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50 Up

How Co-op conquered the health trap and reaped the dividend of an older workforce

Neasa MacErlean

The Observer, Sunday January 20 2008

If the Co-op group's experience is anything to go by, plenty of us will chose to keep on working beyond the age of 65. Among its workforce of 85,000, nearly 3,000 are over 60 - and just over 1,200 are over 65. There is no formal retirement age, so people keep working until they want to stop or cannot physically work any longer.

In autumn 2006, the government introduced anti-age discrimination rules to make it easier for older people to carry on in harness. Numbers of older workers are rising gradually but the figures are not yet that impressive. Most employers are probably less like the Co-op in spirit and more like the Department for Business, Enterprise and Regulatory Reform - the ministry supposedly leading the age equality initiative, which earlier this year admitted to having just three employees aged 65 or over in its 3,500 strong workforce.

Nationally, there are about 391,000 employed males over 65, and 747,000 female employees over the current female state retirement age of 60.

So how does the Co-op do it? Realising the benefits they get (experience, for instance), Co-op bosses make it as easy as possible for their older staff to stay on board. 'They just carry on until they want to retire,' says diversity project manager Faizal Musa. They do not have to fill out forms and when they finally do retire, it will be handled through their usual management and appraisal processes.

The Co-op has surveyed its workforce (most employed in shops around the country), asking them about retirement plans. The proportion wanting to stop work rises as people get closer to retirement: only 40 per cent of fiftysomethings express a desire to step down, but this rises to over 50 per cent of 63- and 64-year-olds. The reasons are both financial and social. Many go for the compromise of working part-time.

The Co-op has also found a way to overcome an obstacle that thwarts most employers. The regulations that came in last year also prohibited employers offering poorer medical insurance benefits to older workers. This is a real problem in practice, as it costs a lot more to insure a 67-year-old than a 27-year-old. The Employers Forum on Age reports one case where a firm let its 65-year-old receptionist stay on, only to discover that insuring her would cost £15,000 a year. This firm has now decided not to let anyone else stay on past the age of 65.

James Davies, an age discrimination expert at solicitor Lewis Silkin, says: 'This problem is a real issue and is stopping many employers employing over-65s when they would otherwise be happy to do so.' Although it will not say so formally, the government is considering relaxing the regulations, but it does not seem to be in a hurry to do it.

The Co-op solution lies in the fact that it is big enough to self-insure. This means it does not have to buy health cover but handles costs directly itself as and when they arise. This is not, of course, a solution for smaller employers, but most larger firms have not followed suit.

The government needs to address this obstacle as soon as possible. Demand to work longer is growing. The number of workers above state retirement age increased by 4 per cent in the year to June 2007 - and people now in their fifties could need to work longer than those now in their sixties. Sam Mercer of the Employers Forum on Age says: 'There will be a gradual creep. We are, arguably, looking now at the last generation who have been in fairly generous pension schemes and who have benefited from enormous increases in the value of their properties.'

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