

Age Action Alliance Healthy Workplaces – Employer’s Business Case

Healthy and Productive Workers

Introduction

The object of this document is to provide employers with the business case for continuing to support the employment of older workers, including recruitment, retention and health implications.

We live in an ageing society, which not only means our customers are ageing but also our talent pool. Ageing is inevitable for us all and employers need to address these issues if they are to maximise the business gains of retaining a skilled and experienced workforce, and develop the full potential of their workforce.

Those organisations that do respond appropriately will gain significant competitive advantage in terms of recruiting and retaining talent and supporting the well-being and engagement of employees of all ages.

Demographics

- By 2024, about half the adult population will be aged 50 and approximately a third of the UK workforce will be over 50¹.
- We are running out of workers: current employer plans suggest that we will need to fill 13.5 million job vacancies in the next ten years, but only 7 million young people will leave school and college²
- Immigration will not fill the gap: current net immigration is around 200,000 people per year³ and the Government is committed to reducing this.
- Older people are the main untapped source of labour: unlike migrants, they already live here, and their numbers are growing.
- People are living and keeping fit for longer: most of today’s 65-year-olds will live beyond 80, and some will live beyond 110⁴.
- Older workers are increasingly looking to extend their working lives, with more than 50% of workers aged over 55 planning to work beyond the state pension age⁵.

Value of Older Workers

Although some employers may be concerned about an increasing ageing population, there is evidence⁶ that identifies the value and benefits of employing older workers, including the fact that older workers generally:

- Have lower levels of turnover significantly reducing turnover costs.
- Are strong in people skills and customer service, based on years of life experience.
- Have a broad range of skills and experience, offering opportunities to mentor new recruits
- Have lower levels of short-term sickness and fewer accidents.
- Are just as flexible as younger workers and may contribute useful ideas based on their life experience.
- Are good at managing and coping with stress.

¹ ONS Population Projections

² UKCES 2010/GADa cited by CIPD March 2012

³ ONS 2011

⁴ Government Actuary Department

⁵ CIPD 2010

⁶ An update of the literature on age and employment Health & Safety Executive 2011

Cost of Replacing Talent

- The CIPD estimate that there is a median cost of £7,000 to recruit a senior manager or director and £2,000 for other employees. However senior appointments can cost as much as £55,000 to fill.⁷
- Turnover costs, which include vacancy cover, training and induction costs were found to be on average just over £6,000.⁸
- In real terms, the cost of losing a skilled and experienced member of staff is much greater than this.
- Retaining older workers for longer and proactively supporting the health and wellbeing of all staff can significantly reduce turnover and the associated costs.

Considerations

The Facts

The cost of ill health in the workplace is high and is an issue that employers can no longer afford to ignore. The poor health of the workforce is a cost to employers through both increased absenteeism and lowered job performance. This applies to workers of all ages.

- The HSE estimates that musculoskeletal disorders (MSDs) were responsible for 9.5 million lost working days in 2005/6.
- Approximately 13.8 million working days lost in 2006/7 due to work-related stress, depression and anxiety⁹.
- Employees suffering from stress are also more likely to report depression and other psychosomatic complaints, resulting in greater need for recovery due to exhaustion and fatigue compared to workers without high level of work-related stress¹⁰
- High level estimates suggest that stress and back pain are costly conditions, costing the British economy £3.7 billion and £5 billion per year respectively¹¹.
- Accidents and injuries are estimated to cost an additional £512 million annually¹².
- The 30 million working days lost in the UK due to occupational illness and injury cost the economy £30 billion, approximately 3% of the GDP¹³.
- According to the Confederation of British Industry, sickness absence can cost roughly £495 per employee per year, which can be a particularly high cost for small and medium enterprises.
- This can be reduced significantly with the introduction of a health and well-being programme.

Work Life Balance

As some people get older, they do not want to work as hard or as long hours as they have in the past and may want to spend more time relaxing or balancing other commitments. The main barrier to people working up to age 65 and beyond is the lack of flexible working or flexible retirement opportunities, which would make this possible.

- Around 60 per cent of over 50s would like to continue working after state pension age, but on a part-time basis. Some 40 per cent would like to stay in their current jobs, but with greater flexibility in hours or days worked.¹⁴
- Half of recently 'retired' 50-69s say they would have worked longer if flexible working had been available. Many older people want to work longer, but part-time or flexibly, to help them remain physically, socially and financially active.¹⁵

⁷ CIPD Annual Survey Report 2012 Resourcing and Talent Planning

⁸ CIPD Annual Survey Report 2009 Recruitment, retention and turnover

⁹ HSE

¹⁰ HSE

¹¹ PWC

¹² PWC

¹³ PWC

¹⁴ Working Better EHRC 2010

- 31 per cent of employees want to work past age 65, whereas 61 per cent indicated that this was the case when given the proviso that they could work flexibly (for instance having shorter hours or working just part of the year).¹⁶

Risks of Not Changing Practices

Failure to improve practices in relation to recruiting, retaining and supporting older workers and proactively encouraging the health and well-being of all staff carries a number of risks, including:

- Skills shortage.
- Loss of experience and knowledge of workers gained from many years of employment.
- Poor or underperformance of staff denied the opportunity for further training and development opportunities.
- Low morale of staff who feel they are insufficiently supported on the basis of their age, including being offered opportunities for flexible working and step down roles.
- Legal risk – cost of Employment Tribunals. Older workers are protected by discrimination legislation allowing them to raise a claim where they have been discriminated against.
- In 2010/2011 there was a rise in both the size of pay-outs and the number of claims accepted by employment tribunals in age discrimination cases. While the average award grew from £10,931 in 2009/10 to £30,289 in 2011, the number of cases accepted at tribunals rose by nearly one-third to reach 6,800 overtaking race discrimination cases.
- The highest pay-out given in an age discrimination case was £144,100 with 15% of successful claimants awarded £50,000 or more.¹⁷
- Compensation pay-outs can be costly and it is therefore important for businesses to ensure age practices are embedded in their culture, policies and practices.

Top Ten Tips

- Monitor the workforce profile, recruitment, retention to ensure older people are staying in the workplace.
- Put policies, procedures and practices in place that encourages people to look after their health and seek regular health checks.
- Invite external providers to give advice, support and health checks for employees.
- Monitor the health of the workforce by looking at absence, accident and incident trends and take the action necessary to support people at work.
- Carry out regular Risk Assessments and provide reasonable adjustments where required.
- Seek employee feedback through surveys, focus groups or other means.
- Offer flexible working and flexible retirement opportunities to enable people to balance work and home responsibilities.
- Provide assistance with later life planning including financial planning.
- Train line managers in how to manage an ageing workforce.
- Put clear succession plans in place to ensure people can be accommodated as their future needs and health changes.

¹⁵ McNair,2006; CROW, 2004

¹⁶ [2008 British Social Attitudes (BSA) survey]

¹⁷ Tribunal awards: which discrimination cases attract the biggest pay-outs? Personnel Today 12 Sept 2011

Measuring Success/KPI's

- Workforce Profile – what is the age distribution and how does this reflect each level in the organisation?
- Recruitment – how age diverse are job applicants, those on the shortlist, being interviewed or appointed to the jobs?
- Retention – how does the age profile of the organisation compare with the profile of those leaving your organisation?
- Absence – what are the short and long term absence trends and what age groups take the most frequent or lengthiest absence period?
- Accidents/Incidents – what is the age profile of employees reporting accidents/incidents and when looking at the most frequent type of occurrences, what is the age profile associated with these?
- Performance Management – what is the age profile at each level in the organisation and how is the performance ratings allocated across the age ranges?
- Training & Development – what is the age profile of employees attending internal and external training?
- Flexible Working – what is the take up by age ranges of the options available?