

**BIS** | Department for Business  
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EMPLOYMENT RELATIONS  
OCCASIONAL PAPER

Review of the Default Retirement Age:  
Summary of Research Evidence

JULY 2010

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Employment Market Analysis and Research (EMAR) is a multi-disciplinary team of economists, social researchers and statisticians based in the Employment Relations Directorate of the Department for Business, Innovation and Skills (BIS).

Our role is to provide the evidence base for good policy making in employment relations, labour market and equality and discrimination at work. We do this through:

- Conducting periodic benchmark surveys
- Commissioning external research reports
- Conducting in-house research and analysis
- Assessing the regulatory impact of new employment laws
- Monitoring and evaluating the impact of government policies

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## About this publication

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# Executive summary

In 2006, with the introduction of the Employment Equality (Age) Regulations and the national default retirement age of 65 (DRA), the Government announced plans to conduct an evidence-based formal review by 2011.

The Employment Equality (Age) Regulations provide for a national default retirement age of 65. Employers can compulsorily retire employees at age 65 or above, without that being deemed to be unfair dismissal or age discrimination, provided they follow a set retirement procedure.

The review of the DRA involved commissioning a number of independent studies on the operation of the default retirement age in practice, together with collection and analysis of a wide range of data. This included measuring labour market trends; aspirations to work beyond age 65; experiences and attitudes of older employees in the workplace and the experiences and attitudes of employers operating with and without a default retirement age. An international comparative review of other countries and a call for evidence from interest groups, individuals and stakeholders were additional sources of evidence.

The default retirement age is reviewed in the context of an ageing UK population. In 1901 nearly one person in seven was aged 50 and over. By 2031 this is projected to exceed 40 per cent. Older people are now more economically active than in the recent past and much of the increase in total employment over the last 10 years is attributable to increases in participation of older workers (those aged 50 and over).

This paper sets out the objectives of this review and the results of the evidence gathered by the Department for Business Innovation and Skills (BIS) and the Department for Work and Pensions (DWP). This is a summary report of the evidence and of the key findings. The independent studies have been published separately.

## Key findings from employers

- Thirty-two per cent of establishments have a compulsory retirement age for at least some of their staff. Thus, the majority of employers (employing over half the workforce) operate without a compulsory retirement age. Nevertheless for those that do it represents a substantial proportion of the workforce: 45 per cent of employees overall.
- Evidence suggests that very few employers adopted a compulsory retirement age (where one did not exist) as a result of the introduction of the default retirement age. In addition, few had abolished a compulsory retirement age where one was not already in operation. Figures show that there had been an increase in the proportion of employers operating without a compulsory retirement age in 2009/10 compared with 2005 when this was first measured.

- Less than half the employers surveyed held the view that it was important to be able to compulsorily retire employees. On the other hand thirty nine per cent of employers felt it was important to either a greater or lesser degree to be able to legally retire employees. Larger employers and those operating with a compulsory retirement age were amongst those more likely to say it was important. Businesses cited a number of reasons for having a compulsory retirement age. For just under a third of those operating with a compulsory retirement age, this included manpower planning. For more than a third the reason was historical in basis.
- Retirement practices had the effect of perpetuating other age based practices. For example employers with a compulsory retirement age were more likely to have a maximum recruitment age. Likewise some employers reported that training selection would be influenced by the period remaining before retirement.
- Attitudes towards working beyond the default retirement age were positive overall and the large majority of employers accepted all requests to stay in work (where such requests had been received). A small minority of employers did not accept any requests.

## Key findings from employees

- Evidence showed a mixed level of awareness amongst employees of the Employment Equality (Age) regulations, including the default retirement age.
- On aspirations to working in later life the majority of employees do not wish to work beyond the age of 65. However, the desire to continue working increases with age and also with the hypothetical offer of flexible working.
- Where employees had made requests to remain in work, these had been accepted in the very large majority of cases. The experiences of those not submitting requests because they anticipated refusals are unknown.
- Ten per cent of employees expecting to retire at 65 or earlier reported the main reason was the expectation that their employer would not permit them to work longer than this.
- Experiences of the right to request process were mixed, as was satisfaction with the outcome. This appeared to be influenced more by the involvement individuals perceived they had in the process rather than the outcome alone. Where the outcome was not what the individual desired it was perceived to be fair if they had been consulted and were involved. Where individuals felt excluded from the retirement process or decision, the process and the retirement were perceived more negatively.

- Perceived performance in their work in the run up to retirement was mixed, with some older employees attributing age to a number of performance related issues, whilst others perceived no difference in their performance in the run up to retirement. Some felt their performance had improved.
- Perceived unfair treatment and discrimination in the workplace was not reported by older workers to a disproportionate degree compared with other age groups. Older people reported less discrimination in general at work than other age groups, although they are more likely to mention age as a reason for any unfair treatment or discrimination.

# 1. Introduction

## 1. Background

The Employment Equality (Age) Regulations were introduced in 2006 to prohibit discrimination in employment because of age. They apply to all employers, vocational training providers, trade unions, professional organisations, employer organisations and trustees and managers of occupational pension schemes. They cover recruitment, terms and conditions, promotions, transfers, dismissal and training.

One of the key features of the Age Regulations was the introduction of a default retirement age (DRA) of 65 and the prohibiting of compulsory retirement below age 65, unless objectively justified. The DRA was therefore an exception from the general principle of equal treatment as it meant that it was lawful for an employer to discriminate against an employee on the grounds of their age when it comes to retirement. An employer can therefore compulsorily retire an employee at the age of 65 or above without that being deemed to be unfair dismissal or age discrimination, provided they follow a set retirement procedure. This procedure means that employees have a statutory right to at least six months' notice of retirement and a 'right to request' working longer, which the employer has a duty to consider. Use of the DRA is not mandatory for employers: they do not have to retire employees once they reach 65, and are free to continue to employ them as long as they wish.

In setting out provisions for a national default retirement age in October 2006 the Government announced plans to conduct an evidence-based formal review five years following its introduction. This review was subsequently brought forward to 2010, giving 3.5 years of employer and employee experience on which to draw.

This paper sets out the objectives of this review and the results of the evidence gathering exercise undertaken by the Department for Business Innovation and Skills (BIS) and the Department for Work and Pensions (DWP). This is a summary report of the evidence and of the key findings.

## 2. Context

The DRA is reviewed in the context of an ageing population and a growing cohort of individuals aged 65+.



## 2.1 Population trends

The population of the UK as a whole is ageing. In 1901 nearly one person in seven was aged 50 and over. By 2031 it is projected that over 40 per cent of the total population will be aged 50 and over.<sup>1</sup>

There are important trends in the population of those aged over 65 relative to those aged 16 and under. Over the last 25 years the percentage of the population aged 65 and over increased from 15 per cent in 1984 to 16 per cent in 2009, an increase of 1.7 million people. Over the same period, the percentage of the population aged below 16 decreased from 21 per cent to 19 per cent. This trend is projected to continue. By 2034, 23 per cent of the population is projected to be aged 65 and over compared to 18 per cent aged under 16.<sup>2</sup>

Declines in mortality rates are an important factor in the ageing of a population. People are living longer than ever before. Life expectancy at birth in the UK has reached its highest level on record for both males and females. A newborn baby boy could expect to live 77.4 years and a newborn baby girl 81.6 years if mortality rates remain the same as they were in 2006–08. Women continue to live longer than men, but the gap has been closing. Although both sexes have shown annual improvements in life expectancy at birth, over the past 26 years the gap has narrowed from 6.0 years to 4.2 years.<sup>3</sup>

Variation does exist between social groups such that in 2002-05, people at age 65 in the top social class group (professionals such as doctors, accountants and engineers) could expect to live 4.2 years longer than those in the bottom social class group (unskilled manual labourers).<sup>4</sup>

Improvements in mortality have also occurred after age 80. In England and Wales in 1851 the remaining life expectancy at age 85 for women was 4.1 years. This is projected to increase to 8.5 years for women born in 1950.

Healthy life expectancy has also increased but not at the same rate as life expectancy. In the UK in 2004–2006, healthy life expectancy at birth was 68.2 years for men and 70.4 years for women. In addition disability free life expectancy has increased. In 2004-2006, disability-free life expectancy at birth was 62.4 years for men and 63.9 years for women.<sup>5</sup>

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<sup>1</sup> Office for National Statistics; focus on older people, 2005

<sup>2</sup> Office for National Statistics, Ageing, June 2010

<sup>3</sup> Office for National Statistics, Life Expectancy, October 2009

<sup>4</sup> ONS, Pension Trends, June 2010.

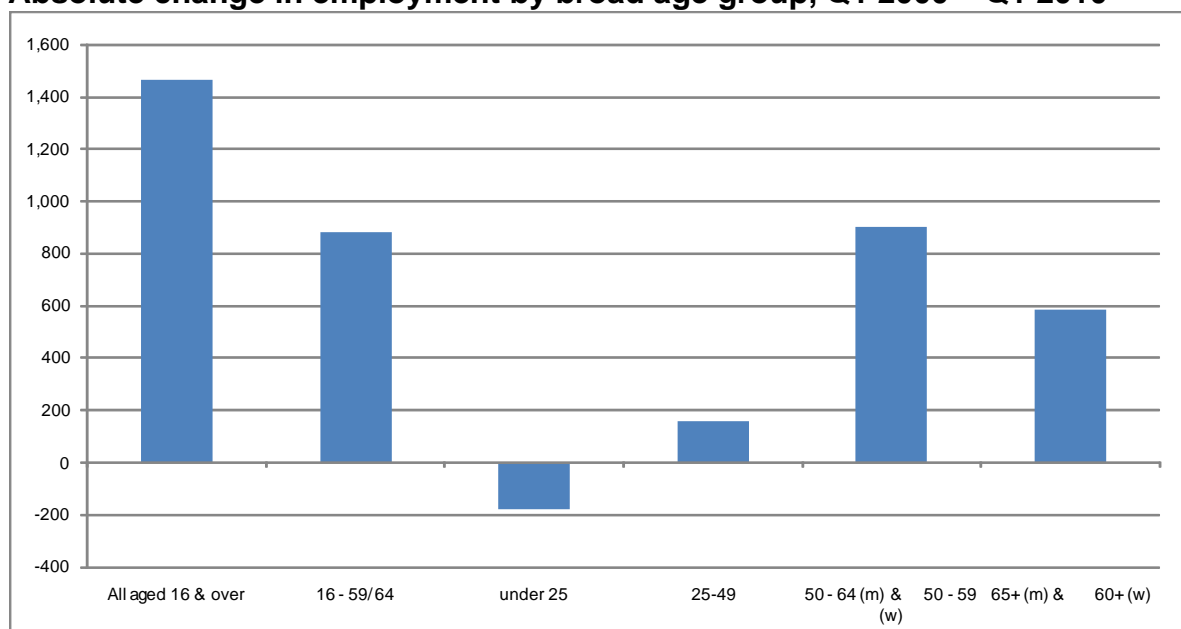
<sup>5</sup> Office for National Statistics, Statistical bulletin, Older People's day, 2009.

## 2.2 Older workers' employment and retirement trends

The UK labour market as a whole has enjoyed relatively high employment rates in recent decades. Working age employment rates<sup>6</sup> have been above 70 per cent since the early 1990s and exceeded 74 per cent between mid-1999 and early 2009. Although employment rates have fallen back since then, due to the recession, they were still at 72 per cent by Q1 2010.

In the last decade total employment rose from 27.3 million in Q1 2000 to 28.8 million by Q1 2010, an increase of just over 1.4 million persons in work. As the chart below demonstrates, around 60 per cent of this increase in total employment was among working-age adults, with practically all of this among those aged between 50 and state pension age. A key source of additional labour supply came from those of state pension age (SPA) or above, which added almost 600,000 to total employment.

### Absolute change in employment by broad age group, Q1 2000 – Q1 2010



Source: BIS analysis based on Labour Force Survey

Employment rates among those aged SPA+ have risen by over half in the last decade, from around 8 per cent at the start of the period to over 12% by Q1 2010. This compares with 1990s when the rate was stable at around 7.5 per cent.

Reduced employment in the 2008/09 recession affected older people less than younger people. The fall in employment rates for individuals aged over 50 and below state pension age was smaller than that of all the other age groups over

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<sup>6</sup> Working age is defined as age 16-59 for women and 16-64 for men.

the period. For people above state pension age the employment rate continued to rise.

Evidence also shows that people are retiring later. Figures last year showed that the average age of withdrawal<sup>7</sup> from the labour market for women has risen from 60.7 years in 1984 when data first became available to 62.4 in April-June 2009. There has been a particularly sharp rise over the past decade, which continued in the recession. For men, the average age of withdrawal peaked at 64.5 years in April-June 2008 and was unchanged in April-June 2009.<sup>8</sup>

### 3. Objectives of the Review

When the age regulations and default retirement age were introduced Ministers announced that they would review the DRA by 2011. The review was planned in order to take stock of the default retirement age (DRA); to establish whether it was needed and should be kept or raised, or whether it was no longer necessary and should be removed. The broad monitoring and review plan was set out in Annex D to the Equality Employment (Age) Regulatory Impact Assessment<sup>9</sup>.

The scope of the review included investigating the impact on employers and individuals (and any unintended consequences) that the regulations might have brought about. The Employment Equality (Age) Impact Assessment reported on a number of potential impacts including: retirement ages below 65 having to be raised (unless objectively justified); compulsory retirement age being introduced by employers where one was not already in operation; requests to stay in work may be refused, and legislation may or may not be understood very well by employers and employees<sup>1</sup>.

The evidence-based review was planned to measure a range of issues from the employers and employees' perspectives as well as other issues contributing to further objectives of social policy.

### 4. The evidence gathered

A number of research studies were commissioned by DWP and BIS with a view to feeding into the review of the default retirement age. These included surveys of employees and employers; in-depth qualitative interviews with employees and employers; an International comparative review of other countries and finally a call for evidence from interest groups, individuals and stakeholders.<sup>10</sup> A number

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<sup>7</sup> The way in which retirement is calculated by the Office for National Statistics is based on average age of withdrawal from the labour market.

<sup>8</sup> Office for National Statistics, Pension Trends, December 2009

<sup>9</sup> DTI, March 2006; Employment Equality (Age) Regulations: Regulatory Impact Assessment

<sup>10</sup> The evidence submitted by stakeholders and academics, where this contained research or data, was summarised and contained in a separate report (see Annex 2 for reference).

of other research reports not submitted for the purpose of the review but undertaken by academics and researchers provided further valuable resource and are referenced throughout this report.

The following two chapters provide a summary of the evidence from the employer and employee research. A summary of the report on the International Review is annexed. All the Government research reports can be found on the BIS and/or the DWP website<sup>11</sup>. A list of these reports can be found in Annex 2.

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References to some of the research are made in this report where the findings are particularly robust. In addition a large number of submissions were received from individuals and establishments this has been separately summarised and published (see Annex 2 for reference).

<sup>11</sup> <http://www.bis.gov.uk/policies/employment-matters/research>  
[http://research.dwp.gov.uk/asd/asd5/summ\\_index\\_2009\\_2010.asp](http://research.dwp.gov.uk/asd/asd5/summ_index_2009_2010.asp)

## 2. The employer's experience

In 2005 the Department for Work and Pensions and the Department for Trade and Industry (a forerunner to the Department for Business Innovation and Skills) commissioned a baseline survey of employers' policies, practices and preferences relating to age (SEPPP1). This looked at employers' practices on retirement, recruitment, redundancy and employment benefits (including non-pay benefits) that affect or potentially affect certain age groups. This survey was repeated in 2009/10 (SEPPP2) to feed into the evidence for the DRA review and to provide an up-date since 2005 on other age based practices relevant to the Employment Equality (Age) Regulations.

To supplement the quantitative research on employers, the DWP commissioned an in-depth qualitative study of those employers which operated with a compulsory retirement age and of those which did not, with a view to looking at retirement practices and attitudes towards the default retirement age. The evidence detailed in this section draws primarily from these two major studies.

It should be noted that there is no one single 'employer' view of the Default Retirement Age. This section attempts to provide a balance between different views from the studies with employers.

### 2.1 Employers' awareness of the Employment Equality Age Regulations and DRA

Most employers when surveyed reported that they understood the requirements of the Employment Equality (Age) Regulations 2006. Two thirds (66 per cent) said they understood them very well or quite well. Thirty-three per cent reported not knowing them very well or not at all well.<sup>12</sup>

Some notable differences in perceptions of knowledge were observed between employers. For example small organisations and certain industry groups felt less knowledgeable than their comparator groups. Sixty per cent of smaller organisations with 5-49 employees felt they understood the legislation well or quite well compared with 72 to 78 per cent in other size bands. The smallest companies (employing less than 10 people) are likely to be least knowledgeable<sup>13</sup>. Those least likely to be knowledgeable included

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<sup>12</sup> Metcalf H and Meadows P (2010) Second Survey of Employers Policies, Practices and Preferences Relating to Age, BIS URN 1008, DWP Research Report No 682.

<sup>13</sup> Neathey F (2007) The Impact of Age Discrimination Legislation on Small and Medium Sized Enterprises, Acas Research Ref 04/06

establishments in Manufacturing, Construction, Hotels and restaurants, Wholesale and retail trade and Transport. In addition, whilst there was little difference in the percentage of respondents who felt they understood the legislation by head office location, those that had their head office in Europe (outside the UK) were more likely to feel they needed to know more (48 per cent) and those wholly located in the UK were least likely to feel they needed to know more (29 per cent).<sup>14</sup>

## 2.2 Employers' response to the Default Retirement Age

In general employers did not respond to the Default Retirement Age by adopting compulsory retirement for employees at age 65 (or higher) if they didn't already have one. Nor was it evident from the research that many employers removed existing retirement ages from their employment practices as a direct result of the Employment Equality (Age) Regulations. The Second SEPPP survey showed that in response to the Regulations 1 per cent of establishments abolished compulsory retirement age for all their employees, 1 per cent introduced a compulsory retirement age for employees and 4 per cent changed the age of compulsory retirement.<sup>15</sup>

Whilst this shows a consolidation rather than change after 2006 further analysis of the data suggests there has been a significant increase in the number of establishments operating without a compulsory retirement age for any staff. In 2005, 57 per cent of employers had no compulsory retirement age for any staff and in 2010 this increased to 62 per cent. In 2010 this represented 52 per cent of employees compared with 45 per cent in 2005 (just prior to the introduction of the Employment Equality (Age) Regulations).<sup>16</sup>

## 2.3 Use of compulsory retirement age

Research showed that 32 per cent of establishments had a compulsory retirement age for at least some of their staff. Thus, the majority of employers (employing over half the workforce) operate without a compulsory retirement age.

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<sup>14</sup> Metcalf H and Meadows P (2010) Second Survey of Employers Policies, Practices and Preferences Relating to Age, BIS URN 1008, DWP Research Report No 682.

<sup>15</sup> The changes were not always clear and further analyses suggest that some employers in the category that changed the age of compulsory retirement may have in fact abolished compulsory retirement rather than simply changing the age at which they retired employees.

<sup>16</sup> The first survey of employers policies, practices and preferences relating to age (2005/06) showed that 37 per cent of establishments operated with a compulsory retirement age, representing 50 per cent of employees overall. The second survey in 2009/10 was re-designed somewhat to capture compulsory retirement practices and showed that 32 per cent of establishments operated with a CRA, representing 45 per cent of employees. This data is less comparable between the two surveys in view of methodological differences in the way compulsory retirement for some or all staff was measured. In view of this findings from the second survey are not directly comparable with the first

Nevertheless, for those that do it represents a substantial proportion of the workforce: 45 per cent of employees overall.

Nearly all compulsory retirement was set by employers at age 65. Only two per cent of establishments had a lower age. Such ages would have to be objectively justified. Two per cent of establishments had a higher age (e.g. 70 or 75) and one per cent compulsorily retired employees, but did not have a set age at which this might be done. Evidence from the second SEPPP survey suggested there had been a significant reduction in the proportion of employers having a retirement age below the national default retirement age of 65. In 2005, 6 per cent of establishments had a compulsory retirement age below age 65. In 2010 this proportion had reduced to 2 per cent.

Compulsory retirement age was more common in the public sector compared with the private sector. Forty-six per cent of public sector establishments had a compulsory retirement age for some or all staff in 2009/10 compared with 30 per cent in the private sector.

There were differences overall between industry groups operating with a compulsory retirement age. It was highest in establishments in manufacturing, public administration and defence, education and financial intermediation and lowest in construction, wholesale and retail trade, hotels and restaurants.

## 2.4 Employers' attitudes towards compulsory retirement age

Just over half of employers saw the ability to retire people as not very important or not at all important. Fifty three per cent of employers held this view. On the other hand thirty-nine per cent of employers felt it was important to either a greater or lesser degree to be able to legally retire employees. Employers operating with a compulsory retirement age were more likely to think this was important to them, but in addition 30 per cent of establishments not operating with a compulsory retirement age thought it was important.<sup>17</sup>

Larger establishments were more likely say it was important to be able to compulsorily retire employees compared with smaller establishments (rising from 35 per cent of small establishments (with 5-9 employees) to 56 per cent of establishments (with 200+ employees).<sup>18</sup>

Employers named a variety of reasons for having a compulsory retirement age, most of which were based on historical or business needs. Historical reasons (given by just over a third of establishments with a CRA); business reasons (given by 31 per cent of those with a CRA), and legal reasons (cited by 28 per

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<sup>17</sup> Metcalf H and Meadows P (2010) Second Survey of Employers Policies, Practices and Preferences Relating to Age, BIS URN 1008, DWP Research Report No 682.

<sup>18</sup> Metcalf H and Meadows P (2010) *ibid*

cent). Some 11 per cent of establishments with a CRA said that retiring individuals was kinder or easier than dismissal.<sup>19</sup>

Amongst the business reasons, establishments mentioned manpower planning, career progression of younger people, capability/performance and costs. Manpower planning or 'workforce planning' was most often mentioned.

In-depth interviews with employers indicated that this may have included succession and recruitment planning and salary and benefit cost planning. Organisations used the compulsory retirement age to help structure their workforce and, with a known retirement age, they could consider succession planning and refine their training budgets. This was also said to allow organisations to budget for their likely salary and benefit costs.<sup>20</sup>

Capability and productivity issues mentioned by some employers were not an issue for others where it was felt that they were just as capable as younger workers, and in some cases more valuable due to their wealth of experience. The exceptions to this view were where workers roles were physical in nature and efficiency and accuracy were seen to decline<sup>21</sup>. Some employers were found to overcome this by redeployment of older staff to less demanding physical jobs. Other good practice measures included making suitable adjustments or modifications in response to individual needs.

Employing older workers was seen as having a negligible effect on ability to employ younger workers. This however, was not the case for smaller employers. These employers may only recruit one or two employees a year either as replacements or if the business is growing. In these instances, the retention of older workers was more likely to affect their salary budget which meant that they had less capability to employ younger workers.<sup>22</sup>

Older workers were not perceived to be more expensive than younger workers but where salary or other benefits were linked to length of service, retaining older workers rather than replacing them with younger ones at set retirement times was seen by some employers to have cost implications.

In addition a small number of employers were concerned about the increased cost of providing insured benefits, in particular sick pay where this is provided for staff above the statutory minimum. A higher age profile of staff is associated with

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<sup>19</sup> Metcalf H and Meadows P (2010) Second Survey of Employers Policies, Practices and Preferences Relating to Age, BIS URN 1008, DWP Research Report No 682.

<sup>20</sup> Thomas A and Pascall-Calitz, J (2010) Default Retirement Age - Employers Qualitative Research, DWP Research Report No 672, London: Department for Work and Pensions

<sup>21</sup> Barnes H, Smeaton D, Taylor R, (2009) an ageing workforce: the employer's perspective. IES

<sup>22</sup> Thomas A and Pascall-Calitz, J (2010) *ibid*



higher costs for employers of providing this as part of their employment benefits package.

The issues described so far expressed by some employers can be balanced against views of those employers that operate successfully without a DRA and the disadvantages they saw of retaining compulsory retirement.

Some organisations saw a compulsory retirement age as discriminatory in that it focuses employers and employees on age rather than skills and experience. These organisations took the view that employees should not have to retire if they do not want to.<sup>23</sup>

Reasons why some employers did not have a DRA included ease of retaining valuable skills/ experience, improving morale (where a DRA had been removed), promoting diversity, believing that retirement should be a negotiation, and public relations (image) reasons.<sup>24</sup>

There was also a view that compulsory retirement promoted a culture of retirement that encouraged employees themselves to have an expectation they will retire, rather than continue in jobs they are doing well and where employers value and would like to retain them.<sup>25</sup>

Whilst some employers mentioned that having a CRA provided a compassionate means of asking someone to move on when their performance was starting to decline, other employers saw it as a separate issue to retirement altogether and believed it should be treated separately, irrespective of age, which they viewed as irrelevant. In addition, some employers expressed the view that performance issues should be identified at an early stage and dealt with accordingly. Those organisations without a compulsory retirement age were generally unconcerned about the prospect of having the ability to have a compulsory retirement age completely removed. These organisations tended to have performance management procedures in place and were comfortable dealing with declining performance through these procedures.<sup>26</sup>

On cost issues some employers mentioned savings on recruitment from retaining older workers as one of the advantages to them of not having a CRA.<sup>27</sup>

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<sup>23</sup> Thomas A and Pascall-Calitz, J (2010) Default Retirement Age - Employers Qualitative Research , DWP Research Report No 672, London: Department for Work and Pensions

<sup>24</sup> Sykes W; Coleman N and Groom C (2010) Review of the Default Retirement Age: Summary and Evaluation of the External Evidence. Independent Social Research, 2010, BIS URN 1018, DWP Research Report No 675, London: Department for Work and Pensions

<sup>25</sup> Thomas A and Pascall-Calitz, J (2010) Default Retirement Age - Employers Qualitative Research , DWP Research Report No 672, London: Department for Work and Pensions)

<sup>26</sup> Thomas A and Pascall-Calitz, J (2010)

<sup>27</sup> Thomas A and Pascall-Calitz, J (2010) *ibid*

## 2.5 The statutory process of retirement and the right to request to stay on in work

The legal requirement of employers under the Employment Equality (Age) Regulations is to provide employees with written notice not less than 6 months before the intended date of retirement. At the same time employees should be notified of their right to request to continue working.

Research with employers indicated that where there had been a need or a desire to continue working in most cases these workers had been allowed to do so. This was measured through the number of requests to remain in work being accepted. Findings from the second SEPPP survey showed that of those employers who had received a request to stay on beyond retirement age, 83 per cent accepted them all. Of those employers operating with a compulsory retirement age, 69 per cent reported they accepted all requests and 23 per cent accepted some. Four per cent of those operating with a compulsory retirement age did not accept any (2 per cent of all establishments).<sup>28</sup> It is notable that some employees may not have submitted a request to remain in work where there was an understanding that this would not be accepted. This could not be measured on the employer survey.

There was evidence that employers on the whole tried to accommodate the needs of older workers in terms of remaining in work. In some cases older workers reaching retirement age were encouraged by their employer to remain in work longer. This was particularly the case where there were essential skills or experience deemed valuable to the organisation.<sup>29</sup>

In-depth interviews with employers who operated with a compulsory retirement age showed that where requests had been refused reasons included a business case; a consideration of the skills and expertise required in the organisation; length of grant funding (for academics) and, exceptionally, performance management. Employers said they were honest about the reasons for rejecting a right to request except in the case of poor employee performance, where they may refer to a business case instead. This was felt to be a more humane way of dealing with performance management issues around the normal age of retirement.<sup>30</sup>

Employer attitudes towards the statutory 'right to request' were mostly positive but some expressed concerns.

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<sup>28</sup> Metcalf H and Meadows P (2010) Second Survey of Employers Policies, Practices and Preferences Relating to Age, BIS URN 1008, DWP Research Report No 682

<sup>29</sup> Thomas A and Pascall-Calitz, J (2010) *ibid*

<sup>30</sup> Thomas A and Pascall-Calitz, J (2010) Default Retirement Age - Employers Qualitative Research, DWP Research Report No 672, London: Department for Work and Pensions).

Some valued the procedure for its ability to bring together the employer and employee for a discussion about retirement. The 'right to request' process was also seen as an opportunity to conform to best practice because it provided a clear and transparent means of approaching employees on the subject of retirement. In the same way it was also seen as a means of preventing age discrimination in the work place, as all employees are treated equally when approaching retirement with this system.<sup>31</sup>

On the other hand employers operating without a compulsory retirement age expressed the view that the right to request procedure itself, whilst good for the employer, takes away control from the employee. In addition some noted that because employers do not have to justify their position if the request is ultimately declined, it makes the system unfair.<sup>32</sup>

Research showed that the statutory process of retirement worked well for some organisations but at times did not appear to be adhered to. In-depth interviews with employers revealed that practices may have been at risk of an unfair retirement. Examples included not providing employees with adequate notice or a very informal process (for example a chat about retirement initiated by either the employer or employee).

## 2.6 Recruitment of older workers

Research with employers (SEPPP2) showed that fifteen per cent of establishments that had recruited in the previous five years had a maximum recruitment age for their largest occupational group<sup>33</sup>. Most commonly the maximum was 65 (ten per cent of all establishments), followed by 60 (two per cent of all establishments).

The Employment Equality Age Regulations allow employers to set a maximum retirement age up to six months below the DRA (or a legally set earlier compulsory retirement age). It allows a younger maximum if objectively justified. In total, four per cent of establishments had a maximum recruitment age below 64.5 years.

The report on the second survey of employers (SEPPP2) noted the influence of retirement, in practice, on the maximum recruitment age. Firstly, those with a normal retirement age were much more likely to have a maximum recruitment

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<sup>31</sup> Thomas A and Pascall-Calitz, J (2010) *ibid*

<sup>32</sup> Thomas A and Pascall-Calitz, J (2010) *ibid*

<sup>33</sup> The total is likely to be higher than stated, as some may not consider they have a maximum age (and either recruit above their normal retirement or do not have a normal retirement age) but will not recruit beyond state pension age.

age<sup>34</sup>. Secondly, the maximum recruitment age was clustered at 65 and 60 which suggests a direct influence of retirement age on recruitment.

The effect of compulsory retirement on recruitment of older workers also extended to training for some employers operating with a CRA, who reported that time before retirement influenced selection for training.<sup>35</sup>

Despite these findings most employers state they do not have a maximum recruitment age. In addition many of the employers in the in-depth qualitative study had taken on employees in their 60's and in some cases in their 70's. This was the case in high skill industries where older workers had valuable and potentially rare skills and expertise and in other industries where there were skill shortages. The exceptions included manufacturing businesses which were less inclined to recruit older workers, particularly if the job involved heavy lifting or other physical work.<sup>36</sup>

## 2.7 Flexible working and older workers

Evidence suggests that employers are, in the main open and receptive to requests for flexible working at least in the run up to retirement. The 2007 Work-Life Balance survey of Employers showed that 79 per cent of employers would allow employees to reduce their working hours in the run up to retirement<sup>37</sup>. The in-depth study of employers in 2009/2010 showed that most were happy to let their older employees work flexibly once they had reached the normal retirement age. Indeed sometimes it was used as an incentive in cases where the employee skills were valuable to the organisation. Flexible working was something they could offer to encourage the individual to stay on.

## 2.8 Attitudes of employers towards older workers

Amongst some employers there is still a perception that some jobs are more suitable for some age groups than others. Twenty-three per cent believed some jobs in their establishment were more suitable for certain ages than others. Twelve per cent believed this of managerial jobs and 14 per cent believed this of other jobs. Although all age bands were identified by some respondents as most suitable, for most of these jobs there was a tendency to favour prime age workers (25-49 years old). Those aged below 25 and those aged over 50 were most likely to be looked upon as less suitable. These attitudes are persistent,

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<sup>34</sup> 27 per cent of establishments with a normal retirement age had a maximum recruitment age compared with 15 per cent of all establishments.

<sup>35</sup> Metcalf H and Meadows P (2010) Second Survey of Employers Policies, Practices and Preferences Relating to Age, BIS URN 1008, DWP Research Report No 682

<sup>36</sup> Thomas A and Pascall-Calitz, J (2010) *ibid*

<sup>37</sup> Hayward B, Fong B, Thornton A, BMRB (2007) The Third work-life balance employer survey: Main findings, BIS Employment Relations Research Series No 86.

having changed little since 2005 prior to the introduction of the Employment Equality (Age) Regulations.

In-depth interviews with employers showed that attitudes were positive generally where employers had experience of older employees. They were seen to be absent less often and to remain in the organisation longer than younger employees who tend to have a shorter period of time with an organisation before leaving for other employment.<sup>38</sup> Other qualitative research with employers is generally consistent with this finding.<sup>39</sup>

## 2.9 Summary

Evidence shows that introduction of the DRA had little effect on changing the retirement age practices of employers. Few introduced a DRA where one was not already in existence and few got rid of a compulsory retirement age where one was in operation.

Thirty two per cent of establishments had a compulsory retirement age covering 45 per cent of employees. Nearly all compulsory retirement was set at age 65.

Few employers were unwilling to accept any requests to stay on (4 per cent of establishments operating with a compulsory retirement age) where one or more requests had been received.

Just over half of employers saw the ability to retire employees as not very important.

There were a number of reasons why employers had a compulsory retirement age. Reasons were business related for many, but equally there were many who cited historical reasons for having a compulsory retirement age. A proportion of businesses also suggested it was kinder or easier than dismissal.

Fifteen per cent of establishments who had recruited in the last 5 years had a maximum recruitment age. Employers operating with a compulsory retirement age were more likely to have a maximum recruitment age.

Almost a quarter of employers believe that some jobs are more suitable for certain age groups than others but attitudes to older workers were positive generally.

Employers' attitudes towards older workers were generally positive, although age stereotyping persists with some employers believing that some jobs are more

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<sup>38</sup> Thomas A and Pascall-Calitz, J (2010) Default Retirement Age - Employers Qualitative Research, DWP Research Report No 672, London: Department for Work and Pensions).

<sup>39</sup> McNair S, Flynn M and Dutton N (2007) Employer Responses to an ageing workforce: a qualitative study, DWP Research Report No 455, Department for Work and Pensions, London.

suitable for certain age groups. In addition some employers, particularly those in manufacturing were less positive about employing older workers.

# 3. The employee's experience

Evidence on the experience of employees is drawn from nationally representative surveys and from a qualitative study undertaken by the Department for Work and Pensions, which involved an in-depth study of individuals whose retirement decision was influenced by their employer.

## 3.1 Awareness of the Default Retirement Age and the statutory procedure

The majority of those in employment now (or who have worked in the last two years) were aware of age discrimination law. Eighty-nine per cent of respondents to the Fair Treatment at Work survey correctly identified that employers had an obligation not to treat employees unfairly because of their age<sup>40</sup>.

To a somewhat lesser extent employees were aware that employers had to allow them to work up to age 65, or the employer's normal retirement age. Sixty-seven per cent of all employees were aware of this and 73 per cent of those aged over 60 were aware of this obligation.<sup>41</sup>

A similar proportion (67 per cent) were also aware that employers had to follow a set procedure when retiring an employee, including informing them of the right to request to continue working. Employees over the age of 60 were not more likely to be aware of this. Sixty-five per cent of respondents aged 60+ who were in work now or who had worked in the last two years correctly identified this was an obligation that employers had to fulfil.

Perceived knowledge of the detail on employer obligations with regard to the Employment Equality (Age) Regulations was somewhat lower than awareness. Of those aged 60 or over, 57 per cent felt they knew a lot or a fair amount about the right to allow employees to work up to age 65 (this was a higher rate than the main survey population of which 45 per cent thought they knew a lot or a fair amount). In terms of knowledge of following a set procedure when retiring an employee, 57 per cent of those aged 60 and over felt they knew a lot or a fair

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<sup>40</sup> Fevre R et al (2009) Fair Treatment at work: findings from the 2008 survey, BIS, URN 09/P85.

<sup>41</sup> Barratt C, (2010) The Fair Treatment at work age report: findings from the 2008 survey, BIS, URN 10/813.

amount about the detail. This was higher than the main survey population (of which just 39 per cent perceived they were aware).<sup>42</sup>

The individual's level of awareness and subsequent expectations around their retirement decision had implications for how the retirement and right to request process was experienced and how it influenced attitudes towards outcomes (see section below on outcomes).

Just as important was having an awareness of the employer's policy on retirement. In-depth research with employees showed that they were not always aware of their employer's retirement policy or how they would respond to a request to remain post retirement age. Survey data showed that 25 per cent of men and 28 per cent of women aged 18+ were unsure whether their employer would permit them to work beyond age 65.<sup>43</sup>

### 3.2 Employees attitudes to retirement and the DRA

Evidence was collected on retirement aspirations or expectations, as well as personal experience where this life phase had been reached. Many studies since the Employment Equality (Age) Regulations were introduced have focused on the desire to continue working beyond the default retirement age of 65.

Survey data of employees showed that the majority of individuals, when asked about working beyond the age of 65, do not wish to continue working, although about a third of individuals would like to work longer.<sup>44</sup> In addition, the large majority of people expect to retire at or before age 65. Taking an average score, men expect to retire at around 63 years and women at age 62 years. This has risen since 2005 but only marginally.<sup>45</sup> People cited financial reasons as the primary explanation for expecting to retire when they say.

Older individuals were more inclined to agree they would want to work beyond age 65. Once they reach 60, and still in employment, there is much more likelihood that they will wish to continue working.<sup>46</sup> The reasons given for planning to retire later are much the same as the reasons given for expecting to retire early; they are primarily based around financial stability. Fifty-one per cent

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<sup>42</sup> Barratt C, (2010) The Fair Treatment at work age report: findings from the 2008 survey, BIS, URN 10/813.

<sup>43</sup> McKay S, Never too old? Attitudes towards longer working lives in Park A et al (eds) British Social Attitudes Survey Annual Report, Sage, London

<sup>44</sup> McKay S, *ibid*

<sup>45</sup> The corresponding figure for 2005 was 0.8 years earlier. McKay, S in Park et al (2010) British Social Attitudes Survey Annual Report, Sage, London.

<sup>46</sup> Data from the British Social Attitudes Survey shows that 57 per cent of those aged 60+ would like to work beyond age 65 but caution is needed as sample sizes are small.



of those aged 50+ who are planning to retire after state pension age say they cannot afford to retire. Others mention savings and pensions not being high enough or still supporting children financially.<sup>47</sup> In-depth studies with individuals also showed that some felt the need to be occupied and wanted to work.<sup>48</sup>

People with intrinsically interesting jobs are amongst those who value the opportunity to stay on in work. On the other hand there are those who are resentful of the expectation that they should work for longer.

Whilst many do not wish to work beyond age 65 they would like to be able to choose. In a survey of older adults aged 60-70 the majority were against forced retirement.<sup>49</sup>

Employees acknowledged the role of the employer in these decisions. More than half of employees in the attitude survey believed that employers should be allowed to decide if people work past 65 (57 per cent) compared with 28 who disagreed, although employees aged 55 and over were more likely to disagree (36%).<sup>50</sup> Interviews with individuals showed that they understood retirement policies may be important for employers, who were not expected to employ people indefinitely, but there was a strong sense that they felt retirement decisions should be based on performance rather than simply because they had reached a particular age.<sup>51</sup>

### 3.3 Older workers and flexible working

The proportion of older workers who would like to stay in work beyond age 65 increases with the prospect of being able to work flexibly. Overall 35 per cent of older workers (aged 50+) agreed they would want to work beyond the age of 65. When asked however if they would want to work beyond the age of 65 if they could work flexibly, the proportion increased. This time 56 per cent of older workers said they would want to do so.<sup>52</sup> Examples of flexible working given to respondents when they were asked this included all types of flexibility including 'working just part of the year' which may have induced visions of a more

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<sup>47</sup> Smeaton et al (2010) Older workers: employment preferences, barriers and solutions, EHRC Research Report 43, Manchester.

<sup>48</sup> Morrell, G and Tennant R (2010) *Employer Practices and Retirement Decision Making*, DWP Research Report No.673, London: Department for Work and Pensions

<sup>49</sup> Age UK survey of 976 adults aged 60 to 70, cited in Sykes et al (2010) Review of the Default Retirement Age: summary of stakeholder evidence, DWP Research Report 675.

<sup>50</sup> McKay S. Never too old? Attitudes towards longer working lives in Park A et al (eds) British Social Attitudes Survey Annual Report, Sage, London

<sup>51</sup> Morrell G and Tennant R (2010) *ibid*

<sup>52</sup> British Social Attitudes data 2008

idealised way of working. Studies of older people, particularly those already retired, show that in reality the type of flexibility many older people aspire to tend to be beyond that which may be available to them, and possibly more than the employers themselves would be able to provide<sup>53</sup>.

### 3.4 Experiences of retirement and the retirement process

The second Survey of Employers Policies Practices and Preferences relating to age (SEPPP2) showed that employers are allowing individuals to stay on in the large majority of cases. A recent survey of individuals likewise showed that more than 80 per cent of requests by employees to stay on were accepted.

A relatively small proportion of employees are therefore unable to stay in work. In a large scale survey of individuals aged 60 to 70, 4 per cent of those aged 65-70 who had retired in the last year had done so only because of their employer's policy on retirement and 6 per cent in the previous 3 years.<sup>54</sup> Figures from the Fair Treatment at Work survey showed that 3 per cent of those aged over 60 who are in work or have worked in the last 2 years experienced problems to do with retirement.<sup>55</sup> Of those no longer in employment 7 per cent reported this as a reason for an employment rights problem<sup>56</sup>. Ten per cent of those in work who are expecting to retire at or before age 65 report that the main reason is because they don't expect their employer would allow them to continue working.<sup>57</sup>

When individuals are retired employers are obliged (under the Employment Equality (Age) 2006 regulations) to adhere to procedures that constitute a 'fair retirement'. This includes giving employees written notice of their intended retirement within a stipulated time frame, and the opportunity to request to continue working. Requests must be considered by the employer, although employers are under no obligation to provide a reason if it is declined. Despite this statutory formalisation of retirement procedures, including the right for employees to request to continue, evidence showed a diverse range of experiences in practice.

In-depth studies with those who had gone through the right to request process showed both positive and negative experiences. Positively felt experiences

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<sup>53</sup> Vickerstaff et al 2008, Encouraging labour market activity among 60-64 year olds, DWP Research Report No 531, Department for Work and Pensions, London.

<sup>54</sup> Age UK survey of 976 adults aged 60 to 70, cited in Sykes et al (2010) Review of the Default Retirement Age: summary of stakeholder evidence, DWP Research Report 675.

<sup>55</sup> The problems themselves were not measured.

<sup>56</sup> Barratt C, (2010) The Fair Treatment at work age report: findings from the 2008 survey, BIS, URN 10/813.

<sup>57</sup> McKay S, Never too old? Attitudes towards longer working lives in Park A et al (eds) British Social Attitudes Survey Annual Report, Sage, London

included the right to request to stay, and subsequent acceptance, as a pleasant surprise where this was not expected; a decision to stay or to go being entirely at the employee's control; or a useful opportunity to negotiate different working arrangements or hours, particularly where the employer valued the skills of the employees and wished to encourage working beyond normal retirement age.<sup>58</sup>

Negative experiences were reported at all stages of the retirement process. This sometimes involved insufficient notice of the intended retirement date<sup>59</sup> and/or not being informed about the right to request to stay in work. Uncertainties about the employer's policy on retirement and how the employer was likely to respond to requests also led to some anxiety at times. In particular it led to a fear of asking in case it prompted the employer to retire them. Other negative experiences included the offer of the request to stay not seeming genuine, or being offered a different role they did not wish to accept. Some employees felt sufficiently discouraged not to put in a request, particularly if they had observed colleagues having requests declined, or where it was felt there was a lack of encouragement to do so.

Whilst employers do not have to give a reason if the request to continue working is declined some individuals felt the real reasons included discrimination by age or gender, particularly if some were accepted and others not. Some individuals were also confused about who in the firm would eventually decide whether or not they could work beyond normal retirement age and what criteria was used for decision making. Other perhaps more neutral experiences included the retirement process largely being informal in approach, involving just 'a chat' rather than any formal procedure.<sup>60</sup>

### 3.5 Satisfaction with retirement decisions

The in-depth study of individuals indicated that a number of factors were influential in perceptions of the retirement experience. In general positive outcomes were related to the amount of perceived involvement in the decision making or overall control that they felt they had, and not simply whether a request to stay was accepted or refused.

Factors influencing perceptions included the extent to which the employer's process was anticipated and understood. In the simplest example, those who anticipated that they may have to retire but had a right to request accepted had a pleasant surprise. The alternative was a nasty shock upon the arrival of a notice of retirement.

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<sup>58</sup> Morrell, G and Tennant R (2010) *Employer Practices and Retirement Decision Making*, DWP Research Report No.673, London: Department for Work and Pensions

<sup>59</sup> A fair retirement is one in which the individual is given notice of retirement no less than 6 months before the intended date of retirement.

<sup>60</sup> Morrell G and Tennant R (2010) *ibid.*

Where individuals were consulted, outcomes were more positive, even if the outcome was not what they wished. Where individuals felt excluded from the retirement process or decision, the retirement was perceived more negatively. On the other hand individuals appeared more willing to accept outcomes that did not meet their expectations or that had conditions attached if they were consulted throughout the process.

Another factor was the presentation and discussion of alternative options (and the extent to which individuals believed other options existed). For example where no alternative options were offered or discussed employees had negative perceptions of the process even if the decision to retire had initially been their own. This was especially the case in the event of an employee feeling that alternatives did exist but that they were not offered them.<sup>61</sup>

Choice was an important element in the retirement process. In addition outcomes were found to be positive where information on the employer's policy was clear and individuals felt informed; where support was given and the opportunity to discuss and negotiate working options were apparent. Where this was evident employees had a sense of ownership of the decision and this mitigated undesirable outcomes.<sup>62</sup>

### 3.6 Performance at work in the run up to retirement

In-depth research with retired individuals demonstrated that there were mixed experiences and perceptions about performance in the run up to retirement. Age was attributed as a direct factor by some employees who mentioned slowing down generally towards retirement age. Those working in manual jobs reported finding physical work and large amounts of travelling more difficult than previously. Declining health was also cited as an issue that related to personal performance. Conversely, others perceived no difference in their performance in the approach to retirement, or felt their performance had improved. Age and experience were valued by some who felt it facilitated confidence at work and offered learning opportunities for less experienced colleagues.<sup>63</sup>

Further empirical evidence (including experimental studies) showed that there are differences within all age groups on specific criteria but the differences between age groups may be qualitatively different. For example some older workers may perform less well than younger workers on tasks where demanding physical work or rapid information processing is involved yet some younger workers may perform less well than older workers where knowledge and experience is required. The general conclusion on performance is that

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<sup>61</sup> Morrell, G and Tennant R (2010) *Employer Practices and Retirement Decision Making*, DWP Research Report No.673, London: Department for Work and Pensions

<sup>62</sup> Morrell G and Tennant R (2010) *ibid*

<sup>63</sup> Morrell G and Tennant R (2010) *ibid*

differences can exist both within age groups (which can be considerable) and between groups but that in general there is no difference in the average effectiveness of older workers compared with younger workers.<sup>64</sup>

### 3.7 Performance management in the run up to retirement

There was evidence from the qualitative study with employers that there was less emphasis on performance management as workers got nearer to retirement age. They were more 'haphazard' or non-existent in the run up to retirement for some and there was sometimes the view amongst individuals that the performance management system was geared towards younger staff and was less useful for them. This experience wasn't universal as others reported no change.

### 3.8 Training at work in the run up to retirement

Research on training in the run up to retirement showed that, for some employees, training needs had continued to be met up to the point they undertook their retirement decision. These individuals reported receiving good training and support, including training in new systems where changes had been implemented in the organisation. Some individuals did not take up the offer of training if they felt they did not need it or if it was felt to be unnecessary as they were approaching retirement.

There was also evidence that individuals felt opportunities for training had waned during this period because they were approaching the point at which they would make a retirement decision. This included experiences where training requests had been turned down and where individuals perceived that they had been excluded from training offered to colleagues.

### 3.9 Perceived discrimination in the workplace

In general older workers reported fewer incidences of unfair treatment at work when compared with the population as a whole. They also reported less discrimination in the workplace, although they were more likely to mention age as a reason for unfair treatment and for discrimination compared with other age groups.<sup>65</sup>

Looking at prevalence rates, 4 per cent of those over the age of 60 reported that they experienced discrimination at work in the last 2 years. The most commonly perceived reason was age, followed by 'position in the organisation' and people's relationships at work. Overall age was given as a reason for discrimination by 1 per cent of those aged over 60. The Fair Treatment at work survey revealed that

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<sup>64</sup> Sykes W; Coleman N and Groom C (2010) Review of the Default Retirement Age: Summary and Evaluation of the External Evidence. Independent Social Research, 2010, BIS URN 1018, DWP Research Report No 675, London: Department for Work and Pensions

<sup>65</sup> Fevre et al (2009) Fair Treatment at Work report: findings from the 2008 survey. BIS, URN 09/P85

the youngest age group (i.e. those aged 16-24) were the age group most likely to perceive they were experiencing discrimination on the grounds of age (5 per cent overall).<sup>66 67</sup>

### 3.10 Summary

The majority of people were aware of the existence of age discrimination legislation. The majority of people were also aware that employers are generally obliged to allow them to work up to the age of 65, but a substantial minority are not aware of this. Similarly a considerable minority are not aware that employers have to follow a set procedure when retiring individuals, including the age group for whom this is particularly relevant (i.e. those over the age of 60).

About a third of the population would like to work beyond age 65, but the likelihood of wanting to stay in work increases with age. Similarly, the likelihood of wanting to stay in work increases with the hypothetical option of working flexibly. People report financial reasons more than they do other reasons as the explanation for continuing in work.

There were positive and negative experiences of the retirement process under the current system. Satisfaction with outcomes depended on prior expectations and the amount of involvement or control an individual was perceived to have over his or her retirement.

There were differences within groups of older workers in their perceptions about their performance at work in the run up to retirement and the reasons they gave. Empirical studies show that there are differences between and within different age groups in performance depending on what factors are observed but that overall and on balance there is no difference in the average effectiveness of different age groups. Performance management seemed to decline in the run up to retirement for some but not for others.

Training opportunities can diminish in the run up to retirement both by choice and by selection.

Perceived unfair treatment and discrimination in the workplace is not widespread for older age groups. Reported age discrimination at work by younger people (aged 16-24) appears to be higher than that reported by older people.

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<sup>66</sup> Barratt C (2010) The Fair Treatment at Work Age Report - findings from the 2008 survey, BIS, URN 10/813.

<sup>67</sup> Note differences here could not be tested for statistical difference due to the age boost to the Fair Treatment at Work Survey being a separately sampled quota sample.

# 4. Summary and Discussion

In 2006, with the introduction of the Employment Equality (Age) Regulations and the default retirement age, the Government announced plans to conduct an evidence-based review by 2011.

The review involved commissioning a number of independent studies in order to gather evidence on the operation of the default retirement age in practice as well as related issues affecting employers and employees. This included examining employee aspirations to work beyond age 65; the experiences and attitudes of older employees in the workplace and the experiences and attitudes of employers operating with and without a default retirement age. Other research reports submitted for the review by external stakeholders were an additional source of evidence.

This report looked at the summary evidence from the UK. As part of the review a study was conducted on the experiences of other countries with and without a legally enforceable retirement age (Annex 1).

Research with employers involved both quantitative and qualitative studies. Evidence showed that very few employers had adopted a compulsory retirement age (where one did not exist) as a result of the introduction of the default retirement age. In addition, few had abolished a compulsory retirement age where one was not already in operation. Research indicated that there was a significant increase in the proportion of employers operating without a compulsory retirement in 2009/10 compared with 2005 when this was first measured. In 2009 less than a third (32 per cent) of employers had a compulsory retirement age for some or all staff. For the large majority of these employers the set retirement age was 65.

Less than half the employers surveyed held the view that it was important to be able to compulsorily retire employees. Larger employers and those operating with a compulsory retirement age were amongst those more likely to say it was important. Businesses cited a number of reasons for having a compulsory retirement age. For just under a third of those operating with a compulsory retirement age, this included manpower planning. For more than a third the reason was historical in basis.

Reasons for not having a CRA reported by some employers included a perception that it was discriminatory and encouraged employers and employees to focus on age rather than skills or experience.

The existence of a compulsory retirement age for some employers had the effect of perpetuating other age based practices. For example employers with a

compulsory retirement age were more likely to have a maximum recruitment age. Likewise some employers reported that training selection would be influenced by the period remaining before retirement.

Evidence also showed that attitudes persist for a minority of employers who believe some jobs are more suitable for certain age groups than others. The proportions who express this view remained similar in 2009 to those in 2005.

Nevertheless, attitudes to older workers were positive. Where employers had experience of older employees in their establishment they valued the contribution they made. In addition, the majority of employers surveyed said they accepted all requests to stay in work beyond the normal retirement age. Only a very small proportion of employers said they did not accept any requests.

Research looking at the employees' perspective were collated from a number of sources; both qualitative and quantitative in nature. Evidence showed a mixed level of awareness of the Employment Equality (Age) regulations, including the default retirement age. Almost three quarters of those aged over 60 were aware that employers had to allow them to work up to the age of 65, or the employer's normal retirement age but just over half of those aged over 60 knew that employers had to adhere to a set procedure when retiring individuals.

On aspirations to working in later life research showed that the majority of employees do not wish to work beyond the age of 65. In addition, the average expected retirement age remains below age 65 at 63 for men and 62 for women. The desire to continue working however increases with age. A higher proportion of older workers report a desire to continue working compared with younger workers. The reasons are mainly financial in nature with more than half of those aged 50+ who are intending to continue working doing so because they cannot afford to retire. Evidence also suggests that for those not intending to work beyond age 65 they may be encouraged to do so with the offer of flexible working.

Where employees had made requests to remain in work, these had been accepted for the very large majority of cases. The experiences of those not submitting requests because they perceived it would not be accepted are unknown. A small proportion of retired employees had experienced a retirement related problem at work. Ten per cent of employees believed they would have to retire before age 65 because they did not think their employer would allow them to continue working.

Experiences of the right to request process were mixed, as was satisfaction with the outcome, which appeared to be influenced more by the involvement individuals perceived they had in the process rather than the outcome itself. Even where the decision of the employer was not what the individual desired it was perceived to be fair where they had been consulted and were involved. Without these important elements employees were more likely to report the retirement decision being unfair or even discriminatory.

Perceived performance at work in the run up to retirement was equally mixed with some employees attributing age to a number of performance related issues



whilst others perceived no difference in their performance in the run up to retirement. Some felt their performance had improved. Opportunities to continue training up to retirement age were experienced by some employees and not by others who noticed a decline in opportunities. Some also reported that training was not an option from personal choice.

Unfair treatment and discrimination in the workplace did not appear to affect older workers disproportionately. Older people report less discrimination in general at work than other age groups, although they are more likely to mention age as a reason for the unfair treatment or discrimination.

The evidence gathered illustrates the range of views and experiences of the default retirement age. This report summarised the key findings of the studies contributing to the review. The individual reports can be found on the DWP and BIS websites detailed at Annex 2.

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# Annex 1

## International Literature Review

An international literature review conducted by the DWP looked at case studies of countries where published research and data existed on current policies on retirement ages and the subsequent impact of these policies.<sup>68</sup> The full report from which this summary is drawn can be found at <http://research.dwp.gov.uk/asd/asd5>.<sup>69</sup>

In common with the UK population the case study countries had ageing populations through a combination of low birth rates and increased life expectancy, particularly the increase in the 60 plus population due to large numbers of people born in the immediate post-war period ('baby boomers') now reaching retirement age. However each of the countries had their own demographic, cultural and political circumstances which impacted upon changes in retirement policies and outcomes.

Countries examined for the comparative review incorporated countries that operated without a default retirement age, including for this purpose; the USA where compulsory retirement age was abolished with the introduction of age legislation in 1986; Canada where compulsory retirement ages for employees was abolished on a province by province basis between the years 1973 and 2009; New Zealand where mandatory retirement was made unlawful between 1993 and 1999 and Australia where mandatory retirement was made unlawful in 2004.

In addition cases studies were conducted of countries where a minimum mandatory retirement age is permitted through legislation including; Japan where minimum retirement is set at 60 (but due to increase to 65 in 2013); Sweden where mandatory retirement below the age of 67 was made unlawful in 2001; and Ireland where mandatory retirement is permitted in employment contracts but no minimum age is stipulated.

The main summary of the comparative literature review highlight the following key findings from this research:

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<sup>68</sup> Wood, A; Robertson, M and Wintergill, D (2010) *A comparative review of International approaches to Mandatory retirement* DWP Research Report No.674, London: Department for Work and Pensions

<sup>69</sup> Case study countries included USA, Canada, New Zealand, Australia, Japan, France, Sweden and The Republic of Ireland

Comparisons between some of the case study countries showed that there was no clear link between the employment levels of older workers and those of younger workers i.e., that banning mandatory retirement increased unemployment among younger workers.

Changes to age legislation were seen to act as a catalyst for some employers to provide more opportunities and flexible conditions for older workers which were successful in encouraging employees to work later in life, particularly when supported by government initiatives. Studies illustrated a range of workplace changes facilitating the productive employment of older workers including: work scheduling, flexible hours, voluntary work-time reductions, vacation and leave policies, phased retirement, job assignment, improved workplace organisation, hiring and contracting strategies, training practices, and benefit and compensation methods.

The encouragement of working later was observed to have a positive impact on skills shortages where this was evident.

On its own, banning compulsory retirement did not appear to increase participation rates of older workers, only when this was enacted in conjunction with other policies such as raising the state pension age and other policies that facilitated support for working longer.

Some countries suggested that there were increased costs for employers associated with employing older workers where seniority wages were common, particularly in respect of insurance payments. Overall views were divided as to the likely eventual cost implications of employing older workers. Some Human Resource experts projected several extra costs, while others felt the 'fear' factor of higher costs was overblown and the macro level impact on employer costs will be limited.

Banning compulsory retirement had implications for employers' HR policies and approaches. Employers were reported to be reluctant to discuss retirement with employees for fear of age discrimination breaches. Illustrations of where this could be overcome included improvements in performance appraisal programmes for staff and running retirement seminars for all staff.

# Annex 2

## References and links to DRA reports

Metcalf H and Meadows P (2010) Second Survey of Employers Policies, Practices and Preferences Relating to Age, BIS URN 1008, DWP Research Report No 682

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Thomas A and Pascall-Calitz, J (2010) Default Retirement Age - Employers Qualitative Research, DWP Research Report No 672, London: Department for Work and Pensions

<http://research.dwp.gov.uk/asd/asd5/rports2009-2010/rrep672.pdf>

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Sykes W; Coleman N and Groom C (2010) Review of the Default Retirement Age: Summary and Evaluation of the External Evidence. Independent Social Research, 2010, BIS URN 1018, DWP Research Report No 675, London: Department for Work and Pensions

<http://research.dwp.gov.uk/asd/asd5/rports2009-2010/rrep675.pdf>

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Default retirement age: summary of evidence submitted by external stakeholders and interested individuals, BIS URN 10/1082.

[www.bis.gov.uk/assets/biscore/employment-matters/docs/d/10-1082-retirement-age-summary-submissions](http://www.bis.gov.uk/assets/biscore/employment-matters/docs/d/10-1082-retirement-age-summary-submissions)

