

Extending the working life in Anglo Saxon Countries

Rethinking Retirement Seminar: The Future of Retirement
University of Kent
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Presentation overview

- Focus on employment beyond age 65 in a broader policy context
1. The situation up to the early 2000s in United States and United Kingdom
 2. Extending the working life in Anglo Saxon Countries since early 2000s

Part 1: The situation up to the early 2000s

**The United States and United Kingdom –
Helping the poorest by extending employment rights?**



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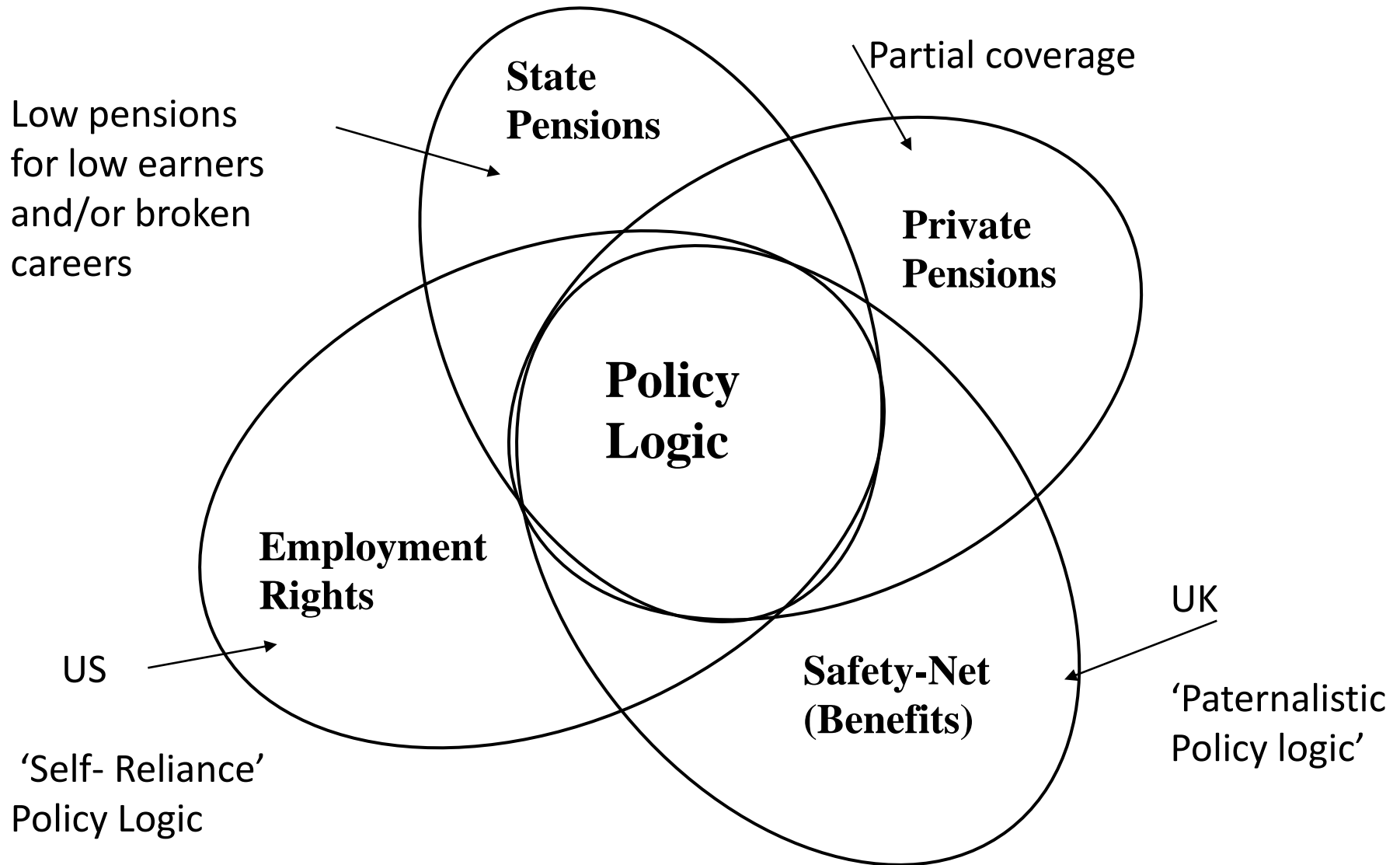
Policy Context in UK

- Limited employment rights past age 65
- Periodic interest in this group of potential workers (Phillipson, 1982; Macnicol, 2006).
- Previous Research suggests:
 - Education, health, work orientation, household, and finances influence employment in *older age*
 - Opportunities to work *past 65* shaped by organisations; ad hoc; importance of line manager (Vickerstaff, 2006); this in turn likely to be influenced by economic / policy context?
 - Evidence of desire to work past 65, although not in ‘any old job’.

Policy Context in USA

- Long history of age discrimination legislation.
- 1967 Age Discrimination in Employment Act covered those up to age 65;
- Amended to age 70 from 1978; and
- Upper age limit abolished in 1986;
- Research on impact limited. Suggests *retention* rather than *recruitment* of older workers (Adams, 2004; Neumark, 2009).
- Aimed at poor: 'income from work was better than an inadequate pension' (Macnicol, 2006: 255).
- Has age discrimination legislation helped poorest? Need to understand broader policy context.

UK/US Policy Logics around retirement timing



Has mandatory retirement abolition benefited poorest?

- Analysis of English Longitudinal Study of Aging 2002 and Health and Retirement Study 2002.
- After 2002 Normal SPA rose above 65 in US
- Measures:
 - Wealth
 - Health (number of Activities of Daily living limitations)
 - Education (High, Medium or low)
 - Age

Employment by wealth quintile (percentages)

	England	USA
1 st quintile (richest)	11.5	21.7
2 nd quintile	8.5	17.7
3 rd quintile	6.1	18.9
4 th quintile	5.2	17.4
5 th quintile (poorest)	2.7	12.6
Total	6.8	17.7
Base	5508	10392

Note: Excludes pensions. Equivalised to Individual level using OECD modified scale.

Source: Analysis of ELSA (2002) and HRS (2002)

Influence of wealth on employment past age 65 (Odds ratios from logistic regression analysis)

	Model 1 (wealth + age)		Model 2 (wealth + age + health + education)	
	England	USA	England	USA
Q1	1.00	1.00	1.00	1.00
Q2	0.72*	0.76**	0.86	0.85
Q3	0.50**	0.81**	0.66*	1.00
Q4	0.50**	0.75**	0.73	1.02
Q5	0.27**	0.54**	0.45**	0.82*

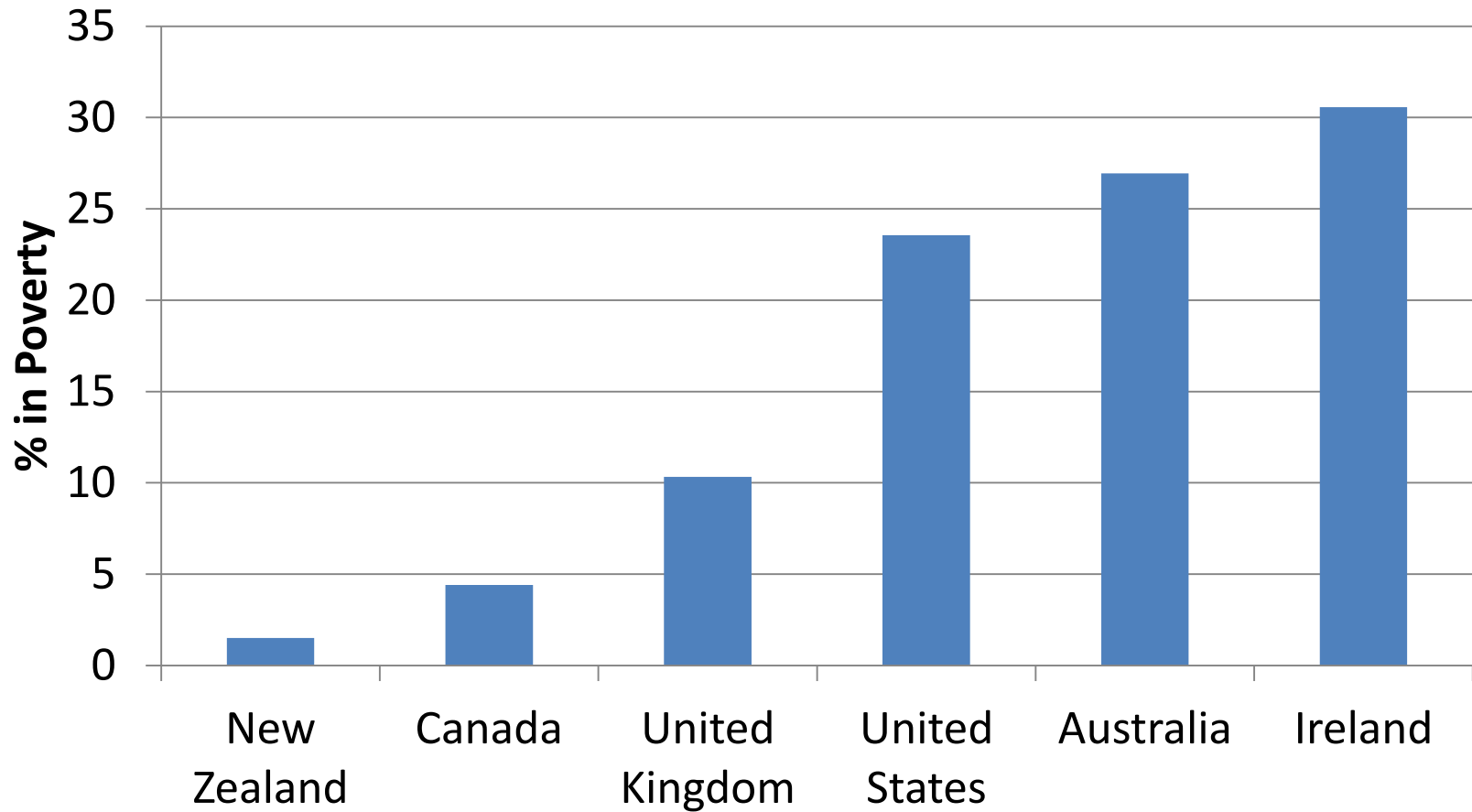
Source: Lain (2011). Analysis of ELSA (2002) and HRS (2002)

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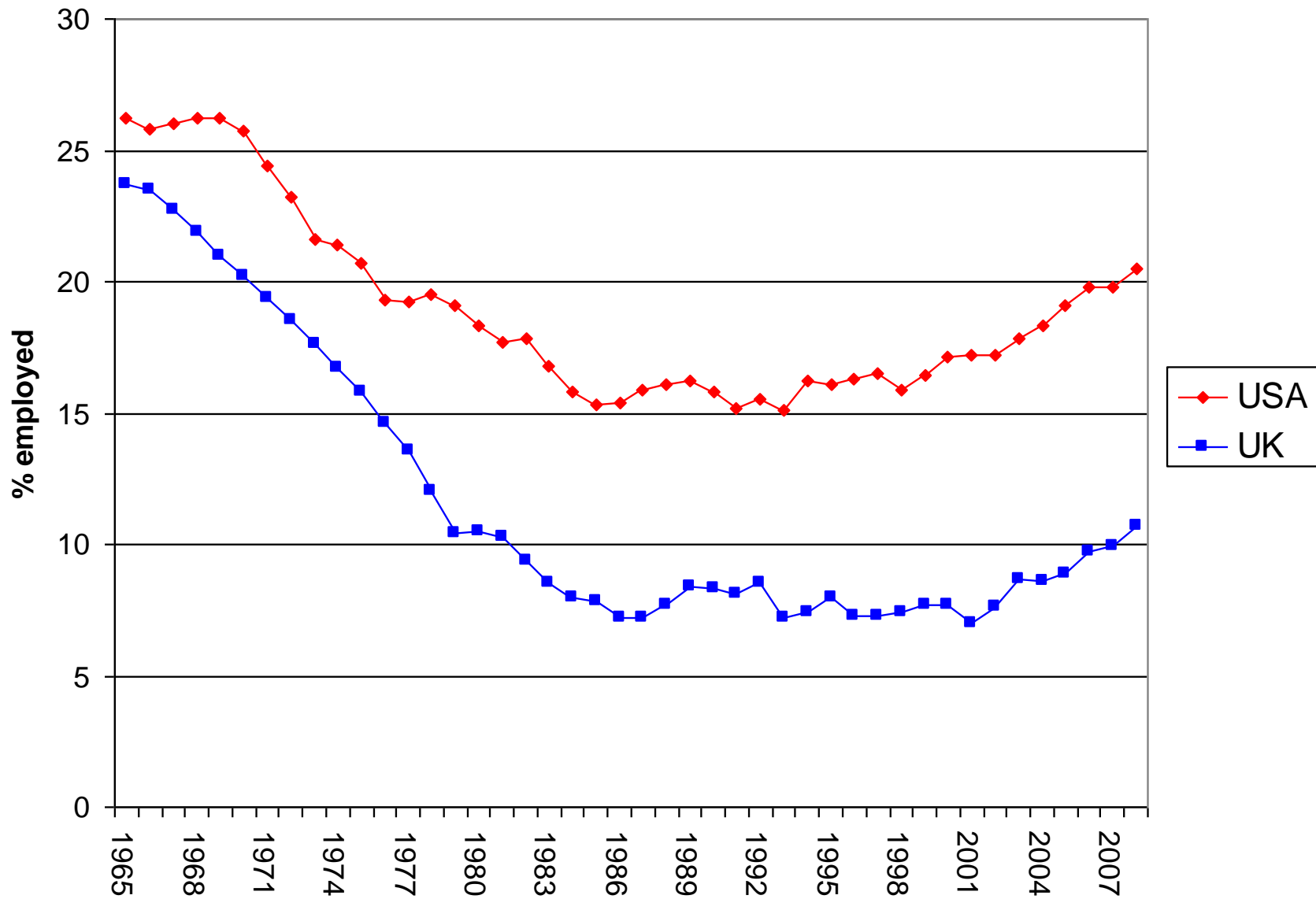
Source: Lain (2011). Analysis of ELSA (2002) and HRS (2002)

Poverty rates among over 65 in 2005



- Source: OECD (2009)

Employment Rates of Men aged 65+



Conclusion to Part 1

- '[US] age discrimination legislation has succeeded at boosting the employment of older individuals through allowing them to remain in the workforce longer' (Adams, 2004: 240).
- Evidence of impact on *retention*; recruitment impact debateable (see Lain, 2012).
- Failed to help poorest, who are least likely to work.
- However, for *some* with reasonable health and education, UK benefits may make employment less attractive.

Part 2: Changes since the early 2000s

In Anglo Saxon countries

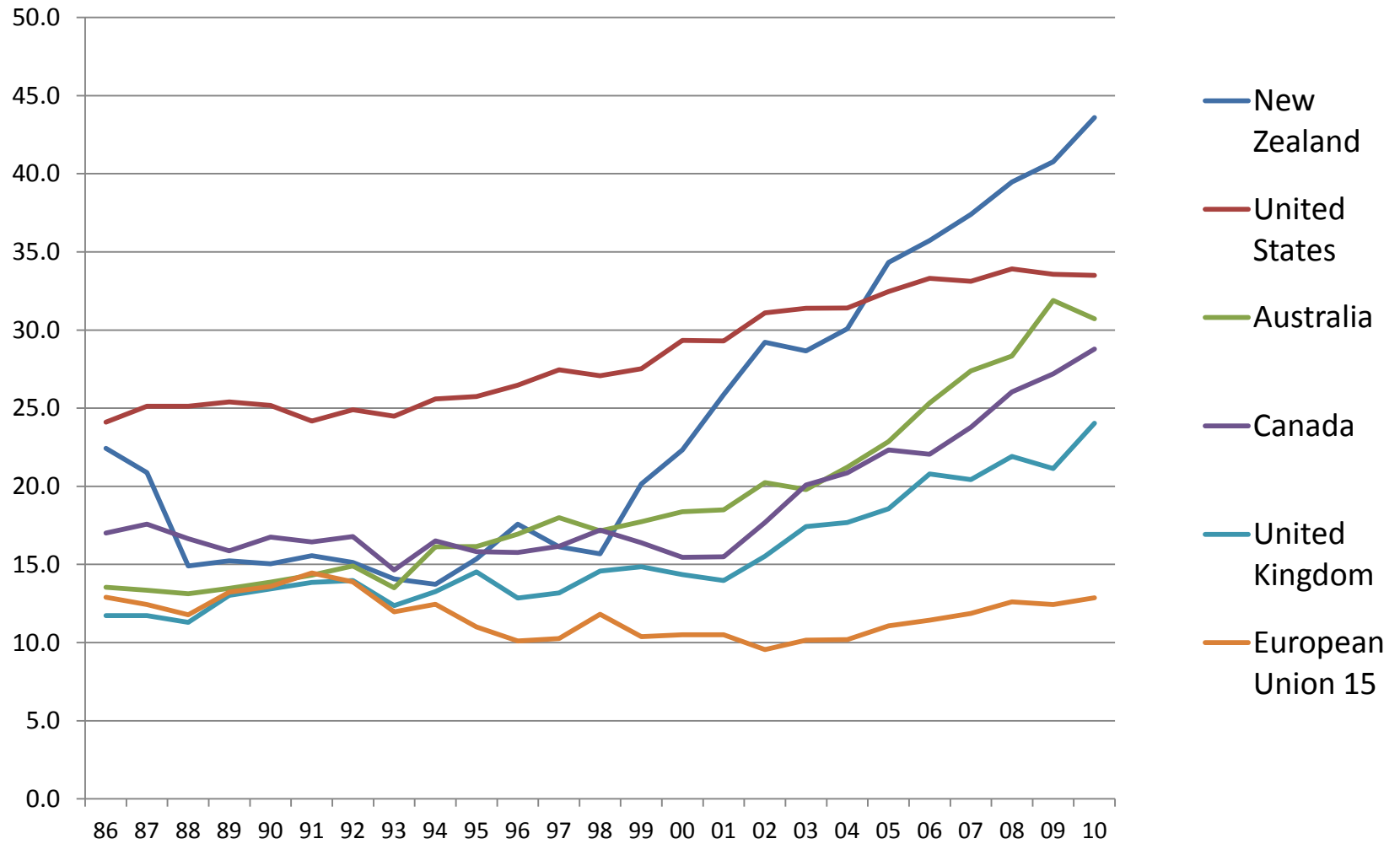


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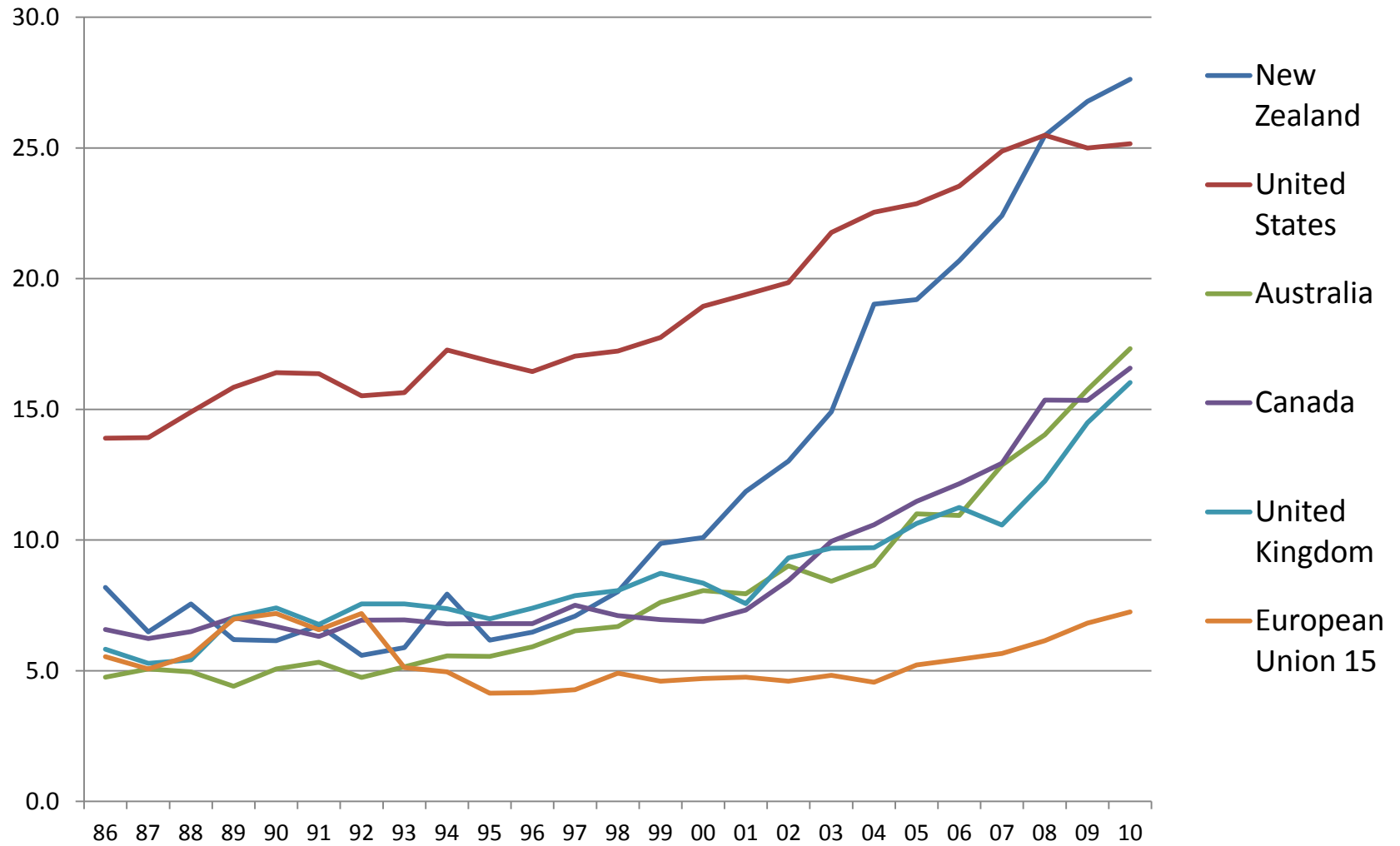
Changes to Mandatory retirement

- Mandatory retirement abolished in four further Anglo Saxon countries:
 - New Zealand (1999; gradually introduced from '93);
 - Australia (2004);
 - Canada (Province by province, completed 2009);
 - UK (2011; right to request 2006).

Employment at age 65-69 (%): Men



Employment at age 65-69 (%): Women



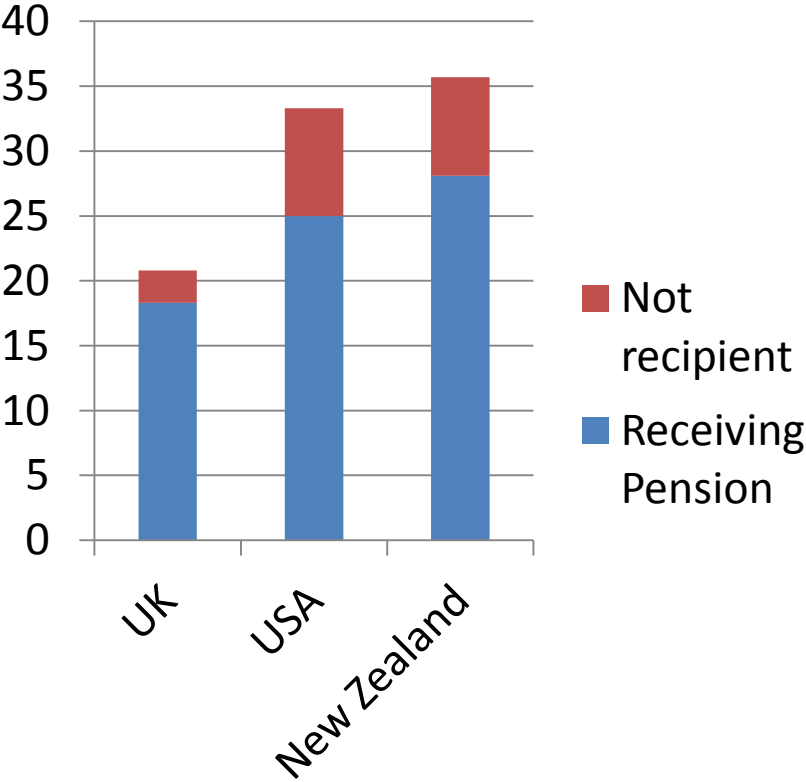
State pensions and extending working life

	USA	UK	Canada	New Zealand
State Pension age in 2012	66	65 (Men) 60 (Women)	65	65
Increase above 65 planned?	Yes, to 67 by 2022	Yes, 65 > 67 by 2028; then 68. Life expectancy link?	No (prefunding)	No (rose from 60 > 65 from '93 > '99)
Compensation for deferred pension beyond SPA?	Yes (8% pa)	Yes, (10.4% pa)	Yes (6% pa)	No (No incentive to defer)
State pension level for low earners (on ½ ave. earnings)	26% of average US earnings (Contributory)	25% of average UK earnings (Contributory)	38% of ave earnings (Contributory / residency)	39% of average NZ earnings (residency)

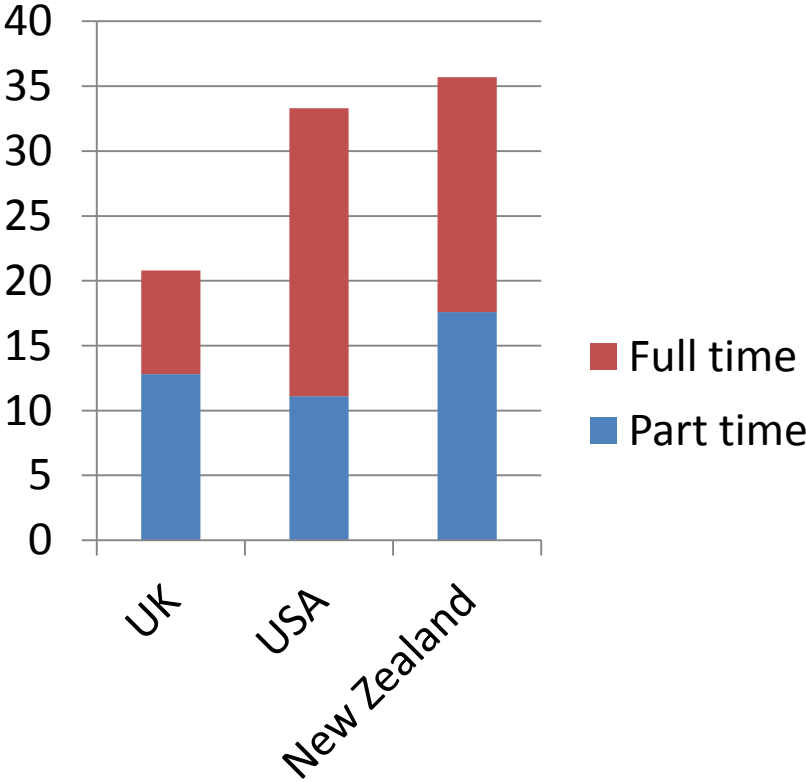
Sources: compiled from OECD (2009) and Lain et al. (2013)

Percentages working aged 65-69 in mid 2000s

Broken down by state pension receipt (estimates)



Broken down by hours of work (estimates)



Source: OECD (Source) and author's analysis of UK LFS, US CPS, and NZ HWR surveys

Conclusion

- Employment past 65 has increased in Anglo Saxon countries, with mandatory retirement abolition a factor
- History of US shows age discrimination legislation is a limited solution for helping the poorest, however.
- Increases beyond 65 been most dramatic in NZ, where:
 - There is a residency-based state pension at 65 crowding out benefit need & poverty;
 - Age discrimination legislation has existed for a decade;
 - People take their pension whilst working, often part-time.
- Questions for future research / thought:
 - Are dramatic increases in UK SPA an attractive means of extending working life?
 - Does New Zealand offer a more attractive model for 'rethinking retirement'?

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