

## **State Pension age**

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CIPD submission to the Independent Review

**Chartered Institute of Personnel and Development (CIPD)**

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## **Background**

The CIPD is the professional body for HR and people development. The not-for-profit organisation champions better work and working lives and has been setting the benchmark for excellence in people and organisation development for more than 100 years. It has 140,000 members across the world, provides thought leadership through independent research on the world of work, and offers professional training and accreditation for those working in HR and learning and development.

Our membership base is wide, with 60% of our members working in private sector services and manufacturing, 33% working in the public sector and 7% in the not-for-profit sector. In addition, 76% of the FTSE 100 companies have CIPD members at director level.

Public policy at the CIPD draws on our extensive research and thought leadership, practical advice and guidance, along with the experience and expertise of our diverse membership, to inform and shape debate, government policy and legislation for the benefit of employees and employers, to improve best practice in the workplace, to promote high standards of work and to represent the interests of our members at the highest level.

## **Introduction**

To inform the CIPD's response to the independent review into the State Pension age, the CIPD held a number of focus groups and workshops between October and December 2016 in order to collate the views of its members from across different regions of the UK. We also surveyed 290 members through an online survey.

We have not answered every single question in the review, but have clearly stated the number of the question that we have subsequently answered.

## Our response

### ***Question 1: Is our interpretation of the policy intent for the State Pension correct?***

The policy intent of the State Pension will depend upon the interpretation of the particular stakeholders involved. For instance, for the Government, the state pension provides an income safety net for those individuals who are unable to work due to their age or an age-related illnesses. Employees and other individuals are then encouraged by the tax relief system to supplement their state pension with another income, for example through a workplace pension.

Employers, however, regard the state pension age as a useful way to help employees think about leaving their organisation. However, as workshop participants have pointed out, we need to get employees to start thinking about retirement a lot earlier than they currently do so that they have sufficient time to make plans regarding finance, health, and families etc. This requires employers to adopt an employee financial wellbeing strategy that helps prompt staff to think about their lifetime financial goals.

Many staff may consider that they have a right to the state pension given their years of National Insurance contributions. However, they may not fully understand how and when they become eligible to receive the full amount. According to the employers to whom we have spoken to about this review, how significant the state pension age is in the decision of employees to retire from the organisation depends on how big a proportion of their retirement income is made up from the state pension. If it is significant, then the state pension age is more of an issue in deciding when to leave.

A survey of 290 of our members found that on a scale of 1 to 5 (where 1 is not at all important and 5 is very important) the state pension age is important in the decision of their employees to retire from their organisation. Overall, 55% of respondents gave a 5 and a further 27% gave a 4, giving a mean overall score of 4.36.

When asked on the same scale how important they think the size of the state pension is in the decision of their employees to stop working, 57% of respondents gave a 5 and a further 25% gave a 4, giving a mean score of 4.38 out of 5.

However, when we asked employers whether they think their employees understood how the state pension works, they were less sure. Using the same 1-5 scale (where 1 is don't understand at all and 5 is fully understand), we asked whether our members thought their workers understand what they need to do to get the full state pension. 38% of respondents gave a 2 and a further 31% gave a 3, giving a mean score of 2.53 out of 5. Less than 15% of respondents gave a 4 or 5.

These findings indicate the importance of the state pension for many employees in deciding to retire from their employer (which has various implications for employers, such as talent management). However, employers are concerned that their workers

don't understand the how to get the full state pension and whether their decisions to retire may change once they do.

**Question 3: Considering the main drivers of State Pension expenditure, which ones are more important to the policy intent, if they were presented as a trade-off? Maintaining early access, a generous increase annually or making the full State Pension among accessible to most people? Which of these delivers fairer outcomes?**

According to our members who responded to our survey, 36% thought a generous increase annually would have the biggest positive impact for their workplace and workforce, while 31% believed that maintaining early access would have the biggest positive impact. 23% thought making the full State Pension more accessible to more people (23%) will have the best outcome, while 10% did not know.

Explanations given by respondents as to why they thought a more generous annual increase is important included:

- “a noticeable increase will help budgeting and decision making on retirement”
- “those female workers who have had their pensions delayed to an older age need to feel they are getting a 'better' deal and good annual increases would aid this”
- “in the main, this is their main source of income on retirement and it needs to keep pace with cost of living etc. to allow them to live in relative comfort”
- “I am not sure the state pension is sufficient to maintain a standard of living so an uplift annually would probably benefit more individuals, accessing benefits early would suit some individuals with other income. However, the majority would not benefit from this”
- “when our staff retire they want to feel they will be able to have some quality of life beyond bargain hunting and choosing which essentials are most important. Many who should retire cling to miserable working lives because they fear poverty. It's clear neither employers nor Government care about life experience after work and individuals are just waking up to that but mostly people want to know they will have some decent standard of living.”

Explanations given by respondents as to why they early access is important included:

- “half of our staff are manual workers who work a lot of the time outdoors, it also involves heavy lifting. Some who are in good health have no problem working to retirement age or beyond, particularly drivers, but some really struggle physically. We try to support them as much as we can, but it is a difficult time for them and they often would like to be able to retire at some point between 60 and 65”
- “this provides greater flexibility for those nearing retirement age and who want to part retire and also provides greater opportunity for staff not at that stage to

develop their careers and for those entering the workplace as more roles become available”

- “some employees have minimal savings. They continue to work not because they enjoy it but because they cannot afford to leave. This is not good for the business. Earlier access to a state pension would help”
- “early access to a pro-rated state pension would echo the pensions freedoms in place and complement the current deferral option”
- “particularly within the education sector, people don't feel able to continue working into their late 60s, the demands of teaching and support roles lead to extremely long working hours during term time and there is no scope to prioritise work during the week to do something less stressful for a while. Also, from the employer's point of view, it is good to get a healthy rate of retirement and in-take, with fresh ideas and understanding of youth culture. For staff, a requirement to work beyond 65 before they can afford to retire is a big issue. Particularly for people with an older partner, there needs to be scope to retire earlier than the 'normal state pension age' to enable them to enjoy a period of active retirement with their partner. Some reduction in the rate may be acceptable, but not too significant. If the state retirement age is to be raised even further, then it should only be introduced for people who haven't yet entered full time work (e.g. people currently under age 18).”

Explanations given by respondents as to why helping more employees become eligible for the full state pension included:

- “changes done without adequate notice women born in the 1950s will not be able to achieve the max conditions in time”
- “employees generally do not have private pensions. Family commitments and personal circumstances seem to delay decisions in earlier years of employment so when reality dawns it could be too late to prepare for a reasonable quality of life in retirement”
- “Due to the length of time it takes to qualify for a full state pension, the time restrictions make it almost impossible for certain groups of people, such as mothers, to ever get the full pension. There are so many people in part-time work too, who work hard to balance their work and other commitments such as elderly caring and bringing up children, they can never qualify. The current system is discriminatory”
- “Everyone assumes they will get full state pension despite the fact that many of them have had significant breaks in employment.”

Explanations given by respondents as to why helping more employees become eligible for the full state pension include:

- “our employees vary so much and the area of pensions planning and management is so complicated I don't know”
- “everyone's situation and circumstances are individual: one size doesn't fit all.”

Looking at these and the other responses, it is apparent that responses are influenced by whether their workforce tends to be:

- employed in physically and mentally demanding jobs (favour early access)
- lower paid (favour a generous increase)
- workers who have broken national insurance records or don't earn enough to be automatically enrolled (favour helping more become eligible for the state pension)
- comprised of a mixture of salaries and jobs (don't know).

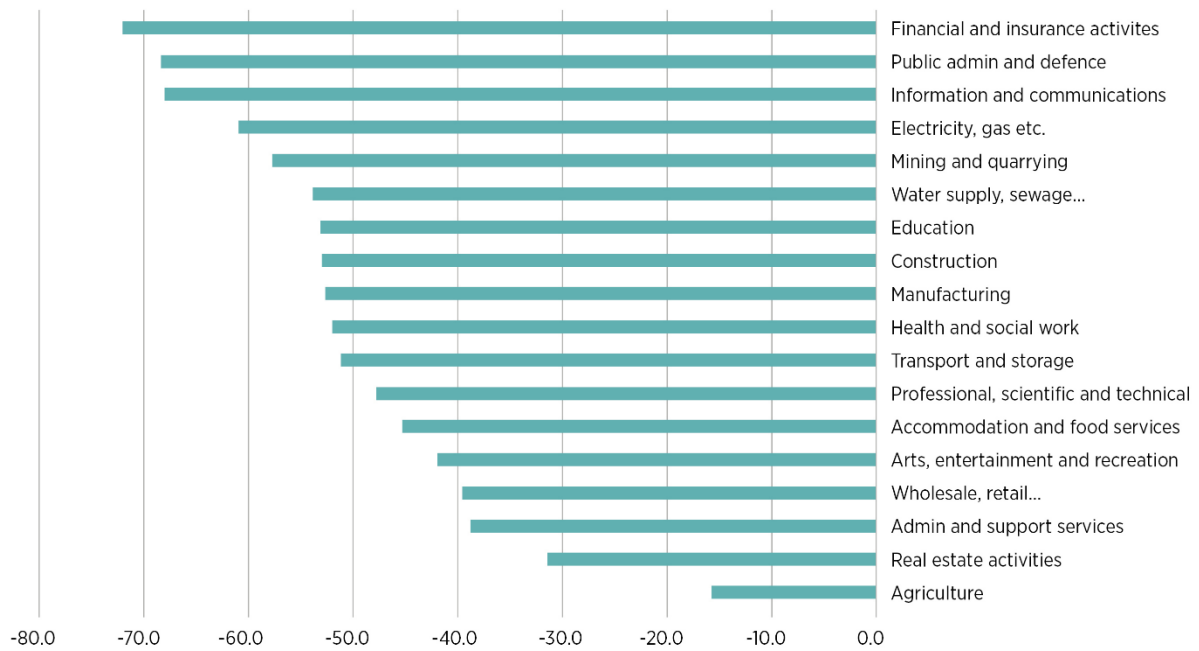
Our responses also suggests that some employers may not be aware of how the state pension works. For instance, to get the new State Pension you need 35 qualifying years of National Insurance contributions or credits. This can be done through working and paying national insurance; getting national insurance credits; or paying voluntary national insurance contributions. Some of the responses indicate a lack of awareness of the existence of national insurance credits, or paying voluntary national insurance contributions (though this may be unaffordable for some individuals). The Government not only needs to increase awareness of the state pension and how it works amongst employees, it also needs to increase it amongst employers as well.

***Question 8: What evidence is there to suggest “burnout” is a feature of certain professions and what are the alternatives for workers in those roles? How can FWL strategy support best the transition required, if that is the case?***

In 2015, the CIPD, in collaboration with ILC, undertook detailed analysis of the Labour Force Survey to produce a report: Avoiding the demographic crunch: Labour supply and the ageing workforce.<sup>1</sup> We looked at the age profiles of different industries as well as the extent to which industries are currently experiencing a drop-off in employment after certain ages – one measure of their ability to keep people in work as they grow older. We found differences between industries which we expand on here. However, our research did not look at the reasons for people leaving employment.

Our research has tried to identify the industries that have a poor record on retaining older workers, seeing a large drop-off in the number of workers between the ages of 45–49 and 60–64. A drop in excess of 60% in the number of workers employed between these age groups is observed in the finance, public administration and ICT industries. This data (see below) suggests these sectors are not doing enough to support older workers remain in the labour market and will suffer a loss of skills and experience from this group as a result.

Percentage change in the numbers of workers aged 45-49 and 60-64 (%)



Source: ONS Labour Force survey and author's calculations

We have combined data on different industries' reliance on older workers, the number of older workers they may need to replace, and their ability to retain this group in the labour market, to create a crude dashboard to show which industries are facing the greatest challenges. Those at the top of the dashboard are reliant on older workers but have trouble retaining them. Sectors at the top of the dashboard are education, health and social work and public administration and defence. Those industries at the bottom of the dashboard are less reliant on older workers.

### The workforce challenge of ageing for different industry groups

Industry group	% aged over 50	Number aged over 50	% fall in employment age 60-64 relative to 45-49	Relative rank of industry
Education	36.7	1,241,940	-53.1	1
Health and social work	36.2	1,559,676	-52.0	2
Public admin and defence	33.1	617,015	-68.4	3
Transport and storage	39.0	560,982	-51.1	4
Manufacturing	33.8	1,041,542	-52.7	5
Construction	33.1	733,035	-53.0	6
Water supply, sewage...	36.5	75,149	-53.8	7
Mining and quarrying	34.6	43,507	-57.7	8
Financial and insurance activities	22.6	251,816	-72.0	9
Information and communications	25.0	281,480	-68.0	10
Professional, scientific and technical	32.7	694,142	-47.7	11
Accommodation and food services	20.3	315,099	-45.3	12
Wholesale, retail	29.9	1,202,388	-39.6	13
Agriculture	50.3	211,604	-15.6	14
Admin and support services	34.3	495,062	-38.8	15
Real estate activities	41.7	153,594	-31.4	16
Electricity, gas etc.	29.2	54,714	-61.0	17
Arts, entertainment and recreation	28.9	218,196	-41.9	18

Sources: ONS Labour Force Survey Q2 2014 and author's calculations  
Notes: Proportions and numbers are indicative only

Although all industries need to plan for a diverse workforce (and should embrace inter-generational diversity for the benefits to both employer and employee), an ageing population is likely to pose more challenges to those sectors higher on the dashboard. Encouraging people to stay in the workforce for longer will be increasingly important as growth in the number of working-age adults slows.

The CIPD commissioned IES to conduct research on their behalf, investigating how employers can best manage an increasingly older workforce in the context of their health and well-being and care responsibilities. The research is a comparative study covering five European countries: the Czech Republic, Denmark, France, Germany and the UK. The resulting policy report, *Creating longer, more fulfilling working lives: Employer practice in five European countries*, was published in May 2016.<sup>2</sup>



One of the conclusions from the report is that:

*'Workers in particularly difficult or dangerous jobs tend to retire earlier than their counterparts in other types of work, but the majority of individuals work in jobs that could be continued well beyond 50 – and 60 – with a little thought and some adjustments to tasks and work environment. Other challenges faced by older workers include a lack of opportunities to retire gradually, exclusion from training and negative perceptions of older people among the workforce as a whole.'* (p.4)

The report provides a number of practical examples of interesting employer-practice that supports people to stay in work, accommodating changing employee needs. We provide two of these examples here as illustrations.

*'In one of our case studies, a large Danish construction company, a number of initiatives have been introduced to support older workers. These include increased flexibility in working hours and tasks, task rotation, conferences where older workers are informed about available career opportunities and health checks.'* (p.7)

#### **Retraining and redeployment at Steelite, UK**

Steelite has a 'training for all' policy that aims to give all workers access to relevant training, irrespective of age or skill level. In the past, the company has provided basic skills training in ICT, English and mathematics. This provision has mostly benefited older workers who may have had few opportunities to acquire an education in the past. The company's provision has supported them in dealing with the increasing literacy requirements associated with the greater use of documentation in business processes and helped familiarise them with information technology.

Older workers (particularly manual workers) who feel that they would benefit from a change in career as they can no longer fulfil the requirements of their current role within the company can receive targeted training with a view to redeployment. The HR department develops a personal development plan for such employees to ensure that they can acquire the skillset required for their new position. This has helped Steelite to avoid capability terminations for manual workers, and to retain their experience.

In one example, a manual worker who had been employed by Steelite for 30 years was unable to continue working in his role after a heart attack. The company offered him retraining and he was able to transfer to a position in health and safety. In another example, two older employees undergoing role changes are currently completing mature apprenticeships to equip them for their new role. Steelite is also looking to expand the provision of (mature) apprenticeships to address skills shortages.

According to the group HR manager, the provision of redeployment opportunities has been the most popular element of Steelite's age management policy. For manual workers in particular, it has been important to know that the company values their skills and experience sufficiently to offer them such opportunities, and that there are opportunities available to them as they grow in their careers.

## Views from our CIPD members

We invited HR professionals (mainly CIPD members) to give their view on **how Government might assess which jobs qualify for early access to a state pension due to 'burnout'**. They highlighted the importance of looking at both physical and psychological burnout, agreeing that: *'The assessment needs to be based on the physicality of the job and also the mental/stress demands of the job'*.

There is a diversity of views as to how decisions on early access should be made:

### At an occupational level:

- Life expectancy statistics for different occupations
- Role evaluation: *'Police and fire service currently recognise the need for earlier retirement ages due to the demands of the role. Similar assessments would be required for all job roles.'*
- Use existing occupational listings: *'There are a number of taxonomy indices of jobs and role types, often used in the insurance industry to calculate premiums'*.

### Engagement with employers:

- Through HR professionals about either roles in their organisation
- Recommendations on individual cases
- Employer assessment of post with secondary government assessment and spot-checks.

### Engagement with medical practitioners:

- *'Work with GPs to identify formal triggers for early retirement, similar to ill-health early retirement, but must be formal to prevent the system being abused.'*
- *'Based on stats from ill-health retirement applications, GP data.'*
- *'Doctor assessments of physical ability, not roles.'*
- *'Medical assessment of workers in qualifying highly physical roles where potential pension income options are low.'*

### At an individual level:

- Individual health reports at around 55 years of age – For example: *'A list of occupations would have to be drawn up together with a period of qualifying service for eligibility. This would have to take into account physically demanding jobs and could be subject to medical review, particularly when people reach 55 years of age. Such a system has existed for decades in Russia and elsewhere where people working 'in hard conditions' have been able to retire on full state pensions younger than others. This affects both men and women.'*
- Base decisions on the individual rather than the job role - people have different thresholds i.e. someone may be burnt out from long-term physical

work, or shorter-term stressful work: *'it should be on a case by case basis and based on individual health'*.

We then asked for HR professionals' views on **how the Government might ease the transition from work to retirement for those who have experienced 'burnout'**.

- Phased retirement was the most common suggestion, including reduced hours leading up to retirement and flexible working arrangements.
- Employers facilitating transitions to other roles was also a popular suggestion, requiring retraining and consideration of the financial barriers to undertaking retraining. *'Career change – would help ALL employees, not just those in traditionally challenging industries. Make retraining and career skills easier to access, reduce stigma of career change and signpost where skills are cross-functional rather than being industry-specific'*.
- *'Structured part-time volunteering opportunities that draw on skill sets and experience'*.
- Early claim of part-pension alongside phased retirement: *'allow part claim of pension, without penalty, and part-pay for reduced hours worked'; 'phased/early release of pension enabling a gradual reduction in hours'; 'release state pension earlier plus phased retirement'; 'partial retirement... draw down on a reduced prior to the full state pension age'*.

**Question 9: To what extent can a delay in State Pension age act as a direct mechanism to enable Fuller Working Lives? What factors would increase the likelihood that people remain in gainful employment during any such delay?**

Our CIPD research conducted in collaboration with ILC can add insight to these questions. Over the last decade, the UK has improved labour force participation amongst older workers. However there remains a sharp drop in participation at mid-50s and mid-60s, with many choosing to leave the workforce at these points. By age 70, just 10% of people are in work, and many of those people are self-employed. Our analysis of Q2 2014 Labour Force Survey data suggests the sharp drop in employment is due to a range of factors, including ill health and caring for family members for those in their early to mid-50s, and 'retirement' being the main factor underpinning economic inactivity amongst those in their sixties:

*"Unless substantial gains are made in future years to the health of those in their fifties and sixties, or the state pension age rises to beyond 70, or both, it is reasonable to assume that many people will continue to withdraw from the labour market between the ages of 60 and 70."* (CIPD/ILC 2015, p.12).

To enable fuller working lives it is essential to consider other reasons, beyond reaching the state pension age, why people are leaving the labour market. Having a deeper understanding of these issues will enable action to be targeted effectively.

However, the different theoretical perspectives that have been put forward on this subject demonstrate the complexity in understanding why older workers decide to stay in or leave the labour market.

*Pull factors can be thought of as economic incentives that make leaving the labour market a more attractive option than staying in work. 'Much of the decline in employment rates of older workers that began in the 1970s has been attributed to this perspective, as a number of countries started providing early retirement schemes – either explicitly or as de facto early retirement via disability, with generally high benefit levels.<sup>3</sup> Unemployment benefits can also create a bridge to retirement, especially when the benefit outweighs perceived potential gains by re-entering the labour market.'<sup>4</sup> (CIPD/ILC 2015, p.16).*

*Push factors are those that limit the demand for labour. For example, having a people management approach around the retention, training and dismissal of older workers. Other push factors are ill-health and caring responsibilities. 'Previous evidence suggests that much of the economic inactivity among older people is involuntary, driven by disabilities or redundancies.<sup>5</sup> In this regard, older people are forced out of the labour market due to a lack of viable alternatives, rather than having made a decision based on favourable financial incentives.'<sup>6</sup> (CIPD, ILC 2015, p.17).*

*"There are other arguments that go beyond this duality of push and pull factors. Collective bargaining arrangements can also influence early exit decisions.<sup>7</sup> The relations between government, employers and trade unions continuously shape policy related to labour markets and social benefits. These partnership arrangements direct the reactions to the other push and pull factors, given the constraints and opportunities they establish. This occurs not only at the national level, but also at a firm level between management, workers and their representatives." (CIPD, ILC 2015, p.17).*

In feeding into the question of **how to increase the likelihood that people remain in gainful employment longer**, it is important to be clear on the question 'gainful for whom?' Just increasing labour market participation among older workers is not enough on its own; for sustainable business it's essential to enable fulfilling working lives. It's through balancing the needs of employee and employer and enabling the employee to perform at their best, making best use of their skills and ideas, that most business benefit will be reaped. Considerations need to include the need for sufficient income, the way jobs are designed to provide emotional and cognitive fulfilment, and the flexibility that older workers require.

Viewing the UK policy landscape for extending working lives through a European lens highlights both the areas of commonality and difference. The starting point for all countries is the same, as each one needs to prepare for the effects of an ageing workforce, and a common response has been to raise the state pension age. While this structural change could be appropriate, such as increasing the supply of older workers in the labour market, it has to be matched with greater attention on boosting demand for them from employers. As well as shifting mindsets so that the increasing availability of talent and skills among the 50- plus is regarded as an exciting opportunity to boost workforce capability, organisational practice needs to change

significantly across a number of dimensions to create the right environment to attract and keep older workers.

Another important consideration is highlighted in our 2016 research, *Creating longer, more fulfilling working lives: Employer practice in five European countries* is that:

*'older workers are not a homogenous group; therefore, arrangements to support them need to be tailored to suit their individual requirements. Not all workers in the 55-plus age group share the same financial, domestic or personal circumstances and people's expectations towards work, and how long they want to remain in employment, will be influenced by different outlooks, needs and priorities. For example, there is a common assumption that a healthy older worker will want to remain in work because they are fit but the opposite scenario could be true – someone who remains fit and active may want to reduce their working time or exit from the organisation precisely because of their good health and ability to pursue leisure opportunities outside work.'* (p.43).

#### **Country-level example**

In Denmark, for example, an increasing number of companies are turning their attention to how they can retain their older workers. Some Danish employers have formal policies and research has found that the majority of companies have some sort of arrangements in place for their older workers. Many companies hold 'senior conversations' with their older employees which examine the individual's plans for the future. The conversation covers issues such as job content, working time, personal and professional development goals, strengths and development needs, future challenges, and thoughts on how the company can best support them. The rationale is that by undertaking individual and tailored senior conversations, the employer can make the right adjustments and thus prevent the loss of a valuable employee.

#### **Case study example**

Age management is also a priority at Steelite International in the UK, as managers are directly affected by skills shortages and the challenges facing an ageing workforce, and therefore highly aware of the need to support older workers and retain their skills. Regular appraisal meetings provide a forum for discussing employees' needs and plans. All employees are asked about their plans for the future as part of the process, which provides a non-discriminatory way of addressing older workers' changing requirements or instigating a pre-retirement conversation. The company has an age management policy, and line managers receive guidance on age management and avoiding age discrimination, with most choosing to participate in dedicated training.

Employers will need to adapt their working practices to support a more age-diverse workforce. Our research highlights 5 aspects of the employment lifecycle that need to be reviewed in order to increase the likelihood that people will remain in gainful employment for longer. We believe the HR profession has an important role to play

in helping to embed cultural change in workplaces to create more fulfilling lives for people as they live and work for longer. HR professionals are in a position to stimulate change and create workplaces that can adapt to the needs of older workers.

It is important to acknowledge that older workers are not a homogenous group; therefore, arrangements to support them need to be tailored to suit their individual aspirations and requirements as far as possible.

1. ***Inclusive recruitment:*** employers must ensure that they do not, intentionally or otherwise, exclude relevant talent from their recruitment processes. This means, for example, that they do not screen out candidates by requiring unnecessary qualifications that could discriminate against older or younger candidates, for example requiring that people are university graduates when a degree-level qualification is not actually needed to do the job.

Although it can be challenging, employers can develop a working environment that fosters age diversity and does not tolerate bias based on age, even if it is unconscious. Training for managers and employees on unconscious bias can be one way of countering prejudice against older (and younger) people.

2. ***Improve the capability of line managers:*** ultimately someone's decision to leave the workforce can be the result of a failure on the part of managers to appropriately understand the needs of those they are responsible for. Line managers should be appropriately trained to ensure that they are able to meet the needs of a diverse workforce.
3. ***Invest in training, development and performance management:*** all employees, regardless of age, need training to keep their skills up to date and enable them to progress and develop their career. Older workers are less likely than their younger colleagues to take part in training, either because they are not offered opportunities to train, they are not encouraged to take part or because they fail to put themselves forward for training opportunities. Providing older employees with opportunities to retrain and develop their skills is a vital part of ensuring that they continue to feel motivated and challenged in their role. Employers need to ensure that older workers are not overlooked for training and they receive development opportunities and opportunities to progress their careers.
4. ***Support employee health and wellbeing:*** poor health is one of the biggest reasons for economic inactivity amongst those in their fifties. While good line management is clearly important in ensuring that any health problems are flagged up early on, employers should also offer access to many other forms of support, including occupational health advisers and counselling services where appropriate.

People working in physically or psychologically demanding jobs are most likely to feel that they cannot continue in their role and employers could be prepared to retrain or reskill in these circumstances. However, many people are in jobs that could be continued by people well into their fifties and sixties – and even their seventies – if employers are prepared to offer flexibility such as a reduction in responsibilities or working hours, and specific health and wellbeing support such as access to counselling, occupational health advice and health checks.

5. ***Move towards more flexible working:*** providing flexibility for workers who are more likely to have ill health, caring responsibilities and other commitments on their time must form a key component of any strategy to improve staff retention. While employees currently have a right to request flexible working, employers do not have to grant it, but, in our view, they must be duty-bound to accept the request unless they can show that it could cause irrefutable damage to the business. And at the very least, employers should think about how, in the longer term, they could facilitate flexible working. In that regard, business and HR leaders need to consider the business case in their organisation for providing flexible working practices that match employee demand and at the same time meet the requirements of the business.

Flexible working can help extend working life for people facing a wide range of different circumstances. We have seen examples of working time being reduced, made more flexible or broken up in different ways. For example, Arriva in Denmark offers all employees reduced working hours when they turn 60. The company also has a range of other types of flexible working arrangements, including job-sharing and a working time reduction scheme under which the employer carries on paying fully into the employee's pension scheme.

An increasing proportion of older workers are moving into self-employment. This trend may be reflecting a demand among these workers for flexible working and greater autonomy. However, while older workers often describe self-employment as fulfilling, they earn significantly less than those in full-time work despite working, on average, relatively long hours.

Further research is needed to assess the extent to which the legislative change concerning the right to request flexible working has helped older workers remain in employment, and supports people to sustain a more extended working life.

Phased or partial retirement (see example box below) can encourage people to think ahead about their retirement and not face a black and white decision about staying in work or retiring. It's important to remember that everyone's circumstances, needs and plans for the future will be different so solutions should be flexible enough to cater to individual needs.

Overall, therefore, it's important to develop an inclusive workplace culture where people of any age feel part of the organisation and are able to contribute to its success and feel appreciated for that contribution. It's not about targeting one age group at the expense of another; it's about embracing the benefits of an age-diverse workforce and of multi-generational collaboration.

### **Phased retirement**

'Cliff-edge' retirement can be unhealthy for the employee and employer. A phased approach that allows an older worker to acclimatise to retirement while still benefitting financially and socially from a work environment could suit many people. Phased retirement has been used to great effect by American Express – a multinational financial corporation. In 2006, American Express realised that a significant proportion of their workforce would be eligible to retire over the coming decade.

Moreover, the company anticipated that when these workers retired, they would take with them a wealth of firm-specific human capital that it would be very difficult for the company to replace. In response, they launched a phased retirement programme which reduced the responsibilities of those close to retirement, giving them more time off and freeing up some of their time to document their knowledge and teach it to others. Those on the programme continued to receive a portion of their previous salary and stayed with the company for up to a year longer than they otherwise would have done, benefitting both American Express and their finances in retirement.

**Source:** PIKTIALIS, D. and GREENES, K.A. (2008) Bridging the gaps: how to transfer knowledge in today's multigenerational workplace. Research Report No. R-1428-08-RR. New York: The Conference Board. In CHARTERED INSTITUTE OF PERSONNEL AND DEVELOPMENT and INTERNATIONAL LONGEVITY CENTRE-UK. (2015) Avoiding the demographic crunch: labour supply and the ageing workforce [online]. London: CIPD. Available at: <https://www.cipd.co.uk/publicpolicy/policy-reports/demographiccrunch-labour-supply-ageing.aspx> [Accessed 8 December 2016].

### **Case study: Supporting older workers to work flexibly at British Gas**

With nearly 30% of its workforce aged between 45 and 64, British Gas works hard to support its older workers. It offers people the opportunity to work reduced hours or part-time, take pre-retirement leave or utilise homeworking as a way to shorten the working day by reducing commuting time. Last year British Gas was awarded the title 'Best for Flexible Working' in the 2014 Top Employers for Working Families Awards.



## Views from our CIPD members

We invited HR professionals (mainly CIPD members) to tell us **what they believe can help workers remain in employment for longer**. Flexible working was by far the most popular response, followed by 'improving employee physical and mental health', 'having a supportive line manager', and 'redesign work/jobs so they are less physically demanding' which all received similar ratings.

We then asked **what role they think Government should play in increasing people's chances of remaining in gainful employment**.

Demand-side factors were talked about primarily, including ways to encourage employers to realise the benefits of employing older workers. Examples included:

- *'Educating employers on the benefits of older employees'*
- *'Encourage better recruitment practices. There can be a school of thought that once someone has reached a certain age they are no longer a valuable member of the working community. Experience and life skills can prove to be invaluable to employers.'*
- *'Incentives for employers to recruit individuals over a certain age in specific occupations'*
- *'Reduce taxes to employers for employees over a certain age'*
- *'Encourage employers to think more widely about the skills need within their organisation and what skills can be developed in the older working individuals'*

**Question 11: Do you think that regional factors have an impact on life expectancy and how? How should the Government factor in the combination of regional and socio-economic factors?**

The clear divergence in life expectancy across and within regions means that means that the access to pension benefits should reflect this. The particular case of Scotland where people in socio economic groups can have much lower life expectancies than those in better off areas as table 3.1 in the review document illustrates. Furthermore the social economic impacts of life expectancy and the issue of healthy life expectancy also comes into play. Whilst it seems possible to obviate these impacts by allowing more individualised access to pensions we believe this would be fatalistic and in any case complex. It makes better sense to develop workplace wellbeing and resilience strategies as in the case of assumed burnout.

**Question 14: How can we best take into account the impact of caring responsibilities in later life and specifically within the decade prior to State Pension age?**

Having caring responsibilities can have a significant effect on a person's working life. And this is an issue that is set to grow in significance with the number of carers in the UK set to grow from 6 million to 9 million in the next 30 years (Carers UK, 2015a). One in six working carers give up work or reduce their working hours to care, and one in five have seen their work negatively impacted as a result of a caring responsibility (Carers UK 2015b). There is an increasing recognition of the need for action to support carers to stay in work, particularly those 40- and 50-plus who face the greatest care demands and whose experience is valuable to the UK workforce.

Our 2016 CIPD research, *Creating an enabling future for carers in the workplace*, in partnership with Westfield Health, sought to gain a deeper understanding of both the challenges faced by working carers and how employers can better support them to make the most of their talents. Four in-depth online focus groups were run in April 2016 with a cross-section of 23 working carers who varied in workplace seniority, industry and sector, age, gender, geographical location and short- and long-term caring responsibilities. A survey of 554 senior HR professionals, weighted to be representative of the UK business population, was conducted in May 2016. Our insights are rooted in this dual-perspective and our policy recommendations and calls to action in the report are as follows:

**Our key calls to action:**

***Government and policymakers***

Government, as an enabler, should encourage wider debate about the importance of supporting working carers and more actively promote the business case among employers so that they act now to avoid losing valuable working carers and older workers who will increasingly have eldercare responsibilities.

There is an urgent need to ensure that a far greater number of employers understand this issue and implement appropriate support for older workers with caring responsibilities; the Government and other stakeholders have a vital role to play in promoting this agenda, for example by awareness-raising and disseminating good practice guidance.

The evidence shows that freedom to act appropriately (an organisational approach that gives employees with caring responsibilities permission to respond as they need rather than a hand-holding response) is both essential and preferred from the point of view of employers and employees. For example, some people with caring responsibilities identify themselves as carers while others see themselves as 'helping' others or 'doing their duty'. Experiences of caring differ according to particular individual situations: age, health status and relationship with the carer, for

example caring for an adult with complex needs versus an elderly relative requires different skillsets. Principles and values that will foster the right behaviours and responses should be promoted to guide activity. This will enable employers to be agile in responding to changing needs and circumstances in ways that are helpful, appropriate and practical and in tune with carers' and business needs.

There needs to be more concerted action by government, in collaboration with business and employee bodies, to encourage more active promotion of flexible working by employers to their workforce. The needs of people with caring responsibilities can be unexpected and typically do not fall into a predictable and regular pattern.

Government should develop a stronger evidence base and act as a repository of good practice case studies showcasing how employers can accommodate working carers – sometimes small changes can make a big difference to people. They should also support the provision of easily accessible information and guidance to help employees help those in need of care.

Finally, government should also take heed of the impact on the financial independence of people who are informal carers. There are short- and long-term implications for their financial well-being. Carers are likely to have to face a reduction in immediate income (if they need to reduce their hours or give up work altogether). For example, although in our research we found some awareness of the Carer's Allowance amongst carers, very few are claiming (largely due to eligibility issues), with most feeling it is financially very limited, given the demands of caring duties. Carers interviewed in this research would welcome greater financial support by the state in the future.

Our November 2016 *Labour Market Outlook* research (p.16), focusing on working parents, suggests there is still a long way to go before eldercare responsibilities are formally supported by employers. Just 3% of survey respondents have an eldercare policy covering the range of support provided to carers. It's possible that the three employers in ten (30%) who said they proactively promote flexible working options such as job share, term-time working and part time hours could be directing some of this support at employees with eldercare responsibilities. Similarly, it's possible that the one employer in five (20%) who indicated that they provide health and wellbeing support for working parents and carers, such as mentoring or counselling, could offer this to staff who look after elderly relatives.

Regardless, if just 3% have a dedicated policy dealing with this issue, it's safe to assume that there is scope for many organisations to up their game in terms of providing and communicating a comprehensive package of support for employees with eldercare responsibilities. The longer-term gain for employers who take this step could be their enhanced retention of valuable skills and talent as many more people start to assume caring responsibilities in line with the population's increased longevity.

### ***What should employers do?***

Given that employers and working carers are most appreciative of an organisational approach that gives employees with caring responsibilities permission to respond as they need rather than a hand-holding response, organisations should try to create and nurture a culture that is inclusive and empowering of working carers, including:

- Foster an open and inclusive culture where employees feel supported and empowered to respond to situations as they need as far as possible.
- Ensure that line managers have the confidence to have sensitive conversations with employees and empower them to tailor their working arrangements to suit their individual caring needs wherever possible.
- Encourage line managers to hold development and career conversations with working carers to ensure their careers are not negatively impacted.
- Ensure that senior leaders will lead on this agenda and visibly champion the needs of working carers.
- Consult carers and consider developing a carers' network in the organisation to provide peer support. It is also important to create and promote a carers' policy, formal or informal, covering the organisational support available to carers, to help legitimise the situation of working carers and send a clear message to staff that the organisation will support them. Develop and implement the right tools and support for working carers, including:
- Active promotion of a flexible working policy that is responsive to the needs of people with caring responsibilities that can be unexpected and typically do not fall into a predictable and regular pattern.
- Attractive working situations that take into account people's caring responsibilities and enable them to stay in work.
- Introduce a paid and/or unpaid leave policy enabling employees to take up to a number of days off per annum for their caring responsibilities.
- Develop guidance and/ or a section of the intranet where working carers can be signposted to external sources of support.
- Consider providing counselling and other well-being support to carers if needed.
- Train line managers so that they understand the demands that working carers experience and are aware of the support available to them.

In our 2016 research, *Creating longer, more fulfilling working lives: Employer practice in five European countries*, cited previously, we examine employer practice across 5 countries: Czech Republic, Denmark, France, Germany and the UK. Overall we found that employers have not developed well-rounded policies in this area, but we have captured some case study examples of good practice which other employers could learn from (one of these is from John Lewis, below).

**Case study example: Supporting workers with care responsibilities at John Lewis**

John Lewis has a carer's policy that is open to all workers regardless of age, under which individuals can request time off to care for a sick dependant, however that is defined. In terms of working time organisation, the most popular shifts are ones that allow people to care for relatives at the start and end of the day. Therefore, people are keen to work in the day between nine and five, although this can be difficult to accommodate in the retail sector as workers are needed before the stores open and after they close. The organisation deals with this potential difficulty by having a very localised approach, rather than an organisation-wide policy, to flexible working and dealing with requests on a store-by-store basis. There is also a partner support function at John Lewis which is designed to support employees and can offer loans, grants and help with financial planning. For example, if employees take blocks of unpaid leave or reduce their working time due to caring responsibilities, this will mean that their financial situation will change. John Lewis can then provide support to help people to cope with their new financial circumstances.

***Question 15: How can we best take into account the impact of poor health and disability in later life and specifically within the decade prior to State Pension age?***

It is important that employers don't have preconceived ideas about older workers' health, while at the same time being aware that workplace adjustments may be needed to support some older workers.

People working in physically or psychologically demanding jobs are most likely to reach a point where they feel they cannot continue in their role, and employers should be prepared to reward their contribution and commitment by retraining or reskilling where possible.

The new Fit for Work service has considerable potential to support older workers and could give workers with long-term health problems the support they need to stay in or return to work, but we support the view that there is scope to develop the service so that it provides more focused support for older workers. For example, providing more preventative advice, not just when employees have been off sick for a certain length of time, and to be less rigid in terms of how the service is access and how referrals are made.

We support the view of the Health at Work Policy Unit that there is scope to develop the service '*with specialist awareness of and provision for the needs of older workers*', for example by offering '*a specific directory of national and local services relevant to supporting older workers to stay in work to which Fit for Work advisers could signpost*' (Taskila et al 2015<sup>8</sup>).

The introduction of wider tax incentives could strengthen the incentives for employers to introduce health interventions to support healthy ageing (beyond that available through the Fit for Work service, when people are already likely to have been off sick for at least four weeks). NHS England's five-year forward review raised this possibility by stating that: 'there would be merit in extending incentives for employers in England who provide effective NICE recommended workplace health programmes for employees'.<sup>9</sup>

A number of our employer case studies across the five countries in our European study provide employees, and specifically older workers, with tailored health and safety consultations and programmes.

The Health at Work Policy Unit recommends that mid-life career reviews should '*include discussions about health as a matter of course*' and provide '*an excellent example of how flexibility can be developed*', with some employers and pilot schemes already offering health-focused measures such as preventive action for common work-related conditions as part of their practice.<sup>6</sup> The mid-life career review should also include advice about free NHS health checks for 40–74-year-olds, says the report, as these health assessments are '*specifically tailored for older people and can allow older people and individuals to identify and plan for any potential health risks which might affect their future employment*'.

<p><b>Question 18: What is the best way to take into account the lower pension outcomes for women in our recommendations?</b></p>
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It is our belief that everyone should have a right to equal access to employment and, when employed, should have equal pay and equal access to training and development. The CIPD has therefore been championing three agendas which are particularly related to this question:

- a) Helping women back into work after a career break
- b) Equal gender representation at all levels of seniority, with a particular focus on the boardroom
- c) Addressing the gender pay gap.

We believe it's through these fundamental inequalities that we can make some headway in addressing the lower pension outcomes for women. Female career progression is not sustainable unless organisations provide a strong and sustainable framework to recruit and develop women at every stage of their career. There is still a long way to go as our survey findings reveal that the proportion of female employees decreases with seniority in two-thirds (67%) of organisations and just three in ten (31%) have taken action to improve the gender diversity of their board.<sup>10</sup>

Our research explores respondents' views about female progression at work and the kind of organisational practices considered most effective to promote gender

diversity in senior roles. An open and supportive culture that supports gender diversity is viewed as the most effective way of improving the gender diversity of boardroom executives (64% of respondents), followed by:

- unbiased recruitment and selection practices to attract diverse talent pools (56%)
- good work–life balance policies that support female staff with caring responsibilities (50%)
- clear career paths and promotional opportunities in middle and senior management roles (50%).

Our findings show that HR professionals think there is a whole raft of organisational approaches that have the potential to support the career progression of women at work. Coaching and mentoring for women, female sponsorship and advocacy schemes and leadership development programmes aimed exclusively at female employees are all rated positively by respondents. Employers need to take a holistic approach to building a strong and sustainable female talent pipeline. This means developing a number of supportive and inclusive strategies that reach out to women employees across the workforce.

Our survey research to inform our response to the gender pay gap consultation found some organisations are taking action, but there is a long way to go for the majority.

*‘Fewer than half (44%) of employers say they have no specific plans in the next 12 months to improve opportunities for women with two-thirds of smaller employers and a third of larger employers saying this is the case.*

*Among those employers that are planning action to improve the gender balance, the most popular remedy is to improve flexible working opportunities (13% of large employers), the development of more inclusive recruitment practices (11% of large employers) and the introduction of mentoring to help women progress into more senior roles (13% of large employers).<sup>11</sup>*

**Question 21: How far should this Review take into account impacts on occupational scheme rules? What are the most significant challenges for those pension schemes if State Pension age is changed?**

Some workshop participants have defined benefit pension schemes that provide enhanced pensions between retirement and becoming eligible for the state pension. Once employees start to receive the state pension, then the pension is reduced accordingly. If the state pension age keeps increasing, then employers will have to provide this enhancement for longer. However, we are unsure as to the extent of this issue. Those participants that had such arrangements tended to employ workers in physically demanding roles.

Such organisations will continue paying the enhanced pension for longer, unless they are able to change the scheme rules and change the age at which their pension

becomes payable, as well as redesigning jobs and work so that they are not as physically demanding.

**Question 24: Is there any evidence that these Government policies have any impact on the decision to work longer? What other policies can Government adopt alongside the Fuller Working Lives strategy to strengthen Fuller Working Lives outcomes, for example supporting profession transitions and incentives to work longer for low earners?**

### **Flexible working**

- Older workers often have health and caring responsibilities, and other commitments on their time, so providing flexibility must be at the heart of any strategy to improve the retention of older workers.
- Flexible working is becoming more commonplace among the UK workforce as a whole, due to technological advances and the statutory right for all employees to request flexible working. It is a bit too early for an in-depth assessment of whether or not the relatively new statutory right has positively affected older employees' ability to remain longer in the UK labour market. However, 2015 research by the DWP reveals that 35% of employers reported providing an opportunity for older workers to work part time, 33% provided the opportunity for older workers to work flexibly and 29% provided the opportunity for older workers to gradually decrease working hours.<sup>12</sup> The same research shows that nearly a third (32%) did not offer any opportunities specifically to support later-life working. While all employees currently have the right to request flexible working, employers do not have to grant it but, in our view, *'they must be duty-bound to accept the request unless they can show it could cause irrefutable damage to the business'*.
- More research is required to assess the extent to which the legislative change concerning the right to request flexible working has helped older workers remain in employment, and supports people to sustain a more extended working life. This research needs to control for the potential perception effects of changes and anticipated changes in retirement age.
- More work is needed to investigate and promote the kind of flexible working arrangements that could best support people to sustain a more extended working life, including phased retirement. This could include the collection of good practice employer case studies that expand the definition of flexible working, to demonstrate the breadth of flexible working practices – relating to working time and roles – that can meet the diverse needs of older workers and encourage later working. The CIPD is keen to work with the Government and other employment partners with effective reach in workplaces to make this campaign a reality. We can collaborate both to build on the flexible working good practice guidance already available and to tailor this to increase awareness among employers and employees of how flexible working practices can best support older workers.



### ***Adopting a mid-life career review***

- The CIPD supports the call for a wider, national rollout of a 'mid-life career review'.<sup>13</sup> A key way in which government can take action to 'retain' and 'retrain' older workers is by providing a 'mid-life career review' for employed and unemployed people over 50, as recommended by Baroness Altmann CBE when Business Champion for Older Workers.
- Positive initial findings from NIACE (the National Institute of Adult Continuing Education) research show that mid-life career reviews can prove '*a powerful tool to help lengthen and improve working life*', says Altmann.
- A sustainable and effective approach to implementing mid-life career reviews would be to make them part of a broader infrastructure of information, advice and guidance available to support learning and development throughout life.
- In terms of workplace practice, employers also need to be proactive in managing the changing career aspirations of their workforce and pay particular attention to the needs and requirements of older workers; line managers need to be trained so that they have the confidence and competence to have an open and honest, ongoing dialogue with their staff at every stage of their career. This should form an ongoing dialogue as part of the performance management system.
- In terms of employer practice in the workplace, this is one area where the UK could take inspiration (if not the exact terminology) of an established workplace practice in Denmark, where many companies hold 'senior conversations' with their older employees. The conversation covers issues such as job content, working time, personal and professional development goals, strengths and development needs, future challenges, and thoughts on how the company can best support them.

### ***Launching an 'Age Confident' campaign to build awareness and momentum***

- We believe that the launch of an 'Age Confident' campaign, as proposed by Baroness Altmann CBE, would have considerable potential to raise awareness and understanding among employers about the positive benefits of employing older workers; it could also provide a gateway to a range of support and tools to help employers to create fuller working lives.
- Older workers can experience prejudice and stereotypical attitudes from employers, colleagues and society in general, with these attitudes often reflecting misconceptions about older workers' flexibility, health, ability to learn and their general skills and qualification levels.
- However, CIPD research shows that employers and employees appreciate the benefits of working in an age-diverse organisation; while stereotypes of 'younger' and 'older' workers do exist, overall employees tend to enjoy working with colleagues of different ages.
- Employers need to think about how to educate their workforce, and in particular line managers, to value older workers for their performance in the job, recognising their experience and expertise, while emphasising that older workers can be as flexible and eager to learn as their younger colleagues.

- Policies to support older workers need to be implemented as part of a workplace culture that embraces diversity as a thread that runs through every facet of organisational life.
- One way of countering potential bias against older workers and fostering an age-diverse workforce is to encourage their involvement in mentoring younger workers. In this way, their skills and experience are appreciated and valued by both the organisation and younger colleagues, helping to nurture intergenerational learning and inclusivity.
- The 50-plus demographic continues to experience significant barriers in accessing employment, particularly when they have been out of work for a while, and the challenges in tackling this lie on both the demand and supply side of the labour market. On the supply side, therefore, it's also important to develop effective routes into employment for older workers, for example by extending the role of Jobcentre Plus advisers who can provide more targeted and specialised support for this age group, and working with partners such as the CIPD to improve their employability. This is clearly a high priority for this government and we are keen to support this agenda to improve the employment opportunities for those aged 50-plus by working with our membership.

***Question 25: What approach is more appropriate in your view, if we were to protect impacted groups? Should we consider ways to remove any barriers to building their own private retirement income or support them through the welfare system or is there another approach altogether? Why?***

One way of boosting pension contributions is removing the banded earnings restriction, so contributions are on based on salary. This could increase the value of employee and employer contributions.

There is a role for the welfare state to support employees who have not had the opportunity to build up their pension pots or the number of national insurance contributions.

Employees would be able to contribute more towards their pension if they earned more and employers would be able to pay them more (and contribute more to staff pensions) if we are able to improve employee productivity. The government needs to work with employers to adopt new ways of designing work, jobs and tasks in order to improve employee performance and product/service quality. How employees are managed and developed at work is crucial to improving national and pension wealth

***Question 26: How can the Government and others communicate any future changes of State Pension age? How important is stakeholder involvement in ensuring that the right messages reach the right people, in good time?***

Comments regarding communicating any future changes to the state pension from our survey include:

- emails and online works and will be increasing relevant over time, but at the moment there are still too many people at or nearing retirement age that don't use emails etc, so the best way to reach them is either post or television adverts
- advertising during Coronation Street and Eastenders
- personal letters. The very angry women caught in the pension age transition demonstrate that communication has to be clear and personal
- newspaper and magazine articles are most likely to reach the older workforce
- government should notify employers who can then send a notice to all staff
- media digitally and newspapers. Employers. Medical centres
- direct communication via post to those affected, more updates via news programmes with contact details of where to obtain further information
- through pay slips and benefit statements
- through the annual tax code notification from HMRC
- every media outlet both paper and digital. Send out information with P60, P45, salary slips, encourage employers to publicise on company websites and intranets, through Inland Revenue ie tax codes or tax returns, advertise on the television, facebook, twitter, posters and billboard, sides of buses, underground posters and on tube and trams, etc, it can't be that difficult!
- advertise it on TV/Radio and do leaflet drops to homes
- general publicity through all media channels and via trade bodies
- in most cases by email contact. The Government has access to all records via HMRC and alternatively through gov.co.uk and NS&I. It could have standard messages sent out to people at certain age points stating that they will reach state pension age at whatever that is and asking if they are confident they have made suitable provision. It could do this at, say, age 40, 50 and then each 5 years after. It could refer them to the Pensions Advisory Service to help with understanding the implications, costs and warnings about lack of saving or unscrupulous 'advisers' now that funds are accessible
- communications in plain English, simple words and in places everyone can read about it. I.e. all the newspapers, the main magazines and posters in places like a GP's surgery
- the queen's speech, flyer with council tax bill
- this has to be done in conjunction with pension providers so current pension members get informed. There also needs to be media campaigns – but put in simple plain English. It would also be good to provide employers with funding to enable them to provide advice and information.

In summary, the survey respondents suggest the government should segment the workforce and use a variety of media to get the messages across, working in partnership with a variety of relevant stakeholders.

Workshop participants think that stakeholder involvement is crucial in ensuring that the right messages reaches the right people, in good time. Government needs to invest resources in identifying the relevant stakeholders and how best to help them to disseminate the messages. However, workshop participants think that employers are a complimentary way of the government communicating its messages rather,

than as an alternative. They also think that any state pension communication should relate to other relevant government and employer financial well-being measures (see CIPD report Employee financial well-being: why it's important).

The workshop also emphasised speed. For instance, if the state pension age is going to increase to 68 in the 2030s then this needs to be communicated as early as possible, so everyone knows in advance what the date will be and they can plan accordingly.

## CIPD

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