



Living Longer is a Good Thing!

Ageing, Employers and Employment Rights

**An ILC-UK discussion paper by
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1. Introduction and Background

There appears to be a sense of inevitability from pensions and human resources professionals about the need to work longer. This is connected to Department for Work and Pensions (DWP) demographic figures which indicate that there will be 50 per cent more pensioners in the UK by 2050. DWP estimate that somewhere in the region of 7 million people are not saving enough for the pension they want or expect. These future pensioners will either have to accept their limited pension provision and enter poverty, or work for as long as they can to offset declining levels of pension provisions, as in 2050. In response to longer life expectancy and a compression of morbidity (people are well for longer), there appears to be a consensus by the government and policy-makers that one aspect that can help resolve this problem is to increase the age at which people retire. However, any pension reform that targets greater flexibility around employment must communicate clearly with employers and trade unions what they need to do, how they can do it, and when they need to do it. Whilst living longer is certainly a good thing, it presents a series of challenges to employers, individuals and policy-makers that must be addressed.

This paper draws upon contributions from expert speakers at a seminar on the workplace pensions arena, organised by the University of East Anglia and Lucas Fettes (see <http://www.lucasfettes.co.uk/employeebenefits-workplace-pensions>). Its aim is to generate discussion on a range of issues that impact on older people in the workplace.

2. Pensions: Long-term Savings or Social Welfare?

“My employer views pension provision as an important part of our social contract with employees particularly as many are low paid workers and do not have opportunities to amass other investments.”
- Pensions and Reward Manager, international logistics company.

There is a fundamental tension between the two main functions of pensions provision: social welfare versus long-term savings. Traditionally, employers have contributed to both functions, by enabling employees to secure an income for their retirement through occupational pension schemes. However, there is a growing sense of crisis; as increasing longevity, falling investment income and more onerous accounting and fiduciary regulations mean that employers are withdrawing from providing their own collective occupational pension schemes.

Question for Discussion

- We need to recognise how an employer views their pension contribution. Is it as a cost, a reward for loyal employees, a social requirement . or is it a mixture of all of these?

3. Employers and Flexibility

“Employers do value the contribution of older workers, such as expertise, experience and reliability.”

- Ros Altman, Trustee of The Age and Employment Network.

“In the future there will be less ‘cliff-edge’ retirement; there will be much more of a gradual process of moving from full-time work into full-time leisure.”

- Mike Sullivan, President of Pensions Management Institute.

“It is more difficult for employers to argue against the unions on these issues, which offer more protection for the employee. But workers who have been lugging bits and steel and putting track together as a railway maintenance person, have physically not got the capability at 65 to carry on working.”

- Pensions and Reward Manager, international logistic company.

Some firms already choose to distinguish themselves from other employers by offering more than the legal minimum in terms of flexible working for older people. B&Q, for instance, is often alluded to as an example of employer that has a flexible approach to age and employment. Other service providers such as travel companies are discovering that in their type of work, age, experience and reliability are characteristics that help explain increasing numbers of older employees being recruited and kept on. Older employees often welcome working longer, not simply because of the financial implications, but also because of the social interaction work can bring.

However, from a human resources perspective, education about health, training and retraining will become more important as people become less able to maintain a frantic pace of work in some occupations as they get older. We will also need to re-evaluate assumptions about part-time work . moving away from the image that it is necessarily low-paid and low-skilled. This will require adjustments by both employers and unions in terms of how they view flexible work.

We also need to discover why more employers have not opted to amend pension scheme rules to allow greater flexibility in retirement, allowing people where they are still fit and active to continue to work. One answer may be that political time horizons are often short, which can be problematic for organisational planning with employers often taking a ~~wait~~ wait and see approach to instigating new procedures for retirement.

Questions for Discussion

- What is preventing employers from offering flexibility in employment to older workers?

- Has the complexity of extending flexibility and employment rights for different types of employers, and in different industries and sectors, been fully explored?
- What are employers offering in relation to flexible retirement at present?
- What are employers and trade unions views about extending the working age for their entire workforce, and is this practical in light of existing health and safety legislation for manual workers in particular?

4. Retaining Who?

“I used to work for a financial institution, our problem was not retaining people but getting rid of people”.
- Pensions and Reward Manager, international logistics company.

Faced with the abolition of the default retirement age and the desire for older workers to remain in employment, employers will have to put a lot more effort into the management of their workforce. For many human resources managers, the key implication in extending employment rights in an ageing society is increased retention. Companies previously used retirement strategically, as a way to reduce employee numbers. How can employers manage their workforce in this context? There will inevitably be discrepancies between those staff that want to stay in work for financial reasons, and those that firms are eager to retain to aid productivity.

Questions for Discussion

- What strategy will employers be able to use in the future to let go employees they do not wish to keep subsequent to them reaching 65?
- What type of work, and work patterns, is required for older workers?

5. Communicating Choices

Human Resources Managers are clear that, in any discussion of ageing and pensions, there is the need for better communication. People need to be able to make more informed choices about the future, on the basis of access to advice about the financial implications of their decisions. At the moment, discussions about saving, ageing and pensions seem to sit in silos. Furthermore, the existence of means-tested benefits makes any decisions difficult to cost.

For those who might want to continue working, it might be necessary to reform state pensions in light of the rise of defined contribution pensions. For example, could someone with a defined contribution pension be able to defer their state pension to an age when they need it most . such as in their 80s when their cost of living rises due to ill-health?. Any deferment in taking the state pension would be dependent, however, on knowing what your state pension would be at the later age. If this information was available, it might be possible for people for people to purchase a

more generous limited-term annuity, covering living costs until receipt of the state pension. This would entail legal changes to annuities, however, and perhaps problematise the social welfare function of state pensions.

Questions for Discussion

- Who will provide education for people to make informed decisions, if the pension landscape becomes more complex? Is it an employer's obligation, a social obligation or one where trade unions could contribute?
- Do we need to have joint employer/trade union delivery of financial education in relation to pensions and working longer?

6. Attitudes to Age

Old age is not very fashionable.+

- Mike Sullivan, President of Pensions Management Institute

Any discussion of employment in an ageing society needs to be linked to society's attitudes to older workers. Participants at the seminar claimed that the United States is more accepting of older workers and as such people are able to move into flexible, part-time work once they have retired from their main career. The media's obsession with youth and looking younger is not helpful for promoting measured discussions about getting older, and enabling us to value the contribution that older and more experienced employees can bring to an organisation and society more generally.

Clearly, one size does not fit all when it comes to retirement ages. There will need to be a lot of joined up thinking by policy-makers, trade unions and employers about how employers can achieve the right mix of people in the organisation. But older workers have an important role, and their rights as workers must not be discarded simply because of their age.

Questions for Discussion

- Who will take responsibility for addressing how health and safety regulations pertain to ageing and older workers?
- Do public attitudes toward age and ageing need to change before we can extend employment rights - how can we achieve this in a youth-centred culture? Can trade unions play an active role in promoting this societal change?

7. Conclusion

In discussing flexibility, age and employment rights what becomes apparent is the complexity of this situation for individuals and employers, and the interconnected nature of the decisions required. There is a general lack of evidence on the views of individuals and employers on flexibility in employment rights about extending the age of workers . it will be necessary to rectify this to make informed policy decisions in this area.

Policy discussions must also proceed on the basis that a cross-section of different types of employers are included. There may be differences between employees at different occupational levels, in different industries, or in different forms of employment, which need to be fully considered.



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