

Extending working life tracker – wave 1 report

An element of a piece of research exploring employers' awareness, understanding and activity relating to workplace pensions reform

DWP Communications

Research Report 3

August 2011

A research report carried out by BMG Research on behalf of DWP
Communications

Contents

- The author 3
- Abbreviations..... 3
- Executive summary 4
 - Background..... 4
 - Awareness 4
 - Attitudes..... 5
 - Planned actions 5
 - Summary..... 5
- Background and method 6
 - Background..... 6
 - Research objectives..... 6
 - Research approach..... 7
 - Reporting 8
- Research findings 10
 - Awareness 10
 - Attitudes..... 12
 - Planned actions 14
- Appendix A: Profile of sample..... 15
 - Achieved sample profile 15
 - Weighted sample profile..... 17
- Appendix B: The questionnaire..... 19

Extending working life tracker – wave 1 report

You may re-use this document/publication (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence, visit <http://www.nationalarchives.gov.uk/doc/open-government-licence> or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or e-mail: psi@nationalarchives.gsi.gov.uk.

This document/publication is also available on our website at <http://www.dwp.gov.uk/comms-ci-research>

Any enquiries regarding this document/publication should be sent to us at: ci.researchandevaluation@dwp.gsi.gov.uk

First published August 2011

ISBN 978-1-84947-696-6 Extending working life tracker – wave 1 report

Views expressed in this report are not necessarily those of the Department for Work and Pensions or any other Government Department.

The author

Lys Coleman is an account director at BMG Research.

Views expressed in the report are not necessarily those of the Department for Work and Pensions or any other government department.

Abbreviations

DRA: Default Retirement Age

EWL: Extended Working Life

IDBR: Inter-Departmental Business Register

SIC: Standard Industrial Classification

Executive summary

Background

From 6 April 2011 the default retirement age (DRA) is being phased out so that people have more choice when to stop working. Consequently, from 6 April 2011 employers will not be able to issue any notifications of compulsory retirement using the DRA procedure. Beyond these transitional arrangements employers will not be able to compulsorily retire their employees, unless the retirement can be objectively justified in their particular circumstances. Justifications can be challenged at tribunal.

In addition the Government has announced its plans to bring forward an increase in State Pension age. Women's State Pension age will increase and equalise by 2018 with men's at age 65. State Pension age for men and women will then increase to age 66 by 2020. However State Pension age is not a statutory retirement age. People can choose to draw their state pension and carry on working, or defer receipt of their pension to a later date that better meets their personal circumstances.

In order to explore employers' understanding of the changes in employment law relating to retirement age, and extending working life initiatives, a number of questions were included in wave one of a piece of research which considered employers' awareness, understanding and activity relating to workplace pensions reform.

A total of 751 Computer Aided Telephone Interviews (CATI) were undertaken with employers (202 with micros, 250 with small, 151 medium, and 148 with large employers). Quotas were placed on SIC (Standard Industrial Classification) within employee size-band, and on region/country.

Awareness

Spontaneous awareness of changes to the employment law relating to retirement age rises with employer size, from 70 per cent of micros to 88 per cent of large employers. However, spontaneous comments focus on the raising of the State Pension age (41 per cent), which is commonly expressed by respondents as 'the raising/extension of the retirement age', despite the fact that this does not require retirement. Spontaneous mentions of the removal of the default retirement age are lower at 22 per cent:

- Micro employers are most likely to associate the changes with the raising of the State Pension age/raising of retirement age (45 per cent);
- Mention of the removal of the default retirement age rises from 17 per cent of micros to 68 per cent of large employers.
- Prompted awareness of the removal of DRA rises from 69 per cent of micros to 91 per cent of large employers:

- Specific elements relating to notification and justification etc. are less well understood by micros and small employers, with stronger understanding for medium and large employers.

Attitudes

- The majority of employers (91 per cent) agree that older workers can bring skills and benefits to the business, and that people should be able to choose to work for longer (80 per cent):
- Views are more balanced with regard to employers' rights to retire older workers (36 per cent agree, 42 per cent disagree);
- While 55 per cent disagree that as people get older they are less productive in the workplace, 26 per cent agree;
- The pattern of response is very similar regardless of employer size, but does vary by sector.

Planned actions

The proportion of employers reporting they will take some action rises from 55 per cent of micros to 79 per cent of large employers:

- Reviewing the use of retirement ages rises from 21 per cent of micros to 49 per cent of large employers;
- Removing fixed retirement ages rises from 19 per cent of micros to 47 per cent of large employers;
- Around 25 per cent across all size bands will seek to justify the use of retirement ages if required;
- Between two and three per cent across all size bands say they will retire/make redundant all workers aged 65 or over before October 2011 (but this will only be lawful if notifications were issued using the DRA procedures before 6 April and with the notified date falling before 1 October 2011 or if the retirement is objectively justified).

Summary

There is a need to focus on raising awareness of the removal of DRA amongst micro and small employers particularly. There is also a need to encourage all employers to consider the impact that removing fixed retirement ages can have on their workers and businesses, and to take action with regard to implementing the changes.

Background and method

Background

From 6 April 2011 the default retirement is being phased out so that people have more choice when to stop working.

Consequently, from 6 April 2011 employers will not be able to issue any notifications of compulsory retirement using the default retirement age (DRA). Where notifications have already been made prior to 6 April 2011 in accordance with these procedures, employers will only be able to continue with the retirement process as long as the employee is aged at least 65 or above before 1 October 2011. In accordance with the DRA procedures those employees will be able to request to work on beyond their notified retirement date and employers will be able to agree an extension for a fixed period of 6 months or less.

Beyond these transitional arrangements, employers will not be able to compulsorily retire their employees, unless the retirement can be objectively justified in their particular circumstances. Such justifications can be challenged at tribunal.

In addition the Government has announced its plans to bring forward an increase in State Pension age. Women's State Pension age will increase and equalise by 2018 with men's at age 65. State Pension age for men and women will then increase to age 66 by 2020. However State Pension age is not a statutory retirement age. People can choose to draw their state pension and carry on working, or defer receipt of their pension to a later date that better meets their personal circumstances.

Research objectives

In order to explore employers' understanding of the changes in employment law relating to retirement age, and extending working life initiatives, a number of questions were included in wave one of a piece of research which considered employers' awareness, understanding and activity relating to workplace pensions reform.

Research approach

Timing

1. Following a period of cognitive testing and piloting, the survey went live on 31 January, with fieldwork continuing until 4 March 2011. The average interview length was 19 minutes in total.

Sample composition

2. A total of 751 Computer Aided Telephone Interviews (CATI) were undertaken with employers:
 - 202 with businesses with 1 to 4 employees (micro);
 - 250 with businesses with 5 to 49 employees (small);
 - 151 with businesses with 50 to 249 employees (medium);
 - 148 with businesses with 250+ employees (large).

Quotas imposed

3. Quotas were placed on SIC (Standard Industrial Classification) within employee size-band, and on region/country. Quotas were based on Inter-Departmental Business Register (IDBR)¹ statistics, but reflected the need to up-weight medium and large businesses to allow for robust analysis by employee size-band. Contacts were sourced from Experian². A full breakdown of the achieved sample can be found in Appendix A.

Call outcomes

4. As outlined above, quotas were applied to the sample and so, strictly speaking, a response rate cannot be calculated. Consequently the table overleaf outlines the call outcomes, indicating the cooperation rate based on estimated eligibility. On this basis the cooperation rate was 42 per cent.
5. Given that quotas by SIC and size were achieved, the sample can be said to be representative of the universe under investigation.

¹ The Inter-Departmental Business Register (IDBR) is a list of UK businesses maintained by the Office for National Statistics (ONS) and combines the former Central Statistical Office (CSO) VAT based business register and the former Employment Department (ED) employment statistics system. It provides a common framework for business registers for statistical purposes.

² Experian is a database contains 1,935,050 business records, including the self-employed, captured from a number of sources including: Companies House data; Thomson Directories; and Yell Data.

Figure 1: Summary of call outcomes

Eligible			Eligible		% of total
			No	% of eligible	
Complete			751	42%	15%
Terminated			29	2%	1%
Refusal			1015	57%	20%
Eligible sub-total			1795	100%	35%
Ineligible	Ineligible				
	No	% of ineligible			
Refusal - company policy	368	11%			7%
Quota failure/ineligible	863	26%			17%
Unobtainable number	496	5%			10%
Fax number	83	3%			2%
Wrong number	212	6%			4%
Engaged	43	1%			1%
No reply/ring back	783	24%			15%
Answer machine	443	13%			9%
Ineligible sub-total	3291	100%			65%
Total eligible and ineligible	5086		5086		100%

Reporting

Weighting and presentation of data

6. Throughout this report differences are considered by employer size-band, and it is important to note that, while interviews with employers with 250 or more staff account for 20 per cent of the achieved sample, they actually account for less than one per cent of the UK business population.
7. Using the IDBR population estimates the data have been weighted by SIC within size, and by region/country, to reflect the actual breakdown of the UK business population so that the views of micros account for 74 per cent of the weighted total sample, and the views of large employers account for less than 0.5 per cent etc. However, while all data shown are weighted, unweighted sample bases are shown to indicate the robustness of the sub-sample sizes.
8. A full breakdown of the weighted sample profile can be found in Appendix A.

9.

10. Results have been presented rounded to 0 decimal places, which may mean that in the reporting some percentages may not add up to exactly 100 per cent. For example, if there are 48.5 per cent answering 'agree' and 51.5 per cent answering 'disagree', these figures would be rounded up to 49 per cent and 52 per cent, totalling 101 per cent.

Indicating statistically significant differences

11. Where differences are noted in the text these are statistically significant at the 95 per cent level of confidence unless otherwise stated.

Reporting on total sample

12. In order to facilitate comparisons across different employer size bands almost all of the data shown is based on total sample, including respondents who may have been filtered out of a particular question.

Research findings

Awareness

Spontaneous awareness of changes relating to retirement age

13. When respondents were asked whether they were aware of any future changes to the employment law relating to retirement age 73 per cent reported that they were, and this ranged from 70 per cent of micro employers to 88 per cent of large employers.
14. However, when asked to specify any of the changes or new requirements that will come into place because of the new employment law relating to retirement age the focus for micros was the raising of the State Pension age (45 per cent), which is commonly expressed by respondents as ‘the raising/extension of the retirement age’, despite the fact that this does not require retirement. In contrast, 17 per cent mentioned the removal of the default retirement age (DRA).
15. This balance between the raising of the State Pension age and the removal of the DRA shifts as employer size increases, such that 68 per cent of large employers mentioned the removal of DRA, compared to 15 per cent who mentioned that the State Pension age, or retirement age as it is commonly referred to, is being raised.
16. The following provides a flavour of the spontaneous responses provided by respondents when asked about the changes or new requirements that will come into place because of the new employment law relating to retirement age, and indicates the wide variety of ways in which respondents understand and play back the changes.

‘Employees do not have to retire at the previous retirement age and employers will not be able to force them.’

(Size: 5 to 49).

‘Later this year there will be no normal retirement age, state pension will be given at a later age of 66.’

(Size: 250+).

‘There hasn't been any legislation put into place yet, so it's hard to tell at the moment.’

(Size: 1 to 4).

‘Phasing out current retirement age. Need to see if current contracts are abolished by the changes.’

(Size: 50 to 249).

‘The retirement age is going to be extended to sixty-seven and will be brought in sooner than initially planned.’

(Size: 50 to 249).

‘The compulsory retirement age is being abolished, the age for receiving the state pension is increasing, changes are being brought forward, males and females will be equal.’

(Size: 250+).

‘Retirement age is changing to sixty eight. Men and women are being brought into line.’

(Size: 250+).

‘No entitlement to state pension and the pension age has gone up for women.’

(Size: 1 to 4).

‘The default age is going, the deadline is 30th of March as six months notice has to be given to employees.’

(Size: 5 to 49).

‘The abolition of the default retirement age from April. Someone’s whose reaching retirement age by 11th September. We can retain a retirement age if we have a legitimate reason. Doesn't apply to risk benefits.’

(Size: 50 to 249).

‘The employer must justify setting the retirement age for employees, or just not have a retirement age potentially.’

(Size: 250+).

‘Employers will not be able to force anyone to retire at 65 after October 2011, exemption begins in April 2011 and state pension is going up from 66 to 70.’

(Size: 5 to 49).

‘State retirement age is going the distance, won't be able to retire employees at 65 and if employers want to they will need to make a case for asking someone to leave.’

(Size: 5 to 49).

‘Compulsory retirement will stop. Retirement ages are slipping depending on date of birth.’

(Size: 250+).

‘By October 2011 companies will not be able to force employees to retire. If they are due to retire they must be given six months notice.’

(Size: 50 to 249).

17. Spontaneous awareness of the changes varies by employer Standard Industrial Classification (SIC). While caution should be shown due to low bases in many instances, this does suggest that spontaneous awareness of changes relating to retirement age is higher in the education sector (94 per cent, caution: low base), the professional, scientific and technical sector (83 per cent) and the health sector (87 per cent).

18. Respondents who were in a finance role were most likely to be aware of the changes (86 per cent compared to between 70 and 77 per cent for those in other roles, such as owners, partners, directors, HR), however this group were more likely to play back raising the State Pension age, or raising the retirement age as it is more commonly referred to, (44 per cent) rather than the removal of DRA (35 per cent) when asked to provide specific details of the changes.

Prompted awareness of changes in the law regarding retirement age³

19. When prompted with details of the changes, 73 per cent of all employers were aware that the law that allowed employers to force their employees to retire at 65 is being removed. This ranged from 69 per cent of micro employers, to 91 per cent of large employers.

20. Fifty-two per cent were aware that employers will have to use fair dismissal procedures if they wish to dismiss poorly performing older workers, and this ranged from 47 per cent of micros to 90 per cent of large employers.

21. Approximately 40 per cent of all employers were aware of the other elements of the changes (43 per cent that employers will not be able to make employees retire after October 2011, 40 per cent that employers will not be able to make employees retire after October 2011 unless they can demonstrate they are justified in doing so, and 39 per cent that employers will not be able to notify employees that they face compulsory retirement after April 2011). In each case awareness increased with business size.

22. How awareness varied depended on the role the respondent filled within their organisation, and indicates that the pattern of response is very similar, although those in HR and finance roles did have higher levels of awareness generally. It should be noted that there is a correlation between respondent role and employer size, as those in these more specialised roles were more likely to be among the larger employers.

Attitudes

Employer attitudes towards retirement age

23. Respondents were asked to rate their level of agreement/disagreement with a number of statements regarding retirement age-related issues.

24. Ninety one per cent of all employers either strongly agreed or tended to agree that employing older workers can bring skills and benefits to the business, and 80 per cent agreed overall that people should be able to choose to continue to work for

³ It is important to note that the fieldwork and these prompts were prepared before the legislative changes to the DRA were finalised. As a result these prompts do not wholly reflect the final transition arrangements by which some limited retirements using the DRA procedures are lawful beyond October 2011.

as long as they wish. In contrast, while 42 per cent disagreed to some extent that employers should be able to retire older workers, 36 per cent agreed that they should be able to do so.

25. While 55 per cent of all employers disagreed that as people get older they are less productive in the workplace, 26 per cent agreed.

The pattern of response with regard to attitudes to retirement age-related issues was very similar across all employer size bands.

26. As with size band, the pattern of responses was similar across all respondent roles although owners (44 per cent), managing directors/chief executive officers (43 per cent) and those in HR (45 per cent) were more likely than those in director (25 per cent) or finance roles (26 per cent) to agree that employers should be able to retire older workers.

27. However, a much higher proportion in all instances agreed that workers should be able to choose to work for as long as they wish (between 74 per cent and 85 per cent).

28. Owners and managing directors/CEOs were also somewhat more likely to agree that as people get older they are less productive in the workplace (34 and 29 per cent respectively).

29. While the pattern of response was very similar by industry sector, particularly in relation to employers being able to retire older workers, there were some differences in attitudes and these are summarised below.

- Agreement that people should be able to choose to continue to work for as long as they wish was higher amongst those in health (95 per cent), arts, entertainment, recreation and other services (94 per cent) and accommodation and food services (92 per cent);
- Agreement that employing older workers can bring skills and benefits to the business was universal amongst those in arts, entertainment, recreation and other services, and property (caution: low base), and higher than elsewhere in education (99 per cent, caution: low base), production (98 per cent), transport and storage (98 per cent, caution: low base) and health (97 per cent);
- Agreement that as people get older they are less productive in the workplace was higher amongst those in construction (41 per cent) and agriculture, forestry and fishing (47 per cent, caution: low base), and particularly low amongst those in the education (caution: low base) and health sectors (both 4 per cent).

Planned actions

Employer planned actions as a result of changes

30. Respondents were asked which, if any, of a range of actions they planned to take as a result of the changes in retirement law.
31. Sixty two per cent reported plans to take at least one of the listed actions, and this ranged from 55 per cent of micro employers to 77 per cent of small, 85 per cent of medium and 79 per cent of large employers.
32. In terms of specific actions, 38 per cent planned to train/inform managers and workforce so that they know there will be no enforced retirements, 25 per cent planned to review the use of retirement ages by the business, remove their fixed retirement age and to use a retirement age and 24 per cent planned to seek to objectively justify it if required. In each instance the likelihood of planning to take action increased with employer size.
33. Two per cent reported plans to retire or make redundant all their workers aged 65 or over before October 2011, and this was consistent across all size bands.
34. This varied dependent upon the role held by the respondent. While the pattern of response was similar, there were some differences which are highlighted below:
- Owners tended to be less likely to be planning to take any of the listed actions;
 - Managing directors/CEOs were also less likely than those in other roles to be planning to take action, although they were significantly more likely than any other group to report plans to retire or make redundant those aged 65 or over, albeit still at relatively low levels (5 per cent).
 - Those in HR were more likely than those in other roles to report plans to remove the fixed retirement age.
35. While the pattern of response was very similar by industry sector there were some differences in that those in the:
- production sector were particularly likely to report plans to train and inform managers and workforce (58 per cent);
 - health sector were particularly likely to report plans to review the use of retirement ages by the business (50 per cent), and to use retirement age and seek to justify where necessary (43 per cent);
 - production and health sectors were particularly likely to report plans to remove the fixed retirement age (44 per cent and 42 per cent respectively);
 - property, production and transport and storage sectors were more likely than others to report plans to retire or make redundant all those aged 65 or more before October 2011 (9 per cent, 8 per cent and 6 per cent respectively).

Appendix A: Profile of sample

Achieved sample profile

Table 1: Profile of achieved sample – SIC within size

	Employee size band				Total %
	1 to 4 %	5 to 49 %	50 to 249 %	250+ %	
A. Agriculture, forestry & fishing	5	4	1	0	3
B, C, D, E. Production	9	8	18	15	12
F. Construction	9	9	5	3	7
G. Wholesale and retail; repair of motor vehicles	21	12	19	10	15
H. Transport & storage (inc. postal)	6	5	1	6	5
I. Accommodation & food services	5	10	5	9	8
J. Information & communication	7	6	3	1	5
K. Finance & insurance	2	3	3	1	3
L. Property	5	2	3	7	4
M. Professional, scientific & technical	12	12	9	10	11
N. Business administration and support services	8	8	10	8	9
P. Education	2	2	3	11	4
Q. Health	1	11	14	14	10
R. Arts, entertainment, recreation and other services	6	8	7	5	7
Total	202	250	151	148	751

Table 2: Profile of achieved sample – region/country within size

	Employee size band				Total %
	1 to 4 %	5 to 49 %	50 to 249 %	250+ %	
England	83	87	89	90	88
- North East	3	2	4	5	3
- North West	7	9	11	12	10
- Yorkshire and Humber	7	8	6	7	7
- East Midlands	10	10	5	5	8
- West Midlands	10	6	7	8	8
- East	8	9	12	5	9
- London	14	13	16	13	14
- South East	14	17	19	20	17
- South West	10	13	9	15	12
Wales	7	3	3	4	4
Scotland	5	7	5	5	6
Northern Ireland	6	4	3	2	4
Total	202	250	151	148	751

Weighted sample profile

Table 3: Profile of weighted sample – SIC within size

	Employee size band				Total %
	1 to 4 %	5 to49 %	50 to 249 %	250+ %	
A. Agriculture, forestry & fishing	4	3	1	0	3
B, C, D, E. Production	6	12	22	22	12
F. Construction	15	12	7	5	7
G. Wholesale and retail; repair of motor vehicles	18	22	16	16	15
H. Transport & storage (inc. postal)	3	4	4	5	5
I. Accommodation & food services	6	11	8	7	8
J. Information & communication	10	4	4	5	5
K. Finance & insurance	2	2	3	5	3
L. Property	4	3	1	2	4
M. Professional, scientific & technical	20	11	10	8	11
N. Business administration and support services	8	7	12	15	9
P. Education	1	2	2	2	4
Q. Health	2	8	8	5	10
R. Arts, entertainment, recreation and other services	2	2	2	3	7
Unweighted total	202	250	151	148	751
Weighted total	554	180	14	3	751

Table 4: Profile of weighted sample – region/country within size

	Employee size band				Total %
	1 to 4 %	5 to49 %	50 to 249 %	250+ %	
England	87	87	87	88	87
- North East	3	2	4	4	3
- North West	9	12	13	9	10
- Yorkshire and Humber	7	6	5	7	7
- East Midlands	7	6	5	4	7
- West Midlands	9	6	5	8	8
- East	10	12	13	11	10
- London	17	15	14	13	17
- South East	16	18	17	20	16
- South West	9	10	11	12	9
Wales	5	2	3	3	4
Scotland	6	10	7	7	7
Northern Ireland	3	2	4	2	2
Unweighted total	202	250	151	148	751
Weighted total	554	180	14	3	751

Appendix B: the questionnaire

Now I'd like to ask you a few questions about changes to employment law relating to retirement age.

28) Are you aware of any future changes to the employment law relating to retirement age?

1. Yes
2. No
3. Don't know

IF YES AT Q28, OTHERS GO TO Q30

29) Can you recall any of the changes or new requirements that will come into place because of the new employment law relating to retirement age? **IF NECESSARY:** The name of the legislation isn't important, can you recall what it was in relation to? **DO NOT READ OUT. MULTI-CODE**

The retirement age is being removed	1
The retirement age is being removed from April 2011	2
The retirement age is being removed from October 2011	3
Employers will not be able to notify employees that they face compulsory retirement	4
Employers will not be able to notify employees that they face compulsory retirement after a certain date (not April 2011)	5
Employers will not be able to notify employees that they face compulsory retirement after April 2011	6
Employers will not be able to make/force employees to retire	7
Employers will not be able to make/force employees to retire after a certain date (not October 2011)	8
Employers will not be able to make/force employees to retire after October 2011	9
Employers will still be able use retirement ages if they can demonstrate that they are justified in doing so	10
Employers will not be able to dismiss/get rid of older workers	11
Employers will have to use fair dismissal procedures if they wish to dismiss older workers	12
Retirement ages are being raised	13
Employees will not be able to retire	14
Other (SPECIFY)	95
Unsure/Don't know	97

Extending working life tracker – wave 1 report

30) Which of the following changes to the law regarding retirement age are you aware of? **READ OUT. MULTICODE. DO NOT ROTATE STATEMENTS.**

	Aware	Not aware
The law that allows employers to force their employees to retire at 65 is being removed	1	2
Employers will not be able to notify employees that they face compulsory retirement after April 2011	1	2
Employers will not be able to make employees retire after October 2011	1	2
Employers will not be able to make employees retire after October 2011 unless they can demonstrate that they are justified in doing so	1	2
Employers will have to use fair dismissal procedures if they wish to dismiss poorly performing older workers	1	2

31) Which if any of the following are you going to do as a result of the proposed changes in retirement law? **READ OUT. MULTICODE. ROTATE STATEMENTS**

Review the use of retirement ages by the business	1
Remove our fixed retirement age	2
Train/inform managers/workforce so that they know there will be no enforced retirements	3
We will use a retirement age and seek to objectively justify it if required	4
Retire or make redundant all our workers age 65 or over before October 2011	5
Other (SPECIFY)	6
Nothing	7

32) In relation to your business, to what extent do you agree or disagree with the following statements? **READ OUT, SINGLE CODE FOR EACH STATEMENT, RANDOMISE STATEMENTS**

- 1 Strongly agree
- 2 Tend to agree
- 3 Neither agree nor disagree
- 4 Tend to disagree
- 5 Strongly disagree

- A) People should be able to choose to continue to work for as long as they wish
- B) Employing older workers can bring skills and benefits to the business
- C) Employers should be able to retire older workers
- D) As people get older they are less productive in the workplace