A coming of age

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A coming of age

Experiences of work and sustaining workability

Linda Boyes and Jim McCormick

Scottish Council Foundation

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Joseph Rowntree Foundation, The Homestead, 40 Water End, York YO30 6WP
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1 Introduction

How we arrive at retirement is a reflection of our earlier life experiences and has a critical influence on how our later years will turn out. Our general health and well-being are influenced strongly by our living conditions, working lives, lifestyle decisions and view of the future, and these are all things we as individuals, government agencies and employers can do something about if we choose to embrace 'active ageing'[1] in a holistic way:

> Public policy can foster active ageing by removing existing constraints on life-course flexibility. Available evidence shows that the more active older people are, the better the quality of life they enjoy.[2]

Experiences of growing older are unequal. Significant differences in health, income, experiences and views of working life and retirement occur. In this paper, we explore some of these differences and identify some actions that can help promote active ageing, focusing specifically on improving 'workability' among older employees – that is, the ability of working environments and experiences of work to support people in choosing to stay in work past the age of 50. We consider how greater flexibility could help to improve employment retention among older workers, rather than transitions back into work from unemployment, long-term sickness or retirement (early or otherwise).[3]

Two related dimensions for improvement emerge. One involves the context and culture in which work is performed, covering pay and conditions (e.g. holiday and sick leave entitlements), employee representation and participation, the balance between contribution and reward. Making progress towards more employees having a more fulfilling experience of work will involve a decisive shift beyond dominant measures such as aggregate employment rates to a sharper focus on the determinants of job satisfaction, motivation and morale. The second set of issues is a sub-set of the first. This involves improving workability by enabling employees to achieve greater balance between time in and outside work, and in particular how new approaches to time use from the mid-stages of working life towards retirement could increase the ability of older workers to work flexibly for longer. This paper is weighted towards the second set of issues, leading to a discussion of two main areas for change: deferring leave over longer periods and phased retirement.

Health and the over 50s

Men and women in the UK are generally living longer, but it is important to recognise that:

> … an increase in life expectancy does not represent an increase in the number of years of healthy life. Indeed the number of ‘disability free’ years lived after the age of 65 has remained constant for men and fallen for women.[4]

But, for some, life expectancy is less than the national average. More than one in five people, and nearly one in three men, will die before the age of 70 according to TUC research. This rises to almost half of men and more than a third of the population as a whole in Britain’s most deprived areas.[5] Slower progress is being made in life expectancy improvements, with male professionals expected to live up to, on average, four years longer than unskilled manual workers.

The type of work we do affects health in later life. Results from the largest study of ageing conducted so far in Britain[6] have shown around one-third of men in their 50s who had routine or manual jobs reported having a long-standing limiting illness. Similar rates for men from a professional or managerial background are not reached until they are aged over 75: a 20-year ‘illness gap’. The same study found that manual workers in their 50s tended to suffer other illnesses directly associated with old age around 15 years earlier than those in professional and managerial occupations.[7]

As well as having a physical impact on the health of employees, work can also have an effect on mental health. The Health and Safety Executive[8] identified that more than four in ten teachers and around one-third of managers and nurses experience high levels of stress. Among employees in their 50s, stress levels appear to decline with exit from the labour market for those in managerial and professional occupations. Little change is recorded for those in intermediate occupations, while stress levels appear to increase for those in unskilled occupations who are more likely to leave the labour market involuntarily as a result of redundancy or poor health.[9]

Another important factor in life expectancy relates to how we mentally approach growing older, with those who think the threshold of old age begins later also experiencing higher chances of living to later ages.[10] Mental dispositions are influenced strongly by material circumstances outside of work, as well as by levels of autonomy and the contribution–reward balance in the working environment. Attitudes towards ageing and the future will change on the basis of personal and peer group experiences. This suggests the need for a sharper focus on the psycho-social experiences of work for all types of occupation and, in particular, greater applied knowledge of how to maximise protective factors and minimise risks for mental health.

Wealth and the over 50s

As a nation, we have become four times wealthier in the post-war period. We are better housed and educated. Our expectations of income and quality of life in older age continue to be transformed by our experiences as consumers and public service users. At the same time, income inequalities among the older population have risen steadily in the last 30 years (as with the population as a whole) and inequalities in wealth have risen faster. In England, one-quarter of the over 50s have financial assets worth less than £1,500, while half have less than £12,000. Those in the wealthiest quarter have financial assets worth more than £44,500.[11] Marked differences relate to marital status, with single men and women particularly likely to have little or no wealth.

Outright home ownership is higher among people in their 50s than among younger age groups. At the same time, the number of people in their 50s who are divorced or separated has more than doubled in the past 20 years, resulting in more people living alone.[12]

Some people who have retired early have returned to the workforce, mainly on a part-time basis. For example, Prudential[13] found that around one in four people go back to work after retirement. Of those returning, almost one in three did so because they needed the additional income, often to help supplement pensions accumulated on the basis of rather fewer years than required to earn the full entitlement. One in 20 said they had got a job because they enjoyed working. The same survey found a rise in the number of people selling or part selling their house in an effort to boost income.

2 Work transitions and the over 50s

A growing force in the labour market

The proportion of adults in their 50s has almost tripled in the past 20 years according to the General Household Survey. Within 20 years, it is expected that almost 9.5 million people in Britain will be in their 50s, more than in their 40s or 30s. Future demographic trends and the ageing population have been well rehearsed in the media, by Government and in previous papers. Although we do not propose to revisit them here, we believe there is a need to recognise the importance of this trend in setting a context to better understand and prepare for the impact this will have on the labour market. For example, one prediction made in 2001 suggests that:

> … older workers aged over 50, women workers and those who are employed in small firms will increasingly determine the future development of the labour market in the UK.[14]

While employment rates for people in their 50s in the UK have improved in recent years (characterised by consistent growth among women and a modest revival among men), there is significant scope for these to grow faster.

There are strong economic arguments for employers to make better use of the productive capabilities of older people:

> If the economy was genuinely open to older men and women wanting to work, there would, according to Sean Rickard, of Cranfield School of Management, be around a million more workers *[in the UK]*, contributing around £30 billion a year to the GDP. This would produce enough tax to pay a decent earnings-linked state pension as well as a range of other benefits.[15]

Influences on leaving work

Male professionals who have voluntarily retired early to live on occupational pensions and severance packages, and older men who have found themselves ‘forced’ into retirement, are the largest group of people who are economically inactive.[16] Those who are released from financial commitments such as mortgages and paying for children are likely to leave the labour market in their 50s on either a full- or part-time basis. In the 1990s, nearly half of men and one-third of women retired before their state pension age. For about one in ten, early retirement was linked to membership of an occupational pension scheme with a normal retirement age below state pension age. Almost a third of early retirements were attributed to ill-health.[17] For many the trend of retirement for health reasons is continuing.

While many people may have strong feelings about retirement age, most are looking forward to life without work and still *expect* to retire before state pension age. Retirement is still perceived as the reward for a lifetime of work, however long employees believe the length of time in paid work should last. One survey showed respondents in their 30s anticipated retiring at around the age of 60. Among all employed respondents, the average expected retirement age was 59, while those who were not working when interviewed expected to retire at 61. Respondents born a decade earlier, in their late 40s when interviewed, expected to retire slightly later, at the age of 62.[18] A further survey on retirement expectations found that almost 80 per cent of 25 to 50 year olds would like to retire before they are 50, with almost a third of the over 50s wanting to work beyond 60.[19]

Others leave work early to care for family members, either being unable or unwilling to make the trade-offs necessary to continue with paid work. Research for the Economic and Social Research Council (ESRC)[20] has warned of the impending poverty of some relatives who, in mid-life, have left jobs prematurely to care for older people. Women in their 50s are more likely than men of the same age to provide informal unpaid care for a child, parent, or parent-in-law, but men and women are equally likely to provide care for a spouse (around one in 15 people care for a spouse).[21] Recent research by The Work Foundation has found that two-thirds of UK workers report feeling satisfied or very satisfied with work, while employees with care responsibilities feel lower levels of life satisfaction.[22] Taken in context, around three million carers are currently in work (one in eight of the total workforce). Remarkably, 200,000 of them work full time while providing 50 hours or more of care per week.[23] One view, which we share, is:

> Some of these ‘mid-life’ carers, particularly women, should be able to benefit from schemes like those which government has agreed for people with childcare commitments, for instance, long term career breaks.[24]

The case for extending the new right to request flexible working arrangements to all employees with care responsibilities is clear and, while the UK Government may wish to assess the impact of recent reforms before including carers of adults, the demand for such flexibility (and, indeed, the right to work part time and improved financial protection for carers) is likely to grow quickly. We will explore new ways of extending access to forms of enhanced leave, including career breaks, later in the paper.

Influences on staying in work

Employment rates in the UK are high by Organisation for Economic Co-operation and Development (OECD) standards, with a rise in the number of people in employment aged between 50 and retirement age. A group of men and women are compelled to work in poorly paid jobs until or beyond state retirement age because of financial necessity, while a minority of employees say they would like to remain in work for longer. The Employers Forum on Age estimates that at least two in five people who retired early felt that they had been forced to do so against their will and would rather have continued to work, while three-quarters believed that they should have the right to choose when they retired. From the same survey, around 80 per cent of respondents in their 40s and 50s would consider staying on at work if they were offered flexible work options and benefits that would allow them to maximise their pensions.

Satisfaction at work is a critical indicator of whether working experiences are sufficiently fulfilling or demoralising. Results of an ESRC survey in 1992 found that three in five employees aged 50–60 were either very or fairly satisfied with their work.[25] In 2000, the proportion of satisfied workers fell to around half. Of those surveyed in 2000, a significant drop in satisfaction with working hours was recorded.[26] Current research by the Scottish Council Foundation, published in autumn 2004,[27] finds that recently retired social care employees who enjoyed their job were reluctant to retire at the normal retirement age and would have liked to have continued working, mainly on reduced hours, but did not feel they had sufficient choice to do so. If work is satisfying, it tends to impact on overall levels of life satisfaction and health status. Almost 90 per cent of employees aged over 50 in 2000 said they were satisfied with their lives overall.[28]

3 What would help the over 50s to stay in work longer?

Having control over when to work, and when to reduce working hours or leave work, has a significant bearing on quality of life. Circumstances affecting how we view future retirement and material experiences in the final years of working life have a significant bearing on workability. Both those who choose to retire early and those who choose to work beyond normal retirement age appear to enjoy better quality of life than people who report feeling that such decisions were, largely, taken out of their own hands, because of redundancy, because financial circumstances required them to carry on working past the age at which they had expected to retire, or because ill health, disability or care commitments had made it difficult or impossible to stay in work. The issue of choice seemed to be even more important for people classified as ‘socially disadvantaged’ than for those who were ‘advantaged’.[29]

There is a growing body of evidence that suggests flexible working arrangements are essential to maintain the motivation and commitment of older workers. Research findings indicate that, even when the lifestyle pressure of having a young family is left behind, a significant proportion of older workers value flexible working arrangements.[30] We suggest that demand for flexible working will grow: the outstanding tension is whether the current barriers (in terms of personal finance and employer behaviour for example) can be addressed decisively to ensure this demand is harnessed to the benefit of older workers and labour market effectiveness.

The Department for Work and Pensions reports that around one-third of the workforce aged 50–69 wants to retire gradually by reducing their working hours prior to retirement, and that two-thirds of those who are self-employed would find it easier to do so.[31] These are significant proportions, whose capacity to remain in work may be eroded by the ‘cliff-edge’ effect of moving swiftly from paid work to full-time retirement. Another survey in 2002 found that over 90 per cent of employees would consider extending their working lives if offered flexible working arrangements, with a similar proportion believing employers should tailor benefits and work arrangements to meet employees’ changing needs.[32]

The Lifelines study by Scottish Council Foundation[33] has explored the concept of ‘phased retirement’ with employees from a range of public and private sector organisations, including one group of recently retired care workers offering retrospective views on their experiences of working and retiring. Case study interviews identified a range of options that employees believed should be available to ease transitions to retirement and, therefore, widen choice around staying in work:

- reduced hours at work with no financial penalty
- job sharing
- shorter working week in the five years prior to retirement, using the pension fund to 'top up' salary levels and some days off as preparation for retirement (employer-provided guidance and structured planning to explore options)
- combining paid work with the same employer with partial pension income
- enhanced leave, including contributory savings (sabbatical plans) to improve work–life balance in later years
- additional holidays
- being able to undertake employee volunteering without loss of pay in the pre-retirement period.

Although case study employees said they would welcome the opportunity to retire gradually from the labour market, for many, the prospect of a reduction in income, and possibly a reduction in their final pension, could make such options financially unattractive as things stand. A minority of respondents felt that the 'multiplier effect' of years worked in defined benefit pension schemes could encourage people to maintain their working hours and workload unnecessarily. They felt that the conditions for maximising pension entitlements need to be more explicit, especially in later working life, and reformed to reduce unfair incentives to 'slog it out' on the same hours and in the same roles until retirement age.

Employees agreed that early and ongoing financial planning was important. At an early stage in the career, information on pensions, national insurance contributions, retirement benefits, additional voluntary contributions and what to expect in retirement should be provided. Advice should be personalised to suit individual circumstances. Respondents felt that employers could take on the role of 'broker' and refer employees to specialist advisers.

Dispelling some assumptions

We need to confront some assumptions about getting older and 'workability'. Some employers expect or fear that the commitment of older workers will decline, creating problems of disaffection and 'marking time' before retirement. This may have a negative impact on recruitment as well as retention policies. Yet, older workers may be more committed to their employing organisation than younger workers. In one recent study, two-thirds of workers aged 55–64 expressed a strong sense of commitment to their organisation compared to just over half of younger employees (aged 16–34). Older workers tend to have better sickness and absentee records than other age groups.[34]

Another concern is that older workers become less productive, partly as a result of declining ability to perform and partly because of resistance to learn new skills. In fact, the evidence on the effect of age on job performance points towards there being little or no deterioration in most types of work at least up until the age of 70.[35] As far as we are aware, there is no evidence to support the view that older workers are *inherently* less productive than younger workers, except in a limited range of jobs requiring rapid reactions, physical strength or manual dexterity, and employees tend to move out of these positions as they become harder for them. In terms of skills development, older workers are much less likely to take part in job-related training than others, reflecting at least in part employer calculations about perceived return on investment over a shorter period. Older workers who did receive job-related training reached the same skill standards as younger workers. Employees aged under 25 tended to have lower levels of productivity and higher rates of turnover. While older workers sometimes learned more slowly, they could be helped by training methods using smaller steps, building on prior experience and allowing plenty of opportunity to put new skills into practice.

Reworking time

Saving for deferred leave

We have been exploring how time during working life could be reorganised to enable all employees to achieve more effective work–life balance outcomes. We have explored ways in which ‘time assets’ could be accrued, drawing on concepts of saving, borrowing and buying periods of leave. We have considered the role of *contributory sabbaticals* as a means of enabling employees to take additional blocks of time off work at various stages. Our proposition is that enabling employees to build up assets in this way can help to create smoother transitions for older workers.

The idea of enhanced leave from work is not new. A limited range of employers in the UK have offered paid sabbaticals as a reward for long service, usually for academics, medical staff and other securely tenured professionals to pursue career development activities to benefit both the individual and the employing organisation. Policy makers and politicians in the UK have shown relatively little interest in encouraging this type of flexible working, although David Blunkett, MP published a consultation paper on career development sabbaticals for teachers in England and Wales in 1999–2000.[36] This was followed by a pilot project, starting in 2001, offering sabbaticals to experienced teachers in challenging schools, which finished in 2004.[37] Unpaid career breaks are becoming more common in parts of the public sector. For most employees, periods of enhanced leave, if available, would be unpaid and therefore of little advantage to a large group of employees with low to average earnings and/or high costs.[38]

Our Lifelines study has explored the role of *paid* leave plans in other countries, notably Canada and Australia, where their use is growing in the public sector.[39] A detailed assessment of conditions is available in a separate literature review (and an edited version will be published shortly). Two related examples of contributory leave entitlements were tested with case study participants in public and private sector organisations in Scotland. These are shown in the boxes.

Banking leave (saving time): option 1

Employees set aside a fixed amount of time, for example part of their annual leave, public holidays or overtime, over an agreed period, which is drawn on at a later date by agreement between the employee and employer. By rolling up existing entitlements, employees can use this for whatever purpose they choose, i.e. visiting family overseas, taking an extended break, learning or travelling. When banking annual leave, the amount set aside each year should not reduce that year’s entitlement to less than the minimum set by the Working Time Directive (20 days for full-time employees and pro-rata equivalent for part-time employees).

For example, if an employee has 25 days’ annual leave and chooses to bank five days each year for five years, in the sixth year they will have saved 25 days plus their normal leave entitlement of 25 days, making a total of 50 days’ leave. In addition, the employee could choose to bank three days’ public holidays each year over the same five years, adding 15 days to the 50 days already saved, making a total of 75 days’ leave.

Deferring salary (saving money): option 2

This option is based on the Deferred Salary Leave Program (DSLP), which allows employees in the British Columbia Public Service to defer between 10 and 33 per cent of their gross salary to finance a future period of leave between six and 12 calendar months. Federal income tax regulations provide the legislative framework within which the programme operates. Trusts manage the investment for the deferred salary arrangements (with adequate insurance for contributors). Under tax regulations, both the salary deferral period of up to six years and leave periods must be completed within a seven-year time-frame (the 'classic' sabbatical model). Employees contribute an agreed amount of gross salary to their trust account, which they draw on during their leave period. The scheme is available to employees who have completed at least two years' service. Deductions are made before tax. Income tax and Canada Pension Plan contributions are adjusted to reflect the reduced salary. Withdrawals from the fund are taxed. Participants are required to return to work for at least as long as the period of leave.

Exit from the scheme is permitted should the employee terminate their employment in the event of financial hardship or change to personal and/or family circumstances. Money accrued is paid back to the employee. Accrued time/salary may be transferable to other departments of the public service by negotiation.

Case study employees believed that taking time out from work on a contributory basis offered the following benefits:

- a chance to 'recharge the batteries' with likely consequences of reducing 'burnout' and helping retention in the later stages of the career
- increased leisure time, opportunities to travel or spend time with the family
- quality time when people most needed it – at a stage when time had a higher premium (or when individuals were fit enough to benefit most)
- undertake learning, research or personal development
- provide another element of choice in working life
- improve employee–employer relations

- improve motivation and retention of staff
- improve productivity if people came back refreshed and ready to develop new skills
- planning period would help employers plan and manage cover during time away from work (with opportunities to rotate/promote other staff)
- taken in the years leading up to retirement would allow employees to explore their options (although the DSLP model is clear that leave cannot be used immediately prior to retirement).

Employees identified the following conditions that would need to be observed to make such approaches succeed:

- ensure adequate cover (quantity and quality) and continuity of work during the period of leave
- alleviate any additional burden on colleagues
- offer personal development for other employees either through a temporary upgrade or a move to broaden skills and experience while covering when someone was on a break
- allow shorter periods of deferral and leave to help adapt to changing circumstances
- enable ‘borrow forward’ of leave as well as saving in advance, and then pay it back in the same way
- enable lower-paid employees to benefit and avoid creating further inequality at work through another perk for professionals
- employers should be expected to accommodate requests unless in exceptional circumstances
- levels of pay and conditions should be protected on return
- safeguards should be built in to ensure the security of funds
- a systematic approach to re-entry into the workplace should be in place.

Employees suggested that, depending on the period spent away from work and the pace of change in the job, there might need to be a period of reinduction or additional training built in on returning to work, which might involve an additional cost that companies might not wish to meet. An alternative would be to build in a core number of days of 'contact time' when employees on leave could come into work to update themselves on changes and developments.

There is very little published evidence to identify the scale and composition of take-up of deferred leave programmes in the Canadian provinces, or if the intended benefits are being achieved. We were, however, able to obtain limited information about participation in the Saskatchewan programme from financial statements produced each year. These include information about the number of employees participating (Table 1) and of the participating agencies. It was not possible to identify the actual number of employees in each agency (eight at present) to map this against numbers participating.

One study in Saskatchewan (2000) found that just over 12 per cent of collective agreements included a deferred salary plan, covering almost 20 per cent of workers.[40] Those agreements with a deferred salary plan covered public service agreements. The study identified that, while the deferred salary plan may be one way to create a break from work:

> … it is clearly not an option for all workers *[currently]*, as some families cannot afford the temporary cut in pay which could have an impact on the household's disposable income.

A broader review of collective agreements suggested that leave options like those available to many public service employees in the Canadian provinces may be a useful means of helping older workers in particular to stay in the workplace:

Table 1 Participation in Deferred Leave Program in Saskatchewan Public Services (2000–03)

Year	Number of employees participating	Number of employees completing leave
2000	125	22
2001	123	34
2002	129	36
2003	135	47

> Although the existence of various leave of absence provisions does not in itself guarantee the elimination of work-related difficulties, these provisions do provide workers in general, and older workers in particular, with the leisure time they need as a counterweight to an increasingly stressful work environment. By accommodating the special needs of older workers, leaves of absence, among other measures, may be conducive to a reduction in early retirements, thus postponing any resulting loss of skills and experience. Leaves of absence are becoming an indispensable tool to fight stress on the job as well as stress from other sources.[41]

We consider how these approaches might be taken forward in the UK in Chapter 4.

Phased retirement: the UK and comparative evidence

The second area for improving workability concerns the ‘upstream’ effect of future retirement on the experiences of older workers. In the absence of more flexible approaches to retirement as a process rather than an event, employees may leave work early through stress, ill health or pension rules that incentivise early exit and age-specific ‘downsizing’. Others may remain at or in work, but with working hours and workloads that are not optimal and few of the choices that may improve workability.

Employer policies and personal circumstances affect how people look ahead to retirement, and their expectations of what age it should happen. Employer policies tend to specify a retirement age based on access to occupational pensions, which is often lower than the state pension age. A small but growing number of mainly large employers offer opportunities to wind down prior to retirement. Businesses and organisations have greater choice over the options they could introduce and how widely particular options are available across the workforce.

There are currently two main financial barriers to offering phased retirement. First, rigid occupational pension fund structures and, second, Inland Revenue rules that do not currently allow occupational pension benefits to be paid to an employee still working for the same employer restrict choices. Employers are less able to offer more flexible retirement options and employees are less able to reduce their hours prior to retirement and maintain their retirement income at the same level. The typical choice for individuals who want or need to go on working is to continue on the same basis with the same employer, or where possible take early retirement, collect benefits and go to work for another organisation.

It is not only the UK that is looking at ways to improve labour market retention of the over 50s. In March 2004, the European Commission issued a policy document[42] looking at ways in which the European Union and its Member States could improve the labour force participation rate for this group, setting a target of 50 per cent participation rate by 2010.[43] Key conditions for meeting this objective include:

- providing appropriate financial incentives
- continuing access to training
- good health and safety conditions at work
- flexible forms of work organisation
- effective labour market policies
- improved quality of work.

In January 2003, the Swedish Government issued a package of proposals aimed at achieving 'improved health in working life' in the public sector.[44] The measures being developed include:

- the introduction of part-time sickness absence (combining work with sick leave)
- developing economic incentives for employers to prevent ill health at the workplace
- reviewing the occupational health service
- making individual rehabilitation methods more effective.

In Norway, an agreement-based early retirement scheme (*Avtalefestet Pensjon*, AFP) was introduced in 1997. It enables older employees to remain active in the workforce by combining paid work with the right to draw on pension income. Evidence to date suggests that the number of people choosing to combine work and pensions has been much higher in the public sector than in the private sector. Employees in Norway have access to a state pension from age 67, although early retirement through disability pensions, agreement-based early retirement and other early retirement schemes mean that, in practice, just over half of men aged 60–66 are working full time. More recent proposals to reform the pension scheme include allowing *unrestricted* scope to combine work and pension income under the national insurance scheme available from the age of 62, without earnings being reduced against the pension. The Government's financial contribution to early retirement schemes is to be concentrated on the national insurance scheme, which means that, if industrial partners decide to continue the AFP scheme, it will be without any financial contribution from the Government.[45]

In early 2003, the Dutch Government developed proposals on 'lifespan regulation' (*levensloopregeling*). The aim was to increase the rate of labour market participation among older people by half, by providing greater individual choice and personal responsibility over the management of periods of work and leave over the course of people's lives. The plans include establishing a tax-effective arrangement for employees to save up leave, with a maximum annual contribution of the equivalent of 12 per cent of gross pay. The leave saved could be taken at any time during working lives and then topped up again, but the maximum leave credit that could be built up by the end of the 'lifespan regulation' would amount to just over two years (or the equivalent of 150 per cent of the last year's pay). If taken directly before retirement, this leave would have to be taken in the form of half-time working hours.[46] In autumn 2003, discussions on the proposal by the Dutch Government and social partners could not reach agreement on the extent to which early retirement leave arrangements should be negotiated on a collective or individual basis, and no further action has been taken to date.

Along with a series of options to encourage people to stay longer in employment, the Spanish Government proposed to introduce an incentive for employers retaining older workers. Where employees over the age of 60 had five years of seniority in the company and were employed on permanent contracts, their employers were eligible for a 50 per cent reduction in social security contributions, rising by 10 per cent each year to reach 100 per cent by the age at which employees can claim a state pension, and no contributions at all if employees stayed beyond the age of 65. In exchange, employees obtained a 2 per cent annual increase in the earnings base used to calculate the total amount of their retirement pension.[47] The General Workers' Confederation did not sign the agreement, claiming that the overall framework of collectively agreed provisions should establish a maximum working age in order to foster work sharing.

Australia is planning to reform existing legislation where an employee aged between 55 and 65 must retire or leave employment before they can access their superannuation benefits. From July 2005, employees who have not retired will be able to access an income stream from their superannuation savings to top up earnings from part-time work. The aim is to encourage people to choose to continue to work part time and use part of their superannuation to supplement their income instead of leaving the workforce altogether.[48]

Looking to Quebec, in 1997, the provincial government introduced the concept of a phased-in retirement programme, which any employer can offer. Under Quebec legislation, a pension plan member who takes part in a phased-in retirement programme involving reduced working hours could receive an annual payment from their pension plan to make up for part of the resulting pay loss. Moreover, additional accruals within the pension plan could continue. The Quebec Pension Plan (QPP) allows an employee whose working time is reduced for this reason to continue earning QPP entitlements based on a deemed (higher) rate of remuneration if the employee contributes to the QPP at that rate. Employer consent is essential to ensure higher contributions are matched. An alternative proposal was to reduce working hours and 'borrow forward' from the pension plan in the form of a lump sum payment each year before pension payments commence. The amount of employees' eventual lifetime pension would be reduced accordingly. Evidence to date suggests that phased-in retirement has not been adopted as widely by employers as originally hoped, and the programmes that do exist usually have constraints regarding the number of employees who can participate. Another possible conclusion is that many employers find it challenging to allow employees to work part time.[49]

4 Ideas into action: the policy challenge

How time is shaped across working lives will have a significant bearing on workability for the over 50s. We conclude that a shift in policy is required going beyond age discrimination legislation and the scope of existing flexible working practices, to focus on 'whole working life' strategies.

Although it is difficult to determine overall demand, evidence indicates employees would seriously consider participating in contributory sabbaticals from mid career and phased retirement if the conditions were right. Because we are working, largely, with the potential benefits of such approaches in the UK, and because much remains to be discovered about improving workability in mid to late career, we can only suggest that offering such options more widely would help older people choose to stay in the workforce longer, with a positive effect on health and well-being. The pros and cons remain to be demonstrated in practice. The likely gains from such approaches will take time to emerge and will be variable depending on the commitment of employers in different sectors and by personal circumstances. We would note that the success of existing flexible working practices varies significantly: there is a world of difference between well-evidenced policy and effective practice from the perspective of employees and employers; and between options becoming available, accessible and attractive. We believe that comparative evidence and emerging local practice in the UK offer sufficient grounds for Government to support the testing and refining of various options to reshape working time more creatively. In doing so, a priority focus should be on how older workers are enabled to achieve a longer-lasting balance between paid and unpaid work.

Deferred leave

Offering contributory sabbaticals or other opportunities to take more frequent and longer periods of time out could improve employees' potential to reach the later stages of their career with lower risk of unmanageable stress and burnout, and higher levels of motivation.[50] To expand the reach of contributory sabbaticals will require a shift in traditional 'mental models' underlying patterns of work. For example, this means moving away from linear perceptions and social conditioning that presuppose set ages when we undertake education, work and retirement and towards new concepts of the life course. Standardised working practices need to be further replaced by more personalised working patterns where employees can take time out from work to pursue personal goals and ambitions, and have greater choice about when and how to retire. Contributory leave options provide one way to establish a new culture of savings, where the currency traded could be either time or money. One consequence of introducing approaches like these could be that some employees work a similar total number of years as at present, while adding on each year taken in leave towards the end of their career in order to restore contributions notionally diverted from pension funds. In this way, the effective working life would be 'stretched' over a longer period. Alternatively, employees may decide to make an explicit trade-off by deferring their salary, enjoying more time out during their career and retiring with fewer savings.

The concept of time trading is not new. Timebanks support volunteers who 'deposit' their time by giving practical help and support to others, and are able to 'withdraw' time from other volunteers. We are suggesting this idea could be applied to the workplace. Employees could 'bank' time at work, for instance annual leave and public holidays, overtime, extra time worked and determine how and when to use the time banked. This we define as a time account (Option 1). Employees could also negotiate to divert a set amount from their pay, or all or part of pay increases, into an account to help fund a break. We would suggest there is a case for Government to allow contributions on gross earnings (i.e. tax relief on the way in, taxable on withdrawal) to encourage people to build up time assets in a similar way to the support offered for pension rights. With this option there would need to be safeguards built in to ensure funds were protected (Option 2).

A hybrid of both approaches is possible, enabling employees to save both time and money, whichever is the most appropriate at a given stage in their lives, to 'save' for extended breaks from work.

What about inequalities in working age that feed through into older age? The lifetime low paid who remain in work for longer may still have poor retirement prospects, and may have enjoyed the least flexible working conditions, including the least generous leave entitlements. As our expectations as consumers grow, and if our expectations as employees rise in relatively tight labour markets, we may see manual workers and some traditionally lower-paid employees coming to demand greater flexibility at work.[51] Access to enhanced leave and phased retirement packages would need to be incentivised if they were to be effective. One approach would be to introduce a form of the Savings Gateway model, focused on life stages. A matched savings scheme could be offered to employees aged over 50, where low-paid workers contributing 5 per cent from gross salary to a leave fund would receive a top-up 5 per cent contribution from Government, and a sliding scale of matched contributions could benefit those earning up to the average. Alternatively, a non-contributory option might be appropriate for low-paid workers, with 'leave credits' banked and possible use of national insurance records as a means of accruing time.

Whichever options are offered, consideration must be given to portability, should individuals move jobs, to ensure their 'savings' remain intact.

Phased retirement

A more flexible approach to work–retirement transitions is another way to extend choices for the over 50s. If phased retirement were a routine benefit, allowing gradual rather than abrupt moves out of work, more employees might end up *working for longer while working less of the time*. Until now, policy and practice on retirement have concentrated almost exclusively on *when* people should retire – the current debate on whether to raise the state retirement age to 70 has been confused with moves under forthcoming age discrimination legislation to protect employees who wish to work until the age of 70, for example. Far less attention has been paid to extending choices in *how* people would like to approach retirement and the consequences these may have for 'workability' in the decade before retirement. Current research in this area by the Scottish Council Foundation[52] has found that the 'ideal retirement experience' of working respondents consistently referred to flexibility and choice.

Phased retirement might mean a gradual reduction in working hours, greater flexibility in working hours, a move to some other kind of work within the same organisation, enhanced leave or career breaks, or paid work combined more effectively with care commitments or volunteering. There is also an opportunity to extend coverage beyond retirement age for those who wish to continue working or to return to work.

To expand the reach of phased retirement, benefits need to be designed differently and this will require a shift in how we think. Facilitating a gradual transition to full retirement through adjusted work hours and responsibilities requires a flexible compensation and benefits structure. It should provide employers with reasonable and predictable costs, and impose minimal administrative responsibilities.[53] If the benefits and compensation are to be effective, employees should not incur financial penalties. Working reduced hours or moving to a job with less responsibility, with the prospect of a corresponding reduction in income, would make some options unattractive. There may also be an impact on final pensions. Any opportunity to move into retirement in a different way would require a review of existing pension arrangements and a greater understanding of the way pension entitlements are accrued.

One approach would be to allow employees to combine part-time work with access to their occupational pension. This would mean changes to existing legislation, in particular Inland Revenue rules that inhibit taking a part-time pension and working with the same employer. The rules governing pension schemes would also require to be reviewed to ensure people working reduced hours leading to retirement were not penalised financially. At present, there are flexibilities within occupational pension schemes to choose the best of the last five years' salary in real terms or the average of the best three years going back ten years.[54] However, these options might not offer sufficient flexibility, be widely used or even known about. In addition, tax-based incentives for employers could be used to encourage greater flexibility. The fixed costs of employment (national insurance, pension contributions) do not decrease substantially when employees work reduced hours, nor are they age-specific. Exploration of the possible impact of non-wage labour cost reductions for employers, to help stimulate retention of older workers, should be considered.

Implementing the options outlined in this paper will require both a culture shift and some hard choices on the part of policy makers, employers and employees. At this point it is difficult to anticipate overall demand from employees and willingness by employers to meet possible demand. We offer suggestions of potential benefits of such approaches, while recognising that these remain to be demonstrated in practice. Shifting policy to consider 'whole working lives' could offer the opportunity to test and refine various options to reshape working time more creatively. We recognise that, similar to opportunities to work more flexibly, the options suggested would not be a universal entitlement but could increase the choices available. To participate, there may be trade-offs that employees have to make. For example, some employees may choose to take time out over the course of their working life, but work a similar total number of years as at present by extending working life over a longer period. Alternatively, some employees may decide to make an explicit trade-off by deferring their salary, enjoying more time out during their career and retiring with fewer savings. Others may choose to work reduced hours in the later part of their career and extend their working life to restore contributions from pension funds.

5 Key issues raised

- How much of a priority should be attached to extending choice over working time from mid to late career, compared with other routes to improved workability?

- How can this agenda help to reduce existing inequalities and avoid the creation of new inequalities at work (between lower-paid employees and those on higher earnings, men and women, full-time and part-time workers, carers and non-carers, public and private sectors)?

- What range of incentives should be tested to enable both employees and their employers to achieve better outcomes – which approaches should be universally available and which should offer targeted incentives to improve participation?

- We are proposing personalised approaches requiring collective agreements with employers as a means of improving flexibility. Others have proposed further reductions in working hours through reforms to the European Working Time Directive. What balance should be struck between these approaches in the UK?

- How can the gap between government/employer policies and practice be closed (e.g. the gap between making options available and making them truly accessible to all)?

Linda Boyes: linda@scottishcouncilfoundation.org

Jim McCormick: james@scottishcouncilfoundation.org

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