



# Paper

## **Talkin' 'bout my generation: just what does age and the ageing workforce mean for HR?**

**IES Perspectives on HR 2017**

Duncan Brown, Head of HR Consultancy

March 2017

**Member Paper 129**

As I get older and reminisce on Roger Daltrey's wonderfully angry exclamation, 'Hope I die before I get old!', I seem to get more and more perplexed, even downright confused, with the topic of ageing and its implications for human resource management in our contemporary organisations.

We are seeing, as happened at the time of the introduction of anti-age discrimination legislation under the Equality Act (2010), a surge in doom-mongering on the topic. We hear forecasts of loudly-ticking demographic and savings time bombs and acute skills shortages (again), as the numerous baby boomers exit the workforce, resulting in future (it is claimed) pensions, savings and eldercare crises and intergenerational warfare.

*'Pensioner numbers tipped to 'soar by a THIRD' to 15 million over next decade and rise 11 times faster than young population.'*

(Hawkes, 2016)

This was how The Sun dramatically headlined the latest research findings from IPPR in the final week of 2016, which showed a doubling of over-85s by 2030 meaning that we are set to become an 'older, poorer and less equal' society, requiring at least another £9 billion in NHS funding and £13 billion on social care. The study reports the potentially socially disastrous forecast that 'one in three babies born in 2016 can expect to live beyond the age of 100' (IPPR, 2016).

Apart from national skills shortages, one constant since IES was founded and The Who released their hit single, has been the pensions crisis, with the deficit in our biggest corporate pension schemes now variously estimated at between £383 billion (Pensions Protection Fund) and £985 billion (Hymans Robertson) (Dyson, 2016) (hey, what's a few billion between actuaries?). This means that even after the introduction of compulsory saving and auto-enrolment under the Pensions Act 2008, fewer than half of people are saving anywhere near adequately for their retirement, with UK household savings now at a record low according the ONS (cited in Dyson, 2016).

At the other end of the age range, our young millennials and generations 'Y' and 'Z' are apparently throwing up massive new challenges for employers and HR with their 'widely different expectations' (The Economist, 2013) as they seek radical new benefits and meaning in their lives and work. Like jobs, pay progression and career development.

## Does age really matter?

But, just as our organisations haven't been overrun by hordes of decrepit, productivity-damaging over-65s, as the opponents of the age-equality legislation foretold, how much of the current ageing and generational literature and prophecies of doom can we believe? If greater pension savings is what we need over the next five years, then why has by far the most common employer action in the last five years been to reduce their contributions and benefits, when as a society we apparently need the opposite (ONS, 2015)?

And hang on a minute, should pensioner poverty really be at the top of our HR and employment worry-list when, according to the IFS (2015), ever since 2011, average pensioner earnings have exceeded those currently in employment (£394 average weekly pensioner income in 2013-2014 versus £385 average weekly worker's income after housing costs and dependants taken into account)?

As Lord David Willetts illustrated brilliantly at his recent IES lecture on intergenerational differences (Willetts, 2016; see also Willetts, 2010), Daltrey today might hope to be old rather than young, for it has been young not older people who have suffered most since the economic crash of 2008/9. They have faced declining real incomes (by 12% for 22-29 year-olds since 2009, twice the decline faced by the over-50s), job moves and employer training provision, and ever-lengthening average ages of everything, from moving out of the parental home (no sign of that for my two millennials yet) to owning a car; getting married; and having kids (which decreases the dependency ratio of pensioners to employed people, but becomes unsustainable at some point).

Similarly, do generational differences really matter, even though they must be in with a serious shout for the 'Top HR Fashion' of 2016 award? The subject has tended to produce more glitzy PowerPoint presentations than HR actions. With an amusing and insightful set of slides of her own at IES's Annual Provocation event in late 2016, Emma Parry, an expert on the ageing workforce, highlighted the conceptual and evidential shortcomings of much of the current avalanche of management literature on Generation Y and the like. Given the problems, such as wide variations within generational attitudes and across countries, Emma has concluded that 'it is not clear what value the notion of generations has for (HR) practice' (Parry and Urwin, 2011).

A research study looking at success in the careers of 5,000 physicists found that neither youthful creativity nor aged-experience won outright, what mattered more was output: the number of papers you produce at any stage of your career (Sinatra, 2016). Similarly, Galenson (2003) considered the age at which America's most popular poems were penned and found a wide age-range in the authors, from 23 to 59 years old.

So if the doom and gloom is overstated, is there anything we could or should be doing about age and ageing in our workforces? If Benjamin Franklin was right, that death and taxes really are the only certainties in life, can HR do anything to mitigate the more negative aspects of ageing that inevitably precede death?

## Actions on age

I would cautiously suggest, based on IES's research, that four age-related areas are worthy of your attention, investigation and possible action (with IES of course delighted to assist you with any of these activities across any or all of these areas).

## Address employee financial wellbeing

The scariest statistics of 2016 for me were contained in our research report produced for CIPD (Rickard et al, 2017), revealing the distinct lack of financial wellbeing of much of the UK workforce, well beyond the much-written-about shortfalls in pension provision amongst the over-50s.

With less than one in three of the UK's working population having savings of three months' income or more and debt levels back to their 2007 high, it's hardly surprising that 55 per cent of UK employees, including one in three workers aged between 25 and 34, report that financial pressures and money worries affect their behaviour at work and ability to perform in their job.

Without stereotyping unduly, age-related categorisations here have helped us to provide a useful framework for employers to understand, illustrate, plan and address the financial situation and capability of their employees, in ways beyond just providing them with a decent salary and employer pension plan.

The report proposes a range of actions for government and employers and their HR professionals, which you can read about in Catherine Rickard's chapter of this report.

## Think total rewards

As our 2016 research review for NHS Employers summarised:

*'The evidence gathered makes clear that there is no universal total reward 'silver bullet' that will result in employees being automatically engaged and both extrinsically and intrinsically motivated, leading to performance benefits flowing through.'*

(Brown, Callen and Robinson, 2016)

However, we found good evidence that where employees feel 'totally rewarded' for their contribution, and valued and recognised by managers, then higher levels of employee engagement and higher levels of performance are more likely to occur.

Regarding generational and age differences, we found that:

- There was a reasonably good evidential base that flexible- and cafeteria-style reward and benefits packages allow employees to choose components that particularly meet their needs and characteristics. Age categories can provide a good basis for structuring these choices but need to be flexible so individuals are not restrained by the categorisations. There is also some research evidence that various employee types, including millennials, prefer to be offered choice in their reward package and are more positive about their employer and their rewards if they do (Ibid.).

- Communication and employee understanding is quite clearly now, beyond technology and taxes, the biggest barrier to the success of total rewards and flexible benefits plans. Sensibly segmenting your workforce can help to structure and target reward communications better and avoid the annual ‘fire-hosing’ of all employees with the full details of their rewards and benefits package.

In the research report we illustrate a five-step model for employers to develop and practice a total reward strategy approach.

## Work on flexible working and retirement

It seems a long time since we first read about firms like B&Q employing workers well beyond the age of 65, yet average ages of retirement are only gradually increasing. The planned increases in state pension age are likely to have by far the biggest impact on this. A number of recent IES labour market studies have highlighted the continuing importance of extending working lives, alongside reinvesting in skills and maintaining a flow of migrant workers, in order to address the emerging and widespread UK skill shortages (eg Marangozov, Williams and Bevan, 2016).

A CIPD survey in 2010 on managing an age-diverse workforce found that many employers offered training and flexible working irrespective of employees’ ages, but almost half felt that they were struggling to engage with older workers in these initiatives (CIPD, 2010). Vanessa Beck at Leicester University finds a lack of use of older employees’ experience to coach other employees, and calls for ‘a change of mind-sets to make new working contexts as beneficial to both parties as possible’ (Beck, 2011).

Beneficial to both parties it can indeed be. Our own Stephen Bevan jointly authored the chapter in Dame Sally Davies’ annual report (Davies, 2016) of the state of the nation’s health, which highlights the health benefits for older people of employment. Bevan concludes in a related blog that ‘older workers represent another prime source of skilled labour which, if we can overcome some of our prejudices and adapt some of our working practices, stands ready to fill jobs and deliver added-value performance in ways which benefit both the wider economy and their own health and wellbeing’ (Bevan, 2016). At least the CIPD survey (2010) found equality of treatment, in that young workers were just as likely to feel discriminated against on the basis of their age as older ones.

IES’s work with employers on this subject highlights the need to make sure that a range of flexible working and training opportunities, including part-time and part-retirement options, are available and well publicised. Likewise, decisions about extending working lives should not be based on age stereotypes but on what individuals are good at and like doing. Organisations need to think creatively about redeployment opportunities that will help retain talented people in ways that add value to the organisation, eg mentoring and coaching younger employees. The ‘encore career’ at last appears to be becoming a reality for far more of us over-50s. As Dr Kath Atkinson (2016) expertly summarises, ‘we must

not base training strategies and decisions on raw numbers, least of all those on someone's birthday card!'.

## Use your attitude and engagement survey data

Somewhat ironically given that every self-respecting HR department seems to need to report on the different attitudes to employment of their millennials, the majority of employers are not analysing their engagement survey data effectively nor responding to the findings, despite the fact that such actions correlate, unsurprisingly, with future improvements in engagement levels (Aon, 2014).

There are notable exceptions to this which we have come across in IES research over the past year. HR Director and IES Honorary Fellow, Dean Royles, told me about his experiences at Leeds Teaching Hospitals NHS Trust (LTHT). Three years ago the Trust was in a poor financial state and had comparatively low levels of staff engagement. Since then there has been a turnaround on both of these as well as, importantly, on inpatient care, with the Care Quality Commission rating moving up from 'requires improvement' to 'good'.

LTHT have focused on diagnosing and improving staff engagement, at all phases of people's careers and experience as employees – they track a range of measures on what they call 'the employee journey', from joining through to retirement, and retention rates are high. Addressing areas of weakness highlighted by the annual survey has driven a wide range of initiatives across the Trust, ranging from improved induction, to much more visible leadership, and improved staff communications and involvement, for example through crowdsourcing technology.

In November last year, Natalie Greenwell, HR Director at Network Rail, told our Annual Provocation audience about the refashioning of the recruitment image and employment brand of engineers and the railway that they have been engaged in, to ensure the future supply of talent they need and to appeal to a younger and more diverse audience. Interestingly, the resulting rebranding has emphasised their role in the community and their environmental policies, but it has also placed more emphasis on the long-term career opportunities available. They also, interestingly, found no discernible differences in attitudes between Generations Y and Z in their research.

Their refocusing has yielded impressive results, with the proportion of female graduate engineering job offers at 16 per cent (more than double the national ratio) and black, Asian and minority ethnic (BAME) staff accounting for 31 per cent of graduate offers compared to 11 per cent for experienced hires (Greenwell, 2016).

## **'Why don't you all f-f-fade away...This is my generation'**

Network Rail's diversity and inclusion strategy is driven by a powerful business case: future employment needs will not be met without attracting new and more diverse sources of talent. But as Natalie Greenwell pointedly asked us, is diversity really about managing the different generational groups equally, or is it treating each of their 36,000 employees as individuals?

Be it in Shakespeare's *Seven Ages of Man*, or Psalm 71's anticipation of Daltrey's lament, 'Even when I am old and grey, do not forsake me, O God, till I declare your power to the next generation', age and generational categories can provide us with a useful perspective to analyse and understand the character, needs and motivations of a workforce. But the key is to use it as just that, as a lens to help to produce effective evidence to support your value-adding HR actions and initiatives, rather than simply as a knee-jerk response to generic headline statistics and follow-my-competitor supposed 'best practices'.



## References

- Aon (2014), *Trends in Global Employee Engagement*, Aon
- Atkinson K (2016), 'Ageing and learning in the workplace: Is age just a number?', *Institute for Employment Studies* [Online]. Available at: <http://www.employment-studies.co.uk/news/ageing-and-learning-workplace-age-just-number> [Accessed: 12 January 2017]
- Beck V (2011), 'Extending Working Lives', in Parry E, Tyson S, *Managing an Age Diverse Workforce*, Palgrave Macmillan
- Bevan S (2016), 'Working beyond retirement – the new prescription for good health?', *Institute for Employment Studies* [Online]. Available at: <http://www.employment-studies.co.uk/news/working-beyond-retirement-new-prescription-good-health> [Accessed: 12 January 2017]
- Brown D, Callen A, Robinson D (2016), *The relationship between total reward and employee engagement: An evidence-based review*, NHS Employers
- CIPD (2010), *Managing an Ageing Workforce*, Chartered Institute of Personnel and Development
- Davies S (2016), *Annual Report of the Chief Medical Officer 2015: Baby Boomers: fit for the future*, Department of Health
- Dyson R (2016), 'The £1 Trillion pensions crisis facing 11 million (and they are the lucky ones)', *Daily Telegraph* [Online]. Available at: <http://www.telegraph.co.uk/pensions-retirement/news/the-1-trillion-pension-crisis-facing-11m-and-theyre-the-lucky-on/> [Accessed: 12 January 2017]
- Galenson D (2003), *Literary Life Cycles: Measuring the Careers of Modern American Poets*, National Bureau of Economic Research
- Greenwell N (2016), *Generations in the workplace* [unpublished presentation slides], Network Rail
- Hawkes S (2016), 'Pensioner numbers tipped to soar by a third', *The Sun* [Online]. Available at: <https://www.thesun.co.uk/news/2491991/pensioner-numbers-tipped-to-soar-by-a-third-to-15million-over-next-decade-and-rise-11-times-faster-than-young-population/> [Accessed: 12 January 2017]
- IFS (2015), 'High levels of income for current retirees shouldn't blind us to future challenges', *Institute for Fiscal Studies* [Online]. Available at: <https://www.ifs.org.uk/publications/8026> [Accessed: 12 January 2016]



- IPPR (2016), *Futureproof: Britain in the 2020's*, Institute for Public Policy Research
- Marangozov R, Williams M, Bevan S (2016), *Beyond Brexit: Assessing key risks to the nursing workforce in England*, Institute for Employment Studies
- ONS (2015), 'Occupational Pension Schemes' Survey: 2014', *Office for National Statistics* [Online]. Available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/pensionsavingsandinvestments/bulletins/occupationalpensionschemesurvey/2015-09-24> [Accessed: 12 January 2017]
- Parry E, Urwin P (2011), 'Generational Differences in Work Values: A Review of Theory and Evidence', *International Journal of Management Reviews*, Vol. 13, No. 1
- Rickard C (2017), 'Supporting employee financial wellbeing', *IES Perspectives on HR 2017*, Institute for Employment Studies
- Rickard C, Spiegelhalter K, Cox A, Brown D (2017), *Employee financial wellbeing: practical guidance*, Chartered Institute of Personnel and Development
- Sinatra R (2016), 'Quantifying the evolution of individual scientific impact', *Science*, Vol. 354, No. 6312
- The Economist (2013), 'Winning the Generation Game', *The Economist* [Online]. Available at: <http://www.economist.com/news/business/21586831-businesses-are-worrying-about-how-manage-different-age-groups-widely-different> [Accessed: 12 January 2017]
- Willetts D (2010), *The Pinch: How the Baby Boomers Have Taken Their Children's Future – and Why They Should Give it Back*, Atlantic Books
- Willetts D (2016), 'Event slides: Fairness between the Generations', Institute for Employment Studies

## More on this topic

In November 2016, the IES Provocation and Annual Fellows event adopted the theme of intergenerational differences.

Lord David Willetts' presentation slides, entitled Fairness between the generations, are available to download for free from the IES website: <http://www.employment-studies.co.uk/2016/annual-provocation-and-honorary-fellows-address-intergenerational-differences>

The reports resulting from our research for CIPD on employee financial wellbeing were published in January 2017 and are covered in greater detail in Catherine Rickard's chapter on page 30 of this report, 'Supporting employee financial wellbeing'.

The IES research for NHS Employers on the relationship between total reward and employee engagement is available to read from the IES website: <http://www.employment-studies.co.uk/resource/relationship-between-total-reward-and-employee-engagement>

For more information on any of IES's work mentioned in this chapter, or to discuss working with us in these areas, please contact Dr Duncan Brown, Head of HR Consultancy:

[duncan.brown@employment-studies.co.uk](mailto:duncan.brown@employment-studies.co.uk) | [@duncanbHR](https://twitter.com/duncanbHR)

## Talkin' 'bout my generation: Ageing and pensions

**23 March 2017, London**

This event will consider the practical implications of an ageing workforce and generational differences for employers and HR, and what, if anything, you should be doing about it. Come along to hear about and debate actions in areas ranging from health and wellbeing to employee engagement and reward.

This event will be facilitated by Duncan Brown.

To find out more or book a place, please visit: <http://www.employment-studies.co.uk/events>



This article is from IES report: Tamkin P (ed) (2017), *Darkening skies? IES Perspectives on HR 2017*, Report 510, Institute for Employment Studies.

The full report is available online at: <http://www.employment-studies.co.uk/hr2017>

### About IES

IES is widely respected for its knowledge, insight and practical support in HR, OD, L&D and people management issues. The Institute combines expertise in research with its practical application through our consultancy work. Our approach is based on:

- building, exploiting and sharing the evidence base
- independence, objectivity and rigour

- considering the whole people system, not just the individual parts
- delivering practical, sustainable business benefits
- building our clients' capabilities rather than their dependence.

Whatever your professional and HR needs, get in touch:

T: 01273 763400

E: [penny.tamkin@employment-studies.co.uk](mailto:penny.tamkin@employment-studies.co.uk)