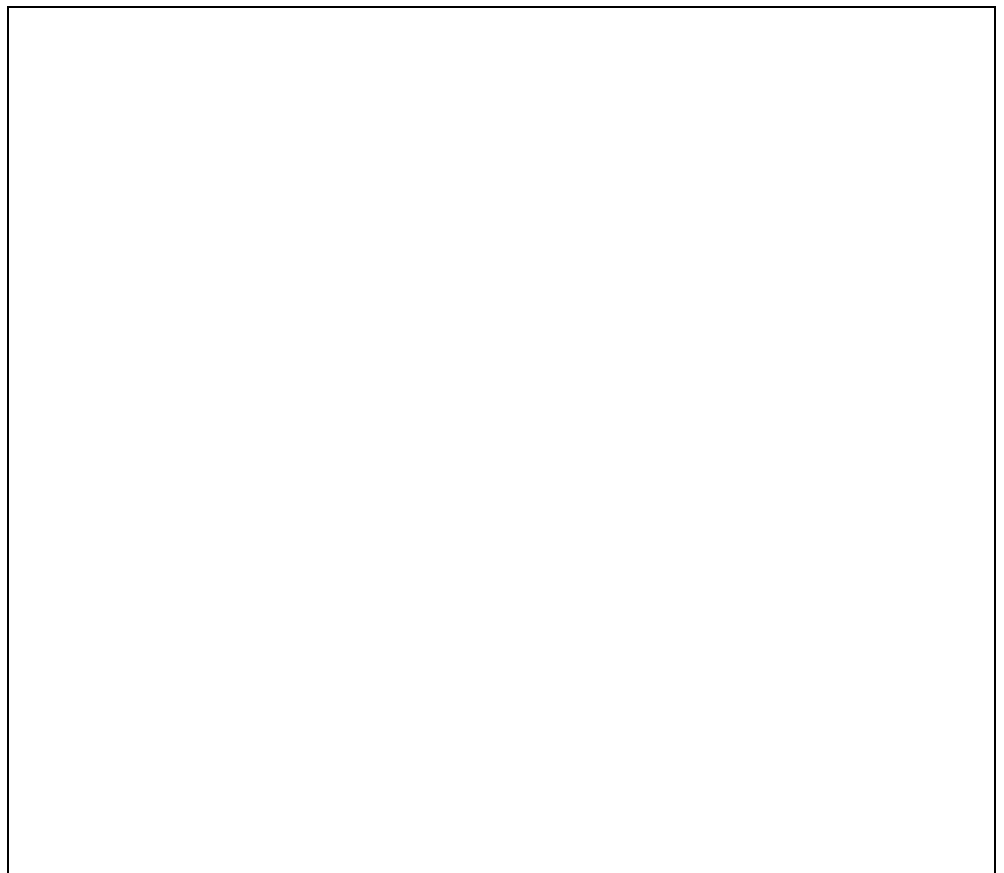




Eurofound

Impact of the recession on age management policies

Case study: BT, United Kingdom

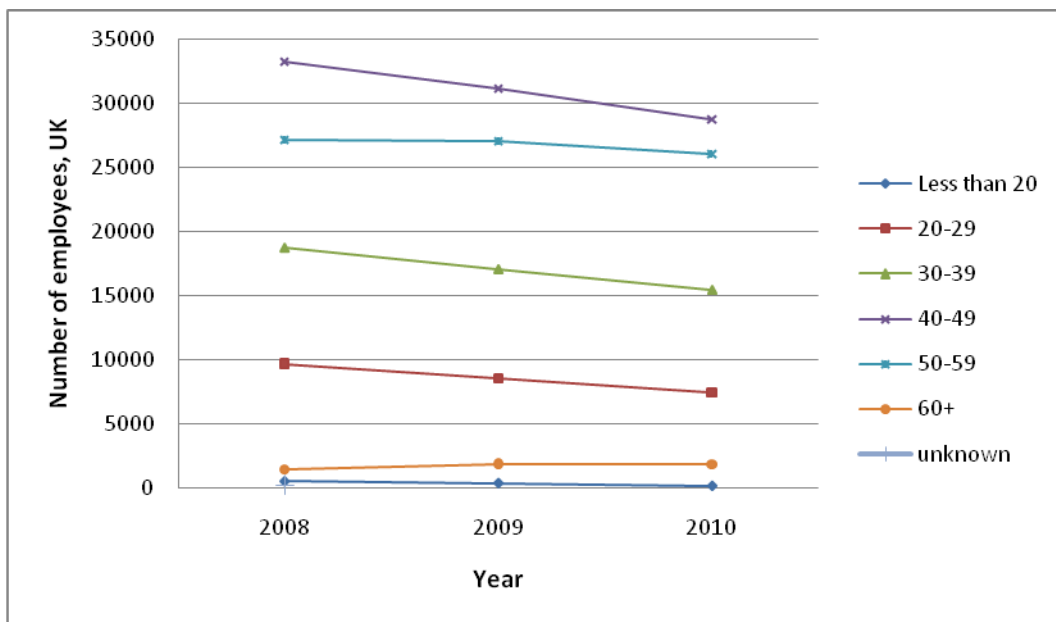


Organisational background

BT is a UK-based communications service provider with operations in 65 countries providing fixed lines, broadband, mobile and TV products and services, and networked IT services. BT expanded from telephony to providing network platforms for software systems (Investors in People). Its adjusted revenue in 2010 was £20,911 million or about €26,741 million at the time of writing (BT, 2010b). BT has 97,798 employees worldwide, with 79,832 employees located in the UK. This equates to 96,059 full-time equivalents worldwide and 78,218 full-time equivalents in the UK. UK operations therefore employ 82% of BT's employees (2010) (BT, 2010b).

BT's workforce has been shrinking since the 1980s, from approximately 240,000 employees in the early 1980s to just under 100,000 employees in 2010. Enabled through flexible working policies (see description of policies below), a sizable proportion of BT's UK workforce work remotely. In 2010, 12.1% of UK employees were home-workers (9,641 employees).

Figure 0.1: Number of UK employees at BT by age group, 2008–2010



Source: BT Sustainability report 2010

Older workers feature strongly within BT's UK workforce. In 2010, approximately 35% (27,936 employees) were aged 50 and above, having increased slightly in proportion to the total workforce over the past two years from approximately 32% in 2008 (28,677 employees) (see **Error! Reference source not found..1**).¹ In contrast, there is less diversity in BT's workforce by gender and ethnic origin. Women comprise approximately 22% of BT's workforce, including management and team members and only 10% of BT's staff identify as coming from an ethnic minority. Nevertheless, women are more highly represented in recruitment, particularly of graduates (Table 0.1). Between 2008 and 2010, the percentage of newly recruited women grew from 26.62% to 32% of all new recruits, and from 36% to 45% of all graduate recruits. Recruitment of people of a declared ethnic minority has been less dramatic than that of women; though they comprised 11% of all new recruits in 2010, this number has fallen over the two preceding years, from 15% of all recruits in 2008.

¹ This statistic must be slightly conditioned by the fact that there were 254 employees in 2008 for which the age profile was unknown, and thus could account for some of the difference in age profile.

Table 0.1: Diversity of recruitment – percentage of new recruits by ethnic minority, disability and sex, 2008–2010 (UK)

| Year | Women – all | Women – apprentices | Women - graduates | Disabilities – all | Apprentices – declared disabilities | Graduates – declared disabilities | Ethnic minority – all | Apprentice – declared ethnic minority | Graduates – declared ethnic minority |
|------|-------------|---------------------|-------------------|--------------------|-------------------------------------|-----------------------------------|-----------------------|---------------------------------------|--------------------------------------|
| 2008 | 26.62 | 16.32 | 36.15 | 0.56 | 2.53 | 1.17 | 14.73 | 11.81 | 15.85 |
| 2009 | 33.78 | 13.79 | 40.43 | 0.58 | 1.88 | 2.89 | 12.23 | 8.77 | 12.22 |
| 2010 | 32.23 | 26.15 | 45.32 | 6.6 | 0 | 4.2 | 11.36 | 4.84 | 11.11 |

Source: BT Sustainability report 2010

The number of BT employees with disabilities increased steadily from 2008 to 2010 among team members and management, increasing from 2.7% of BT employees with disabilities in 2008 to 3.63% in 2010. However, this could be explained by external events², such as adverse weather conditions and the H1N1 influenza between 2009 and 2010. There has also been a gradual rise in the number of mental ill health related absences, and injury and days lost to sickness between 2008 and 2010. Despite this, the number of ill health occupational health referrals has fallen from 2008 through to 2010, from 62 referrals per 10,000 employees to 35 per 10,000 employees (BT, 2010b).

BT employees have the option to join the Communication Workers Union (CWU), which formed in 1995 after a merger of the Union of Communication Workers and the National Communications Union and has a membership of 215,000. There is a specific national officer responsible for negotiating with BT on pension issues. There is a separate trade union, Prospect, to represent managerial and professional staff with BT.

Policies and practice in relation to age management

BT has an ‘age neutral’ approach to promoting diversity and equality among age groups in its workforce. The organisation’s equal opportunities and diversity policy aims to ensure ‘everyone should have the same opportunities for employment and promotion based on their ability, qualifications and suitability for the work’ (BT, 2010a).

In some cases meeting this aim has involved intentionally seeking to recruit and employ under-represented minority groups. While BT recognises that it has an ageing workforce, reflecting changes in UK society (interview with BT), its age neutral approach means that older age groups cannot specifically benefit in policies and practices. However, there are policies and practices that are more likely to benefit or be relevant to older workers, but that are open to workers belonging to any age group.

First, policies and procedures to accommodate workers with changing capabilities have been particularly relevant for older workers (interview with BT). BT has two main policies to respond to changes in workers’ capabilities: reasonable adjustment and managing changing capability. The first course of action in response to changes in capabilities is to implement the reasonable adjustment policy. A formal referral is sought to allow an employee to continue in the same job, but with adjustments to the position or ways of working to accommodate changed capabilities. Approximately 2,000 referrals were made in 2010 in which reasonable adjustments could be made to allow employees to remain in their positions, but accommodate for the change in capabilities (interview with BT). If reasonable adjustments cannot be made to accommodate changed capabilities for a particular position, the next step is to invoke policies to manage changing capability. This is done by either re-skilling employees or moving the individual to a different position within BT. Finally, if an opportunity for re-

² The lost time injury rate (in cases per 100,000 working hours) was 0.188 in 2008, 0.157 in 2009, and 0.209 in 2010. The percentage of calendar days lost due to sickness was 2.43% in 2008, 2.17% in 2009 and 2.46% in 2010.

skilling or an internal transfer is not possible, then termination of employment is enforced as a last resort.

Second, flexible working policies also can help to accommodate interests of older workers. All employees have the right to request flexible working, and the employee's line manager makes the decision whether or not to accept requests. BT also uses flexible working as a way to allow employees to transition to retirement, for example, by moving to part-time working, or positions with less responsibility. The head of people practice at BT in 2011 suggests BT's use of flexible working stems partially from the nature of its business activities and products: BT sells the technology to support flexible working (e.g. technology for home-working), partially as a way to support restructuring and downsizing. Flexible working could be a means to prevent duplication of functions geographically, by consolidating operations into centres of excellence.

In addition to policies to support changing ways of working, the experience of older workers is also affected by organisational policies around retirement and leaving the workforce. BT does not have a mandatory fixed retirement age; it abolished its normal retirement age in 2005 (Batchelor, 2010). However, until the change in UK legislation about firms' right to use a default retirement age in 2011, BT retained the right to enforce a default retirement age in specific cases.

BT also developed a training programme to support the transition of older workers out of the workforce. In 2010, BT trialled a pre-retirement course for 198 older employees. This was run by an independent organisation, WEALTH at Work. The course consists of a half-day course, followed by a one-to-one session with a financial advisor. In 2011, BT rolled this out voluntarily to all employees over 55 years. On one hand, the pre-retirement course was used to communicate to employees the specifics of BT's pension scheme and retirement age policies. On the other hand, it provided information on pension entitlements, state benefits, and other concerns related to retirement (e.g. capital investment, tax efficiency) (interview with BT). In developing this, it was reasoned that information around retirement could more clearly be communicated by financial professionals, rather than line managers who would have less knowledge of how these policies operated (interview with BT).

Finally, to support retirement, BT employees can take part in a private pension scheme. BT's pension scheme has three parts, depending on when an employee joined the organisation. BT Pension Scheme is the first of the three, and is a final salary or defined benefit pension; it is the largest UK private sector scheme with 350,000 members in 2006 (CWU). BT Retirement Plan is a money purchase or defined contribution pension, introduced in April 2001 after the BT Pension Scheme was closed to new members. In the retirement plan, BT matches member contributions by between 4% and 10% of salary. Again in December 2008, BT reviewed its pension scheme, showing a pension deficit of approximately £9 billion or €10.18 billion (at the time of writing) in 31 December 2008.³ In April 2009, the BT retirement plan closed and was replaced by the BT Retirement Saving Scheme. BT took a more cautious stance to its pension scheme in 2009.⁴ As well as reducing its exposure to equities, it increased the tax-free lump sum or commutation payments to members £408 million (€461 million at the time of writing) versus £286 million (€323 million at the time of writing). In 2010, BT signed a recovery plan, agreeing to pay additional contributions until 2025, in a plan to return the Pension Scheme to a fully funded position. Additional contributions are to be £525 million (€593 million at the time of writing) in 2009, 2010 and 2010 annually, and then further increasing amounts in subsequent years.

³ <http://www.ft.com/cms/s/0/7c999f10-5abc-11e0-8900-00144feab49a.html#axzz1RYLsexDI> (accessed May, 2011)

⁴ http://www.btpensions.net/pdf/BTPS/BTPS_Accounts_09.pdf (accessed May, 2011).

Changes in age management policies and practice post-2008

Telecommunications was not one of the hardest affected sectors in the UK in the 2008 recession, compared to the impact on production, retail and wholesale distribution, financial services, and manufacturing. Also, demand for some telephony services increased in some areas as other business sought to reduce costs – for example, conference calling as a cost effective option relative to face-to-face meetings (interview with BT). However, BT's profitability fell with the 2008 recession, due to higher costs, slowed delivery of cost reduction initiatives and the worsening of the economic environment.

Since the 1980s, BT has been reducing the size of its workforce. However, through this, BT has refrained from implementing a compulsory redundancy policy. From the 1980s to 2000s, BT approached downsizing and restructuring through natural attrition, voluntary leave packages and outsourcing. Following the 2008 recession, the size of BT's total workforce worldwide continued to fall. From 2009 to 2010 the workforce fell by 9,223 employees; 72.5% of this drop was within the UK workforce (6,689 employees). In 2010 BT reduced its number of full-time employees by 9,000 and indirect employees (e.g. agency workers, third party contractors) by 11,000, reducing its total underlying operating costs and capital expenditure by £1,752 million, €1,981 million at the time of writing, (BT Group plc., 2011).

Recent restructuring, similar to that in the past, has mainly been through reductions in the number of agency workers, managed attrition, and voluntary leave packages. Voluntary leaver packages offer a cash sum to employees often in areas of downsizing. Those eligible can elect to take their pension when taking up the voluntary leaver package; if employees do so before the stipulated retirement age, the actuarial valuation of the pension coverage is affected. Since the mid-2000s, BT has chosen not to encourage early retirement as a means of downsizing as it was not financially viable. Employees can opt for early retirement, but employees choosing this option must take an actuarial reduction in their pension.

In the late 1990s, BT developed a transition centre to support employees affected by restructuring. The transition centre is a virtual hub with transition managers employed to work with individuals to locate opportunities for re-skilling or transitioning to other positions within the organisation, in response to restructuring and downsizing. This is a means to help sustain the permanent workforce through redeployment and retraining. As a result, BT tends to recruit skilled workers, apprentices and new graduates, using the transition centre to re-deploy employees internally to fill short-term employment opportunities and project work. Thus far, this model has been sufficient to prevent BT from implementing compulsory redundancies.

Through recent restructuring and downsizing, BT's head of people practices suggests that older workers have not been disproportionately affected by restructuring measures. BT was able to continue its policies to support flexible working, reasonable adjustment and managing changing capabilities through the recession. Changes have taken place to its pension scheme through the first two years since the 2008 recession, but these changes appear rooted in pre-existing and accumulating challenges in managing and sustaining the pension scheme, rather than in the specific challenges of the recession.

Summary

Through the past 20 years, BT developed policies and procedures to support flexibility in employment. This is evidenced by its promotion of flexible working, policies around changing capability, and the transition centre. Though this does not prevent downsizing and job loss in response to the 2008 recession, it does seem to have helped to support and sustain the position of older workers within the BT workforce in the UK, providing some flexibility for older workers seeking to remain in the workforce.

From 2008 to 2010, the proportion of older workers at BT has risen. As such, policies that can be used to meet particular needs and interests of older workers (e.g. flexible working and

flexible retirement) that are also consistent with anti-age discrimination legislation seem to continue to be an important part of HR policy and practice at BT.

Contact person

Dennis Gissing, Head of People Policy, BT

References

Batchelor, C., 'Employers grapple with ageing workforces', *Financial Times Special Report. Age & the Workplace*, 25 November 2010, available at: http://www.aarpinternational.org/usr_doc/FT_Supp.pdf [accessed 4 April 2011].

BT Group plc., 'Annual report and form 20-F 2010. Review of the year, 2011', available at: http://www.btplc.com/Sharesandperformance/Annualreportandreview/pdf/2010_review-of-year.pdf [accessed 4 April 2011].

BT., 'Equal opportunities and diversity policy, Sustainability report 2010, 2010a', available at: http://www.btplc.com/Responsiblebusiness/Ourstory/Sustainabilityreport/PDF/2010/Equal_opportunities.pdf [accessed 4 April 2011].

BT., *Sustainability report 2010*. 2010b, available at: <http://www.btplc.com/Responsiblebusiness/Ourstory/Sustainabilityreport/index.aspx> [accessed 4 April 2011].

BT., Investors in People. 'Case study: BT', available at: <http://www.investorsinpeople.co.uk/Documents/Case%20Studies/BT.pdf> [accessed 4 April 2011].

The Communications Union (CWU). 'BT Pensions', available at: <http://www.cwu.org/24124/bt-pensions.html> [accessed 4 April 2011].

Stephanie Diepeveen, RAND Europe

EF/11/75/EN-27