Employers’ use of older workers in the recession

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Introduction

In 2009 and early 2010, there was a short phase of media interest in older workers in the recession. A piece in Personnel Today in February 2010 mentioned that the use of the default retirement age (DRA) had “spiralled out of control” as it was used “to retire more than 100,000 older workers during recession”. The implication was that older workers were being pushed out of the labour market and into unemployment or early retirement to ensure sufficient work for younger cohorts. However, public focus quickly moved on as youth unemployment rose. There were some who argued that older workers had a role in this as they occupied jobs that were therefore not available for younger workers. However, as Brendan Barber (quoted in TAEN, 2011a, 4) pointed out, older workers “tend not to be doing the jobs young unemployed people might expect to get”. This paper addresses the issue of older workers’ employment in the context of the current economic crisis and with this presents new insights into the role of this group in the labour market. It is argued that older workers are so far faring better than in previous recessions. Considerable changes have occurred in terms of legislation, health and lifestyle, social expectations and industrial structure since the last recession, thus fundamentally changing the position of older workers.

It will be argued that employers participating in this research had initial concerns about redundancies and the recession but that these have been overtaken by trepidations about the changes to retirement and how they will affect organisations. These new concerns do not seem to account for the possibility that there may yet be long-term implications of the recession, including further redundancies. The existence of age equality legislation means that all employees should be treated equally, but this will also result in broader repercussions of employers’ difficulties to ‘manage’ an older workforce. It will be suggested that tighter performance and/or management policies for all employees might be utilised to replace the control employers feel they have lost over employees’ retirement decisions. The paper is structured into seven sections. The first section provides background information and data on older workers role in the labour market as well as the previous and current recession. There then follows a brief outline of the research undertaken and the main results are presented in four sections. They consider employer responses to the recession in terms of their similarity to the past; their appropriateness for the present in terms of first flexibility and then skills, and finally consider the future outlook. Conclusions are drawn and policy implications considered.

Background

The 2008 to 2009 recession was deep in financial terms (Hogarth et al., 2009) but the effects on the labour market were less clear. The impact is even more difficult to establish given the announcement that the UK entered a double-dip recession in 2012 (Kollewe, 2012) and faces a risk of a triple-dip recession (Warrell, 2012). Despite considerable media coverage the full effects for employment, unemployment and economic inactivity as well as retirement are as yet unknown. Although each recession varies in severity and duration, we might look to previous experiences for possible insights into potential patterns of development and reactions. In the last two recessions in the early 1980s and 1990s, GDP contracted for five successive quarters and took over three years to start recovering (Bell and Blanchflower, 2009). Past recessions have shown that in addition to the youngest age groups, older workers were particularly affected by economic cycles because it was thought that they should make way to provide jobs for younger workers (compare Hogarth, 2009, McQuaid et al., 2010). However, the continuous increase of employment amongst older workers cuts across the recession in the 1990s and the current one. Between 1993 and 2011, employment
of those at or above state pension age nearly doubled and now stands at 1.4 million (ONS, 2012a). In 2006 McNair suggested that the labour market for older workers was distinct from the labour market for those younger than 50, highlighting that older workers were not always appreciated. In the current tight labour market characterised by the recession issues such as flexibility, skill shortages and health concerns have levelled the playing field between older and younger workers (Beck and Quinn, 2012). Overall, labour market data indicates that older workers are in a comparatively strong position in the current recession. In the two years from 2008 to 2010, employment amongst older workers aged 55 to 59 years in the UK increased from 70 to 71% and those aged over 65 years now make up 3% of the workforce (Eurofound, 2012). The overall employment rate for those aged 16 to 64 stands at 71% and can be broken down by age group: 24% age 16-17; 57.5% age 18-24; 78.4% age 25-34; 81.9% age 35-49; 66.1% age 50-64 (ONS, 2012b). The employment rate of those aged 65+ stands at 9% (ibid). This data seems to support previous suggestions that older workers have so far been retained throughout the recession (efc, 2011).

Since the last recession access to early retirement and disability benefits has been severely restricted, effectively barring these as exit routes out of employment for older workers (Vaitilingham, 2009). Although a full review of the changes in legislation goes beyond the remit of this paper, it should be mentioned that there have also been considerable changes in the way that pensions are organised and accessed. Since the 1950s, there has been a gradual shift away from occupational pensions, in particular from defined benefit schemes (DB) towards defined contribution schemes (DC). This is signified by the closure of many final salary schemes to new entrants as they are considered too costly to employers (on average, private sector employers contribute 15.8% of salary to DB and 6.2% to DC schemes), whose contributions to both DB and DC schemes have been increasing over time. From October 2012 a compulsory workplace pension with a minimum level of 8% contribution from both employers and employees will be phased in (all information on pensions ONS, 2012c). With fewer final salary and DB schemes there are fewer incentive opportunities to encourage early retirement. A further consideration is that the last two recessions happened comparatively recently, within living memory of many current workers and employers. It is possible that learning could have occurred following the skills shortages that were experienced as a result of the redundancies of the last two recessions and that the current recession is dealt with differently (see Hogarth et al., 2009 for an overview of potential employer behaviour). Arguably, the situation for older workers in the current recession has changed when compared to previous recessions whilst also being characterised by new complexities and insecurities.

This view is supported by unemployment statistics. There are indications that the recession is not (yet) having the long-term effects on employment and unemployment rates that might have been expected from previous recessions (Gregg and Wadsworth, 2010) and the fluidity of the current economic situation makes predicting developments extremely difficult. The largest rise in unemployment was seen in the younger age groups (i.e. 16 to 24 year olds) for whom unemployment rates remain high at 22.2% (BBCa, 2012). The overall unemployment rate ranks at 8.0% whilst unemployment of those aged 50 and over is 4.6% (ONS, 2012b). These statistics show that older workers are currently not as affected by unemployment as younger workers or the average of all workers. The total number of unemployed (2,564,000, ONS, 2012b) does not exceed the highest numbers in the previous two recessions (3,293,000 in the 1980s and 2,919,000 in the 1990s, Hogarth et al., 2009). These statistics may not (yet) reflect a possible ‘lag’ in employment effects of the recession as job losses may continue and unemployment rates increase after the economy as a whole starts to recover (McQuaid et al., 2010). The findings to be presented also suggest that different sectors are affected by the recession at different times and to varying extents. As a result, we are unlikely to be seeing the full impact of the recession on older workers. In particular there are indications that those members of the workforce who were in relatively weak positions (potentially including older workers) prior to the recession might be affected
more than others (Hogarth et al., 2009). The social and psychological effects of unemployment differ by age (Gallie et al., 1994). Knabe and Rätzel (2011) show long term ‘scarring and scaring’ effects as the experience of unemployment results in reduced life satisfaction, even following re-employment as there is continued fear of having to face unemployment again. Older workers in particular tend to find it more difficult to re-enter work once they have experienced unemployment and may also face significant long-term implications for their pensions (compare Reynolds and Wenger, 2010). The lowest paid workers across all ages are most in danger of losing their jobs (TAEN, 2011c) and have the least resources to develop financial and, potentially, emotional coping strategies to deal with the experience of unemployment.

Within this context, the impact of the recession on older workers has not been considered in depth. Instead, it seems that the changes to the default retirement age and the enforced extension of working lives have captured the ire and imagination of the public debate. In past recessions employers were likely to utilise early retirement as an alternative to making workers redundant (Vaitilingham, 20009, Eurofound, 2012). This is no longer possible following the abolishing of the default retirement age. There is also the possibility that employers encourage older workers to retire early, though this has been made difficult given the range of changes to equality, retirement and pension regulations. Overall, the statistics seem to suggest that in terms of employment and unemployment, there is a positive development for older workers. Notwithstanding the possible lag in the effects of the recession, there seems to be continuity in the employment of older workers. This paper explores why this is the case.

Methods

This paper is based on research that has been undertaken since 2008, starting with a project for the then Learning and Skills Council (LSC) in the East Midlands which investigated the relationship between involvement in learning and participation in the labour market for older workers (Beck et al., 2008). Five sectors that contribute significantly to regional GVA and development were investigated, namely construction, engineering, health, logistics and retail. They provided variation with regards to inclusiveness for older workers (high in health and parts of retail and logistics, low in engineering and construction). There were two research phases: July to September 2008 and November to December 2010.

The first phase consisted of 32 semi-structured interviews which included the Sector Skills Council (SSC) for each sector (5), employers (19), and general interviews (8). Although they provided useful background information and statistics, the SSCs had no specific policies on older workers and were only partially able to provide contacts to employers. Employers included large (multinational) organisations and SMEs, the smallest of which employed only three individuals. Although interviewees made some references to the size of their companies, this was not a key factor in the study. Depending on the size of the organisation, the CEO, training or diversity manager or an HR expert was interviewed. A number of general conversations with government bodies and charities were also conducted to provide context to this study (compare Farmer and Soulsby, 2009). The interviews were conducted from July to September 2008. Interviews were semi-structured and, broadly speaking, covered the area of activity of the organization or company; background questions on the workforce; general questions about policies and practices on older workers; and policies and practices on training and learning. The majority of interviews were conducted on the phone, took approximately 30 minutes and were one-to-one conversations.

The second phase of the research targeted the effect of the recession on the employment of older workers. All employers who had previously been interviewed were re-contacted to discuss how they had fared in the recession and how this may have affected their older workers. This approach provides a snapshot into the developments occurring as part of the
ongoing economic downturn. It cannot accurately reflect the extensive nature of the double-dip recession (O’Connor, 2012). Only a small proportion of the 19 employers that were contacted at this point responded; some had moved on or were not willing or able to spend time on the research project. It was nevertheless possible to conduct 7 interviews, two of which were face-to-face. The construction (1), engineering (1), health (2) and retail (3) sectors were represented. The interviews were semi-structured one-to-one conversations that took between 30 and 60 minutes and were taped and transcribed for analysis. Notes were taken where respondents objected to the use of a Dictaphone. Broadly speaking, interviews covered any changes in the basic setup of the organisation; the recession and how it had affected the organisation and it’s older workers specifically; the spending cuts and their impact; changes to the learning provisions; and the impact of the change to the pension age. The transcripts and notes were analysed by looking for key terms and by comparing and contrasting employers’ responses in the first phase to those in the second phase.

In addition to the usual sectoral differences, it was noticeable that each sector experienced the recession at a different speed. Whereas construction companies already reported an impact at the time of the first phase of research in 2008, the health sector was only starting to feel an effect at the time of the second phase of research in 2010. These findings are reflected in national statistics in that the manufacturing and construction sectors saw the largest fall in employment in the first 18 months of the recession (Jenkins and Leaker, 2010). Those companies who had already been exposed to the recession were more likely to have made workers redundant, with interesting and in part unexpected effects for the position of older worker. In other sectors and organisations, staff numbers had been maintained and there was little observable difference for older workers, though overall organisational policy might have changed. These are some of the distinctions that will be discussed in more depth in the next sections. In addition to the level of exposure to the effects of the recession, there were differences amongst employers in dealing with older workers. In the following three sections these will be explored as distinct approaches to managing older workers: a ‘default’ response that might be familiar from previous recessions under which older workers are pushed out of companies; an ‘alternative’ focus on skill, length of service or flexibility which may unintentionally increase the proportion of older workers in a workforce; and the potentially emerging option of managing people out of the workforce.

‘Default’ responses: pushing older workers out

So far responses to the current recession and the on-going economic crisis differ to previous economic downturns (Gregg and Wadsworth, 2010) but some responses to this research reflect former experiences. In the past, older workers were often the first to be made redundant in times of economic downturn (Eurofound, 2012). The construction sector apart, the picture painted by respondents was that the impact of the recession on their workforce numbers had been ‘mild’; there had been redundancies but there were not as large numbers involved as might have been expected. This confirms findings that this recession is unusual in that it has also included job growth (O’Connor, 2012), though long-term un-/employment effects may still occur. In these circumstances, employers felt able to “trim some unnecessary fat or some underperforming people” (SME, Retail, 2010). This happened mainly in late 2008 and early 2009. There was some targeting of older workers but this was not necessarily to make them redundant rather to encourage them to retire (early) or, as it is put in one of the following quotes, ‘make the most of natural attrition’.

This was especially evident in the health sector where the on-going restructuring of the NHS and recent attempts to reform the public sector create additional pressure on the workforce. Some NHS Trusts referred to the mutually acceptable resignation scheme (MARS), which would pay less than a redundancy package but, according to respondents, might be attractive if you were between 50 and 65 years of age and suddenly decided that you wanted to do something different. Public information on MARS identifies its main aim is to address the
financial challenges that face the NHS (NHS Employers, 2011). The final salary pension scheme in the NHS has additional potential to form part of the incentives for early retirement. Thus a reduction in the workforce was not only used in sectors that were hit suddenly and severely by the recession e.g. manufacturing and construction sectors (see Eurofound, 2012). The health sector previously had a high proportion of older workers and in the 2008 round of interviews positively promoted age diversity (see also Wray et al., 2009). The following quote from the health sector indicates a change in organisational strategies and a regression for the situation of older workers.

So although a lot of people have been encouraged to work longer, we’re actually saying right now we need to… if you hit 60 or 65 or depending on, some nursing professions for example can finish a bit earlier, then that has been done where appropriate. So there’s been a fully managed process to get... if you like to minimise potential redundancies and to get people... make the most of natural attrition I guess.

(Health, large organisation, 2010)

In previous recessions it was reasonably common to utilise (early) retirement to reduce the size of the workforce, especially in industries affected by restructuring such as coal and steel. Old industrial areas in the North, Scotland and Wales still see the highest claimant count unemployment rates (Fothergill and Beatty, 2011) but these are, in the main, due to structural factors rather than age specific redundancies. The current recession affected a broader range of sectors – though at different times and in different and developing ways – which also contributes to a reduction in redundancies amongst specific groups. As the above quote suggests, however, redundancy practices are still evident. At the time of the interviews it was still possible for employers to enforce the default retirement age (DRA), though its abolition had already been publically discussed. The confirmation of the abolition was announced in January 2011. In some organisations, there were indications of a policy to pursue the DRA option for as long as possible whereas in other cases this occurred as a result of individual decisions and discussions with employees. The following quote reflects that some employees seemed to be happy to fit in with the particular approach taken by their employers and were more or less happy to retire. This consensual approach was particularly evident in small and medium sized companies across all sectors where it was considered easier to build good relationships between management and staff or workers.

One was due to retire in about six to twelve months and he just said, “Look, I’ll go now. I’ll throw my hands in the air.” And he sort of... “You’re intimating that one of us is going to get the chop, so I’ll sort of throw myself on the sword as it were because I’m going to go very shortly anyway. And I don’t really need to work.” (Retail, SME, 2010)

Confirming previous findings (Jenkins and Leaker, 2010), the majority of organisations in this research did not utilise redundancies or (early) retirement. Instead, they followed a broader trend (Eurofound, 2012) by responding to the most recent recession in a different manner when compared to previous economic downturns. Both the UK government and employers have tried to avoid the mass unemployment that characterised previous economic crisis.

Alternatives to unemployment and retirement: Flexibility

Within the context of new and complex legal and economic circumstances, employers’ attempts to avoid redundancies led some organisations to find alternative ways of dealing with the pressures and insecurities caused by the recession. In part, the activities outlined in the following are part of broader developments, including on-going industrial restructuring, changing retirement patterns and pension provisions. These are confounded or reinforced by the recession and the as yet unknown impact it may have on un/employment. The specific causality between employers’ behaviour, their decision-making processes and the recession
can not necessarily be established. Strategies involving flexible working practices are a good example considering the long-standing increase in flexible working practices (Grainger and Holt, 2005) in general and amongst older workers in particular (ONS, 2012a). In a European comparison, the UK ranks high on flexibility indicators and low on corresponding security (Auer, 2010). Analysing the 2008/2009 recession Gregg and Wadsworth (2010) show that the degree of labour market flexibility is not linked to the level of unemployment. It has previously been shown, though, that opportunities for flexible work are important for older workers and can increase the proportion of older workers who remain in employment for longer (Loretto et al., 2007, Platman, 2004, Siegenthaler and Brenner, 2000). Respondents in the present research equally established a clear link between flexible working and working up to retirement age. Reflecting on the regulations that allow older workers to carry on working whilst drawing part of their pension, employers discussed the benefits to themselves, namely achieving a more flexible workforce. Moving beyond previous findings (ibid), at least one organisation demonstrated the success of the scheme for older workers as their proportion within the organisation had increased. Such results were not a deliberate strategy on the part of employers but resulted, for example, from attempts to avoid high redundancy payouts. This is a clear indication that basic regulations on issues such as equal treatment under employment protection can make a significant difference. It may also suggest that regulation changes are palatable to employers across all sectors as long as there is a way for them to benefit.

Under the new scheme if you then choose to work, I don’t know, three years longer, but half time, so rather than your last three years full-time, you might do six years half time, you’d still get the same result. Under the old scheme you couldn’t do that. That has changed and it does mean you then have a more flexible workforce. (Health, large organisations, 2010)

The percentage of workers in the 60 plus age bracket has increased. So, in August ’08, 6% of our [organisation’s] population was over 60. And by September ’10, it had increased to 9%. [...] It’s not a deliberate strategy, but I think that probably flexible retirement has had an impact. (Retail, large organisation, 2010)

Flexible working hours were not the only way in which employers considered flexibility to benefit older workers. It was also emphasised that the content of a job had to be considered in light of workers’ abilities. These considerations would not merely affect individual older workers but could be relevant to ensuring an extended working life. The following two quotes discuss the ability of organisations to put in place the reasonable adjustments expected by the Equality Act 2010 (compare Newton and Ormerod, 2005) to accommodate difficulties that individuals - here older workers - might face at work. The contrast here is between a large retail organisation with a mix of products who do offer flexibility in work tasks, and a medium-sized construction firm where it has proved difficult to provide adjustments. Respondents from construction and engineering suggested that flexibility was difficult to combine with working structures, e.g. the work in gangs or teams. A further problem with instituting adjustments is that they can remove the challenge and therefore interest from a job. Armstrong-Stassen (2008) shows that ‘work content plateauing’ is associated with reduced job performance, satisfaction, commitment and increased turnover intentions. Such dissatisfaction may not be recognised when it is assumed that the physicality of a job is the problem for older workers. In addition, the willingness of the organisation or individual line manager to provide flexible opportunities is also key (Leisink and Knie, 2011).

We can look at reasonable adjustments to ensure that people are able to be as productive as possible. If you go and work on bread or cake instead [of lugging around sacks of potatoes], go and work on general merchandise, it’s not as cold, it’s not as heavy, you’re not bending as much. So, we can be quite flexible around that.
But again it's not always true that the older workers find it difficult. Again, it's a generalisation, but that can sometimes happen. (Retail, large organisation, 2010)

We can't afford to do that, the business would just go under. So there's not really anything that they can then go and do because there's already... if there is, there's already somebody doing it. And we can't create jobs cos then all we're doing is just shuffling them round. (Construction, SME, 2010)

Further to flexible retirement schemes and work content adjustments, flexibility and restructuring have emerged more generally as important alternatives to redundancies. Reduced hours, concession bargaining and recession sabbaticals for example were more widely used at the outset of the current recession (Hurley and Finn, 2009). These are not new strategies and were already evident in the previous recession (Geroski and Gregg, 1997) but public discussion of such schemes has decreased markedly as the recession has continued. In the short term, employment security or, as Hurley and Finn (2009, 5) put it ‘perhaps more accurately, withdrawal of compulsory redundancy plans’ is linked to a pay freeze or even a pay cut. It is questionable, though, whether employers can continue to offer such deals given the on-going insecurity surrounding the impact of the recession. The organisations interviewed for this research made no formal use of such schemes, but interviews revealed more generally that the inherent threats posed by the recession might allow them to ‘get away with more’. The following quote is an example where an employer restricts when holidays can be taken and how much ‘fuss’ workers can make if they want their jobs to be safe. The fact that this situation seems (so far) to be accepted by workers is attributed to the size of the organisation.

[W]e’ll try and keep everybody on a five day week, some quarters are going to be mega busy guys, some quarters you are going to be twiddling your thumbs and I’m going to be asking you to paint the walls, paint the floors again. Well you know don’t moan, that’s how you’re going to have to do it, but if I ever turn round to you and say no holidays this quarter, that’s exactly what I mean. Don’t argue, don’t fuss, don’t tell me you want me to see the works council, am I flaunting European laws? I’m going to say, listen, if you want us to get through all this, you do it our way. If you don’t, we’ll go on a four-day week like everybody else. So the works council at the moment are being very, very supportive in saying you know the market place better than us boss, you do what’s right. So that’s – small firm, 68 people, family owned, you can do that, you can get away with that. (Engineering, SME, 2010)

The general aim of flexibility is to cut costs for the duration of the recession whilst retaining the valuable skills of experienced staff in anticipation of an economic resurgence (Hurley and Finn, 2009). The gain is supposed to be mutual: a more flexible workforce for the employer but a safe job for the employee. Unlike in the previous recession, the age of workers does not seem to influence the organisations interviewed. However, as the above quote already suggests, the power and control over how the response to the recession is handled lies with the employer. Even improvements, such as the increase in the rate of older workers in one organisation mentioned above, are achieved because employers gain at the same time in terms of flexibility and low redundancy pay-outs. This finding reinforces the position of employers in the recession, as they are gatekeepers to jobs and prospects within jobs (Green and Hasluck, 2009). The employers responding to this research indicated that they supported flexible working where they perceived benefit from having a flexible workforce. However, arguing with Sheridan and Conway (2001), there is a need to balance the distinct needs of employers and employees when establishing flexible working practices. Interviews provided little evidence of such a balance of power, though flexibility was less welcome when the control over it was no longer exclusively in the hand of the employer. The changes to the DRA entail giving control over flexibility, i.e. the time of retiring, to employees. Even in small
organisations with supposedly good employment relationships, employers stated that they were not keen on this loss of control and feared that it would undermine their profitability.

*I suppose the danger is... the principle danger for the retirement age is the removal of the ability of the employer to actually demand that the guy retires, isn’t it?* (Retail, SME, 2010)

This is a reminder that despite previous legislation stipulating that retirement decisions should have been the result of discussions between the employer and the employee, the former could ultimately force employees to retire (TAEN, 2011b, BIS, 2011). Under the new legislation there is concern about having to keep on older workers. The above example of increasing rates of older workers in some organisations shows that these developments can be acceptable to them as long as they perceive to benefit, too. Although organisations thus seem to be acting in different ways to previous recessions - partially due to the changed context and different opportunities for action - traditional concerns and power struggles in the employment relationship continue.

**Alternatives to unemployment and retirement: Skill**

Health issues were a recurrent theme, especially in engineering and construction where semi- or un-skilled workers rely on their physical abilities to undertake their work. As in previous studies (Gregg and Wadsworth, 2010), it was found that skills were a key concern for employers who want to avoid skills gaps that could affect the business. The organisation of employment in companies is thus not only influenced by an individual’s skills and abilities but also by the skill mix that is required. One engineering company aimed to have a multi-skilled workforce that could be moved around in response to demand. This form of flexibility suited the organisation to see it through the recession and continuing economic threats, though the organisation had rejected flexible working in general.

*[W]e have kept our head count flat [...] but when we’ve got a busy time and fortunately we have a busy time right now, we’re getting a lot of orders out for China right now, for the end of the year and people are having to literally move from department to department to department, follow a job through and get it out the door. So the multi-skilling, the multi-tasking and people able to do many things is benefiting us very much just right now.* (Engineering, SME, 2010)

In the same organisation, the issue of skills loss when older workers retire had already been a problem in 2008. It had been forced to rely on the goodwill of a former employee who had retired to fill a particular skills gap that they had not been able to address by up-skilling other workers. As the following quote indicates, there was an unsuccessful attempt to lure this particular ex-employee back into work. Other studies show, however, that returning to employment after retiring is not unusual if there is a conducive mixture of push and pull factors. In one American study it was found that around half of the pensioners studied had non-traditional retirement pathways and that 26% ‘un-retired’ (Maestas, 2010). Although un-retirement is an established theme in North American literature (see also Schlosser et al., 2012, Armstrong-Stassen et al., 2012), there does not seem to be any research for the European or British context. The Office for National Statistics (ONS, 2012) report that the number of workers above retirement age doubled in 2011 but suggest that most in this group have remained in employment rather than returned to employment. For the UK context, it is therefore merely a possibility yet to be researched that flexible retirement may not only allow an extension of working life but may also partially reverse previous retirement decisions.

*So we’re a working business again that is not scared to pick up the phone and say hey Jeff, you retired amicably, we bought you a lap top and a deck chair and it was all fun, but hey mate, can you get off your deck chair and come back in for a few days?*
We need you and he did and he is doing. Now we’ve offered him would you believe more work and he’s actually said look, I like you guys, but I’m enjoying retirement, so he didn’t want the extra work. (Engineering, SME, 2008)

Skill was not a key consideration in all sectors and organisation. Its relevance is likely to depend on the demand for specialist skills in a given work context. The engineering company quoted above had very specific skill needs that spanned almost a century of engineering knowledge, and included very old machinery as well as the very latest technology. In other sectors, such as retail, respondents tended to emphasise the importance of having the right attitude over having specific skills. In these situations, older workers’ experiences are not necessarily valued, reflecting Canduela et al.’s (2012) findings on contradictory positions of employers regarding older workers. Similarly, in one construction company, skill and age were not concerns in the strategy developed in response to the recession. The company nevertheless saw an increase in the proportion of older workers because they were trying to avoid high redundancy payments to employees with long years of service to the organisation.

...our instructions from above were to put everybody on notice and we’ll rescind as and when we know what’s happening. So the skills didn’t come into it at all. To be realistic it was a case of longer service, [...] And so we’d be left with the people with the longer service who by default are the older people. (Construction, SME, 2010)

The range of responses to the recession taken by employers suggests that there have been considerable changes compared to previous recessions. In part, this may be due to the ongoing nature of the economic problems and the resulting insecurity about long-term impacts. Above all, this is the first recession in which the position of older workers is a key concern. Although older workers have also suffered redundancy and, potentially, a decrease in the quality of their employment via employer driven flexibility schemes, they have not been targeted disproportionally. Overall, the extent of redundancies and employment effects of the recession have, as far as we can tell so far, been small (O’Connor, 2012). Some employer behaviour, such as avoiding redundancy pay-outs and seeking a flexible workforce, have had the side effect of increasing the proportion of older workers. In addition to employers’ responses that reflect past recessions (‘default’ responses) there is evidence of alternative responses. It seems that these are not aimed at improving the situation for older workers but may inadvertently have had this effect. Moreover, statements by individual respondents provided indications of some possible future approaches to older workers.

‘Managing people out’

The interviews revealed new ways in which organisations are planning to deal with their lack of control over who will continue to work and who will retire. This may become a particular concern if the employment effect of the recession deepens and there are more redundancies. ‘Managing people out’ was a phrase that appeared repeatedly in a number of interviews and signifies a new emphasis on (performance) management of employees. These findings uncover a new development in the range of possible employer behaviour (compare Hogarth et al., 2009). As the DRA has ceased to exist employers can no longer retire employees unless they provide an objective justification (TAEN, 2011b, BIS, 2011). In this context, the use of human resource management takes on a new significance since it becomes the obvious, transparent and supposedly non-discriminatory mechanism to terminate the employment of older workers. Moreover, it is not only sanctioned but recommended by government guidelines. The DWP (2011, 15) states that where an “employee is not delivering against their job role”, this should be addressed “through performance management, whatever their age”. Although it is unlawful to single-out older workers, the guidance suggests that ‘informal’ discussion about employees’ “options” may sit alongside the formal procedure: “performance discussions provide the opportunity for that discussion [about retirement] to naturally arise” (DWP, 2011: 13).
Within an economic context of change and lack of clarity, the (performance) management processes seemed to be particularly problematic for medium-sized and smaller organisations. These are the same companies who pride themselves on their family atmosphere and good working relationships but they did not necessarily have a system in place that helped them administer robust management processes. The role of organisational size and structure in innovative developments is established and shows that both smaller, less complex and large, complex organisations utilise different types of leadership (Vaccaro et al., 2012). Within the range of leadership styles across sectors and sizes of organisations participating in this research, there were few indicators that employers considered why performance issues might arise. This may make it difficult to address underlying issues. Overall these factors contribute to a blurring of formal (performance) management processes, potential retirement decisions and informal conversations between employers and employees.

I mean if you’ve got somebody who’s worked for you for maybe 30 odd years, but you’ve got to manage out of the business, and you don’t want to do that. But maybe if they... if you knew they were going at 65, you could put up with the last couple of years of their employment with them slowing down a bit and not being as effective. Because as a good employer you can do that, you can give them a bit of leeway. But not for them to do it for the next seven years. (...) So you have to start being a bit mean in getting people out of the business. (Construction, SME, 2010)

Given the lack of clarity between informal and formal procedures, combined with the removal of the degree of control employers had over the retirement process, it is likely that there will be a change in the treatment of older workers. The indication from this research is that employers are looking to utilise formal management processes to allow them to manage out older workers and retain control over who extends their working life within their company.

Conclusions

To date, labour market statistics show little evidence of any dramatic change with regard to the recession, and unemployment rates have not reached the highs of previous recessions. In December 2012, a significant drop in unemployment was announced (BBC, 2012b) but it is less clear how this situation might develop within the context of a possible triple-dip recession. The research findings presented here are only able to show stability in older workers’ labour market position in the first phase of the recession. It is difficult to predict whether the recession may yet result in more significant waves of redundancies. There has been an overall development away from ‘costly crisis management’ including bank rescues and economic stimulus programmes and towards austerity policies and the impact of the latter is also still to unfold fully (Bieling, 2012). Despite internal and international critique, the current government nevertheless seems inclined to press ahead with further austerity measures (Guardian, 2012). One of the key problems for employers and policy makers is thus responding to a challenging economic climate. Policy predictions are therefore equally difficult. This is especially the case for older workers for whom there have been substantial changes in terms of retirement and working regulations.

At the same time, and possibly as a result of the policy direction, there are potentially dramatic developments occurring in employment relations. The current crisis is the first in which older workers play an important part in the labour force and the labour market overall. The lack of significant change in employment statistics indicates how different this recession is from previous ones and also suggests a different outlook for older workers’ labour market prospects. This paper has argued that whilst some employers resort to redundancy policies as a result of the recession, conforming with the default behaviour that might have been expected from previous recessions, this is not the case for all organisations. Employers seem to be finding different ways of dealing with a difficult economic situation. Various forms of flexibility, including flexible retirement and reasonable adjustments are being utilised by
employers. Such patterns are not accidental; they are the result of the ‘architecture’ of choices available to employers and employees. Employers are driven by the mix of skills they require and both employers and employees operate within the restraints and opportunities provided by the legislative framework. The introduction of age discrimination legislation and the abolition of the default retirement age have changed the basis for decision-making processes in this recession. One important factor is the introduction of a requirement for employers not to discriminate on the grounds of age. The unique mix of changed legislation, the development of demographics and the on-going economic crisis have formed a compelling motivation for employers to behave differently. Although the effect cannot be quantified, it seems to have promoted a re-think amongst some employers and generated alternative strategies. When compared to previous recessions, older workers therefore do not seem to have fared as badly as in the past.

At the same time, the framework of regulation and advice for dealing with an ageing workforce contains inherent tensions that risk undermining this progress. The abolishing of the default retirement age in particular is a concern for employers who can no longer determine who retires when. In contrast, the use of non-standard routes into employment such as flexible working practices, show that they are controlled by and (mainly) benefit the organisation. New retirement regulations provide employees with more of this control, thus levelling the playing field. This paper argues that employers use more formal policies like performance management, in an attempt to re-gain control over the timing of employees’ retirement. It can be questioned whether using such performance related policies to manage out older workers equates to a mis-use that might not be in the spirit of the (age) equality legislation. Considering employers’ responses to the recession specifically, there is evidence of individual or collective knowledge of the effects of the recession as well as recovery prospects. Having a reasonable idea of what a recession entails for the company and how long it may last allows the development of more proportionate responses, thus potentially making employers savvier.

Nevertheless, the current economic climate is insecure and changeable. Employers feel or are under pressure to reduce cost to survive as a business, but at the same time need to retain the necessary skill sets to be prepared for a resurgent economy. Some employees have experienced redundancy notices and those that survive this process are in part having to be very flexible to retain their jobs. Within this situation retirement might seem a tempting solution, but is only available to those who can afford it and have a high enough pension to survive post employment. The blurring and added insecurity introduced by recommendations to utilise performance management to discuss other issues is unlikely to strengthen the position of older workers in the labour market because employers may be able to re-gain more control over the retirement process. However, employers also face the possibilities of discrimination claims and could potentially see an undermining of their established HR procedures.
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