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Generation Flex

Current attitudes to the retirement debate

Executive Summary

What will tomorrow's world of work look like?

There has never been more debate about the future of work - or more concern. Almost every day the newspapers carry stories about pension fund shortfalls, the declining birth rate and the impact of an ageing population on the economy. And all this is happening within the context of new age discrimination laws (due by 2006) and pension reform.

Gradually, the message is sinking in that tomorrow's workplace - and retirement - will be very different from what we expected. Once, employers could be confident of finding the people they needed in a large pool of labour. But that pool is shrinking.

And, until very recently, many employees could dream of retiring to the golf course or the country at 55. Now, they are not so sure. There's a growing sense that people will have to stay in work longer than they had hoped to fund their pensions.

While it is likely that employees will need to extend their careers, ongoing EFA research shows that age discrimination in employment and ageist stereotypes are still widespread. Previous PS&S research has shown that people over 42 are less likely to be offered employment, training and promotion and think they are seen as being "over the hill".

Factors transforming the world of work

Demographic change

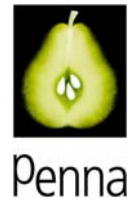
Over the next 25 years the proportion of the population aged 50+ will rise from 33 to 41 per cent, an increase of six million. In the same period, the numbers aged between 16 and 50 will fall by 1.5 million. (EFA / Bell & Howell)

Longer life spans

In Britain, average life expectancies have risen from 48 for men in 1905 to 75 in 2001. The female life span rose from 49 to 80 in the same time. (The Week Special Report)

Pensions under pressure

Until recently, pension schemes expected an average new pensioner to live for 15 years. Now the figure is more likely to be 20. (Bell & Howell / BBC) And, pensions face a 'double whammy': at the same time as funds are being stretched by longer life spans, they are coming under financial pressure because of falling inflation and investment returns.



Age discrimination legislation

Following the EU employment directive (Article 13), the UK must introduce age discrimination legislation by 2006.

This may make mandatory retirement illegal.

Introduction to the research

Thought of in the above terms, the future can appear stark. So Penna, the UK's leading careers consultancy, and the Employers Forum on Age, an independent network of employers promoting age diversity, decided to take a closer look at how the attitudes of both employers and employees are changing.

We wanted to find out how ready British business is to meet demographic change and to establish if UK plc is gearing up to meet the needs of workers at different stages and ages. And what of employees? How well are employees equipped to deal with the changing pattern of careers? What do they want to get out of tomorrow's world of work?

Key Findings

This research identifies some significant trends. The media debate has clearly had an impact. The findings suggest employees have few illusions about the future. Most optimistically, they are prepared to be flexible when it comes to extending their careers. But they want something in return - and number one on the list is more flexible working arrangements.

Evidence to date suggests business has been slow to deliver flexibility and the majority are not yet ready to take action to meet the changing needs of their employees. But a small and significant number of smart employers are beginning to consider these issues and are beginning to act.

There has also been a significant upward movement in the age at which people are considered to be 'over the hill'. Six years ago this figure stood at 42 * ; this research suggests the age has moved upwards to 49. This shift is important and perhaps demonstrates increased employer awareness of an ageing workforce, impending skills shortages, plus a cultural shift in the UK's perceptions about when people are considered 'older'.

To support the findings in this research PS&S and EFA suggest practical steps employees and employers can take to prepare for the changing world of work.

* Identified by Penna in previous research Ageism in Employment - published in 1995



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Summary of Findings

Flexible Working/Retirement

Employees:

- 93% of employees would extend their working lives if offered flexible working arrangements
- 85% of employees say their needs change during their career life cycle, and 92% believe employers should tailor benefits and work arrangements to meet their changing needs
- 79% of employees would not consider reduced responsibility as an option as they got older
- Benefits targeted to maximise pensions are attractive to 84% of employees

Employers:

- 62% of employers know their workforces will become older
- 70% of employers expect a shortage of younger workers aged 18-24
- Only 31% of employers are taking steps to identify changing needs of employees

Age Discrimination

- 49 is now considered to be the age when employees believe that age becomes a limiting factor
- 66% of employers acknowledge that age is a barrier to getting a job and career progression
- 79% of employees aged 50 or over fear that age could limit their career options



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Methodology

The research was carried out by independent consultants, Sue Pedley Strategic Research, in May 2002.

Self-completion surveys were sent to over 1000 organisations and 591 employees across the UK and Ireland.

Senior managers in 190 organisations completed the surveys. Their organisations encompassed all the major sectors of the economy (Government & education, finance, retail, telecomms, manufacturing, business services, pharmaceutical and energy).

287 employees - 48 per cent of those canvassed for their opinions - completed the survey. More men than women responded. 18 per cent were under 40; 41 per cent were between 40 and 49 years of age; and 41 per cent were aged 50 and older. Salaries ranged from £20k - £100k plus.

Findings from the quantitative research were validated against focus groups, held in London and Manchester.

The figures given throughout the report relate to the percentage of respondents who completed the question.

Explanation of terminology and quotations

Older employees referred to in the report are aged 50 and above. Younger employees are below 50.

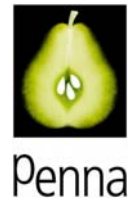
Quotes are from the two focus groups conducted in London and Manchester.

Findings - Reality hits home

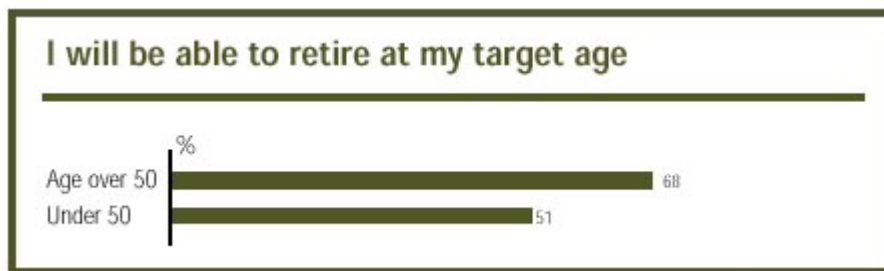
"Society isn't clued up on the seriousness of the situation. Now it's starting to gather momentum"

Employees

Employees are starting to think more realistically about the shape of their careers and their retirement. Many continue to dream of retiring early, with 55 per cent expressing the wish to do so. But when asked to consider whether they believed they could realistically retire when they wanted to, the picture changed.



Older employees were fairly confident they would be able to retire at their target age (68 per cent). But younger employees were markedly less sure: only half (51 per cent) believed they would be able to do so. Financial security appeared to be a major consideration here. 45 per cent of younger employees were not sure they would be able to fund retirement at their desired age. And 8 per cent thought it unlikely they could do so.



As people get closer to their day of retirement, their attitude to leaving work changes. Only 48 per cent of older employees, for whom the reality of retirement is much more immediate, said they wanted to leave early. 60 per cent of younger employees, on the other hand, wanted to leave before their contracted date. Clearly, employees' priorities are different at various stages of their career life cycle - and this phenomenon, and employers' strategies for addressing it - is a theme the report will return to.

Do employees want to work until their retirement age?

Q. Most companies set a (contractual) age for their employees to retire. What are your views about working up to your company's contractual retirement age?

	Total	<50	+50
	%	%	%
I want to work	34	29	40
Don't know yet	11	11	12
I want to retire beforehand	55	60	48

Extensive media coverage of the pensions time bomb and the demographic shift in society is sinking in for employees.

More than half of employees aspire to early retirement - yet they also know that reality may not match up to their aspirations.

Younger employees are particularly aware they may not be able to retire early - but at the same time are more likely to want to do so.

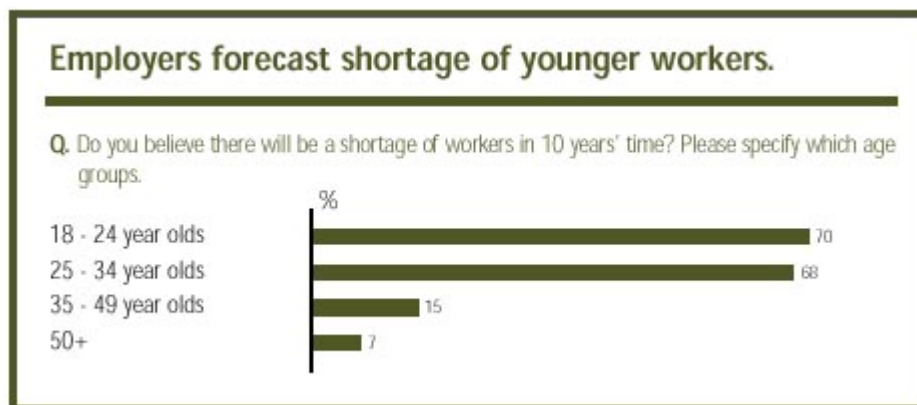


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Employers

Employers are all too aware that the world of work is changing: 79 per cent believe that people will have to work longer to meet their financial needs. And they understand that this will impact the demographic profile of their work forces: employers expect their work forces will become older (62 per cent) and that their employees will be with them longer (53 per cent).

Awareness about the demographic shift in society is also high, with employers expecting shortages of younger workers, particularly 18-24 year olds (70 per cent) and 25-34 year olds (68 per cent).



Almost half (47 per cent) of the employers surveyed are not putting plans in place to attract the employees they will need.

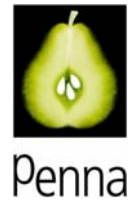
Despite knowing that they will be competing to find recruits in a shrinking pool of younger workers, employers are not converting concerns into action.

The career life cycle

"I was told by my recruitment consultant that I had to have Financial Director on my CV before I was 35"

As individuals move through their careers, their needs and expectations evolve. This is borne out by the research, with 85 per cent of employees saying that their needs change with their age.

The focus groups confirmed the existence of this 'career life cycle', with employees' needs and priorities tending to be different at different ages. On the one hand, this could mean people striving to achieve career goals by a certain age. Or it could mean individuals choosing to shift the emphasis of their life. One woman might concentrate on climbing the



career ladder in her 20s. Another man in his 30s may wish to spend more time with his new children.

Every individual will have their own priorities at different stages in their career life cycle. And employees want their employers to recognise this. A substantial 92 per cent of employees surveyed believe it is important that their employers tailor benefits and working arrangements to meet the needs of different age groups in their work force.

Yet the evidence shows that employers are failing to act to meet those needs. Less than a third (31 per cent) are taking steps to identify the needs of employees at different ages.

Employers identify age-related issues

Q. Which of the following, if any, do you do?

	Employees		
	Total	<1000	1000+
	190	95	90
	%	%	%
Analyse age of workforce	58	41	78
Identify employee needs at different ages	31	26	33
Staff training in age awareness	28	12	43
Identify age-related issues (e.g. variable retention rates)	27	21	33

Exactly a third (33 per cent) are taking, or planning to take, action to address the needs of different age groups in the workplace. For those employers who are taking action to meet the needs of people at different stages of their career life cycle, the focus is on flexible benefits and working arrangements. 67 per cent provide - or are planning to provide - benefits packages that are built around the needs of different age groups. 62 per cent offer, or plan to offer, flexible working arrangements.



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Action taken by employers to address age needs

Q. Thinking about the needs of different age groups, which of these do you currently do, or are planning to do?

Base: All who act to address the needs of different age groups.

	Now %	Plan %	Total %
Flexible benefits package that can meet needs of different age groups	32	37	67
Offer flexible working arrangements tailored to different age groups	37	27	62
Offer career development paths tailored to different age groups	24	24	48
Career breaks tailored to different age groups	22	13	35
Offer retraining for second careers	11	22	33
Other	6	2	8

Employees want their employers to see that their needs change at different stages of their working lives. But few employers are rising to the challenge.

The research suggests that employers who offer more flexibility to their employees - at all ages - will receive a positive response, given that nearly all employees consider tailored benefits and flexible working essential.

Employers do not identify with so-called age-related issues, but do already take action on flexible benefits and flexible working. This may account for the apparent contradiction between those identifying issues and those taking action.

Generation Flex

"I'd like to go on - but doing part-time or interim work"

Companies face a future where key expertise, skills and experience will be in short supply. They will be caught in a pincer movement between a relatively declining pool of younger recruits - and the fact that their current talent and knowledge walks out the door at retirement.

What can employers do to address both sides of the issue?

On first view, keeping current talent looks unlikely. Employees appear reluctant to work



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long past their contractual retirement age. 55 per cent want to retire early (with an average target age of 58) - and respondents seem not to relish the prospect of working into their 70s. Almost three-quarters (73 per cent) said no to this option.

Of those respondents who said no, whether younger or older, 77 per cent said they would reconsider if offered more flexible terms. In more general terms, 93 per cent believe that flexible working options will encourage employees to stay with a company for longer.

Impact of flexible working on attitudes to retirement

Q. If you don't want to work to your company's contractual retirement age or beyond, if you were able to work part-time or more flexibly, would this make you feel more favourable? Base: All who don't want to work.

	Total	<50	50+	Male	Female
	189	120	66	124	44
	%	%	%	%	%
Yes	77	76	77	77	82
No	14	13	17	14	7
Don't know/ no answer	9	11	6	9	11

The findings go on to show that flexibility - and a recognition of changing work needs throughout the career life cycle - on the part of employers plays a critical role in attracting talent, as well as retaining it. 87 per cent of employees believe that employers need to start tailoring working arrangements to suit the needs of different age groups if they are to become an 'employer of choice'.

"It needs a change of mind-set - not how can I keep this person employed, but how can I keep their enthusiasm"

How flexible is flexible?

Flexibility from employers is high on employee agendas, particularly when they are considering whether to stay working for longer. But what kind of flexibility do they want?

Employees were offered a number of options and asked to gauge their attractiveness. At number one came flexible working arrangements, with 86 per cent of the sample. Clearly, employees want more scope over when and how they work, if they are to continue with an employer. Popular ways to do this included a shorter working week (80 per cent) and the ability to work part-time (78 per cent).



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Women proved generally more receptive to flexible working arrangements (93 per cent opting for this, as opposed to 85 per cent of men). 85 per cent of women favoured a shorter working week, in contrast to 77 per cent of men.

Employees were less enthusiastic about possibilities such as a second career (47 per cent), access to new learning (41 per cent) or work breaks, taken early in a career to help prevent burn-out later (30 per cent). In the uncertain economic climate, employees appeared reluctant to take a career break at any stage of their career life cycle, although younger respondents were more in favour (34 per cent, as opposed to 22 per cent of older employees).

Interestingly, employees do not want more flexible working arrangements to amount to reduced responsibility as they get older. Only 21 per cent find this an attractive idea, suggesting that employees do not want to lose status and seniority. Nor do they want to coast. A notion sustained by the focus groups.

Employees state their preferences

Q. If your company was to offer you the possibility of the following to keep you working for longer, how attractive would they be?

	Total	<50	50+	Male	Female
	%	%	%	%	%
Flexible working	86	87	83	85	93
Benefits to maximise pension	84	87	79	83	88
A second career	47	49	44	45	53
Access to new learning	41	43	39	38	53
Shorter working week	80	84	73	77	85
Part-time work	78	76	80	76	80
A break from work now	30	34	22	24	38
Reduced responsibility	21	21	21	18	25

"I'm looking to use my skills - be stretched in a totally different situation, to provide new vigour. The alternative is to fade away into the background and I just can't contemplate that"

Besides the possibilities around flexible working arrangements, benefits targeted to maximise pensions emerged as a major preoccupation of employees. 84 per cent overall



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found this an attractive prospect. However, it was significantly more important for employees aged under 50 years. 87 per cent wanted to see their employers tailor benefits packages to help them build up their pension - a figure which again confirms the impact of the debate on pensions.

In the changing world of work, employers will need to do more to attract young talent and hold on to the talent they have.

Employees will overcome their reluctance to work past retirement - if employers will give them more flexible working conditions.

Flexibility means different things to different people at different stages in their career life cycle - and employers should be sensitive to this.

50 is the new 40

When does somebody become "over the hill"? Six years ago, a PS&S research report ** found that employees were considered to be "over the hill" at 42. Generation Flex sees this age barrier move up to 49, with employees stating they believe their prospects become more limited only at this age.

Employees state age they're perceived as 'over the hill'

Q. In your particular industry and job function, at what age do you feel your prospects start to become more limited?

	Total	<50	50+	Male	Female
	287	168	115	182	67
	%	%	%	%	%
Under 40	4	4	3	4	6
40 - 44	17	19	12	15	12
45	19	18	20	22	15
46 - 49	2	2	3	3	1
50	28	32	23	24	36
51 - 55	15	13	20	17	10
Over 55	10	7	14	12	8
Average age	49	48	50	49	49
Don't know/no answer	5	6	4	3	10



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This shift is welcome, but for people over the 49 threshold, ageism is still clearly a major issue. 79 per cent of employees aged 50 and above fear that their age could limit their career options with 57 per cent of all employees fearing that their age could affect them getting a job at all.

** Ageism in Employment 1995

Although the research shows employers agree that the age at which employees experience age discrimination is shifting up, two thirds (66 per cent) acknowledge that age remains a barrier to getting a job and career progression.

Company views of ageism

Q. In previous research, we have found that age can be a barrier for employees when it comes to getting jobs and career progression. Do you feel that this is still the case?

	Total	Employees <1000	Employees 1000+
	190	95	90
	%	%	%
Yes	66	64	69
No	31	35	24
Don't know/no answer	4	1	7

A clear shift in attitudes about age - but ageism is no less of an issue for employees on the "wrong" side of the threshold. ***

"You feel there is ageism, but it's hard to quantify when you're in a job search. You don't know to what extent your CV is screened out. I'm just the right side of 50, in another two years it would be much harder"

*** This may, however, reflect the sample profile of the respondents, with 80 per cent aged over 40



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Conclusion

This research provides an interesting insight into both employer and individual employee attitudes to age, work and retirement. The research was conducted during both a period of intensive media and public debate over the future of pensions and a Government consultation on the shape of future age discrimination legislation which questioned the future of mandatory retirement. The findings of this research suggest that awareness of a potential pensions crisis is high.

News on pensions has clearly hit home, with more and more employees recognising that changing economic circumstances may affect their retirement plans. A significant majority are willing to work for longer, but only if more flexible working arrangements are offered by employers. It is not surprising that individuals want a greater choice of working patterns, but these findings also indicate a readiness to negotiate with employers that is based on an understanding of the issues currently facing business.

One of the main factors behind employees' desire for greater flexibility is the belief that individual priorities change over time. This reality provides employers with a potential opportunity to tease out age-related issues that impact on their workforce and tailor policies and benefits accordingly. Doing so will not only allow employers to maintain greater age diversity in their workforce in the face of impending legislation, but will also bring significant business benefits, not least through improved retention and job satisfaction rates.

Using an understanding of employees' needs at different stages in their career life cycle should also help employers - and Government - to communicate more effectively, particularly on the issue of work and retirement. This research found that while younger workers looked forward to retiring before their contractual retirement age, as people got closer to their day of retirement their readiness to leave work waned. This is probably not surprising as the reality of life without work bites, and individuals have a much clearer understanding of how much - or how little - they will be living on in retirement. Both Government and employers need to consider this in targeting retirement, pension planning and career management.

When compared with earlier research Generation Flex identifies a clear trend towards a more positive attitude to ageing in the workplace and the shift upwards from 42 to 49 - when people are likely to start encountering discrimination - is both welcome and significant.

That both employers and employees suggest the age at which people begin to suffer discrimination is rising may be explained by a number of factors. Generation Flex encompasses the baby boomers, whose members have challenged perceptions of age at



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each stage of their lives. The generation that forged today's concept of the teenager and the working mother seems to be redefining current ideas about retirement.

It is heartening to see so many employers (over half) monitoring the age profile of their employees, and a third either taking, or planning to take, action to address the needs of different age groups in the workplace. The success of these policies should be tracked and assessed.

It will be interesting and instructive to revisit this topic to discover whether the upward trend in the age at which individuals experience age discrimination continues to rise. Or to see if it stalls when the media interest in pensions dwindles and fears about poverty in retirement take a lower profile in the national psyche.

Sally Davis, Director of Penna, comments

"Employers have yet to grasp the concept of the career life cycle. On average, employees will spend 40+ years in employment and, during this period, their needs and priorities will change. Statistics show that over the next 25 years, the proportion of the population aged over 50 will rise from 33 to 41 per cent, an increase of six million. Combined with the shrinking labour pool, employers must reconsider their employment policies. The upward shift where employees believe that age becomes a barrier has risen considerably over the past six years from 42 to 49. This shows that awareness of the demographic issues has increased and the media debate is having an impact but we still have a long way to go to prevent valuable knowledge 'walking out of the door' when people retire."

Ms Sam Mercer, Campaign Director of the Employers Forum on Age, comments

"Employers are at a really interesting point regarding age - awareness of the issue is clearly growing - though for the majority it is still too low. Ageism in employment is acknowledged, demographic change is beginning to impact and business arguments for age diversity are increasingly recognised. While all this is going on age discrimination legislation is being developed. Employers in the future are going to be faced with the challenge of balancing age neutrality in their employment practice with the business imperative to use their knowledge of age - and how employee needs change as they get older - to get the best out of their workforce and retain those valued and skilled employees necessary for the success of their business."



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Top Tips

Guidance for employers

Key steps to success in age diversity

1. **Age profile your workforce**

Measure your workforce age profile across different parts of the business. Consider age alongside other diversity issues.

2. **Audit age out of policies**

Ensure that your employment, training, communications and other policies are age neutral and don't disadvantage particular age groups. Start by including age within your Equal Opportunity statement / policy if appropriate.

3. **Change existing working practices**

Remove unnecessary age criteria from day-to-day practice and procedure (to meet legislation). Make age awareness training available to all employees.

4. **Ensure top-level involvement**

Establish an age champion to keep age on the Board's agenda and build age awareness into all aspects of the business.

5. **Raise awareness with all stakeholders**

Help employees, customers, suppliers and the wider community to recognise the organisation's commitment on age. Ensure everyone understands the value of age diversity.

6. **Measure the impact**

Create measurable performance indicators and develop accountability. Establish benefit to bottom line, where possible, to help deliver success.

For more information on age and employment issues including the business case for age diversity, age profiling fact sheet, flexible retirement policy best practice and information on auditing age discrimination out of existing employment policies, see EFA's website www.efa.org.uk or contact EFA on efa@ace.org.uk



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Guidance for employees

Key steps for employees

1. Regularly review your career and life goals and understand what your transferable skills are. Consider where your organisation is heading and what contribution you'd like to make.
2. Is work-life balance important? Engage your employer in discussions about your ideal working pattern and place/style/type of work e.g. flexible working options, part-time hours, job swapping, working from home. Highlight the benefits for your employer.
3. Consider different career options as your working life progresses. Experience in one market does not preclude your skills from being valuable in different industries.
4. Keep up to date in your field but don't let that blind you to investing in lifelong learning...it's about being fresh not being young.
5. Commit to continuous personal development to maintain interest and engagement with your work. Ensure also that you keep your skills up-to-date, especially in technology. What else would you like to learn and how are you going to do it?
6. Stop looking backwards at how things used to be and value your experience and achievements to give you confidence today.
7. Keep your internal and external networks up-to-date - expand your horizons and remember we are all being 'interviewed' all the time.
8. 'Do the sums'. Consult independent financial advisors for advice on pensions and ways of maintaining your income into retirement.

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