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*Too Old to Work Too
Young to Retire? Changing
Retirement Ages in the UK*



Profound changes to retirement?

A recent UK Government policy document:

Fuller Working Lives – A Framework for Action

lamented the fact that too many people are still ‘leaving work prematurely’, describing ‘unplanned exit from the labour market’ as having potentially ‘catastrophic’ consequences for individuals, business and society as a whole (DWP, 2014a:3).

This is now an all-party orthodoxy: if we live longer we should be working longer or having ‘fuller working lives’.

Much of the public and policy debate has taken the need for, desirability of, and feasibility of extending working lives for granted.

The current position

- The UK population aged 65+ is projected to rise from 16.5% in 2010 to 24.1% in 2050 (OECD 2011:63).
- Employment among this age group had risen marginally between 2001 and 2013, from 62% to 67.4% (DWP 2013: 14).
- In contrast to this modest change, the proportion of people aged 65+ in employment during this period doubled, from 4.9% in 2001 9.5% (DWP 2013:14).
- People aged 50-State Pension Age(SPA): **10.1m** of which Employed **7.3M** Unemployed **380k**, Economically Inactive **2.5m** (2012-2013 figures).

The labour market for older workers

- Strong regional disparities in employment levels, for example the proportion of 50-64 year old in employment in 2010 ranged from 70% in the south east of England to only 55% in Northern Ireland (DWP 2010: 6).
- Older workers are much more likely to be self-employed and older male workers are around twice as likely to be self-employed than older women.
- Older workers are also disproportionately part-time in hours; 28% of those aged 50-64 were part-time, rising to 66% for those aged 65+ (this compares with 22% of those aged 25-49) (ibid: 10).
- The unemployment rate for older workers is lower than for younger workers (5% for 50-64 year olds, 6% for 25-49 year olds) but the older age groups are much more likely to be long term unemployed (DWP, 2013).

Highly gendered labour market for older workers

- Sectoral segregation by gender persists through the life course.
- Many women work part-time for much of their working lives (but some cohort changes coming through).
- Self-employed men: construction and building trades, taxi and cab drivers, carpenters and joiners.
- Self-employed women: cleaners, domestics, child minders and hairdressers.
- Women over-50 viewed as ‘untapped potential’ (e.g. Loretto et al, 2005; Gardiner 2014).

Inactivity

- While unemployment rates may be lower for the 50-64 age group rates of inactivity are much higher than for 25-49 year olds.
- There has been a small increase in the proportion of people below state pension age that are inactive and define themselves as retired. In 2013 8% of men between age 50 and state pension age were 'retired', compared with 7% in 1998. For women the percentage in this category fluctuated over the period, but was around 5% in 1998 and just below 6% in 2013.
- Ill-health was the most common explanation for inactivity below state pension age. Inactivity due to ill-health nevertheless fell for men and women from about 15% in 1998 to 10% in 2013.
- Older women below state pension age were also more likely to define themselves as 'looking after home' rather than being retired (around 5% were in this category in 2013). (DWP: 2014b: 24).

Policy developments

The last decade has seen unprecedented policy reform and development across a number of spheres which impacts upon extending working lives issues:

- Equalities legislation
- Changes to state pension ages
- Pension reform
- Welfare reform
- Flexible employment

Which until relatively recently were largely unco-ordinated. In a liberal welfare state such as the UK there is little appetite for making employers do anything and no coordinated bargaining structures with social partners to agree change, so piecemeal action focused on the supply side tends to dominate.

Equalities legislation (1)

- October 2006 the Employment Equality (Age) Regulations was enacted in response to the European Employment Directive on Equal Treatment.
 - The law banned direct and indirect discrimination in employment on the basis of age and outlawed unjustified compulsory retirement ages below the age of 65, effectively making 65 a default retirement age.
 - The legislation protected individuals up to age 65 for the first time, and gave them the right to request continued employment past age 65.
 - Considerable debate as to whether instituting 65 as a default retirement age was in the spirit, or legal in the context, of anti-age discrimination measures.

Equalities legislation (2)

- 2011 The Employment Equality (Repeal of Retirement Age Provisions) Regulations
 - Abolished the default retirement age so that employers can no longer retire people on the basis of age unless they have a legally justifiable reason for doing so.
 - The measure was pushed through, despite considerable opposition from employers' organisations, largely to support the extending working lives agenda.

Changes to state pension ages

- Pensions Act 1995 looked forward to raising women's state pension age (SPA) to match that of men, with changes being phased in between 2010 and 2020.
- Pensions Act 2011 speeded up this timetable bringing the harmonisation of women's pension age with men's forward to 2018 and introduced an increase in SPA for both genders to 66 from December 2018, phased in until October 2020.
- Pensions Act 2014 introduced a further rise to 67 by 2028 and instituted a regular review (every five years) of the ongoing implications of increases in average longevity.

Welfare/ benefit changes

- One implication of the harmonisation of women and men's SPAs was that it affected men's access to Pension Credit, a top up for poor pensioners, which men had been able to access at 60. There were concerns that access to Pension Credit at 60 was providing a disincentive to find work for unemployed men of that age and some evidence that government job centres were advising older men to take the credit rather than continue to search for work.
- Changes to the state pension in the next parliament, single tier flat rate pension.
- The Welfare Reform Act of 2007 signalled the move from Incapacity Benefit (IB) to Employment Support Allowance (ESA) with a focus on capacity and fitness to work. IB had provided a soft landing, especially for male manual workers who had been made redundant from declining industries and found it difficult to find work.

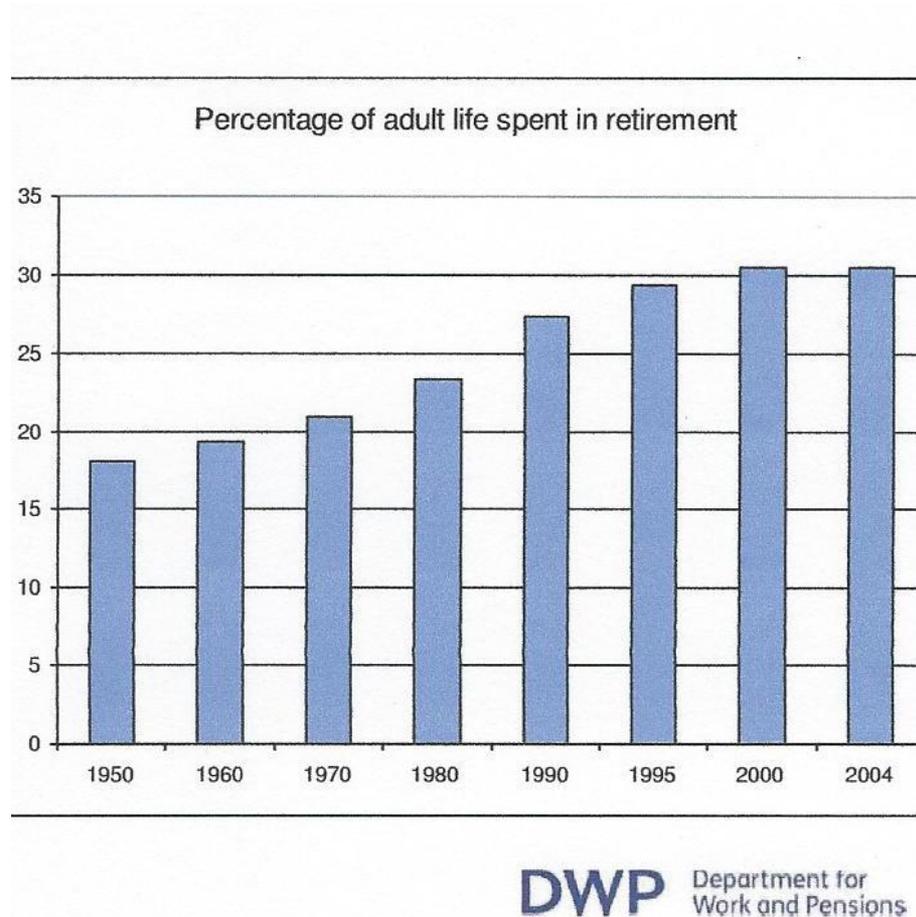
Pension changes

- UK Governments have become increasingly exercised by what it sees as a widespread lack of adequate saving for retirement and current estimates are that some 12 million people below SPA are facing an inadequate retirement income. ‘ Spending longer in work is key to providing adequate living standards in retirement’ (DWP, 2014a: 7).
- In 2006 the UK changed occupational pension rules, making it easier for people to take a pension and continue working for an employer.
- Decline of defined benefit occupational pensions and shift to defined contribution.
- October 2012 – 2018 staged introduction of Auto enrolment into workplace pensions.

Flexible employment

- The right to request flexible working has been extended from parents to carers and from June 2014 to all employees with at least 26 weeks service.
- Expected to be of interest to older workers seeking to downshift before retirement.
- The take up of flexible work options does not seem to be keeping pace with the availability of such options but women are more likely to request a change than men and are more likely to have the request accepted. (Smeaton, Ray and Knight, 2014).

So what is happening to retirement?



Source: Stephen Balchin, DWP.

Average retirement ages in the UK by gender

	Women	Men
1950		67.2
1990		63.5
2004	61.2	63.8
2010	62.3	64.6

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"I'M TOO OLD TO WORK AND
TOO YOUNG TO RETIRE."

Employers' views of no default retirement age

- Creates problems in human resource planning and succession planning.
- Likely to lead to the need to performance manage older employees out of employment, with attendant reputational and motivational damage.
- Difficult to discuss retirement with employees and how to make 'protected conversations' work.
- Employees staying on at work not because they really want to but because they cannot afford to go.

Employees' attitudes to no default retirement age

- In combination with changes to state pension ages concern that people may be forced to carry on working when they want to retire.
- Longer working lives seen as more feasible in some sectors than others.
- Positive, if it allows people more choice about their retirement timing.

Impact of no mandatory retirement age

- The law is likely to be mediated to a degree by court decisions about what constitutes a legally justifiable reason for allowing mandatory retirement. As Vickers and Manfredi (2013: 62) note: 'To be justified, under the Equality Act 2010, [mandatory] retirement would need to be a proportionate means of achieving a legitimate aim'.
- This has been tested in the courts, in particular in the case of Seldon vs. Clarkson Wright and Jakes. Mr Seldon claimed that he had been directly discriminated against because he was forced to retire due to a mandatory retirement age of 65 in his firm. At employment tribunal it was concluded that a mandatory retirement age was a proportionate means of achieving a legitimate aim in this case. The justifications considered legitimate were that mandatory retirement ages facilitated planning and enabled younger employees to become partners in a reasonable period of time (Vickers and Manfredi, 2013:

Supreme court decision in the Seldon case

- The justification for discrimination was founded on a legitimate social policy aim, namely inter-generational fairness.
- Other examples which might justify direct age discrimination:
 - Enabling the participation of older workers
 - Promoting access to employment for younger people
 - Efficient planning for the departure or recruitment of staff
 - Avoiding disputes about an employee's fitness to work over a certain age (dignity argument)
 - Health and safety
 - More debatable: COST

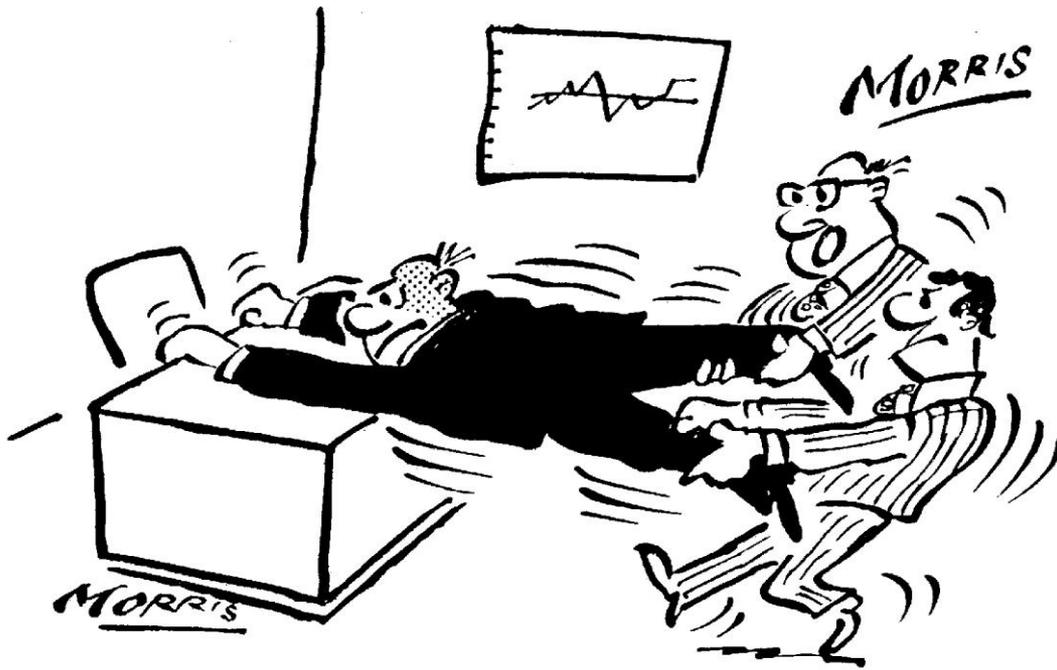
How popular is the idea of fuller working lives?

- Average retirement ages for women and men have been slowly increasing but it remains the case that over half of women and men have left employment before they reach state pension age.
- Changes to state pension ages are unpopular.
- No great appetite for working longer though everyone is in favour of choice.
- Who works late? It is a diverse picture it cannot simply be labelled as something the disadvantaged or advantaged do:
 - Those in good health
 - The better educated but differences between women and men
 - More likely to work if you have a partner working
 - Impact of divorce, second family formation

Who works late?

- Those working past normal retirement age cannot be simply labelled as disadvantaged or advantaged.
- The composition of those working after 65 is diverse:
 - Those in good health
 - The better educated but differences between women and men
 - More likely to work if you have a partner working
 - Impact of divorce, second family formation
 - Impact of finances complicated – poorest least likely to be working

Conclusions: Something to fear or to look forward to?



“Look here Watson, everybody has to retire sometime!”



“How long is it now to your retirement, Potter?”

Conclusions:

- Trend towards longer working lives is likely to continue but change unlikely to be quick or dramatic.
- As yet not much evidence that no mandatory retirement age is encouraging large numbers of people to work for longer.
- Early cases suggest that more employers will find ways to institute employer justified retirement ages (EJRA).
- Rising state pension ages over time may effect cultural norms (and EJRA decisions).
- Rising state pension ages may encourage middle income groups to work a little longer.
- Raising state pension ages is most likely to impact upon the poor.

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