



Is Mandatory Retirement Really Helping Business?

A Survey Report by TAEN and the EFA

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Introduction

Together the Employers Forum on Age (EFA) and TAEN – The Age and Employment Network provide insights and evidence on a broad range of issues around age and employment.

In order to establish how the system of retirement is working for employers we surveyed HR professionals in organisations across the UK. We needed to know how employers who are using the Default Retirement Age (DRA) felt about the system, and the experience of those who are operating without retirement.

This survey is based on a sample of 198 HR professionals, those who are best placed to form an objective judgement on the manpower and human resources consequences of adopting mandatory retirement. With the future of retirement being discussed in the High Court in the middle of July and progress of the Equality Bill inevitably including debates about retirement, it is vital that the real experience of UK employers is considered.

Note on the context and terminology

The passing into law of the Employment Equality (Age) Regulations 2006 was an important step forwards for age equality in employment in the UK. The Regulations included a provision for employers to “retire” people at a given age. A ‘Default’ retirement age was set at 65 and a process put in place which, if followed precisely, means a retirement at 65 or above cannot be challenged. This became a National Default Retirement Age. One effect of this was to reduce the flexibility many people experienced around retirement and introduced a more rigid system.

The Equality Bill is currently passing through Parliament and incorporates all existing discrimination legislation. The Default Retirement Age is currently included in the Equality Bill, with a review not planned until next year.

The sample

TAEN and the EFA surveyed 198 HR directors and senior managers from a cross section taken from a national HR professionals database. An e-mail questionnaire was completed in June 2009.

Survey results

Q1: Which organisations had a mandatory retirement age?

Eighty-five per cent reported that their organisation had a mandatory retirement age. (Fifteen per cent reported that their organisation had no MRA.)

Do you have a mandatory retirement age?

Yes	No	Total
168	30	198
85%	15%	100%

1. Organisations with Mandatory Retirement Policies

Q2: What age was chosen for the MRA?

Of those with mandatory retirement ages operating in their organisation, 98 per cent said that the age was 65.

What age is your mandatory retirement age?

65	Other	Total
165	3	168
98%	2%	100%

Q3: Who is covered by the policy?

Of those whose organisations had mandatory retirement, 95 per cent reported that it applied to all employees (5 per cent said “just for some”).

Does your mandatory retirement age apply to all employees or just some?

All	Some	Total
158	9	167
95%	5%	100%

Q4: Are employers agreeing to requests to work on?

Asked whether they ever allowed individual employees to continue working beyond the MRA if they wished to do so, 10 per cent said they always agreed to such requests, 84% said that they sometimes did and 6 per cent said that they “never” did so.

Do you ever allow individual employees to continue working on beyond mandatory retirement age if they ask to do so?

Always	Sometimes	Never	Total
16	140	11	167
10%	84%	6%	100%

Q5: What disadvantages do respondents see in mandatory retirement?

Asked to respond to a series of potential disadvantages of having an MRA, 64 per cent said that it could lead to a loss of talent to their organisation; 74 per cent of employers with an MRA conceded that it had an adverse impact on workers who would prefer to work on beyond 65 and 30 per cent mentioned an adverse impact on their organisation's image. Thirty-seven per cent agreed that an MRA posed risks from demographic factors (ie population ageing and declining birth rates). Twenty-six per cent allowed that it was harder to maintain performance when experienced workers retired. And 45 per cent said that having an MRA led to lost opportunity to be an employer of choice among older and mid-life workers.

Do you believe there are any of the following disadvantages in having a mandatory retirement age?

	Yes	No	Total
i Loss to the organisation of knowledge and talent?	106	59	165
	64%	36%	100%
ii Risks from demographic factors?	60	101	161
	37%	63%	100%
iii Harder to maintain performance when experienced workers retire?	42	120	162
	26%	74%	100%
iv Lost opportunity to be employer of choice among older and mid-life workers?	74	89	163
	45%	55%	100%
v Adverse impact on employees who would prefer to work on?	120	43	163
	74%	26%	100%
vi Adverse impact on company's image?	48	110	158
	30%	70%	100%

Q6: What benefits does mandatory retirement produce?

Asked about the benefits their organisation derived from having mandatory retirement ages, 81 per cent of the organisations said that it helped with succession and manpower planning. Eighty per cent said it created headroom for people coming up. However, 68 per cent did not believe the MRA improved performance and 53 per cent did not believe that the MRA helped in dealing with underperforming employees without using disciplinary or competency procedures.

Do you believe your organisation derives any of the following benefits from having a mandatory retirement age?

		Yes	No	Total
i	Ease of succession or manpower planning?	128	31	159
		81%	19%	100%
ii	Creation of headroom for younger people coming up?	129	32	161
		80%	20%	100%
iii	Improved performance in some way?	49	104	153
		32%	68%	100%
iv	Underperforming employees can be moved without disciplinary or competency procedures being used?	75	83	158
		47%	53%	100%
v	Positive impact on your organisation's image?	28	119	147
		19%	81%	100%

2. Organisations without Mandatory Retirement

Q2: How the policy to dispense with mandatory retirement arose

Of the 29 respondents who said their organisation had no MRA, 27 (93 per cent) said that this was the result of a formal policy decision in their organisation and 22 (92 per cent) said that it applied to all businesses or divisions in the organisation.

If you have no mandatory retirement age

	Yes	No	Total	
i	Was this the result of a formal policy decision within the organisation?	27	2	29
	93%	7%	100%	
ii	Is it because you never had one?	2	19	21
	10%	90%	100%	
iii	Does it apply to all businesses/divisions in your organisation?	22	2	24
	92%	8%	100%	

Q3: Was there opposition internally to dispensing with mandatory retirement?

Respondents were asked whether there had been opposition to abolition of mandatory retirement within their organisation. Twenty-five per cent said that there had been resistance.

If your organisation abolished its mandatory retirement age was there any opposition?

Yes	No	Total
7	21	28
25%	75%	100%

Q4: What did respondents feel about success or failure of dispensing with mandatory retirement?

Respondents were overwhelmingly positive (78 per cent) about the impact of removing the mandatory retirement age within their organisation.

Would you now say removing the mandatory retirement age has been a positive step for your organisation?

Yes	No	Total
21	6	27
78%	22%	100%

Q5: Benefits of abolition of mandatory retirement

Asked about the benefits of abolishing the MRA, organisations cited the following: 52 per cent said there had been an improvement in morale among employees; 85 per cent said the absence of an MRA had helped maintain valuable skills in their organisation and 76 per cent believed it had helped keep valued people; 44 per cent believed it had improved their organisation's customer-facing image; and nine (39 per cent of those responding) believed it had enhanced performance in some way; 52 per cent of respondents believed the absence of an MRA had provided positive role models and a good inter-generational impact within the organisation.

Has removing the mandatory retirement age had any positive benefits?

	Yes	No	Total
i Improvement in morale?	14	13	27
	52%	48%	100%
ii Keeping valued people in the organisation?	19	6	25
	76%	24%	100%
iii Maintaining valuable skills within the organisation?	23	4	27
	85%	15%	100%
iv Improving customer-facing public image?	11	14	25
	44%	56%	100%
v Enhancing performance in some way?	9	14	23
	39%	61%	100%
vi Positive role models and inter-generational impact?	13	12	25
	52%	48%	100%

Q6: Did dispensing with mandatory retirement cause difficulties?

Respondents were asked to indicate whether an absence of the MRA had presented difficulties in a number of suggested ways. Only eight out of 28 (29 per cent) said it had presented problems in succession or manpower planning; nine (32 per cent) said it had created a lack of headroom for younger people coming up in the organisation, though 68 per cent disagreed that this was the case. Just five (19 per cent) said it had contributed to a decline in performance in some way and eight (30 per cent of respondents) said it had made for difficulties in managing underperforming employees though 70 per cent of the group said this was not the case. Ninety-six per cent said there had been no adverse effect on their organisation's image from abolishing the MRA.

Has it presented difficulties, for example in the following ways?

	Yes	No	Total
i Succession or manpower planning	8	20	28
	29%	71%	100%
ii Lack of headroom for younger people coming up?	9	19	28
	32%	68%	100%
iii A decline in performance	5	22	27
	19%	81%	100%
iv Managing underperforming employees?	8	19	27
	30%	70%	100%
v Adverse impact on your organisations image?	1	26	27
	4%	96%	100%

Q7: In practice, how many employees work on beyond 65?

In the group without an MRA, 18 per cent (five respondents) said that “most” employees over 65 chose to stay on whilst 82 per cent said “only a few” did so.

If you do have employees over 65, do most or only a few reaching 65 choose to stay on?

Most	Only a few	Total
5	23	28
18%	82%	100%

Commentary

Although 81 per cent of organisations *with an MRA* believed manpower and succession planning was easier because of their MRA policy, 71 per cent of those without an MRA said that they experienced *no such problems*.

Similarly, two thirds of those employers *without MRA* policies did not see its absence as blocking younger workers coming up. In contrast, 80 per cent of organisations *with an MRA* believed they were gaining in this sense by having an MRA.

Interestingly, two thirds of organisations *with an MRA* did not believe it had helped improve performance in any way. Only 19 per cent of those *without the MRA* believed abolition had contributed to a decline in performance but a much larger proportion (81 per cent) believed it had not had not done so.

Before the Age Regulations 2006 were introduced, much was made of the need to be able to *move on* underperforming older employees without using disciplinary or competency procedures. However, just under half of the respondents in the group *with an MRA* believed that they had not gained any advantage from their mandatory retirement policy in dealing with underperforming employees and 70 per cent of respondents whose organisations *had dispensed with an MRA* did not believe that managing underperformance was more difficult.

Taking these results at face value, it would seem that the advantages of having a mandatory retirement age have been exaggerated. The benefits of mandatory retirement for employers do not seem in practice to match the claims made by those who wished to see mandatory retirement retained.

This survey undermines the argument that there are strong business benefits in having mandatory retirement ages. Most respondents agreed that the presence of it had an adverse impact on employees who want to work on.

July 2009

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About the EFA

The Employers Forum on Age is the UK's leading authority on age in the workplace. Founded in 1996 we are in an independent network of leading employers who strive to realise the benefits of an age diverse workforce. In addition to supporting employers, the EFA influences Government, business and trade unions, campaigning for positive practical change.

The EFA:

- Advises Government on age related policy issues
- Supports members in creating an age neutral workplace
- Represents the views of UK employers
- Takes a practical approach to achieving equality
- Challenges the status quo by presenting real alternatives
- Highlights the pros and cons of new employment laws
- Campaigns against age discrimination

For more information on the EFA go to www.efa.org.uk

Floor 3, Downstream
1 London Bridge
London SE1 9BG
T 0845 456 2495
F 020 7785 6536
W www.efa.org.uk
E info@efa.org.uk

About TAEN

The mission of TAEN – The Age and Employment Network is to promote an effective job market that serves the needs of people in mid and later life, employers and the economy. We inform and advocate for effective age management policies to be adopted at all levels – in employing organisations, by individuals and across the labour market. TAEN's role is to interpret demographic change and help society - individuals and organisations - build advantage from it. We seek to remove age barriers to opportunity. We learn from the best, most forward-looking practices in human capital development, particularly those aimed at maintaining health, optimising work design, planning and delivering learning, and changing the structures of careers. We work with individuals and organisations seeking progress in these areas. These include government agencies, academic bodies, employers and unions. Our members are drawn from across the labour market. We offer all of them the possibility of sharing knowledge and influencing policy in this crucial sphere.

For more information on TAEN go to www.taen.org.uk

207-221 Pentonville Road
London N1 9UZ
T 020 7843 1590
F 020 7843 1599
W www.taen.org.uk
E info@taen.org.uk

TAEN is the operating name of Third Age Challenge Trust, registered charity no. 1002770 and company limited by guarantee, registered in England no. 2602523

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