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Retirement age - who needs one?

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Losing skilled and experienced workers can be an expensive business, no matter how big or small the organisation. The Chartered Institute for Personnel and Development (CIPD) estimates it costs as much as £8,200 to replace each employee who is forced to retire at 65.

Instead of imposing a fixed retirement age, taking a flexible approach to retirement can be more beneficial to both the business and the individual employee.

Over one million more people aged over 50 are in work than there were 10 years ago. Indeed, the employment rate for the over 50s is increasing faster than that for younger people.

The employment rate of people aged 50 to State Pension Age has increased by 6.9 per cent, from 64.7 per cent in 1997, to 71.6 per cent in 2007 – the highest older worker employment rate for 20 years.

According to CIPD research published in January 2008 (*Future demand for working among older workers*) based on a survey of 1,000 workers aged between 50 and 64 years, 38 per cent of individuals wish to carry on working beyond 65. Exactly half of those anticipate retiring between the ages of 67 and 70.

The financial services sector employs approximately 5.7 million people across the UK, 46 per cent of which are over the age of 35, and 5 per cent (or 285,000 employees) over 56. Indeed within this sector, age discrimination legislation has led to a significant increase in job moves amongst "older" workers.

Figures from financial services recruiter Joslin Rowe reveal that the runaway winners from the legislation are those over 56. Five years ago, they made up only 0.1 per cent of job changes in the financial services sector. However, following the legislation, this figure has grown to 0.5 per cent. The increase represents an absolute increase of 323.2 per cent over the last five years.

So how can forcing people to retire at a certain age make good business sense if it leads to the unnecessary loss of skills and know-how? There is no official retirement age in the UK – the Employment Equality (Age) Regulations 2006 introduced a "default age of 65" but this is not a mandatory retirement age. Yet some companies are still asking staff to move aside at a certain age.

With fewer younger people in the labour market, increasing numbers of employers are now keen to recruit and keep older staff with valuable skills and experience.

Implementing flexible working or flexible retirement options should not be discounted because they may be considered too difficult or costly. Employers agree there are some challenges, but the benefits in terms of retention of skills, reduced recruitment costs and the filling of skillsshortage vacancies by opening up a wider pool of recruits, bring valuable results. Enabling employees to choose to work longer through flexible or part-time working means employers can retain those valuable skills longer.

The UK has an ageing population, and any business that doesn't take that on board and reflect it in their recruiting policies is storing up problems for themselves.

Older employees who aren't ready to retire can continue to enjoy the social and financial benefits of working. Also showing that staff of all ages are highly valued makes for a highly motivated workforce. Staff who stay on beyond 65 can make a valuable contribution to the organisation through their experience and commitment.

The new regulations mean that organisations need to look at their existing retirement policies and practices and consider if they require change. They need to consider whether flexible retirement options would be beneficial to their business and their staff, and check that their pension scheme and any policies, practices or routines operated are compliant with the new legislation.

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