

Review of the Default Retirement Age: Summary of the stakeholder evidence

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This report summarises key external stakeholder evidence that was submitted to the Review of the Default Retirement Age (DRA). The Review has been conducted by the Departments for Work and Pensions (DWP) and Business, Innovation and Skills (BIS) in order to determine whether to retain, raise or end the DRA. Submissions from over 200 stakeholders were received and have been taken into consideration by the Government. Twenty-three of these stakeholders also provided research or other evidence. They included employer and employee representative bodies, age and equality campaign organisations, professional bodies and individual businesses. The evidence they submitted included surveys, case studies, literature reviews and soundings of opinion, and their contributions form the basis for this report.

The report authors analysed each stakeholder submission, separated views and opinions from evidence, and examined the evidence to determine what aspects relevant to the DRA it covered, what methodology was used and the key findings. The report sets out the views and opinions given by stakeholders for and against a DRA. It also contains a systematic presentation of the individual items of evidence under headings that cover: employers' current practices on retirement; individuals' experiences and attitudes; the value and capability of older workers and issues of concern to them; and the potential impact on employers, individuals and the economy of keeping, raising or removing the DRA.

Background

The Default Retirement Age was introduced as part of the Employment Equality (Age) Regulations in 2006. The Regulations made it illegal to discriminate on the basis of age either in employment or in vocational training. Employer mandatory retirement ages below 65 became unlawful without acceptable justification; however, it remained lawful to have a policy of compulsory retirement (whether or not individual exceptions were allowed) at age 65 or above. Employers were obliged, therefore, either to adopt the DRA of 65, set a higher compulsory retirement age (CRA) or choose to have no CRA age. The Age Regulations also required employers operating a compulsory retirement age to give employees written notice at least six months, and no earlier than 12 months, in advance of them reaching that age. Employees were granted the right to request to work beyond it and employers were obliged to consider any such request.

When the DRA was introduced, a Review was planned that would take place after a period of its operation to determine its future (i.e. whether to retain it as it is, raise or remove it). The decision to bring forward the Review was announced in the 2009 Government strategy Building a society for all ages.

An evidence-gathering exercise was carried out to inform the Review. In other strands of this exercise, DWP and BIS commissioned qualitative and quantitative research and literature reviews covering (for example): employers' and employees' experiences of the DRA; employers' policies, practices and preferences on age and retirement; and

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approaches taken in other countries and research findings on their outcomes. This report concerns a further strand: the public call for evidence issued by DWP/BIS in October 2009. The call invited businesses and interested individuals to submit evidence especially in relation to: how the DRA operates in practice; reasons why businesses use mandatory retirement ages; potential impacts on businesses, individuals and the economy of raising or removing the DRA; experiences of businesses operating without a DRA; and how any costs of raising or removing the DRA could be mitigated and benefits realised.

By the closing date of 1 February 2010 over 200 submissions had been received. Submissions from 23 bodies or individuals were forwarded for independent summary and analysis. All contained or referred to research evidence. The 23 stakeholder authors included age and equality champions and organisations, business and employer associations, employee representative organisations, professional bodies, individual businesses, academics and others. In their evidence each stakeholder tended to focus on a few issues rather than the range of topics in the call for evidence, and submissions varied from a few pages to many volumes. Some contained original research carried out in response to the Review, others referred to findings of primary or secondary relevance to the DRA.

Methodology

Submissions from stakeholders were processed systematically using an analysis framework developed in collaboration with DWP/BIS. This separated the key views and opinions of stakeholders – their ‘take’ on the DRA and future policy concerning it – from the research or other evidence they adduced to support those views or to shed a more general light on the subject. In addition, for each piece of evidence submitted, key findings were summarised under topic headings agreed with DWP/BIS and other research teams gathering evidence

for the Review. The relevance of submitted evidence and its quality and robustness varied considerably. This was to some extent due to the fact that a number of surveys were put together at short notice for the purpose of the review and tended to be based on narrowly defined target populations (e.g. members’ surveys).

Key findings

These are separated into views and opinions expressed in the submissions, followed by findings (including survey findings of opinion) that were covered in the actual evidence provided.

Stakeholder views and opinions

Views and opinions in favour of the DRA

Arguments in favour of a DRA were made mostly by employer organisations and businesses, and overlapped to some degree. Key among them were that:

- businesses need certainty and the ability to plan, which the DRA provides;
- the DRA provides a framework for decision making when an employee is approaching retirement;
- the DRA offers employers the opportunity to reject requests to work on if necessary as well as to find acceptable responses to requests to work on;
- without the DRA, the use of less ‘acceptable’ methods of managing older workers out of the workforce would rise;
- the DRA makes space and opportunities for younger employees;
- changes to the current situation would place new regulatory burdens on businesses;
- ending the DRA would increase uncertainty about employers’ obligations in certain areas, e.g. the accrual of pensions, and increase the cost of providing certain benefits such as permanent health insurance.

Views and opinions against the DRA

Arguments against the DRA also overlapped to some degree. They were made by a range of organisations including equality campaigners, academics, trades union bodies and some employer representatives. The main arguments were that:

- the DRA is discriminatory because it allows workers to be retired on age grounds alone, and that discrimination extends also to people in the run up to retirement who are passed over for promotion or training;
- it runs counter to the Government's own social policy objectives in relation to extending working life;
- it is being used as an excuse to shed jobs during the economic downturn;
- ending the DRA will reduce the red tape and bureaucracy associated with it;
- ending the DRA will also bring employment security to many enabling them to save longer for retirement;
- ending the DRA will have diffuse benefits such as an expanded labour market, better health among older people and reduced welfare costs, and increased spending power injected into the economy.

Research and other evidence provided by stakeholders

Forty-eight pieces of research and other evidence were provided by stakeholders, although there was greater coverage of some issues relevant to the Review of the DRA than of others. Main research evidence was follows:

- public awareness of the DRA and the right to request increases with age;

- larger businesses tend to have a CRA but this is less common among smaller businesses. Those with a CRA are likely to cite as reasons the need for a framework for succession planning, while those without tend to cite the importance of retaining experienced staff and promoting diversity;
- evidence from employers suggests the majority of requests to stay on are accepted (80 per cent plus) and that in various sectors employers tend to be resistant to the removal of the DRA;
- across the submitted evidence, a percentage of employees (four per cent or more depending on the target population and the time span covered) was found to have been forced to stop working earlier than they would have liked. More generally, the evidence indicates a range of attitudes to continuing in work, though a number of pieces of evidence show public support for the principle of employees having the choice to work on if they want;
- the current DRA legislation is perceived as having a positive impact for some employers who believe it provides greater certainty and lower cost, but a negative impact on some employees, e.g. those entering a profession later in life;
- evidence indicates that some employers fear the negative impacts of raising or removing the DRA, while others see positive benefits;
- some evidence suggests that there is no general difference in performance between workers of different age groups while other evidence suggests that some older workers can experience discrimination. The proportion of people working above State Pension Age has risen in recent years, although analysis of exits from the labour market show an increasing number in part-time or temporary work.

Conclusions

The report is an analysis and summary and makes no policy recommendations.

In most cases, the research evidence that was supplied by stakeholders was intended to shore up or support the arguments they outlined and the points they made in the wider submissions. The evidence provided varied in terms of how much was supplied and the issues it addressed.

In terms of the specific topic headings covered by the Review, there was reasonable coverage of the views of employers and individuals towards the DRA, but less on the actual impact of the DRA and the likely impact of changes to the current situation. There was also limited coverage of awareness (among employers and individuals) of DRA legislation. Overall, the evidence provided a fuller picture of broader issues related to DRA (e.g. extending working life and employing older workers) than the specifics of the legislation.

In key areas, the evidence provided by external stakeholders is consistent with – and therefore reinforces – recent evidence collected by DWP, BIS and others.

The evidence also adds depth and richness to the overall intelligence relating to the DRA, especially on important issues such as employer reasons for having a CRA and their fears about operating without one.

The full report of these research findings is published by the Department for Work and Pensions (ISBN 978 1 84712 794 5. Research Report 675. July 2010).

You can download the full report free from: <http://research.dwp.gov.uk/asd/asd5/rrs-index.asp>

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