

# Managing performance and retirement for older workers

Offering employees the choice to work for longer and providing flexible working options can help you retain experienced people. Many employers report that it can reduce staff turnover, lower recruitment and training costs, and have a positive effect on productivity.

Letting older workers stay on longer doesn't tend to block opportunities for younger workers. Research by the Institute for Fiscal Studies (2010) found that measures which allow older workers to retire early have no positive effect on youth employment. Many employers believe that removing older workers to 'make way' for younger workers can damage productivity by failing to maximise skills and experience. It can also increase staff turnover, as well as the costs of recruitment and training.

Employees can now generally consider when and how they retire. It's not about working indefinitely – it's still fine for workers to plan towards retiring with a positive attitude. Make sure managers and workers are aware of options for working for longer and retirement. Performance discussions provide a good opportunity for that discussion.

You might find that your employees approach you about working for longer or retirement. This could be triggered when their occupational or private pension scheme notifies them that they will soon be able to draw their pension. That is a good time to talk about their options including carrying on as they are, or changing working patterns or job role, or reducing hours.

## Performance management for older workers

Whether formal or informal, performance discussions help you to get the most from your workers. More and more employers are using performance appraisals (at the moment 9 out of 10 workers gets a performance appraisal). Here are some ideas to help you to get the most out of appraisals:

- Ensure managers are able to discuss performance with workers of all ages. The focus should be on competence, ability and potential, not age. Use performance discussions to build strengths and identify training needs.
- Encourage a culture of performance management. This can help to avoid unexpected announcements, confrontations or 'loss of dignity'.
- Review the performance of all your workers. If you only review your older workers, you risk unlawful age discrimination.

- Build in discussions with workers to say where they see themselves in a year or two. This will give older workers a chance to talk about retirement planning.
- Encourage your older employees to say whether they want to carry on working as they are, or whether they want a change.
- Refer older workers to the Directgov website for guidance on working longer and retirement planning. They might also want to talk to their pension providers who can help them consider the financial side.

If your employee is not delivering properly, you should address this through performance management, whatever their age. Identify any problems and see if you can both find a solution:

- Identify training and development opportunities to improve performance.
- Re-visit your regular health and safety workplace assessments.
- Consider whether a new work pattern or role would help you to retain their skills and experience, and help them to perform effectively.
- If poor performance cannot be resolved, follow the normal 'fair dismissal' procedures.

Monitor who is leaving your business and why. If people are retiring because they think they have reached an age when this is expected, consider what you can do to change this perception.

## Case Studies

"Each individual's training and development needs are informed by annual staff appraisals. Age is irrelevant in this process as is seniority. All staff, whether on the shop floor or in senior management, receive their appraisal." Alleverd Springs

Hunters Estate Agents has no retirement age and applies appraisal, disciplinary and dismissal policies to all staff equally regardless of age without difficulty: "Weekends are a very busy time for us and many older people are attracted to weekend working. We have job sharing, flexible retirement and part-time working, helping us attract and retain staff. Quite simply, employing older people makes good business sense to our company. We have high levels of staff retention, which helps minimise recruitment costs, recoup investment in training and development and retain valuable knowledge and experience." HR Director, Hunters Estate Agents

"Every employee irrespective of age is subject to a formal, annual performance appraisal that is linked to the overall business objectives. At these appraisals, individual training needs and career aspirations are discussed. There is no discrimination in terms of age for either internal or external training courses. Priorities are determined by the needs of the employee or the job. We have employees of all ages ranging from 16 to 80." Spokesperson, London Borough of Enfield

# Pensions

Older workers can work past State Pension age, and claim their State Pension. Or, they can defer claiming their State Pension for at least a year. If they decide to do this, they will then get either an enhanced pension or a lump sum when they do claim their State Pension. State Pension age is changing. Your staff will need to know what this means for them.

If you offer a pension scheme, consider reviewing its terms to support members who want to work beyond the scheme's normal pension age. Many employers have already adapted their pension arrangements to support flexible, later retirement. For example, some allow contributions to be made to the scheme as long as the member continues to work. Others allow access to alternative arrangements, such as a different scheme.

The Department for Work and Pensions notifies people as they approach State Pension age. Workplace pension schemes notify members as they approach the scheme's normal pension age. These notifications can prompt older workers to consider their options for retirement or working on. You should be open to discussions with your older workers to help them consider their options.

From 2012, employers must automatically enrol workers into a qualifying workplace pension and make contributions into it. More information can be found on [Business Link](#).

November 2011