consequential recruitment difficulties, the fact remains that nearly two-thirds of organisations have carried out redundancies in the past five years. Redundancy is therefore still a prevalent issue – even in the good times.

## Primary factors

It's clear that organisations take a range of factors into account when making redundancies (see Table 13). The dominant factors include skills and job performance, which are considered by almost half of employers. This shows that the need to retain talent is a key driver and that employers are on the right track.

## Secondary factors

Almost a third believe that length of service is a consideration which follows the old-fashioned 'last in, first out' approach. This is not only damaging and discriminatory, but it inadvertently affects younger

people more than others. And, interestingly enough, younger people are more likely to be hired by organisations, which adds unnecessary churn to labour turnover and talent management.

## Costs

The findings also refute the claim that employment costs are a primary consideration when making redundancies. Around a quarter of employers cite this, consistent with other parts of the survey which show that employers are more sanguine about employment costs than some may suggest.

## Age doesn't count

Age is only considered to be a factor by 13% of employers. But, where it is a consideration, a substantial proportion of respondents believe that you are more likely to be made redundant after 55 than in other age groups. The fact that age is only used by a small minority is a further example from the survey about the way progress has been made in tackling age discrimination.

Table 13: What factors does your organisation take into account when selecting employees for compulsory redundancy?

	Percentage of respondents using this method
Job performance	47
Skills	48
Length of service	28
Age	13
Employment costs	28
Don't know	23

# 6 Retaining older workers

Retaining older workers will be increasingly important for organisations looking to maximise the retention of skills, knowledge and experience. On the evidence of this survey, it will require employers to respond with better support for individuals’ work–life balance, alongside flexible retirement and pension options. Seventy-seven per cent of respondents agree with the statement that ‘training and career advice will be critical to ensure that older workers continue working effectively past retirement age.’

**Are individuals staying in work?**

There is a clear opportunity for employers to engage more effectively with older workers. Sixty-eight per cent of respondents say they anticipate working part-time towards the end of their working life, and when asked which factors would influence their decision when to retire, 24% cited the ability to work reduced or part-time hours (see Table 14). This complements further studies which show that older workers are more satisfied if they work part-time. The most common deciding factor is, perhaps unsurprisingly, financial incentives, while more flexible pension arrangements are also seen as a powerful potential determinant of when to retire.

**Organisations – responding to employee demands?**

We asked what initiatives organisations offer to encourage the recruitment and retention of older workers and, further, which they would like to see introduced in the next five years. As seen in Table 15, some clear themes emerge, namely the demand for more flexible working and pension arrangements.

Table 14: What would be the key motivating factor that would determine your decision when to retire?

Motivating factor	Percentage of respondents
Financial incentives	30
More flexible pension arrangements	25
Ability to work reduced/part-time hours	24
Change of career	8
Better relationship with employer/line manager	1
Other	14

Base: all respondents

Table 15: Which of the following initiatives does your organisation currently offer and which would you like to see introduced in five years' time to encourage the recruitment and retention of older workers?

	Percentage of respondents	
	Currently offering this initiative	Would like to see it introduced
<b>Flexible working</b>		
Flexible working hours/arrangements	68	23
Reduction in working hours	50	30
Job-sharing	46	22
Giving all older workers the opportunity to work part-time	34	41
Annualised hours/compressed working week	27	35
Giving only specialists and directors the opportunity to return to work part-time	14	18
<b>Service-related options</b>		
Death-in-service benefits	76	10
Sickness benefit/occupational sick pay	76	9
Private medical insurance	40	30
Loyalty payments/long-service awards	38	34
Critical illness insurance	27	36
More generous pensions/pay rates	19	45
More flexible pension arrangements, eg that take account of reduced hours/part-time working	19	49
<b>Contract and job-role changes</b>		
Job redesign	13	36
Yearly contracts up to 70 years old	10	40
<b>Leave</b>		
Domestic leave	41	22
Elderly care leave	19	33
Grandparental leave	6	31
<b>Other</b>		
Continuing access to training	76	13
Offering coaching/mentoring role	41	29
Independent financial advice on pension and recruitment income	30	32
Providing career advice to older workers	25	37
Consultancy/freelancing	21	32
Positive recruitment campaign aimed at the over-70s	2	27

- Half of respondents say they offer reduced working hours for older workers; a further 30% say they would like to see this introduced.
- While only 34% say they currently give all older workers the opportunity to work part-time, another 41% would like to see this in the future.
- Forty-nine per cent would like more flexible pension arrangements, for example taking account of reduced hours or part-time working; only 19% currently have these sorts of measures.
- Innovations, such as yearly contracts for older workers, are currently offered by just 10%, but 40% would like to see them used; similarly, 13% currently offer job redesigns, but 36% would like to see this introduced.
- Grandparental leave remains rare, reported by just 6%; but the idea is popular with 31%. It also has a knock-on effect in helping mothers to return to work and cope with the demands of a family.

This suggests that older workers want to be treated in the same way as younger workers and workers with caring responsibilities in terms of opportunities for training and flexible working. In addition, reduced expectations of early retirement and occupational pension provision may cause older workers to be more demanding of their employers.

#### **Government pension reforms**

The research also suggests that government initiatives help prompt older employees to stay in work. Thirty-one per cent of respondents think that the option to defer the state pension in return for an increased rate or lump sum would encourage them to work beyond normal retirement age. However, only 53% were aware of this option, which was introduced in April 2005. More needs to be done to raise awareness, perhaps following the Turner Commission's report in November 2005.

# 7 Retirement age and policies

Retirement policy is a crucial area for organisations and is the subject of much current debate. In particular, it will be covered by the legislation on age discrimination, which will be introduced in October 2006. For individuals, it's a major milestone in life, and potentially highly sensitive. For employers, a clear and sensible way of managing retirement is essential.

The research shows that most respondents do not perceive older workers as costing more, which may come as a surprise to those who believe that business views older workers as more costly. Further, UK organisations strongly believe that older workers should continue to have employment protection beyond the age of 65 – a view expressed by 89% of our respondents.

The evidence suggests that the current proposal to set a default retirement age of 65 needs to be refined as the legislation develops. Under the proposed system, organisations will not be able to use retirement as an alternative to unfair dismissal or redundancy. So, if an employee is allowed to work for longer, the employer will have to use the existing performance management system if and when performance tails off. In other words, if a 65-year-old worker is granted permission to

stay on, and his or her performance starts to weaken at any future point, the default retirement age becomes irrelevant.

## Personal expectations

The research reveals a substantial gap between individuals' personal expectations about retirement and their understanding of the wider reality. We asked what will be the age of retirement for 'the average person' in a decade. Fifty-two per cent say it will be between the ages of 66 and 70, while another 9% expect it to be even later in life. Just 35% think that the average person will retire by the age of 65.

However, 80% of respondents think that they, personally, will retire by 65, in contrast to their opinion of the wider context. It seems that while the case for later retirement may be starting to be heard, it hasn't yet affected how people assess their own prospects.

Despite speculative public debate about the 'end of retirement' and a shift to more flexible forms of employment when approaching retirement, it appears that people remain bound to the traditional concept of retirement. Only 2% of respondents replied that retirement, as such, would not exist in ten years' time.

Table 16: Respondents reporting on their organisations' retirement policies

Retirement policy	Percentage of respondents
Mandatory retirement age of 50	0.4
Mandatory retirement age of 55	2
Mandatory retirement age of 60	21
Mandatory retirement age of 65	52
Mandatory retirement age of 70	2
No mandatory retirement age/ flexible retirement policy	26

Base: 2,682

### Current retirement practice

The majority of organisations continue to operate a fixed retirement age policy – though 29% state that they have no mandatory retirement age and operate a flexible retirement policy (see Table 16). This appears to be led by private sector employers and by smaller organisations. In contrast, public sector employers and large organisations largely remain tied to more traditional fixed retirement ages

### Drivers of retirement policy

Respondents were asked to rate the importance of a variety of factors in shaping their organisation's retirement policy (see Table 17). The leading concern was to enhance the retention of skills and knowledge in the organisation. Pensions and succession planning were also seen as important, while the need to manage

poor performers and reduce overall labour turnover costs were ranked as being of medium importance. Less-highly rated were the ability to shed staff and the need to reduce costs associated with employing workers, such as annual leave, service awards, or redundancy pay.

We also asked respondents how their organisation's retirement policy has changed in the past two years, and what they anticipate in the coming two years (see Table 18). The results indicate a mixed picture: just 5% have increased a fixed retirement age, while only 7% have introduced flexible retirement options. However, only around one-third (36%) anticipate no change in the near future, suggesting employer awareness of the ongoing challenges and public debate in this area.

Table 17: Indicate on a scale of 1 to 5 how important the following drivers are in influencing your organisation's retirement practice

Drivers influencing retirement practices	Percentage of respondents				
	1 Not important	2	3	4	5 Very important
The ability to shed staff	33	13	19	12	8
Succession planning	16	11	24	22	12
Pensions	18	9	23	21	15
Reducing all other financial costs associated with employing older workers (ie annual leave, service awards, redundancy pay)	29	16	22	12	6
Reducing overall labour turnover costs	20	13	24	19	10
Managing poor performers	21	13	19	21	13
Enhancing the retention of skills and knowledge	11	7	21	28	21

Table 18: Trends in changes to retirement policies

	Percentage of respondents	
	Changed in the past two years	Anticipate change in the next two years
Increased fixed retirement age	5	8
Introduced flexible retirement options	7	14
Abolished fixed retirement age	4	10
No change	47	36

### From work to retirement

Respondents were asked about the proposed 'duty to consider' process, which requires employers to give serious consideration to an employee's request to consider working beyond the intended date of retirement (see Table 19). Nearly one-third (33%) stated that this would cause either minor or more

significant problems. Potential problems include difficulties in responding to employee expectations and the cost of following the procedure. Only 4% say that it would undermine their performance management systems.

Table 19: Almost a third of organisations said that the new process would give them problems. We asked why it would give them problems.

	Percentage of respondents
Responding to employee expectations	22
Practical problems in assessing or evaluating the request	16
Costs of following statutory procedures/dealing with requests	14
Disruption caused by introducing new working arrangements	13
It undermines our performance management system	4
Other	3

Base: 2,682

# Table of recommendations for stakeholder groups

Table 20: Recommendations

Individuals	Employers	Government
<ul style="list-style-type: none"> <li>• Tune into the new reality of retirement.</li> <li>• Aim to take personal control of learning and development.</li> <li>• Change personal mindsets about age and work.</li> <li>• Review career expectations and financial planning.</li> </ul>	<ul style="list-style-type: none"> <li>• Get into training mode to nurture all talent.</li> <li>• Improved communication about age diversity is needed to engage employees.</li> <li>• Be more flexible and inclusive.</li> <li>• Encourage retention of staff.</li> <li>• Develop ways to engage older workers in order to retain skills and knowledge. Cost is not the issue.</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitate more choice for individuals.</li> <li>• Make sure law supports age-diversity progress.</li> <li>• Continue to raise awareness and promote good practice. Progress has been made.</li> <li>• Provide clarity in retirement process and pensions options.</li> </ul>

# Profile of respondents

Table 21: Profile of respondents

	Percentage of respondents
<b>Sex</b>	
Male	55
Female	43
No reply	2
<b>Age group</b>	
Under 30	7
30–39	22
40–49	33
50–59	32
60–65	5
Over 65	1
<b>Managerial level</b>	
Director	19
Senior manager	36
Middle manager	31
Junior manager	10
<b>Status of organisation</b>	
Public sector	30
Public limited company	18
Private limited company	33
Charity/not for profit	13
Partnership	3
Owner-managed/sole trader	2
<b>Management function</b>	
Administration/management services	9
Business development	5
Facilities management	2
Finance/accounting	3
IT/computing	3
Management consultancy	6
Marketing/sales	3
Personnel/HR	29
Production/operations	8
General management	20

Percentage of respondents

**Sector**

Electricity, gas and water	2
Engineering, electronics and metal	6
Chemicals, pharmaceuticals and oil	3
Construction	3
Food, drink and tobacco	2
Manufacturing/production	5
Charity services/other voluntary	4
Care services	2
Professional services	9
Finance, insurance and real estate	6
Hotels, catering and leisure	1
IT services	3
Retail and wholesale	2
Transport and storage	2
Communications	3
Other private services	3
Local government (including police/fire)	10
Central government (including defence)	7
Education	10
Health	6
Other public services	6

**Organisation size**

None, ie sole trader	2
1–25	12
26–50	5
51–100	7
101–250	10
251–1,000	17
1,001–5,000	18
5,001–10,000	9
Over 10,000	18

**Region**

Eastern England	5
London	15
East Midlands	6
West Midlands	7
South-east England	17
South-west England	9
North-east England	4
North-west England	9

	Percentage of respondents
Yorkshire and the Humber	6
Northern Ireland	1
Scotland	9
Wales	3
Other	7
<b>Institute membership</b>	
CIPD	50
Chartered Management Institute	54

*Base: all respondents 2,682*

## Further reading

ARROWSMITH AND MCGOLDRICK. (1995) *Breaking the barriers*. London: Chartered Management Institute.

CHARTERED INSTITUTE OF PERSONNEL AND DEVELOPMENT. (2005) *Recruitment, retention and turnover 2005: a survey of the UK and Ireland*. Survey report. London: CIPD.

CHARTERED INSTITUTE OF PERSONNEL AND DEVELOPMENT. (2005) *Who learns at work 2005: a survey of the UK and Ireland*. Survey report. London: CIPD.

## Acknowledgements

The working party that produced this research includes:

Emma Price, CIPD

Gerwyn Davies, CIPD

Dianah Worman, CIPD

Nicky Jackson, Chartered Management Institute

Patrick Woodman, Chartered Management Institute

Petra Cook, Chartered Management Institute

# Chartered Management Institute

## **The leading organisation for professional management**

As the champion of management, the Chartered Management Institute shapes and supports the managers of tomorrow. By sharing the latest insights and setting standards in management development, we help to deliver results in a dynamic world.

## **Encouraging management development, improving business performance**

The Institute offers a wide range of development programmes, qualifications, information resources, networking events and career guidance services to help managers and organisations meet new challenges in a fast-changing environment.

## **Shaping future management practice**

With in-depth research and regular policy surveys of its 71,000 individual members and 480 corporate members, the Chartered Management Institute uses its deep understanding of the key issues to improve management performance.

# Chartered Institute of Personnel and Development

The Chartered Institute of Personnel and Development (CIPD) explores leading-edge people management and development issues through our research. Our aim is to share knowledge, increase learning and understanding, and help our members make informed decisions about improving practice in their organisations.

We produce many resources on people resourcing issues including guides, books, practical tools, surveys and research reports. We also organise a number of conferences, events and training courses. Please visit [www.cipd.co.uk/research](http://www.cipd.co.uk/research) to find out more or contact our External Affairs Department, on 020 8612 6400 or email [press@cipd.co.uk](mailto:press@cipd.co.uk)

The Public Affairs Department, Chartered Management Institute  
2 Savoy Court, Strand, London WC2R 0EZ  
Tel: 020 7421 2721  
Fax: 020 7497 0463  
Email: [research@managers.org.uk](mailto:research@managers.org.uk)  
website: [www.managers.org.uk](http://www.managers.org.uk)

Incorporated by Royal Charter Registered charity number 1091035  
Tackling age discrimination in the workplace: creating a new age for all  
ISBN 0-85946-425-3

© Chartered Management Institute October 2005



Chartered Institute  
of Personnel and  
Development

151 The Broadway London SW19 1JQ  
Tel: 020 8612 6400 Fax: 020 8612 6201  
Email: [press@cipd.co.uk](mailto:press@cipd.co.uk) Website: [www.cipd.co.uk](http://www.cipd.co.uk)  
Incorporated by Royal Charter Registered charity no.1079797



© Chartered Institute of Personnel and Development 2005