

Working Longer in Northern Ireland: Valuing an Ageing Workforce

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Executive Summary

The economic case for giving older people the opportunity to extend their working lives:

- There is a strong economic case for working beyond 65 in Northern Ireland with the number of people aged 16-64 expected to fall by 1.9% from 2013-2037 while the number of people aged over 65 will increase by 75%.
- Economic output could be 4.4% higher (£2.3bn) in 2037 in a scenario where employment rates for the over 65s continue rising, than if employment rates are stagnant.

Rising labour market participation amongst older groups - a response to economic and demographic change:

- Employment rates for the 50-64 and 65+ age groups in Northern Ireland have risen since the financial crisis of 2008.
- More older people may be working because of falling incomes due to the financial crisis, increased living and utility costs and house prices. Levels of working age poverty in Northern Ireland have increased by 7 percentage points from 2008/9 to 2011/12.
- Even if incomes start to rise as the economic recovery gathers steam, the employment rates of the over 65s will need to continue to increase in response to demographic pressures. By 2020, life expectancy for a man in Northern Ireland aged 65 will be 28% higher than it was in the year 2000.
- Employment in Northern Ireland is shifting away from heavy manufacturing to services which may also be more supportive of working into later life as heavy manual labour becomes less prevalent.

Barriers to working longer:

- A number of persistent barriers still remain that may deter people from working beyond “traditional working age.” These include:
 - **Ageist Attitudes:** Too often, recruitment, apprenticeships, training and retraining focus on younger people. There continues to be widespread and inaccurate stereotypes of older workers which make it harder for older people to remain in work or change career.
 - **Health:** While more people may want to work for longer, health issues prevent some from being able to do so. This is particularly relevant for Northern Ireland which has lower 'healthy' life expectancy (HLE) than the UK as a whole.
 - **Informal caring responsibilities:** A significant number of older people in Northern Ireland are carers. This is clearly going to impact on their ability to remain part of the labour force.
 - **50+ and out of work:** Nearly 40% of people in Northern Ireland aged 50-64 are out of work. Part of the challenge in increasing the overall proportion of people working beyond 65 is to ensure that employment rates do not drop off as quickly once people reach their 50s.



Increased older workforce in Northern Ireland

Employment rates for the 50-64 and 65+ age groups have risen since the financial crisis of 2008.



- **Skills and training:** With significant structural changes underway to the Northern Ireland economy, individuals will need support to train and retrain as necessary in order to ensure that they can continue to contribute as the skill requirements of the labour force change over time. Training is not often as available to older people.
- **Public policy ‘cliff edge’:** State Pension Age has contributed to retirement being seen as a ‘cliff-edge’ event – where individuals can be in full time work one day and in full time retirement the next.
- **Business short-termism:** There is a general recognition from both employer organisations and individual employers that businesses remain unprepared for issues associated with an ageing workforce. Many employers do not recognise ageing as being strategically important. Human Resource professionals with whole organisation leadership need to promote positive ageing policies and practices.

Public policy initiatives affecting older people in Northern Ireland:

- There are a number of key public policy measures completed or underway in response to the ageing population. The extent to which they help increase levels of employment among older people will depend on a range of different factors:
 - **Raising State Pension Age (SPA):** While there is evidence of previous rises in SPA leading to increased employment rates amongst older people, the success of any future increase in pension age will depend on the health and wellbeing of the older people working and whether they either choose to, or need to, work longer.
 - **State Pension deferral:** Although the option to defer uptake of pension is described as an incentive to work longer, deferral is not well understood by the general public.
 - **Abolition of Default Retirement Age:** While Default Retirement Age may have accounted for some proportion of those leaving the workforce at 65, evidence suggests that, for the vast majority of retirees, it was unlikely to have been the main factor.
 - **Access to Work:** Northern Ireland has the highest proportion of people with disabilities who are out of work compared to England, Scotland and Wales. However, despite the importance of supporting those with a disability to get back to work, there has been little research into the impact of this initiative.
 - **Northern Ireland-specific health initiatives:** While a number of important public policy commitments regarding active ageing have been made over the last few years, the critical issue will be implementation and effective resourcing.

Recommendations:

Taking into consideration the evidence of the persistent barriers to working longer and the public policy landscape, this report sets out a number of recommendations for policy makers and employers. The key recommendations include:

- Policymakers:
 - Policymakers must **reduce the extent to which retirement is a 'cliff-edge'** event by introducing innovative policy measures to provide greater incentives for working beyond 65. This might include changes to the rules on State Pension deferral to make working longer more financially beneficial.
 - **Greater support is needed for those providing informal care** both through greater access to professional support as well as financial help. Carers must be given the same rights as parents to request time off from work.
 - **Public health must focus on prevention** as well as cure. Raising State Pension Age must coincide with an increasing proportion of older people reaching this age in good health.
 - There must be **increased analysis regarding the effectiveness of public policy initiatives intended to support those with disabilities** in returning to work.
 - Government funding for **apprenticeships must equally include opportunities** for older people and training.
- Employers:
 - Employers must carefully consider the **strategic impact of an ageing population** both in terms of potential labour supply as well as demand for products and services.
 - Employers will need to make **greater provision for flexible working** and **phased retirement** to allow for a more gradual transition to full retirement.
 - Employers must also encourage the **use of occupational health** to help identify health problems early as well as support **prevention** of health problems by promoting healthy living at work.
 - Employers must engage in **better recruitment processes** to ensure that age is not used, either intentionally or otherwise, as a reason not to hire someone.
 - Employers should be committed to **supporting the training needs of individuals at all ages** to help support continual learning over the life-course.

We have developed a short guide for employers based on our analysis included at the end of this report.

Introduction

This discussion paper is the culmination of a longer project exploring the critical issues related to an ageing workforce in Northern Ireland. To meet this end, background research was undertaken by the Commissioner for Older People for Northern Ireland. This was supported by a number of roundtable events with older members of the public and employers about their views on ageing. This discussion paper builds on this prior research and is structured in six sections:

- **Section 1** explores the economic case for working longer by looking at future population projections for Northern Ireland.
- **Section 2** discusses some of the economic and demographic trends that are acting to shift employment rates amongst the over 65s.
- **Section 3** seeks to identify some of the barriers to working longer including health, business short-termism and public policy.
- **Section 4** reviews some of the public policy measures already underway that could improve the proportion of people working beyond “traditional working age.”
- **Section 5** sets out our detailed recommendations for policymakers and employers.
- Finally, **Section 6** sets out a short toolkit for employers based on our recommendations.

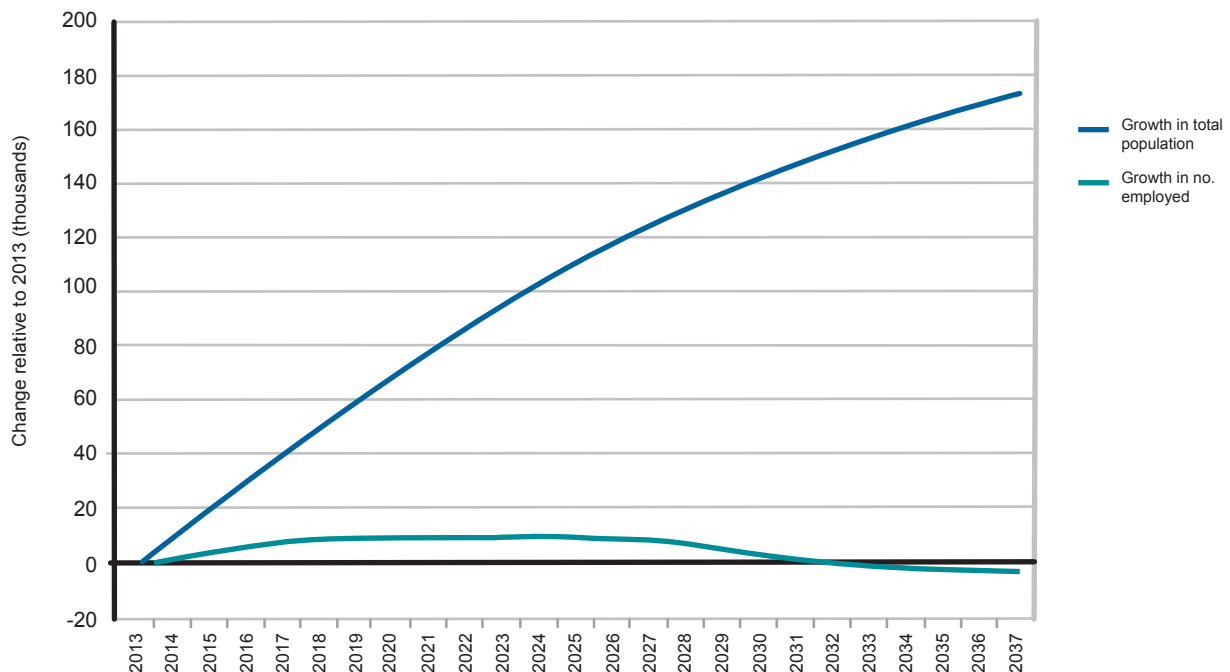
Throughout the report we have small case studies challenging existing assumptions about older people in employment, with real world examples of positive actions that some employers have taken.

1. The economic case for working longer

Northern Ireland is set to experience significant demographic change. According to the Office for National Statistics' (ONS) Principal Population Projections, by 2037 Northern Ireland's population aged 15-64 - often referred to as "traditional working age" - is set to fall by almost 2% relative to 2013, while the population aged 65+ is expected to rise by 75.1% (ONS, 2013a). Such a shift in the age structure of the population could have a significant economic impact unless the labour market participation of the over 65s increases. If current employment rates by age remain the same, the total number in employment will stagnate and then fall, at the same time as the overall population rises (see chart). Not only therefore, does this imply a fall in the ratio of workers to those out of work (the Economic Support Ratio), but also stagnating economic output, unless there is a significant and continual rise in the productivity of those in work.

Raising labour force participation amongst the older age groups will be vital to driving economic output – and particularly so in Northern Ireland given slower growth in the working age population, compared to England.

Figure 1. Projected growth in employment and population



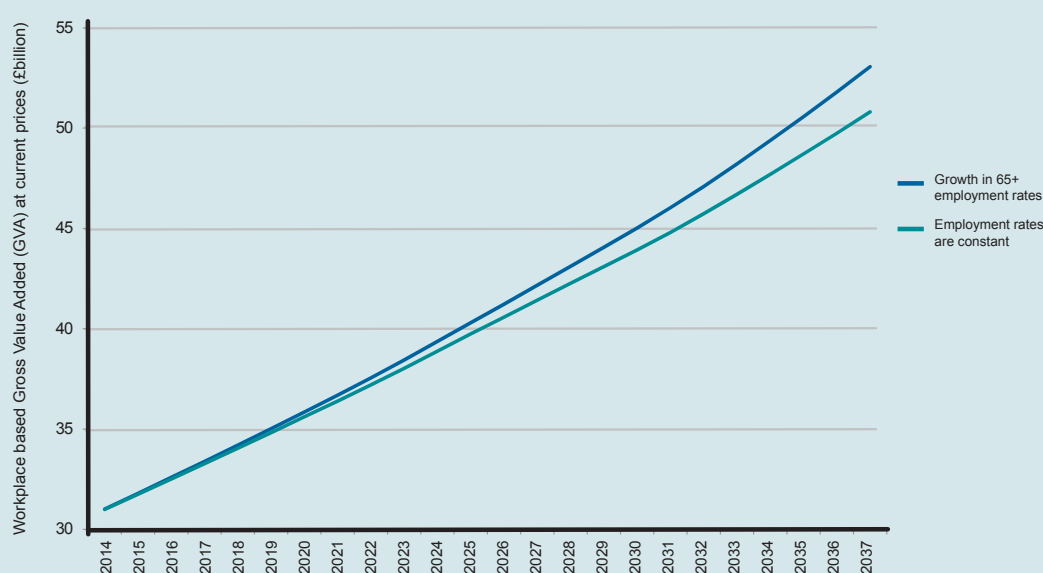
Source: ONS Principal Population, ONS regional employment estimates by age and author's calculations
*Employment rates by age are assumed to remain at 2013 levels over the duration

Impact of raising 65+ employment rate on economic output

To assess the impact of raising employment amongst the over 65s, we have modelled two simple scenarios. In the first scenario, we assume employment rates of the 65+ age group remain at 2013 levels (8.6%). In the second scenario we assume that the employment rate of the over 65s rises in line with the long-run UK trend (2.6% increase per annum). For both scenarios we assume that productivity per worker rises in line with the long-run UK trend (2.2% increase per annum). See Appendix for all of the assumptions used.

The chart below shows the extent to which economic output can shift in the event of a gradual increase in the employment rate of the over 65s. Output (measured in terms of workplace based Gross Value Added) is £2.3bn or 4.4% higher in 2037 in the scenario where the 65+ employment rate rises. This simple example therefore demonstrates the economic importance of raising labour force participation amongst this age group. This does not of course mean that all people over 65 should have to work longer, but that they can make a critical contribution to raising Northern Ireland's economic prospects.

Figure 2. Projections for Northern Ireland economic output under different employment scenarios



Source: ONS Population Projections, Regional Gross Value Added (GVA) and Labour Market Statistics and author's calculations

Why might individuals choose to work longer?

Aside from the economic argument for working longer, there are many personal reasons why individuals might want to think about working beyond traditional retirement age. According to research undertaken by COPNI (2013) a sizeable proportion of people aged 60-64 in Northern Ireland wish to continue working past age 65 – 52% of men and 34% of women. Many of these individuals may wish to continue working because they find their work personally fulfilling. Indeed, research undertaken by the Office for National Statistics

(ONS) into personal wellbeing in the UK, found that those in employment have, on average, the same levels of life satisfaction as those who are retired and higher levels of satisfaction than those who are unemployed (ONS, 2013).

Not only might working longer boost perceived wellbeing, but evidence suggests that it may also help improve someone's mental (Maimaris et al, 2010) and physical health (Sahlgren, 2013). However, it should be added that studies looking at physical health face the problem of selection bias – namely those people working beyond 65 are likely to be healthier hence they are able to continue working (Waddell and Burton, 2006).

Finally, some individuals might want to consider working beyond 65 to boost levels of income in retirement, either as part of a long-term approach to retirement planning, or in response to an income shock. The latter might include the sudden unemployment of someone within the household or lower than expected rates on annuity products – both of which we look at in more detail below. Crucially, individuals should be able to choose to work longer if that is what they desire and they should be supported by appropriate public policy and supportive employers.

Myth busting: The productivity of older workers

Older workers at Mercedes Benz were found to be more productive and make fewer errors than younger workers, while BMW found that its 'Today for Tomorrow' programme, which set up a production line staffed entirely by older workers, improved productivity by seven per cent over the first year, matching production lines staffed only by younger workers (Amble, 2013).

2. Rising labour market participation amongst older age groups: A response to economic and demographic challenges

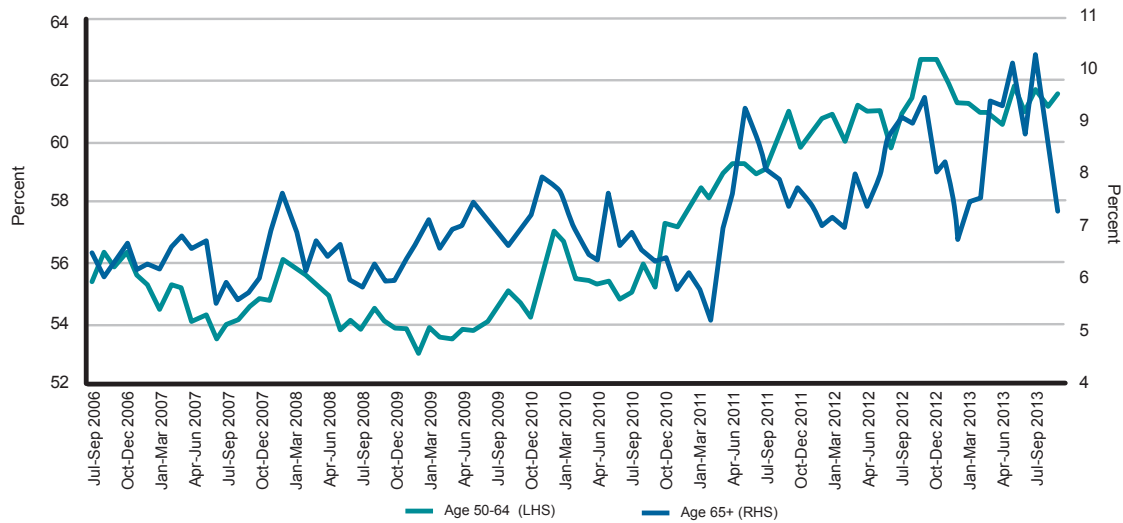
The economy

Northern Ireland has experienced significant economic turmoil following the financial crash of 2008. The region both experienced the largest fall in economic output and the slowest subsequent recovery of any UK region. Indeed, Gross Value Added per head in Northern Ireland is still 4.1% lower than it was in 2007 (ONS, 2013b). Similar to the Republic of Ireland, Northern Ireland experienced a substantial property price bubble fuelled by risky lending practises and rising household indebtedness which burst in 2008. Nationwide's House Price Index indicates that property prices in Northern Ireland have fallen by over 50% peak to trough, compared with a fall of 11.6% across the UK as a whole. And while there is evidence of a house price recovery in parts of the UK, in Northern Ireland prices still remain 50% down relative to peak (Nationwide, 2014). A fall in house prices of this magnitude can trap homeowners in negative equity, limiting their mobility, spending power and ability to re-mortgage. With regard to older homeowners who may have been hoping to use their property to help fund retirement, such a significant fall in property prices may mean that individuals will have to make a painful readjustment to their retirement plans, including potentially working for longer.

Labour market

Alongside the collapse of the housing market and the associated falls in consumer spending and output, unemployment in Northern Ireland has more than doubled from 3.9% in April to June 2008 to 8.4% in November to January 2013. While this has since fallen back to 7.4% (as at September to November 2013) it remains way above the pre-crisis unemployment rate. Yet while overall unemployment has risen, the employment rates amongst older age groups have been rising. 50-64 year old employment rates have increased from 55.3% in July to September 2006 to 61.6% in September to November 2013. And while employment rates amongst the 65+ age group appear volatile (largely due to the relatively small sample size), rates of employment amongst this age group appear to be broadly on the rise (see chart). These trends are set against rising unemployment amongst younger age groups – for those aged 16-24, unemployment rates have risen from 9.9% to 22.5% over the same period (ONS, 2014 a&b).

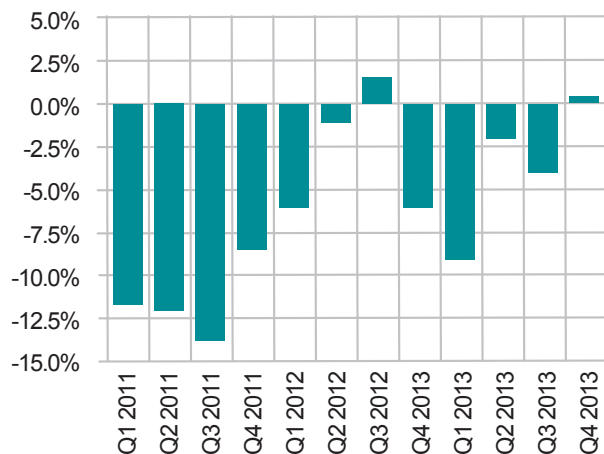
Figure 3. Employment rates by age group



Source: ONS Regional Labour Market Statistics

This pattern of rising employment rates amongst the older age groups and falling employment rates amongst the younger age groups is consistent with the experience across the UK as a whole. Rising employment rates amongst those aged 50-64 may partly be a response to income pressures facing households – with many requiring more working hours to maintain incomes in the face of stagnant nominal wage growth and persistently high inflation. According to Asda’s Quarterly Income Tracker, Northern Ireland has suffered significant falls in discretionary income (disposable income after tax) since 2011 (see chart). Indeed it is the only UK region where nominal discretionary incomes are lower today than they were in Q4 2011. This is likely to be particularly problematic for the region, as weekly discretionary incomes in Northern Ireland were already significantly lower than across the rest of the UK (at Q4 2011 they were £60 per week compared with £127 in the North West) (CEBR, 2014). The fall in incomes combined with rising unemployment amongst younger age groups are likely to have been important driving forces behind the reported rise in poverty levels across the region. The Household’s Below Average Income series highlights that absolute levels of poverty for working-age adults in Northern Ireland increased from 17% (after housing costs) in 2008/9 to 24% by 2011/12 (NISRA, 2013a).

Figure 4. Annual percentage change in discretionary incomes: Northern Ireland



Source: Centre for Economics and Business Research (CEBR), 2014

Mythbusting: Older workers “crowding out” younger workers: the “lump of labour fallacy” argument

It is often suggested that rising youth unemployment has been caused by rising employment amongst older age groups with older workers somehow crowding out their younger counterparts. Yet there is little academic research to indicate that this is the case. Indeed there is evidence to suggest that the opposite is true – increased employment amongst older age groups is associated with greater youth employment and reduced youth unemployment. The crowding out argument is based on the premise that there are a fixed number of jobs in an economy – an argument that a number of leading economists have termed the “lump of labour fallacy.” These economists disagree that there is a set amount of labour because over time the number of jobs will change in line with technological improvements which help to provide new products and services, raise national income, and ultimately increase demand for labour throughout the economy (Munnell and Wu, 2013).

Falling annuity rates

While we cannot know for sure the impact of falling annuity rates on employment rates of older age groups, it is reasonable to assume that it has had some effect. Annuities are financial products which allow individuals to take an annual income from their pension pot. Annuity rates determine the amount of income people receive from their pension – the lower the rate the less generous the income. Annuity rates are typically tied to the yield on long-dated UK Government bonds so when yields go down, annuity rates also fall. Annuity rates have been on a downward trend for some time and increasingly so since the financial crisis and the subsequent monetary stimulus undertaken by the Bank of England. In the 1990s annuity rates were consistently above 10%. By December 2012, they had fallen to just 5.2% (William Burrows, 2014).¹ Low annuity rates may have deterred some people from retiring on the date originally planned, keeping employment rates higher than they might otherwise have been.

Over the longer term: rising employment in a time of rising life expectancy

If increased employment amongst older age groups is due in part to current income pressures and falling annuity rates, then this would imply that the trend could slow or even reverse once the economic recovery takes hold in Northern Ireland and household incomes and annuity rates start to rise. Crucially however, this neglects the fact that over the long-term, life expectancy will continue to rise, requiring either a larger private pension pot or working past 65 in order to maintain income levels seen in retirement today. According to estimates from the Office for National Statistics, in the year 2000, a woman from Northern Ireland aged 65 was expected to live for another 18.5 years, but by the year 2020 this will increase to 22.2 years. The duration of “retirement” is therefore expected to be 22% longer than it was in the year 2000. For a man, the predicted increase in life expectancy over the same period is even starker – from 15.4 to 19.4 years (a 28% rise) (ONS, 2013c). Such large rises in life expectancy are therefore likely to mean that more people will need to work for longer even if incomes pick-up.

¹ Based on male aged 65, £10,000 purchase, single life, guaranteed 5 years and level payments

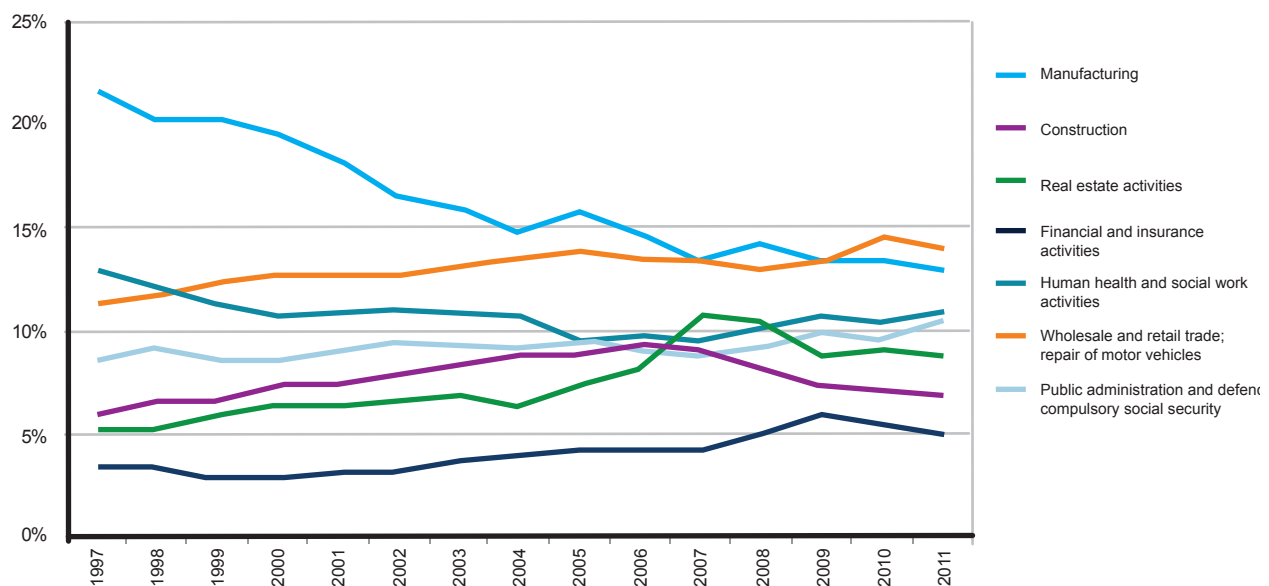
Pensioner income in Northern Ireland today

Similar to the rest of the UK, the greatest proportion of pensioner income in Northern Ireland comes from the contribution-based old age pension system. In 2010/11 state benefits accounted for 51% of pensioner income in Northern Ireland, occupational pensions 25% and earnings 16%. These proportions have remained broadly the same since 2003/4. It is estimated that after accounting for housing costs, around 17% of Northern Ireland's pensioners are experiencing absolute poverty. This level of absolute poverty rises to 24% when housing costs are taken into account. High levels of unclaimed benefits also contribute towards pensioner poverty (NISRA, 2013b). Estimates find that Northern Ireland pensioners are not claiming benefits worth up to £200 million (Northern Ireland Assembly, Public Accounts Committee, 2012).

Changing industrial structure

Traditionally, the economy of Northern Ireland has been very reliant on manufacturing to drive output, but its contribution has fallen from 22% of total output in 1997 to 13% by 2011. While manufacturing's contribution to output has shrunk, the contribution of service sector industries has been growing. For example, the contribution of real estate activities rose from 5.3% of total output in 1997 to 10.7% in 2007, fuelled by the property bubble. It has since fallen but remains a significant industry for the region, accounting for 8.8% of Northern Ireland's GVA in 2011. And Northern Ireland's largest industry is now wholesale and retail trade including the repair of motor vehicles, accounting for 14% of output. These figures suggest a significant shift in the industrial structure of Northern Ireland, which will require different skills from its workforce. More services orientated roles may also help to encourage longer working lives as an increasing proportion of jobs will no longer be reliant on heavy manual labour. It is also worth noting that the contribution of government based services such as health and social care and public administration have been relatively consistent throughout the period (see chart for breakdown) (ONS, 2013b).

Figure 5. Contribution of selected industries to Northern Ireland's output



Source: ONS and author's calculations

Myth busting case study: Older workers offer employers at least as much as younger workers

Companies have found that experience can be of benefit in service roles. The pub chain JD Weatherspoon has stated that their managers are happy with the stability and hard work offered by older managers, and more life experience was actually beneficial to roles like a pub manager (DWP, 2013a).

3. Breaking down barriers to working longer

This discussion paper has so far explored some of the economic advantages to be gained by increasing labour force participation for the over 65s, before discussing some of the possible macroeconomic and demographic factors behind recent rises in the employment rates for older age groups. This paper now turns to potential barriers which may act to prevent people from working longer.

Health

While more people may desire to work for longer, health issues will prevent some from being able to do so. Northern Ireland has a higher proportion of people reporting a health issue that is limiting their day to day activities “a lot” than across the UK as a whole (11.9% for Northern Ireland versus 8.7% for the UK) (ONS, 2013d). Northern Ireland also has a lower healthy life expectancy at birth and at 65 (women in Northern Ireland at 65 have a healthy life expectancy of 10.8 years by comparison to 11.6 years across the UK as a whole) (ONS, 2013e). So while health is set to be a big challenge for the UK in supporting working beyond 65, it is likely to be a particularly significant challenge for Northern Ireland.

For employers seeking to avoid losing employees to ill health, it is being increasingly recognised that early intervention and access to occupational health services is effective in preventing health problems from escalating, and therefore represents value for money for the employer (CIPD, 2012). But organisations also have a key preventative role to play in improving the overall health of the workforce – particularly in the face of rising obesity which looks set to become one of the biggest public health challenges of this century (National Obesity Forum, 2014). More employers need to take a creative approach to the issue. Popular initiatives include encouraging employees to walk or cycle to work as part of raising money for charity, discounts on gym membership, encouraging the use of stairs and giving regular information on the benefits of physical activity.²

Informal caring responsibilities

Around 12% of the population of Northern Ireland are carers (Carers UK). A significant proportion of these carers are older people – 21% of carers in Northern Ireland are 60 or over (DHSSPS, 2006). Women tend to spend more time in this role than men. Just over a fifth of women in Northern Ireland in 2010 spent 30 hours or more a week caring for an older person (ARK, 2010). Clearly this is going to have an impact on the amount of time that can be spent in paid employment and is likely to be a key reason for older people exiting the workforce. There needs to be greater support for these individuals both in terms of recognising the value of the services they provide and in enabling them to continue working in paid employment if they so desire.

50+ and out of work

While the headline labour market indicators for older age groups appear strong relative to younger age groups, this hides an important weakness. A significant proportion of those

² For a useful employers guide see: Sheffield Hallam University, Creating a healthy and engaged workforce: A guide for employers. Available for download from: http://www.shu.ac.uk/business/sites/all/themes/shu_research/downloads/workplace-wellbeing.pdf

aged 50-64 are out of work, but not counted in the unemployment statistics because they are not actively seeking work. It is worth reflecting on the fact that nearly 40% of people in Northern Ireland aged 50-64 are out of work. Part of the challenge in increasing the proportion of people working beyond 65 is therefore to ensure that employment rates do not drop off so quickly once people reach their 50s. Part of the problem is that once someone in their 50s becomes unemployed, it can take a substantial amount of time to get back into work – which can result in long-term unemployment before dropping out of the labour market altogether.

At a UK-wide level, of those unemployed and over 50, nearly half have been unemployed for a year or more (ONS, 2014b). If public policy neglects this issue, then this will clearly undermine the objective of extending working lives. The UK Minister for Pensions, Steve Webb, has spoken about the need to end “catastrophic” early retirement. He identified “second careers” which could allow people to continue working in their 50s and 60s in a career that is less dependent on physical health and fitness and that enables an individual to continue to provide informal care for friends or family (Richie, 2013). Crucially though, in order to secure a second career, individuals will require appropriate retraining and reskilling.

Skills and Education

Of those aged 60 to 74 in Northern Ireland, the most common occupations were skilled trades (20%), professional (14%) and elementary jobs (13%) (NISRA, 2013c). With significant structural changes underway to the Northern Ireland economy – not least the shift towards services jobs – individuals will need retraining in order to ensure that they can continue to contribute as the skill requirements of the labour force change over time. Without such retraining, older workers may simply drop out of the labour market, dragging down employment rates amongst older age groups, reducing the potential supply of workers in the economy.

It appears as though older age groups get comparatively little training relative to younger age groups. Across the UK as a whole, participation in lifelong learning programmes declines dramatically with age, “far greater than could be explained by any age-related decline in individual capacity.” Most programmes and funding are aimed at younger people. The current allocation ratios of total resources allotted to lifelong learning among the age groups 18-24, 25-49, 50-74, and 75+ are 86:11:2.5:0.5. An inquiry into the future of lifelong learning called for this allocation ratio to be rebalanced so that the share of the 18-24 age group would go down to 80, with all other older age groups getting bigger allocations (Schuller and Watson, 2009).

There are good reasons why employers should focus on the training of an older employee just as much as a younger one, even if the older employee is expected to retire within the next few years. Research conducted for the Department for Work and Pensions suggests that most training returns an investment within a year, and the risk of an employee leaving the company after receiving training is the same across all age groups (DWP, 2013b).

Age discrimination

Despite age discrimination being illegal and the number of reported cases in Northern Ireland being low, there remains a strong perception that older workers are discriminated against. Perception of discrimination appears to be highest with regard to recruitment, and the promotion of jobs, as opposed to issues within the workplace such as status and training (see table). **Indeed, the majority of people both under and over 65 believe that older people are being discriminated against in employment and recruitment**

situations. And while the number of age discrimination complaints in Northern Ireland recorded by the Office of the Industrial Tribunals and The Fair Employment Tribunal has remained relatively low over recent years, it has been rising over the last 3 years. Indeed, the number of age discrimination complaints/jurisdictions has surpassed the number about race relations or equal pay (Office of the Industrial Tribunals and The Fair Employment Tribunal, 2013).

Table 1. 2008 Access Research Knowledge (ARK) Survey, ‘Do You Think Older Workers Are Discriminated Against With Regard To...’:

	% Saying Yes		
	Under 65	65+	All
Job Recruitment	75	58	72
Job Promotion	71	62	69
Job Training	65	55	63
Status or Position in their Organisation	54	51	53

Source: ARK, 2010

Public policy: retirement as a cliff-edge event

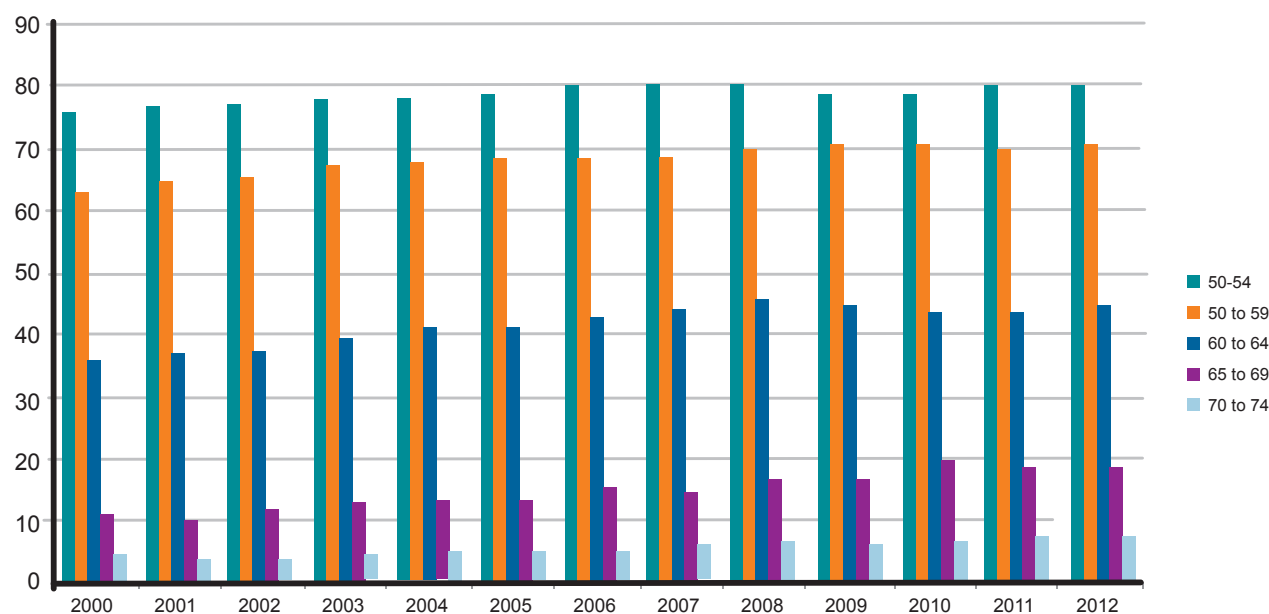
Public policy, and the State Pension Age in particular, has helped cause retirement to be seen as a 'cliff-edge' event based on chronological age. One day an individual might be in full-time work, the next day they are retired. Part of the reason for this, is that such a large proportion of the population is reliant on State Pension for their retirement income, yet State Pension is only applicable after a set point in time known as the State Pension Age. This means that the retirement date is typically linked to SPA. The chart below shows the significant impact that this has had on employment rates in the UK. Between the ages of 60-64 (broadly defined as the pre-SPA group) and 65-69 (broadly defined as the post-SPA group) the employment rate plummets by around 25 percentage points. It is a trend that has been broadly consistent since the year 2000. It should be noted that SPA is not the only reason for such a drop-off in employment rates between these two age bands, with many of the other factors mentioned in this section also likely to be relevant. But it seems reasonable to assume that SPA is a critical factor.

Business short-termism

Given that the number of people in Northern Ireland aged 15-64 is set to fall over the next 20 years, businesses will have to look towards older age groups to fill the demand for labour. Yet there is a general perception amongst HR managers across the UK that businesses remain unprepared for issues associated with an ageing workforce and that many company boards do not recognise ageing as being strategically important (CIPD, 2010).

Businesses must do more to prepare for an ageing workforce. As the gatekeepers of recruitment, retention and remuneration within large and medium sized organisations,

Figure 6. UK employment rates significantly drop off after State Pension Age



Source: OECD, 2014

HR departments are front and centre of this challenge. There are relatively simple ways to level the playing field. Removing age from application forms for instance is one way to ensure that older applicants are treated equally, while better training and support for line managers should help to reduce discrimination within the workplace (CIPD, 2013). But crucially where top teams are not engaged, HR departments must refer senior leaders to the bottom line: a failure to recruit and retain older workers will lead to a “brain drain” of knowledge and skills to the long term detriment of the organisation.

Increasing the prevalence of flexible working is another way to retain older workers. Some employees prefer to work more flexibly as they approach retirement, adjusting their work–life balance in order to better manage caring responsibilities for older relatives while continuing to work (CIPD, 2013). Alternatively, staff could change jobs within an organisation – moving from potentially stressful management positions into more “front line” roles while continuing to pass on their expertise through mentoring (CIPD, 2013). And those older employees who have worked in heavy manual jobs should be supported if they wish to undertake less physically demanding work. As well as helping to retain older staff, flexible working can provide a number of efficiency benefits to organisations including better matching of the workforce to fluctuations in demand, and increasing the quality of outputs if staff are skilled in multiple business areas (Agile Future Forum, 2013).

While larger organisations might be able to rely on HR departments to drive many of these changes, small and micro firms (which make up the majority of employment in Northern Ireland) will require support and guidance from the public sector as well as leading business organisations such as the Confederation of British Industry (CBI) and the Federation of Small Businesses (FSB). In this regard, the Department for Work and Pensions have produced a useful guide on employing older workers including a list of “do’s” and “don’ts” around recruitment practises (DWP, 2013b). More practical help along these lines will be necessary to meet the needs of smaller employers and it must be clearly communicated and easily accessible.

Myth busting: Older employees are not a drain on resources

Domestic and General, which has won awards for their policies around older people in the workplace and recruitment of older people, found that age positive recruitment and retention strategies reduced recruitment costs by 50% (International Longevity Centre-UK, 2013). Their recruitment actively targets older people through targeted advertising and messaging, employing age ambassadors and setting recruitment agencies targets for the employment of older workers. The company says that older advisors have good attendance records and can mentor younger colleagues, but also empathise with customers.

4. Public policy landscape: Initiatives to support working longer in the UK and Northern Ireland

A number of initiatives have been undertaken across the UK as well as specifically in Northern Ireland which may help to extend working lives. However, many of these initiatives will only partially address some of the issues discussed above.

Raising State Pension Age (SPA)

With State Pension Age an important factor in decisions on when to retire, it follows that changes to State Pension Age may impact on the proportion of older workers. The Government is committed to raising SPA so that it rises in line with life expectancy. Under current plans, female SPA will rise to 65 by 2018 so that it equalises with male SPA. Both male and female SPA will then rise to 66 by 2020, 67 by 2026-28, 68 by the mid-2030s and 69 by the 2040s (the current timetable is discussed in more detail in Sinclair et al, 2014). The SPA figures, particularly those relating to the 2030s and 2040s are, at best, informed estimates. The Government has said that rises to SPA should be undertaken on the premise that people should spend no longer than one third of their adult life in receipt of the State Pension. Therefore, if life expectancy increases faster than expected for the UK as a whole, SPA could rise quicker than currently anticipated.

Raising State Pension Age is likely to have an impact on the length of time people spend in work. Research from the Institute for Fiscal Studies shows that recent changes to female SPA (from 60-61) had the effect of boosting female employment rates by 7.3 percentage points for those women aged 60. It also had the unexpected effect of boosting the employment rates of male partners by 4.2 percentage points (Cribb et al 2014). However, the extent to which future rises in SPA can have positive effects on employment will depend on a number of factors, not least healthy life expectancy which varies from region to region. This is important because, if people are too unwell to work, raising SPA will have little impact on employment rates. With Northern Ireland having lower healthy life expectancy than the UK as a whole, this may mean that raising SPA will have a less positive impact on employment rates in this region than the UK as a whole (Sinclair et al, 2014). Crucially then, it is vital to raise levels of health and increase the provision of support for those with disabilities in order to extend working lives in a fair way.

Deferral

State Pension deferral is one way to reduce the 'cliff-edge' of retirement. If an individual defers taking their State Pension they could benefit from extra state pension or a one-off lump sum payment. The State Pension will increase by 1% for every five weeks (or 10.4% per annum) that the individual defers. Alternatively, if the individual defers claiming their State Pension continuously for at least 12 months, they can choose to receive a one-off

taxable lump sum payment and their State Pension paid at the normal rate (Gov.uk, 2014). There are potential tax advantages of deferral. Tax can be saved if an individual's tax rate was higher while the person was working (and earning) than it is after stopping work. A deferred pension, or lump sum, taken after stopping work and dropping down a tax band will then attract a lower rate of tax. As noted by the Pensions Policy Institute, deferral is "not necessarily linked to carrying on working after State Pension Age, but it is more valuable for those who go into a lower tax bracket after they finish work a year or more after State Pension Age" (Pensions Policy Institute, 2006).

There is unfortunately little evidence in the public domain about the effectiveness of deferral. It has been argued that very few members of the public know about the benefits that can be gained by deferring a State Pension, with total numbers of people receiving a deferral reward having remained broadly constant since 2001, despite the fact that the benefits of deferral have become somewhat more generous since 2006 (Thurley, 2010). There is also no data showing the proportion of those that have deferred who were still working. While more evidence is needed on the take-up and impact of deferral, the principle behind it has potential to be a powerful incentive for extending working lives. Yet the Government is actually in the process of making deferral less generous. Under current plans, the level of benefit from deferral could fall from 10% per annum of State Pension deferred to 5% and there are also plans to abolish the lump sum option (Lokhandwala, 2013).

The end of Default Retirement Age

In 2011 Default Retirement Age was fully abolished. Implemented in 2006, Default Retirement Age (DRA) meant that employers could force their employees to retire at the age of 65. Employees could request to stay on after this age but employers could refuse these requests if they wished to (AgeUK, 2014). Clearly such a policy measure - giving employers the power to retire someone even if they wish to continue working - is inconsistent with extending working lives and could offset any benefits to be gained by raising State Pension Age beyond 65.

Research undertaken for the Department for Business Innovation and Skills (BIS) suggests that compulsory retirement age may indeed have had an impact on preventing people from working longer. Of the employees surveyed for the report, 10% of those expecting to retire at 65 or earlier reported the main reason was the expectation that their employer would not permit them to work any longer. Amongst employers, 39% 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 (BIS, 2010).

Abolishing Default Retirement Age at 65 is therefore an important first step, making it harder for employers to remove an individual based on their age alone. However, this measure is clearly no silver bullet. According to the BIS survey, the vast majority of those expecting to retire at 65 (90%) were likely to do so for reasons other than their employer forcibly retiring them. In addition, abolishing Default Retirement Age will not prevent all forms of age discrimination – the harder challenge of changing attitudes and cultures must also be addressed.

Access to Work

Access to Work (NI) is available to overcome the practical problems caused by disability. It can help towards the cost of communication at interview, special aids and equipment, adaptations to premises and equipment, support workers and travel to work. It can also

provide a financial grant to employers to help meet the cost of support. The success of measures such as this are going to be critically important in helping to extend working lives as disability typically increases with age. This is particularly pertinent with regard to Northern Ireland, which has the lowest proportion of disabled people in employment of any UK region. In March 2013, just 34.6% of people aged over 16 with a disability were in employment in Northern Ireland compared with 49% across the UK as a whole (ONS, 2013f). Despite the importance of supporting those with disability back to work, there has been little research into the impact of the Access to Work initiative barring case study analysis in 2002 (Thornton et al, 2002). More evidence is needed about the effectiveness of the policy for older workers, and how support for older workers with a disability can be improved.

Improving the health and wellbeing of older people

There are an increasing number of public health initiatives seeking to improve the health of older people in Northern Ireland. An example of this is the Service Framework for Older People that was introduced in September 2013. The aim of the Framework is to improve the health and wellbeing of older people by promoting social inclusion, reducing inequalities in health and social wellbeing, and improving the quality of care. The Framework sets a number of standards in relation to amongst others; person centred care, health and social wellbeing improvement and safeguarding. There are key performance indicators against each of these areas to measure progress made as well the anticipated level of performance (DHSSPS, 2013).

The Office of the First Minister and deputy First Minister of Northern Ireland are also in the process of bringing in an Active Ageing Strategy for 2014-2020. The strategy - which is currently out for public consultation - focuses on developing broad aims around a number of themes including: independence, participation, care, self-fulfilment and promoting dignity (OFMDFM, 2014). Consistent with an increasing focus on older peoples' health across the region, the Director of Public Health for Northern Ireland's 2013 Annual Report focuses explicitly on the need to improve the health and wellbeing of the elderly and encourage active ageing (Director of Public Health, 2013).

While all of these commitments are significant steps forward in addressing the specific needs of older people, the critical issue will be implementation. Meeting the necessarily ambitious aims and objectives of these initiatives will require adequate funding from central and local Government, which will, in turn, have to balance the needs of older people against other public policy objectives.

Increasing number of third sector groups related to ageing

As well as public policy initiatives, there are an increasing number of charities and third sector organisations seeking to advance the interests of older people in the UK and in Northern Ireland. For example, in 2011 the Commissioner for Older People Act (Northern Ireland) was passed, giving specific powers to the Commissioner to safeguard and promote the interests of older people across the region. In addition, AgeNI is the relatively new charity combining Age Concern NI and Help the Aged in Northern Ireland providing help and advice to older people on a number of issues including health, social care and work (amongst many others). Age Sector Platform represents the voices of older people in Northern Ireland, and enables them to make their voice heard on the issues that matter to them through the Pensioners Parliament. And finally, as an indication of the growing interest in public policy on ageing at a UK-wide level, in 2013, the Big Lottery Fund announced that it would invest £50 million in the Centre for Better Ageing to investigate

what makes for a better quality of life in older age. These developments represent positive steps forward – helping to raise the profile of older people. The challenge will be ensuring that all of the important issues highlighted by different groups in the debates around ageing receive adequate attention – it would be easy, for example, to ignore those issues that are not the most pressing but which might be high impact over the longer term. The ability of resource constrained organisations to think strategically and to coordinate their activities collectively will be critical to success.

Myth busting case studies: Employing staff closer to State Pension Age will result in increased staff turnover

ASDA has never operated a Default Retirement Age, with staff being able to stay in a company pension scheme until they are 75. It employs 40,000 staff over age 50, and 1,100 over 70. ASDA have argued that their older staff are good mentors, create a better environment in the shop, and they do not experience the same turnover with older staff as they do with younger staff (Insley, 2011).

5. Recommendations

After taking into consideration evidence regarding the persistent barriers to working longer and the public policy landscape, this report sets out a number of recommendations for policymakers and employers. This is not an exhaustive list of measures to help support longer working lives, but is a useful starting point for a wider debate.

Public policy: encouraging greater participation by older people in the workplace

- Policymakers must **reduce the extent to which retirement is a “cliff-edge” event**. While the policy of having a fixed State Pension Age is likely to continue for the foreseeable future, the Northern Ireland Executive should ensure that there are greater incentives to work beyond this age. The phasing out of Default Retirement Age was a good start, but more creative policy measures are needed to help boost workforce participation amongst older people.
- There needs to be increased awareness about the **rules around deferral of state pension** to make the potential benefits of deferral for individuals clearer. Policymakers might also think about tying some of the monetary benefits of deferral to the employment status of the individual concerned – with those still working and deferring, benefitting from a larger percentage increase in State Pension later on. Crucially, such a policy measure will require careful communication to ensure that the financial benefits of working longer (whether this is increased State Pension, tax benefit or something else) are clearly understood by the wider population to boost participation.
- Government must address why so many people are leaving paid work in their 50s. **Support for those providing informal care** is absolutely critical in this respect. Flexibility is essential if informal carers are to remain in employment.
- Policymakers must also address the **problem of unemployment and economic inactivity across all age ranges**. There is an issue with the number of people across all age groups without employment, education or training (commonly referred to as NEETS), which may partly reflect mismatches between skills and jobs, particularly given recent structural changes within the economy of Northern Ireland. We think there is a strong case for a commitment from the Northern Ireland Executive and employers for life-long learning so that individuals are enabled to continue updating their skills across the life course, including a focus on older people.
- With older people receiving less investment in **learning and development than any other age group**, there is a case for Government to subsidise some of the costs associated with offering training or retraining to older workers – particularly for smaller employers who may not have the resources of large or medium-sized organisations. Overall, employers must ensure equality of access for training and retraining across all ages.
- The Northern Ireland Executive must invest considerable effort in **public information campaigns** showing the positive contribution older people make in employment.

Alongside the public facing campaign, there is a requirement for increased support and guidance for employers – easily accessible practical advice on valuing an ageing workforce. The Northern Ireland Executive could work with business organisations and Trade Unions to deliver relevant information and support across the region.

- **The current system of funding for employers through Apprenticeships NI should be rebalanced.** At present the full costs of ‘on the job’ training are met by Apprenticeships NI for those under 25, but for people aged over 25 the Government subsidy reduces to 50% (Invest NI, 2014). This clearly disadvantages older people seeking apprenticeships, and is another barrier against older people gaining employment.

Public policy to deliver improvements in health

- While raising State Pension Age will encourage people to work longer, for some, especially those with an illness or disability, working beyond SPA may not be possible. To address this issue, policy should be directed at a number of areas:
 - **Improving the health of today's and tomorrow's older people:** Over the long-term, public policy should be increasingly focused on measures to reduce health inequalities and prevent ill health and disability from occurring in the first place. Public health initiatives that tackle some of the behavioural risk factors including overeating, drinking and smoking are key. Prevention strategies in Northern Ireland must be driven by current, as well as the expected future needs of, the local population. The Department of Health Social Services and Public Safety has laid out a Public Health Strategic Framework for Northern Ireland, which emphasises the need for preventative strategies that tackle these behavioral risk factors (Department of Health, Social Services and Public Safety, 2012). These measures must be committed to for the long term and backed by adequate resources.
 - **Improved support for those with disabilities:** It is vital that individuals with disabilities or who develop health problems are properly supported so that they are able to make the choice to stay in work or return to employment. To some extent, responsibility for this rests with the employer but there is also a role for the Northern Ireland Executive in this regard. Policymakers must consider whether, and to what extent, they should build on the Access to Work scheme already in place in order to better support the working needs of those living with a disability.

Employers

- Employers are vital leaders in ensuring greater participation of older people in the workforce. There can be a **tendency for employers to work in the short term**. Impending demographic changes mean that senior management must plan over a longer time horizon and think about the strategic consequences of an ageing population. Ultimately this will be in the interests of businesses, the Northern Ireland economy and individual older people.
- For those employers that wish to expand, they will need to focus on employing an age-diverse workforce. Fortunately for employers, the number of older people is set to increase significantly in the years ahead.
- To secure the demographic dividend rather than wrongly worrying about a potential "demographic timebomb," a step-change in employment practice is required which will recognise the valuable contribution that older people make to the workforce through

the following measures:

- **Greater provision for flexible working and phased retirement** to allow for a more gradual transition to full retirement, and to support informal carers.
 - **Increased encouragement and use of occupational health** to help identify health problems early.
 - **Greater promotion of healthy living** around the workplace to reduce the chances of ill health occurring in the first place.
 - **Better recruitment processes** to ensure that older age is not used, either intentionally or otherwise, as a reason not to hire someone.
 - **Support the take up of training and development by all age groups.**
- We recommend that small employers read our toolkit on adapting to an ageing population set out on the following page.

Final word...towards an integrated approach

While this paper's recommendations are presented thematically for public policymakers on the one hand and employers on the other, ultimately preparing for an ageing population is going to require a multi-disciplinary effort combining the knowledge and expertise of many different sectors. We hope that this paper provides a useful starting point for such a necessary collaborative effort in Northern Ireland, and compliments some of the work that is already ongoing across Northern Ireland and the UK more broadly.

6. Adapting to an ageing workforce: A toolkit for small employers

There is overwhelming evidence that older people can make great employees as well as a large contribution to the wider economy. With the number of people aged 65+ in Northern Ireland set to rise by 75% over the next twenty years, the ability to embrace demographic change will play a crucial role in the success of businesses over the coming years. Below is a quick toolkit setting out some “do’s” and “don’ts” to help businesses on their way.

Towards age-neutral recruitment

- **Do:** Ensure when qualifications are specified that they should have equivalents for experience or for older qualifications.
- **Don’t:** Specify particular qualifications as selection criteria if they are not essential for the job.

Justification: *Employers must avoid excluding older candidates who might have the right skills and experience but did not have the opportunity to take the qualifications specified.*

- **Don’t:** Require candidates to specify age on their application forms.

Justification: *By requiring candidates to specify age, employers may - unwittingly or otherwise - reject a candidate based on age rather than ability. Both the employer and the employee may therefore lose out.*

Promoting flexibility

- **Do:** Offer flexible working hours where possible – including working from home, flexi-time and part-time working.
- **Do:** Support phased approach to retirement to retain staff for longer.

Justification: *Older people have provided service in many sectors and have learned valuable skills, skills which they can pass onto younger generations through advice, guidance and practical knowledge. This is potentially a win-win: the employee is able to continue working, while the employer is able to retain a valuable member of staff.*

Training and development

- **Do:** Encourage the take-up of training by all age groups to help facilitate life-long learning.
- **Do:** Engage and communicate effectively with older people; this will enable the identification of training needs and gaps in knowledge that can be addressed.
- **Do:** Assist employees to move to suitable roles and hours, where possible, and support those with caring responsibilities for older people to work part-time or flexibly.
- **Don’t:** Focus solely on the training and support needs of younger employees.

Justification: Older workers are not always aware of the opportunities that are open to them within employment and it is often assumed that training is intended for younger and less experienced workers.

Retirement Planning

- **Do:** Provide a forum for retirement planning for employees.
- **Do:** Have open and honest conversations to form a clear understanding of employees' views in advance of retirement.
- **Do:** Agree an approach and pathway towards retirement if that is the choice of the employee.
- **Do:** Maintain a long term, strategic view of your workforce, so that future possible skill gaps are identified and addressed.

Justification: Planning ahead will be of mutual benefit to the employer and employee helping both work together to find a solution that suits each party. Without such an approach, avoidable retirement of an employee could come as a shock to the employer.

Supporting the health and wellbeing of the workforce

- **Do:** Where possible, provide access to occupational health services. There are free services available including: <http://www.health4work.nhs.uk/>
- **Do:** Promote healthier lifestyles during work. This might include competitions for the number of steps walked per week using a pedometer or a team bike ride for charity. There are a number of low cost measures that can be undertaken. See more here: http://www.shu.ac.uk/business/sites/all/themes/shu_research/downloads/workplace-wellbeing.pdf

Justification: Research has shown that access to occupational health can provide a good return on investment for employers – helping to reduce sick days by ensuring that health problems are caught earlier.

The importance of keeping an open mind...

The Commissioner's recommendations are presented thematically for public policymakers and employers with the aim of helping them to value and support an ageing workforce. Today and tomorrow's older people need the Northern Ireland Executive and employers to work together. By combining their knowledge and expertise, the wider economy, employers and individual older people can benefit from more people working longer in Northern Ireland.

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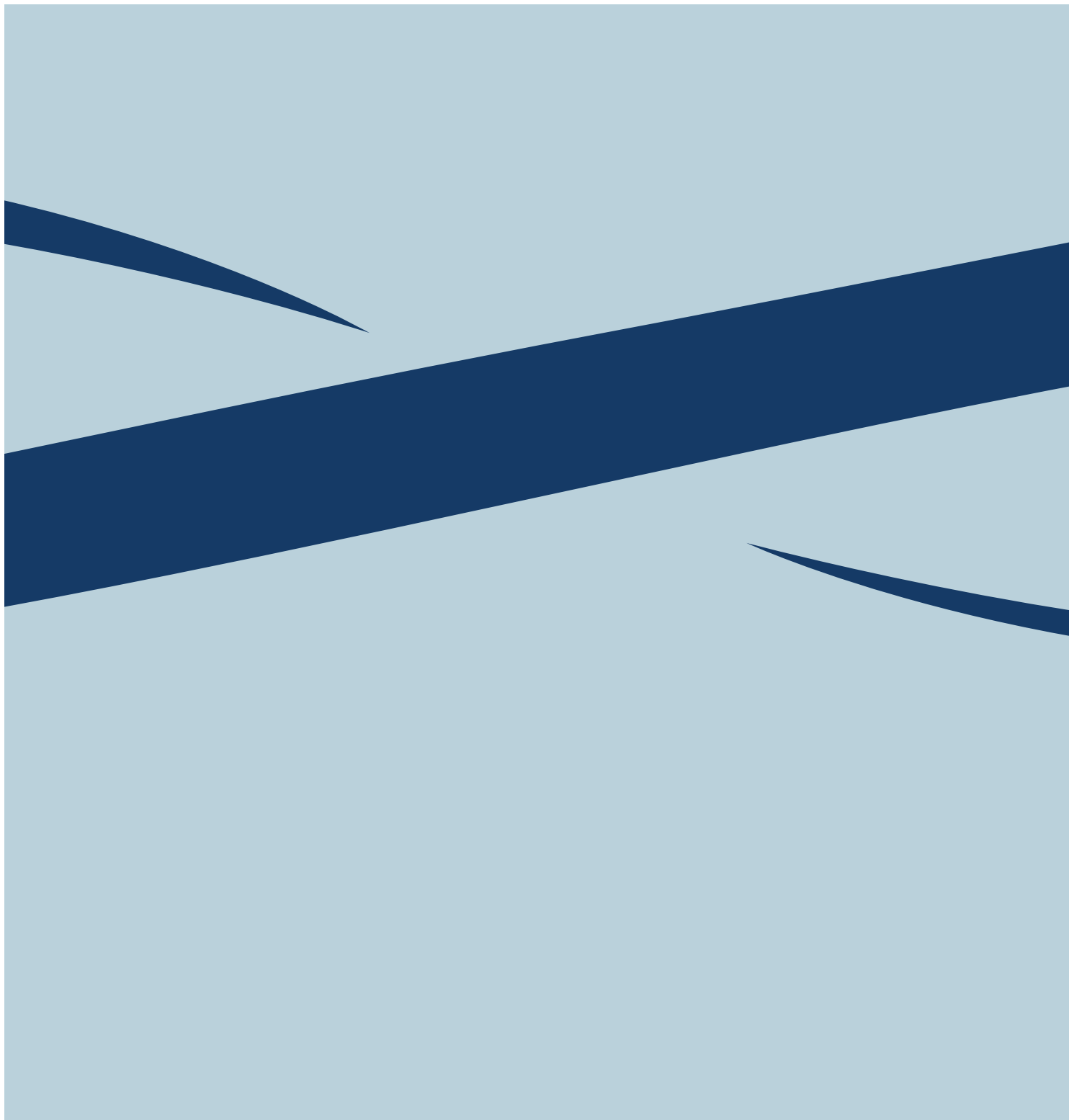
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Appendix: Assumptions underpinning Northern Ireland economic output scenarios

Assumptions underpinning each scenario	
Scenario 1 - Employment rate of 65+ age group remains constant	
Annual growth rate in productivity per worker	2.2%
Employment rate 16-24	40.7%
Employment rate 25-49	78.8%
Employment rate 50-64	61.3%
Employment rate 65+	8.6%
Scenario 2 - Employment rate of 65+ age group rises in line with long-run trend	
Annual growth rate in productivity per worker	2.2%
Employment rate 16-24	40.7%
Employment rate 25-49	78.8%
Employment rate 50-64	61.3%
Annual growth rate in employment rate of 65+	2.6%
Further assumptions	
1) The population rises in line with the ONS' Principal Population Projections for NI (2012)	
2) Productivity per worker is the same for workers from all age groups	
3) The increase in numbers employed does not lead to an increase in productivity per worker	

*Data on current employment by age group are taken from: ONS (2014a), Regional Labour Market: X02 - Estimates of Unemployment by Age.

*To calculate historic output per worker we divided Northern Ireland Gross Value Added by the total number in employment. GVA data was taken from ONS (2013b), Workplace based GVA, NUTS1 at current basic prices.



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