

OLDER PEOPLE: AGE AND EXPERIENCE

By Sarah Murray, Financial Times, May 10th 2004

Demographics usually proves a powerful force for change in the business world and the rapidly ageing world population looks likely to continue the pattern.

By the year 2050, according to the International Labour Organisation, the number of people aged over 60 will rise from 600m to 2bn. In less than 50 years, for the first time in history, there will be more people in the world over the age of 60 than under the age of 15. All this has profound implications for employers and, says the ILO, should provide an incentive for companies to fight age discrimination and accommodate older workers, creating challenging careers to persuade them to stay in their jobs longer. However, changing demographics alone are unlikely to spark drastic changes in corporate policies and practices towards older workers. "Demographics is a long, slow burn and no one is going to be energised by that," says John Atkinson, who runs the Unemployment and Labour Market Disadvantage program at the Institute for Employment Studies. Legislation, he says, is likely to provide a sharper stick with which to prod companies into action.

In the UK, for example, the government is committed to implementing age legislation by 2006 under the European Directive on Equal Treatment. The exact form the new rules will take is not yet clear but it is thought likely that it will be similar to existing legislation on race and gender. "If you look at the history of introduction of legislation on gender and race discrimination, it wasn't until the law came in that most employers pulled their socks up and started to take it seriously," says Mr Atkinson. "So the best employers are thinking about their policies and practices towards age, but the vast majority are not - and won't do so until 2006." And yet, as savvy companies have realised, positive policies and practices on age diversity make good business sense.

Often cited in this respect is B&Q. Because of the nature of its business, the British DIY retailer has found that having older workers on its staff has enhanced sales and customer loyalty. Older employees often have a basic knowledge of DIY and customers, who tend to associate older people with this knowledge, feel comfortable asking their advice. And for sectors such as financial services, the age profile of customers means it makes business sense to increase the average age of sales teams.

Changing demographics was part of the reason that Halifax Bank of Scotland (HBOS) re-evaluated its diversity programs. An ageing population was driving a need to put a greater focus on savings and retirement plans and the release of capital tied up in property - and at least half of the bank's customers are now over the age of 50. In response, the HBOS group policy was altered to allow people to work beyond the traditional retirement age of 60 or 62. But permitting employees to work beyond traditional retirement age is one thing.

It is quite another to persuade them to remain in work - particularly when private pensions and savings and the possibility of buying a house in the south of France provide a tempting alternative. Indeed, many workers, rather than staying on, are retiring early - either through desire or because of poor health. "If most people are going at 62, then opening the door at 65 isn't going to have much effect," says Mr Atkinson.

At the same time, changing demographics presents another challenge for employers that hope to persuade their staff to remain with the company for longer. In a world where a higher proportion of employees are older, there will no longer be a sufficient supply of the sort of senior management positions that were once the goal of many in the workforce.

"People tend to look at older employees when they talk about age," says Michael Stuber, founder of mi st | Consulting, the Cologne-based diversity consultancy. "What they often ignore is that the main clientele are people who are today 38 to 45. They are growing older and they have made their careers with an idea that they should be at a director's rank by the age of 43, otherwise they won't make it. And now it's obvious that, particularly in times of lean management, they cannot all be promoted to director level." With rates of promotion slowing and pay growth declining from about 35 onwards, working longer looks far less attractive than it did a couple of decades ago.

"What used to be a manual worker's earnings pattern - they earned their most at their fittest and their earnings declined as they got worn out - has become the pattern for everyone," says Mr Atkinson. Given such trends, simply abolishing the formal retirement age and - as many companies are now doing - removing age specifications from recruitment advertisements remain cosmetic initiatives. They fail to address a deeper underlying problem. That is the need to create an appealing working life for those growing older in a world where career structures, rather than being vertical, will look increasingly horizontal.