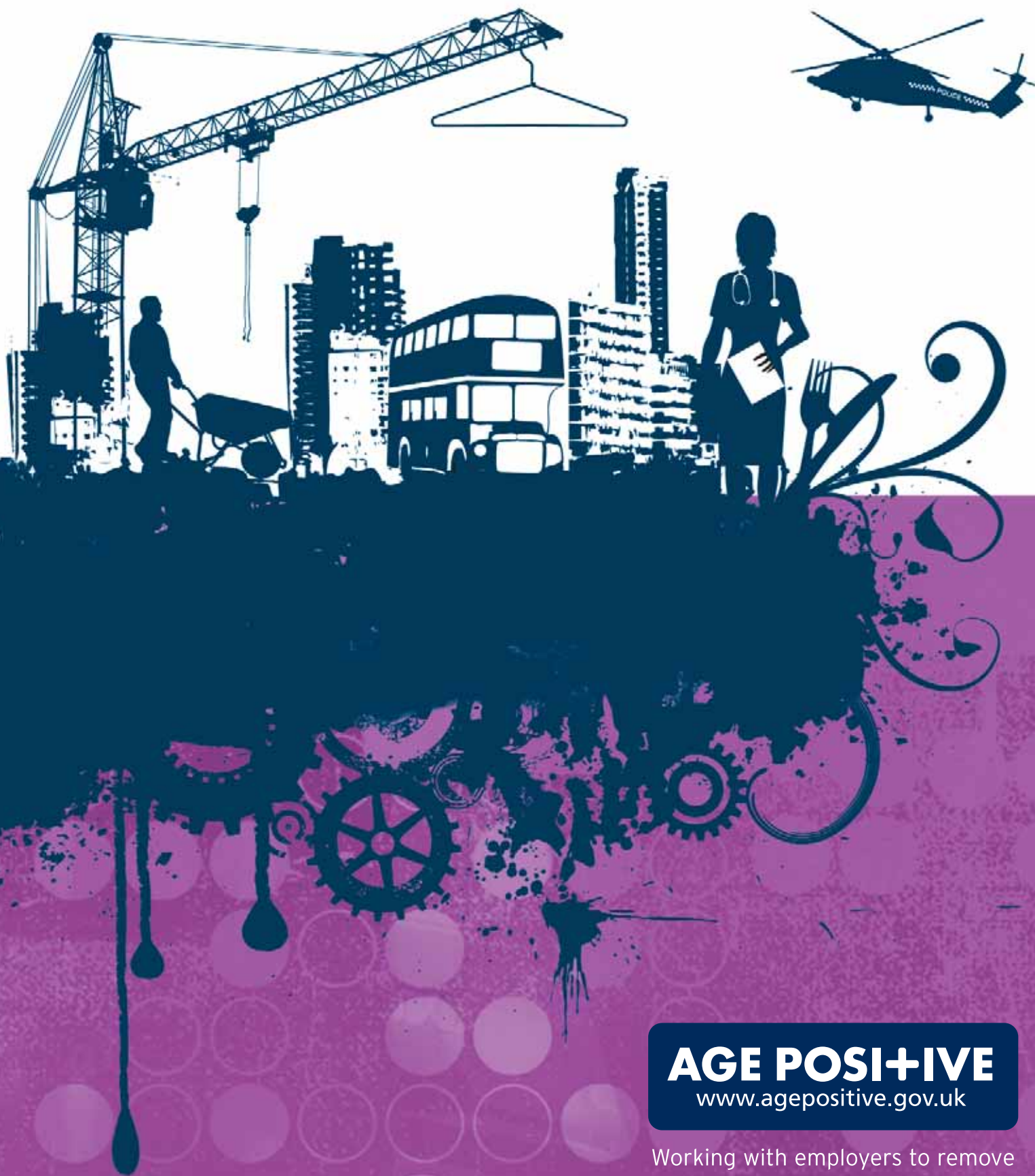


Pay and Non-Pay Benefits: Age Positive Guide



AGE POSITIVE
www.agepositive.gov.uk

Working with employers to remove
age discrimination in employment



Introduction

Employing and retaining an age diverse workforce could have real benefits for your organisation. People of all ages have the potential to contribute positively to your business at every level.

We recognise that all businesses are unique. This leaflet is not intended to cover all individual circumstances or provide advice, but it will give you a range of examples of how other - small, medium and large - organisations are realising their potential through the pay and other benefits they offer their staff.

Age Legislation

From 1 October 2006 the Employment Equality (Age) Regulations make it unlawful to discriminate against employees, job seekers and trainees on the grounds of age.

The regulations cover workers of all ages - young and old - and all employment and vocational training.

This includes access to help and guidance, recruitment, promotion, development, redundancy, perks and pay.

What this means for you

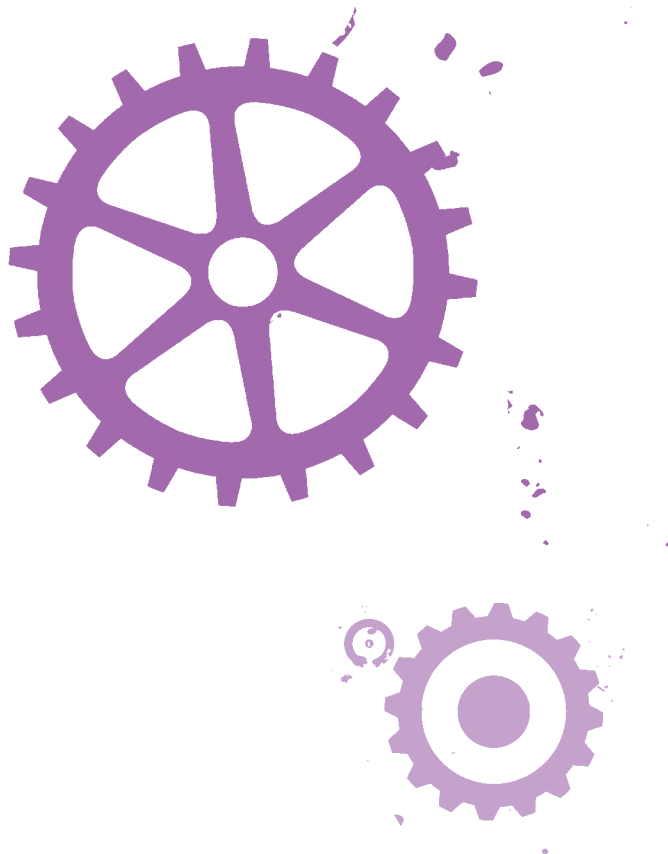
Simply put, the new regulations mean that you need to:

- look at your existing pay and non-pay benefits packages and
- check that any policies, practices or routines you operate are age compliant.

Specifically, when you are dealing with pay and non-pay benefits, you should ensure that:

- all staff are aware of the pay and benefits they are entitled to
- decisions about pay and benefit awards are based on objective criteria and individual performance, not on age
- there are routines or practices in place to check that no bias, (deliberate or unintentional), has influenced redundancy decisions.

Like many other employers, you probably use pay and benefits to reward loyalty and experience - **remember**, it is the expertise and the competence of the individual that counts, not their age.



Business benefits of age positive pay and non-pay benefits policy

Recruiting new staff is an expensive business, no matter how big or small your organisation, therefore making efforts to make your staff feel valued and motivated, regardless of their age, makes good business sense.

If your employees are well rewarded for good performance, they will feel more valued and motivated to contribute to the success of the organisation. This has the obvious benefit of **improved productivity**, as well as helping to ensure higher retention rates - which leads to **lower recruitment and re-training costs**.

The Chartered Institute for Personnel and Development (CIPD) estimates that it can cost as much as £8,200 to replace each employee - this may be less for unskilled posts or more (up to £12,000) for more senior positions.¹ But whatever the figure, it's costing you money and that isn't a business benefit. So, it is essential that you retain as many of your talented staff as possible to keep these costs to a minimum.

Domestic & General (the UK's leading specialist provider of domestic appliance repair protection plans) found that age positive recruitment and retention initiatives reduced recruitment costs by 50 per cent.

Checklist - Making your pay and non-pay benefits more age positive

The Government recognises that service-related pay and benefits are widely used to motivate staff, reward loyalty and recognise experience. This checklist has therefore been compiled from practices adopted by employers who have already reaped the benefits of an age positive approach to pay and non-pay benefits.

The new age laws allow the service-related benefits you currently offer (for example holiday entitlement) to continue as long as the period of service is not more than five years. If the length of service exceeds five years, they could still be allowed if you are able to objectively justify your actions. Check ACAS for more help and information on exemptions and objective justification.

Review your existing policies

- Many benefits only become available after a minimum period of service, i.e. eligibility to staff discounts or eligibility to join the company pension scheme. If this is the case in your company, always make sure that all new members of staff are treated fairly and that eligibility isn't associated with age or with working full-time
- Scrutinise your policies on pay and benefits and ask yourself whether they are outdated or are based on age in some way
- Are your rates of pay linked to the age of the individual rather than their experience? If so, not only is this likely to be unlawful under the new regulations, you may also be losing younger members of staff who feel that they are not valued or de-motivating existing staff.

¹ www.cipd.co.uk. Annual Survey Report 2006: Recruitment, Retention and Turnover

Be open and transparent

- Talk to your staff regularly to discuss their needs and expectations - make sure your staff know about the benefits you offer (for example, an employee might be struggling to balance their work with caring for an elderly relative, but not know you offer compassionate leave)
- Use clear and objective criteria to make decisions about pay awards and other benefits - base these on individual need, ability and performance, as well as the needs of your business
- Remember, no-one is too young or too old - if you offer career development, training or educational breaks or sabbaticals, make sure you emphasise that age is not a barrier.

Other good practice

- No matter what the size of your business, ensure you communicate your age positive approach to all your employees - talk to them face-to-face, discuss informally, and ask for comments. If you have a more structured approach, use team meetings, newsletters or your intranet. Remember, communication is critical to business success
- Keep a record of the age of employees who are considered for, and who are granted, pay awards and non-monetary benefits - follow-up with line managers if you find any bias
- Companies of all sizes should keep a record of the age profile of their employees at different levels. This will help you to identify any areas of concern (for example where all employees are nearing retirement or where you need to recruit to fill expanding or critical areas)
- Some medium/larger employers offer a 'basket' of flexible benefits that staff can choose from, all with a similar value, these have included child care vouchers, extra holidays, health insurance or specialised health checks to name a few

- An equality policy is one of the easiest ways to demonstrate that you take discrimination seriously. Consider including all forms of discrimination and harassment - gender, race, disability, gender reassignment, sexual orientation, religion, as well as age.

Some age friendly benefits that have worked for other employers include:

- Retirement planning courses for employees and their partners
- Flexible hours and flexible retirement (for example flexi-time, job sharing, part-time, shift work, compressed hours, term-time working or temporary contracts)
- Flexible leave entitlement (for example sabbaticals to give people a career break, leave for grandparents after the birth of a grandchild or carers' leave)
- Email/internet access during lunch breaks for staff who don't have computers at home - this can have the added benefit of giving workers who are less comfortable with IT the chance to get familiar with it at their own pace
- Some companies offer free health tests for diabetes, cholesterol and high blood pressure, plus, because some health conditions are more likely to affect people at different ages, they offer free screening for certain ailments, for example, osteoporosis screening for women over 30 and prostate cancer screening for men over 45. It should be noted that as age ranges have been specified, the companies will need to consider requests from other members of staff or be able to objectively justify their decision if challenged.



Norfolk Constabulary

Who we are

Norfolk Constabulary provides a wide range of policing services for the local community. We employ around 3,000 staff - half of whom are police officers and special constables, the rest are police staff.

What we do

Our pay scales and benefits packages are determined by statute by national bodies. Despite this, we are continually reviewing our practices on the ground to ensure no one is treated unfairly on grounds of age. Specifically:

- we have a range of monetary and non-monetary benefits (including defined benefit pension schemes, an in-house occupational health service, compassionate leave and time off for carers) which are well-publicised on our intranet
- our benefits are available to staff of all ages - they do not exclude younger or older workers
- our policies are reviewed regularly to ensure that no benefits offered to staff stop at a particular age
- we consult widely on all policies (for example with the Police Federation, Unison and solicitors) to make sure our package is not discriminatory in any way.

How it has benefited our business

- our older staff tend to work more independently, which means they need less management supervision
- retaining key skills and abilities means we deliver a high quality service to our 'customers' - the local residents of Norfolk
- having an age diverse workforce, we are better placed to understand the needs and concerns of local people of different ages who we are here to protect.

Business benefits of an age diverse workforce

There are widely acknowledged business benefits from retaining an age diverse workforce. For example, some organisations have found older workers generally have **better attendance** and **stay in the job for longer** - often showing **higher levels of commitment** to the company.

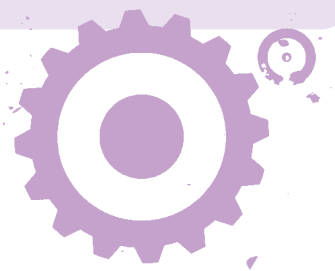
A recent Somerfield staff survey showed that 80 per cent of employees over the age of 50 felt strongly committed to the company, compared with 62 per cent overall. Similarly, older workers were more likely than others to say they were proud to work for the company.

There are a wide range of other benefits that many employers are not taking full advantage of. In particular, you can make sure you keep the diverse range of skills and experience brought by people of different ages.

While younger workers tend to be more technically proficient, older workers bring valuable experience and, once they have learnt new skills, are often more reliable in performing their job.

The experience that older workers bring can also be harnessed to help **train and develop younger workers**.

The Land Registry in Swansea believes it is important to maintain their organisation's levels of experience and encourage their staff to stay with them beyond normal retirement. To help this, new staff have been teamed with older and experienced staff for mentoring and sharing knowledge.



Last, but by no means least, retaining an age diverse workforce can help you provide a **better service to your customers**, with obvious benefits to your business.

The Scottish Court Service realised that by employing staff of all ages, with different attitudes, opinions and experiences, they are better able to understand the needs of their customers. They have received positive feedback from both older and younger customers who were extremely grateful to find a member of staff they felt comfortable talking to.

A changing workforce for employers

Currently, people aged 50+ represent:

- almost 30 per cent of people of working age² and
- 26 per cent of those actually in work³.

And by 2020 there will be nearly five million more people aged 50+ in the UK.²

This, combined with falling birth rates, makes the need to review your policies on pay and benefits all the more pressing. Retaining your staff, and making sure you don't inadvertently discriminate or de-motivate staff of any age, will become even more important over the next 10-15 years.

Take, for example, the Health and Social Care sector. It currently employs 3.4 million people. By 2014, the sector will still need an additional 1.6 million people to meet expansion and replace leavers (this is equivalent to 47 per cent of current workforce).⁴

It is essential that all employers, of all sizes, in all sectors, take action now and get ready. It can only be a benefit to be ahead of the competition.

London & Quadrant Housing Trust

Who we are

London & Quadrant is a charity providing homes to a wide variety of economically disadvantaged people.

What we do

We have an Equal Opportunities Working Party whose members are drawn from across the company and include representatives with a specific remit for over 55s and under 25s.

Our employment policies and procedures are well-publicised and transparent, which helps to ensure that all our staff are treated equally

Our excellent benefits package has been designed to make sure we cater for staff of all ages. For example, we offer:

- paid grandparents leave
- discounted health screening
- personal financial advice
- carers leave
- free eye tests and eye care vouchers
- employee assistance programme including counselling and legal advice
- ICT awareness training.

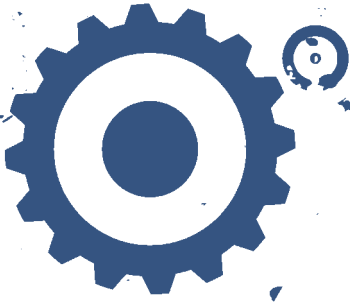
How it has benefited our organisation

- our staff turnover fell by 14 per cent in just two years
- sickness absence is at an all-time low of just over two per cent
- we are an employer of choice - we were recently listed as one of the 'Top 100 Companies' to work for in the Sunday Times.

² Government Actuary Population Projections, 2004.

³ Labour Force Survey Dec-Feb 07

⁴ Managing an ageing workforce in the 'health and social care' sector. A report for employers available to view at www.agepositive.gov.uk



Age Positive pay and non-pay benefits: answers to your questions

1. Who does the law cover?

The regulations make it unlawful to discriminate against people of all ages from 16 upwards, with the exception of members of the regular armed forces, full-time and part-time reservists and unpaid volunteers. It also covers those who already work for an organisation, are applying to work for an organisation and, in some instances, people who have left employment.

2. Do the regulations cover all employers?

Yes, all employers, regardless of size. This includes providers of vocational training, trade unions, professional associations, employer organisations and trustees, managers of occupational pension schemes.

3. Does this impact on the pay and non-pay benefits I offer as an employer?

Yes, however there are some key facts employers need to know.

Any pay and non-pay benefits within the first five years of service are exempt. Employers may use pay scales that reflect growing experience or limit the provision of non-pay benefits, i.e. discount cards, holiday entitlement etc to those who have served a qualifying period, subject to the five-year limit.

There is also a list of exceptions to or exemptions from the regulations in the following areas:

- Pay and other employment benefits based on length of service
- Pay related to National Minimum Wage
- Acts under statutory authority
- Enhanced redundancy
- Life Assurance - (limited exemption)
- Retirement.

Pay and non-pay benefits is a complex issue and cannot be fully covered here - check either ACAS or the DTI website for more information at www.acas.org.uk or www.dti.gov.uk/employment/discrimination/age-discrimination/index.html



4. What about over five years, I give long service awards and other service enhancements, do I have to stop?

No. Giving long-service awards or other enhancements after five years could still be lawful if they are objectively justifiable and meet a proportionate and legitimate business aim. Care should be taken to ensure that the awards are not based on actual age, for example, holiday or pay entitlement increased at fixed age points would be unlawful.

Consider if your practice is challenged, how will you demonstrate to a tribunal that providing this benefit reflects a higher level of experience of the employee, or is proven to increase or maintain the loyalty or motivation of the employee? The tribunal will need to be able to conclude from your evidence that there is a business benefit to your organisation.

5. I pay National Minimum Wage for new recruits - is this now unlawful?

No you will still be able to follow the age bands and minimum wage level used in the national minimum wage legislation.

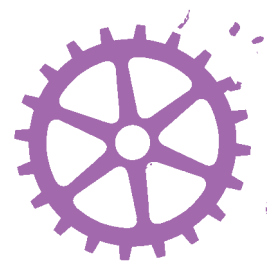
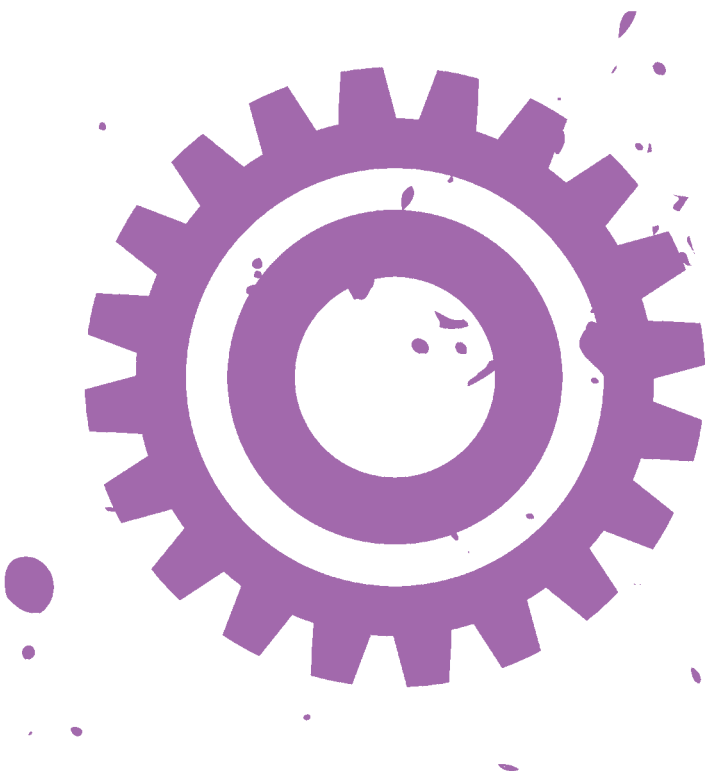
6. Is there anything else I need to do to make sure I act in accordance with the new regulations?

Review your practices now and remove any, which are obviously ageist.

Seek advice if you have concerns. If you don't have access to your own HR department or to independent legal advice, ACAS is the nominated agency to give advice and guidance on age issues. Contact their Helpline on 0845 7474747 or go online at www.acas.org.uk

Good practice, help and information is also available on the Age Positive website at www.agepositive.gov.uk or look at any of the other sources of help and information listed in this leaflet.

Remember - if you discriminate and lose your case, there is no limit on how much an employment tribunal can ask you to pay.



Sources of additional information

General help and information

Age Positive
www.agepositive.gov.uk

ACAS
08457 474 747
www.acas.org.uk

Business Link
0845 600 9 066
www.businesslink.gov.uk

Financial Services Authority
0845 606 1234
www.fsa.gov.uk

British Chambers of Commerce (BCC)
020 7654 5800
www.chamberonline.co.uk

Age Concern
0800 00 99 66
www.ageconcern.org.uk

The Employers Forum on Age (EFA)
0845 456 24 95
www.efa.org.uk

Trades Union Congress (TUC)
020 7636 4030
www.tuc.org.uk

Confederation of British Industry (CBI)
020 7395 7400
www.cbi.org.uk

Chartered Institute of Personnel and Development (CIPD)
020 8612 6200
www.cipd.co.uk

Equal Opportunities Commission (EOC)
0845 601 59 01
www.eoc.org.uk

The Age and Employment Network (TAEN)
020 7843 1590
www.taen.org.uk

Recruitment and Employment Confederation (REC)
www.rec.uk.com

Federation of Small Businesses (FSB)
020 7592 8100
www.fsb.org.uk

Other Government sites

Department of Trade and Industry (DTI)
www.dti.gov.uk

Department for Work and Pensions (DWP)
www.dwp.gov.uk

HM Revenue and Customs (HMRC)
www.hmrc.gov.uk

Health and Safety Executive (HSE)
www.hse.gov.uk

Directgov (Employment)
www.direct.gov.uk/en/Employment/



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www.agepositive.gov.uk
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DWP Department for
Work and Pensions