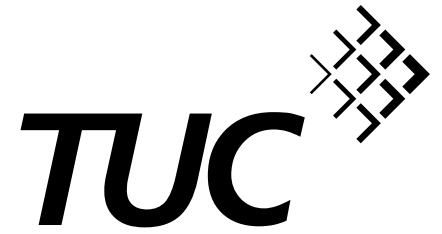


Trades Union Congress



TUC report

Time for action

Women and pensions

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Section one

Introduction

Women already fare badly under the current pension system. The current pension system generates significant inequalities both for women already in retirement and for those approaching retirement age. The labour market position of women means they on average they have lower pay and shorter working lives than men, making it harder to build up pension entitlements.

Now, the inescapable pressures from changes in demography make the need for reform all the more urgent. The first report by the Pensions Commission published in October 2004 set down four policy options:

- Pensioners becoming poorer, on average, compared with the rest of society;
- Increasing the share of tax revenues devoted to pensioners in the future, either by raising tax rates or cutting spending elsewhere;
- Increasing the rate of savings into private schemes substantially;
- Increasing the average age at which people leave the labour force.

The Commission anticipates that the first option will be seen as unacceptable to society. The Commission also suggests that it would be unrealistic in both practical and political terms to expect the pensions crisis to be met by relying on just one of the other three options alone. The Commission think the best way forward is likely to come from a combination of the three policy options acting together.

Part of the challenge is to address the changing nature of the problems faced by different generations of women. The economic and social circumstances that helped shape the position today's women pensioners find themselves in will be different to those faced by the current generation of women workers and these in turn will change for the generation of women workers currently entering the workforce. So we need a devise series of reforms that address not only today's problems but also those likely to face women retiring in 20 years time and those retiring in 50 years time.

The major structural reforms required both in the pensions system and in the labour market and how they impact on women workers will require further debate and discussion. The publication of the Pensions Commission's final

pay up for pensions

report in Autumn 2005 with recommendations for action will be a landmark event in the future of British pensions policy.

This discussion paper and the TUC's conference on women and pensions is a contribution to that debate. In our paper we set out:

- the demographic and labour market position of women today and how that might change over the coming decades;
- the current position and what measures could be introduced immediately in Budget 2005 to help women today;
- the major strategic issues and key questions set out in the Pension Commission report on women and pensions.

Section two

Women in the labour market

In this section of the report we look at the changes in women's demography and employment.

Women's participation in the labour market has been going up for almost the entire post war period. Between Spring 1997 and Spring 2004 official statistics show the female economic activity rate – the share of women in work or seeking work - increased from just under 54 per cent of all women over 16 to nearly 56 per cent.

Women are catching up with male levels of participation. However, this is partly because male participation rates have fallen since 1997. In more recent years male participation has started to recover, so convergence may well slow in the future. The current participation gap is still large – in 2004 the male participation rate was nearly 71 per cent, 15 percentage points higher than for women. The gap would be even bigger if differences in hours worked was taken into account.

The employment rate for women in the UK is high by European standards. The overall employment rate was the fifth highest, behind the Nordic economies (Sweden, Denmark, Finland) and the Netherlands, and the employment rate for older women (defined by the EU as ages 55 to 64) was the fourth highest, again behind only the Nordic economies.

Women's Employment growth since 1997

Since 1997 women's employment has grown strongly. Between Spring 1997 and Spring 2004 the total number of women in work has increased by over eight per cent or nearly one million. This figure includes employees, self-employed, and small numbers of unpaid family workers and government trainees without a contract of employment.

Some commentators have suggested the structure of employment is changing in ways that makes traditional forms of pension coverage (such as Defined Benefit

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coverage) increasing irrelevant. They argue increasing numbers of people are in “atypical” jobs such as temporary work, multiple job holding, or self-employment. They also argue that the so-called “jobs for life” culture is over and people are spending far less time in a job than they once did.

This view is based on a misconception of how the structure of work is changing, and is even more misleading for women in the labour market than for men.

- In 2004 over 86 per cent of women were in permanent employee jobs, compared with 83 per cent in 1997;
- Women are spending more time in jobs on average: in 2004 just over 27 per cent of women had been in their current job for at least ten years compared with 25 per cent in 1996.

Some commentators persist in calling part time work “atypical” even though it has been a significant feature both of the UK labour market and of women’s employment for decades. Since 1997, however, full time employee jobs held by women have increased slightly faster than part time employee jobs for women. Even so, part time work remains a major part of the female job market. In 2004 over 43 per cent of women employees or nearly 5.2 million women worked part time.

Pay gaps

A key reason why women have been disadvantaged when it comes to pensions are their lower rates of pay. The gap between men and women’s pay has narrowed slightly since 1998 but remains large by international standards. The gender pay gap can be measured in different ways (see box) but women’s full time hourly pay in 2004 was between 86 per cent and 83 per cent of men’s pay.

Women’s pay on average is clearly significantly lower than for men. In April 2004 the bottom 25 per cent of women earned £5.86 an hour or less (including overtime) while the bottom 25 per cent of men earned £7.49 an hour or less. Part time women workers in the bottom 25 per cent of the income distribution got £5.19 an hour or less while the bottom 25 per cent of full time men got £7.93 an hour or less.

Wage distribution for women and men in 2004

Wage distribution	Women		Men	
	Full time	Part time	Full time	Part time
£s per hour				
Bottom 10%	5.50	4.66	6.15	4.50
Bottom 25%	6.92	5.19	7.93	5.00
Median (50%)	9.49	6.32	11.18	6.10
Top 25%	13.87	8.89	16.38	9.50
Top 10%	19.07	14.10	24.04	18.62

Note: all figures gross hourly earnings, adults, including overtime, April 2004.
Source: AHSE 2004.

Recent research published by the women and equality unit of the Department of Trade and Industry (DTI) shows that women suffer both a part time pay penalty and a part time career penalty, especially if they switch from full time to part time work. The conclusions show why women in part time work miss out when it comes to pension provision:

- Women in part time jobs earned 22 per cent less than women in full time jobs: the gross part time pay penalty has increased over the past 30 years, with most of the increase taking place before 1997;
- After taking account of the different characteristics of women doing full time and part time work, the underlying pay penalty is between 3 and 10 per cent;
- Occupational segregation and growing wage inequality between the top and bottom of wage distribution explains much of the pay gap between full and part time women and its increase over time: women working part time have failed to match the progress made by women in full time work in moving up the occupational ladder;
- Women moving from full time to part time are more likely to change employer or job and are more likely to show downward occupational mobility: women making such moves are clearly working below their capability;
- Skills under-utilisation is also more likely among women working part time with nursing and teaching qualifications;
- The UK has one of the biggest pay penalties in Europe and one of the worse career penalties in moving from full time to part time work;
- Policy initiatives such as the national minimum wage, part time workers regulation or the right to request flexible working appear to have little

impact.

The researchers suggest that strengthening the right to request flexible working would be one way of avoiding some of the penalties associated with part time work, especially among women who have to change employer in order to secure the hours they would like to work.

MEASURING GENDER PAY GAPS

The gender pay gap can be measured in at least three different ways.

The Office for National Statistics preferred UK measure is median hourly pay, the point where exactly 50 per cent are above and 50 per cent are below. This shows that women's full time hourly pay was 85.6 per cent of men's full time hourly pay in 2004 compared with 82.6 per cent in 1998.

The international standard measure takes the mean or average hourly full time pay rate. In 2004 the hourly pay for women full time workers was 81.6 per cent of men's compared with 78.8 per cent in 1998. The average gives a lower figure because of the disproportionate impact of higher paid men on the male income distribution.

Both figures come from the employer Annual Survey of Hours and Earnings (ASHE).

The European structural indicator for gender pay gaps is derived from the European Community Household Survey (ECHS) and excludes all those who work less than 15 hours a week. The indicator shows the difference between men's and women's average hourly pay as a percentage of male average hourly pay.

By this measure, in 2001 the gender pay gap in the UK was 21 per cent compared with an EU15 average of 16 per cent, with no change since 1997. Other pay gaps in descending order were Germany (21 per cent), Austria (20 per cent), Netherlands (19 per cent), Greece and Sweden (18 per cent), Spain, Ireland and Finland (17 per cent), Denmark (15 per cent), France (14 per cent), Belgium (12 per cent), Portugal (10 per cent), Italy (6 per cent).

Gender segregation

Women remain highly segregated in the labour market. An analysis by the Equal Opportunities Commission (EOC) of the labour market in 2003 showed that in less well paid occupations such as waiters and waitressing, care assistants and home carers, hairdressers, sales assistants, cashier operators, cleaners and domestics, receptionists and general office assistants and secretaries, women accounted for between 70 and 90 per cent of the workforce. In addition, occupations such as nurses and primary school teachers were also close to 90 per cent female.

There is some evidence that better qualified women are starting to make an impact in the lower tiers of management and the professions, so that for example around 40 per cent of doctors and solicitors and lawyers are now

women. However, some newer occupations remain dominated by men, with only 14 per cent of software professionals and 16 per cent of ICT managers being women.

Increasing gender segmentation by industrial sector

Employment forecasts to 2012 have been published by Warwick University for the Sector Skills Councils taking 2002 as a base. The share of women working in traditionally male dominated industries such as manufacturing is set to fall, as is the share of female employment in business services. Indeed, by 2012 there will be fewer women working in these industries than in 1982. In contrast, the share of female employment in industries such as distribution and in public sector based industries (health and social care and education) is forecast to increase further.

INDUSTRIAL GENDER SEGREGATION INCREASING

	1982	2002	2012
Primary and utilities	16.4%	25.0%	27.8%
Manufacturing	30.2%	27.5%	25.8%
Construction	9.9%	9.9%	9.9%
Distribution and communications	42.9%	46.9%	48.9%
Business and other services	46.7%	47.2%	44.1%
Non-market services	66.0%	70.5%	74.2%

Note: all figures female employees as share of total employment, including self-employed. Non-market services are education, health and public administration and defence.

Source: *Working Futures* National report 2003-2004, IER University of Warwick.

The demographic challenges

Women are in the majority among today's pensioners and especially among older pensioners. Women account for 56 per cent of all those over 60, but 67 per cent of those aged 80 or more. There are currently 6.9 million women of pensionable age, of which 5.4 million are 65 or older and 4.1 million are 70 or older.

Both women and men are living longer, an undoubted social advance. Female life expectancy at age 65 is expected to increase to nearly 25 years on current trends compared with just over 20 years today. This compares with only 15 years in 1950.

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Male life expectancy is increasing even faster, reducing the historical gap in life expectancies between the genders. Although this over time will increase the number of men of pensionable age, women will remain in the majority, especially among the very old. However, the Pension Commission report shows that growing longevity combined with other demographic changes means we face a period of rapid change in the balance of the population.

Up to now, demographics have shielded the economy and society from the need to make the sort of policy changes needed to sustain our pension system over the long term. Increased longevity up to now has been offset by baby boomers swelling the ranks of the working age population while falling birth rates reduced the number of young dependents. As a result the working age population today supports a historically low dependent age population. This was never going to be sustainable and demographics are now operating powerfully in the opposite direction.

Today, there are just under 4 people of working age (defined as 16 to 64) for every person aged 65 or older. By 2050 the Commission think the ratio will be closer to 2 to 1. It is this unavoidable shift in the dependency ratio that will increasingly drive pension and labour market reform in the future.

So much is clear from the demographics. What is much less clear is how far the years in retirement will be spent in good health. In compiling its report, the Pension Commission was frustrated by the inadequacy of the statistical information, especially on objective measures of good health. However, they suggest that on balance further increases in longevity will see some increase in years in good health.

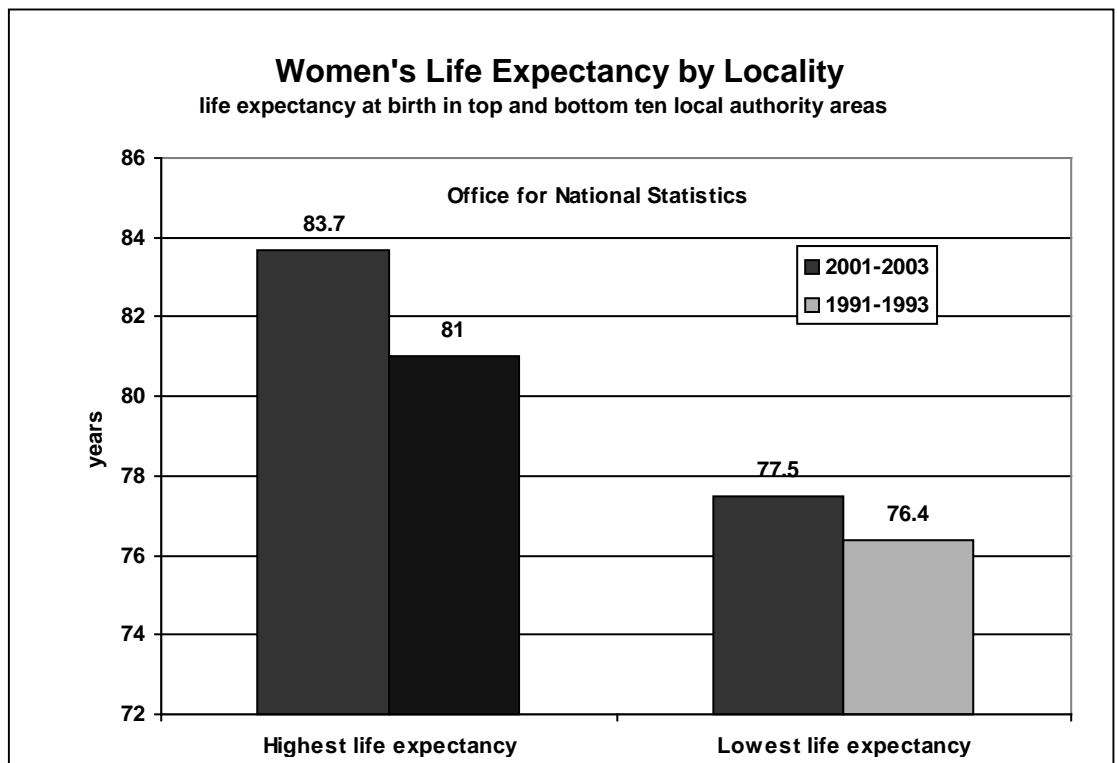
However, the Commission were very clear that what is true for the average in terms of both longevity and good health is not true for poorer people living in the more depressed areas of the country.

The Commission shows that at age 65 women in the bottom tenth of the income distribution could expect to live a further 18 years on average, but only 8 of those years would be spent with a disability. In contrast, women in the top

tenth of the income distribution can expect to live just over 19 years on average, but 11 of those years will be spent disability free.

The latest official statistics from the Office for National Statistics (ONS) show even wider gaps when comparing different localities. The local authority areas with the greatest life expectancy at birth were typically well-off areas in the South of England such as Guildford, Epsom, and Christchurch. Those with the lowest life expectancy were typically less prosperous, metropolitan and industrial areas of Northern England and Scotland, such as Glasgow, Liverpool, and Manchester¹.

Moreover, the gap has widened over the past decade. In the early 1990s women in the ten local authorities with the lowest life expectancies lived 4.6 years less on average than women in the top ten local authorities. Today that gap has widened out to 6.2 years.



Chelsea, Epsom and Ewell, Guildford, Rutland, Christchurch, Hart, E. Dorset, Alnwick, Cotswold, Mole Valley. The ten with the lowest life expectancy were Glasgow, N. Lanarkshire, W, Dunbartonshire, Blackburn, Liverpool, W. Lothian, Dundee, Inverclyde, Manchester and Salford.

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significant differences in women's life expectancies seem likely to remain for many years to come.

The proposed increase in state retirement age to 60 will clearly have a disproportionate impact on women in the old industrial and high unemployment communities. So those who advocate a further significant increase in the state retirement age, to say, 70 would risk reducing the years spent in retirement by a woman in Glasgow on average to less than 8 years while a woman in Epsom on average would have nearly 14 years.

Increasing the birth rate

Some politicians have suggested women should be encouraged to have more children to help meet the demographic challenges described in section two. But the Commission in effect says this is an unrealistic option. Even if this were seen as both desirable and achievable, higher birth rates over the next decade would have little impact on the working age population until the 2040s, and even then it would be unlikely to have much impact on the old age dependency ratio. Moreover, in the meantime society would have to cope with simultaneous increases in both the under 16 and over 65 dependent populations.

Section three

Women and pensions

Women have traditionally fared much less well than men under both the occupational system and the state pension system. This reflects both differences in labour market experiences and design features of both systems.

Some of the reasons why women in occupational pension schemes end up with lower pensions include:

- Lower employment rates and lower average rates of pay in work;
- Greater tendency to be in part time work where coverage is low and low pay endemic;
- Concentration in service industries where coverage has been lower than the in the rest of the economy;
- Before better leavers rights were introduced, women with career breaks lost out.

Some of these disadvantages have been offset for married women who could access their husband's defined benefit (DB) schemes on their husband's death, especially following the requirement to provide widows benefits from 1978 onwards. But single women and women married to men in defined contribution (DC) schemes got nothing or minimal income. DC schemes seldom offer any income to surviving spouses.

The massive shift away from DB to DC schemes will therefore impact disproportionately on women for a number of reasons including (a) widow's benefits are almost non-existent (b) annuity income is depressed by lower average earnings and greater longevity for women and (c) career breaks can have a bigger impact on accrual rates in DC than DB schemes.

Occupational pension coverage

The statistics for occupational coverage of pension schemes have for the most part only been for full time women workers. The coverage of part time female workers has been poorly documented, in part because it was assumed relatively few workers would be covered. However, we know that part-time female employees in low status jobs fare particularly badly. One study found that only

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15% of unskilled women working part-time are in a company pension². A study by the then Department for Social Security published in 2000 found that some kinds of jobs were significantly less likely to provide occupational pensions *“Namely those which were part-time, temporary or seasonal, located in small firms, based in the manufacturing, distribution and construction sectors, and occupied by women.”*

This gap in our knowledge is becoming even more critical, as the Pension Commission estimate that the coverage of women in part time jobs has increased from around 10 per cent in the early 80s to 30 per cent in 2002. In contrast, the share of full time women has been relatively stable, with some modest increases in recent years taking the total covered to about 60 per cent. The share of full time men covered by occupational schemes has in contrast declined in the 1990s before stabilising at a round 55 per cent.

The estimates reported in the paragraph above come from the General Household Survey and provide no detailed information on coverage of part time workers. The New Earnings Survey (NES) – now replaced by the Annual Survey of Hours and Earnings (ASHE) – only provides information on full time women.

The most recent break-downs of occupational pension coverage from the New Earnings Survey show that in 2003 about 65 per cent of full time women were covered by some sort of occupational pension scheme. This has not changed much since 1997.

But the sectoral analysis shows significant contrasts, with full time pension coverage falling significantly in hotels and restaurants and health and social work. This is likely to reflect trends towards outsourcing and privatization. We have no information of whether this fall has been partly offset by increased coverage among part time workers, but in sectors like hospitality it is unlikely to be significant.

² New Earnings Survey 2001- Analyses by wage negotiating groups: analyses of pension categories: Pension type by industry sector and broad earnings ranges

FULL TIME WOMEN'S PENSION COVERAGE BY INDUSTRY

	2003	1997
Public admin	95.3%	91.7%
Education	87.7%	87.2%
Finance	79.6%	77.7%
Health and social work	69.8%	88.7%
Transport, Communications	64.3%	63.4%
Manufacturing	55.9%	61.7%
Other services	46.7%	58.6%
Business services	44.1%	44.2%
Distribution	43.3%	45.6%
Hotels and Catering	18.7%	31.1%
All service industries	66.7%	65.6%
All industries	65.2%	63.8%

Note: includes all forms of occupational pension.
Source: New Earnings Survey 2003

The state pension

The state system also has a number of weaknesses that adversely affect women. These include:

- Lower contributions to the national insurance system;
- Credits for home caring responsibilities do not fully offset lost contributions;
- “Cliff edge” features hit women with very low earnings and relatively few years of employment.

Under current regulations, women with less than 10 years contributions get no Basic State Pension (BSP). Nor do women who earn below the current lower earnings limit (LEL) for national insurance of £79 a week. The limit applies to any one job, so even women who combine more than one job that takes their combined income above the LEL get no credit towards a pension.

Home responsibility protection does not fully offset lack of contributions and is only calculated on the basis of full years. So for example, a women with 10 years contributions and 20 years with caring responsibilities would get only 50 per cent of the BSP while a man with 30 years service would receive 70 per cent of the BSP.

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Recent reforms will help, notably for women earning between the LEL and the Primary Income Threshold of £91 a week. There is also better treatment for women under State Second Pension (S2P). Pension Credit has also had a disproportionate impact on relieving poverty among pensioners, as two thirds of credit recipients are women.

However, the historic pension system and employment patterns means that today 69 per cent of women between 65 and 69 get less than the full state pension compared with only 15 per cent of men. And 40 per cent of women who get the BSP in their own right are entitled to less than 75 per cent. Moreover, the unavoidable consequence of Pension Credit is that women are even more likely to be dependent on means testing in retirement.

Future trends

The future holds out a mixed message to women as far as pension entitlement is concerned. The good news is that employment and pension arrangements are more favourable for women than in the past. The bad news is that much of the convergence with men is because the position of men is getting worse rather than the position of women is getting better. And even if the position of some women is improving, large numbers will remain in low paid and part time work with intermittent working lives for whom providing a decent pension remains a major challenge.

Overall, the relative labour market position of women is improving. Some of the more favourable trends include:

- employment rates are increasing and converging towards male rates;
- earnings gaps are narrowing, especially for women towards the bottom of the incomes distribution;
- the female graduate workforce is expanding and moving up the jobs ladder.

However, as we showed in the previous section, part time employment will remain a major feature of the female workforce. The earnings gap may be closing but progress in recent years has been modest and there is little sign that the gap between part time women and full time men is closing.

There is a similar mixed story when looking at trends in pension coverage.

- Women at most earnings levels are now more likely to be in an employer sponsored scheme and in a DB scheme than men;
- Lower annuity rates for women in DC schemes are likely to reduce with greater convergence of retirement ages and longevity between men and women.

These and other changes mean that women on average are closing the gap on men. Today, women on average get 72 per cent of the average occupational pension income received by men compared with 64 per cent in the mid 1990s. And the coverage of part time women has improved considerably over the past decade.

However, much of the relative improvement has come about because of the decline of provision for men and the industrial concentration of women's employment. Women are disproportionately concentrated in the public sector where they have been less vulnerable to the retreat from DB schemes compared with, for example, men in manufacturing. This shift is also reducing the historic disadvantage women in the private sector had through their concentration in service industry employment, but only because provision for men in private services is worsening.

Apart from these broad changes, a massive social change will eventually have a major impact on pension entitlement. The share of women who are marrying has fallen significantly, and by 2020 official projections suggest that nearly 40 per cent of women coming up to retirement will be either divorced, widowed or never married. So the need to ensure women can build up an entitlement in their own right rather than depend on a spouse's pension is becoming all the more urgent.

PENSION REFORM

The Government has made it clear that it will await the recommendations of the Pension Commission's final report before embarking on major pension reform. The Women in Work Commission will also have major shaping policies to increase the participation of women in the labour market and address the root causes of inequalities in pay.

Compulsion

The TUC remains convinced that compulsory private pensions must be part of the solution to address the need to significantly increase total savings from both employers and employees. The TUC Pensions Task group report is set out in full in Annex 1. However, compulsion would have the biggest impact on those not covered by a compulsory scheme and those covered by a scheme with a minimal contribution from employers. The introduction of compulsion would have a positive impact on women, and especially women working part time and those who work in industries and occupations where coverage is very low.

Options for action

However, we highlight a number of areas where the Government can start to take action in advance of any specific changes to the pension system.

- Specific reforms to the basic state pension to help women with low earnings and limited contributory years;
- Halt the ill-advised increase in pension age for public sector workers and work through the Public Services Forum to develop a flexible alternative based on individual choice;
- Remove the barriers to participation and address the underlying causes of for all women workers who want to work;
- Promote through public policy flexible retirement policies across the private sector in consultation with trade unions.

Reforming the state system

There is general recognition that it should be increased significantly. The TUC has called for the pension to be increased to at least to the level of the current pension guarantee. In the longer term there should be further increases towards an ultimate target of 25 per cent of average earnings. This would remove large numbers of pensioners - many of them women - from means tested benefits and avoid the disincentive this creates for additional individual provision.

Once increased to this level, the basic pension should increase thereafter in line with national average earnings to ensure that all pensioners share in the general improvement in living standards.

There is also considerable discussion of the proper basis of entitlement to the State basic pension. Entitlement is based on a contributory system with, at least in theory, an autonomous National Insurance fund. This is now being challenged by proposals for a 'Citizenship Pension' that is paid to all citizens from general taxation, regardless of their contribution record.

The TUC considers that the State, as well as providing a basic pension, should also ensure that all workers, including those with care responsibilities, accrue an additional earnings-related pension on top of that basic pension. This is reported on in more detail in the TUC Pensions Task group's interim report to Congress, in Annex one.

However, there are a number of practical changes the Chancellor could make in the next Budget without prejudicing any further major reforms but would particularly help women:

- Abolish the "25 per cent" rule that stops people with less than 10 years contributions getting any state pension
- Allow the backdating of National Insurance contributions beyond the current six-year limit, and encourage women over 60 in work to continue to build up entitlement to the basic state pension by paying National Insurance contributions beyond age 60.

Abolishing the 25 per cent rule

The TUC believes that by abolishing the '25 per cent rule' many more women will have entitlement to the state pension. The 25 per cent rule means that to receive *any* state pension someone needs to qualify for at least 25 per cent of the full pension. Many women who have paid less than 10 years full contributions receive no pension; we believe the government should abolish the rule and allow all contributions to count. The TUC recognises that consideration will need to be given to the impact on the 60 per cent married women's pension, where a wife receives 60 per cent of her husband's pension entitlement.

Backdating national insurance contributions

The option to backdate NI contributions is a valuable option for many women. However the current six-year limit that means an individual can only make

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back dated contributions for the previous six financial years, is very restrictive. Allowing further backdating could help many women fill the gaps in their contributions record and increase the level of state pension in retirement.

Alongside this proposal the government should encourage all women who work beyond age 60 to continue to build up state pension entitlement by continuing to make National Insurance contributions. Not only would this enable women to make up potential shortfalls in their contribution record, it may encourage women to continue to work beyond age 60 as they will receive better pension entitlement as a result.

The cost implications for the government of allowing backdated contributions beyond the six-year limit and encouraging National Insurance contributions beyond age 60 are minimal, this may offer an effective way of increasing participation rates among older workers without raising retirement ages.

Women and public sector pensions

The Government is proposing that the pension age in public sector pension schemes should be increased from 60 to 65. This will clearly have a disproportionate impact on women. The public sector workforce is disproportionately female and, at least among full time women, coverage is very high.

The Government envisaged that by 2006 all new staff would join on the new conditions. However, pension rights already accrued from past service would be fully protected.

The TUC opposes this reform. There is no evidence that a higher pension age in the private sector means more people work on into their 60s in the private sector compared with the public sector.

The proposal does not directly address the far more important issue of how older and experienced workers in the public sector can be retained by making work more attractive, including working arrangements which combine flexibility to suit individual needs while protecting pension entitlements.

Women's labour market participation

Part of the demographic challenge must be addressed by increasing the employment rates of all age groups over 25 across the economy. As section two showed, women's participation in the labour market is growing and converging towards men's, but there is still a significant gap. And while the UK compares well with the European average, it still lags the best performers in Europe – the Nordic economies and the Netherlands.

The Commission's report uses Sweden as an example of what a high participation scenario for women might look like in the UK. Moving to Swedish employment rates for women over time would undoubtedly help ease the demographic challenge. This will however require major expansion in areas such as affordable child-care and a more effective implementation of family friendly employment practices.

Postponing retirement

The Commission suggests that some increase in the average age at which people retire will have to form part of the solution to the pensions challenge. It should be noted that this is quite different from suggesting the state pension age or the "normal" age of retirement for occupational pension schemes should increase. In practice many people leave the labour force before they reach state pension age. For example, less than 60 per cent of women are in employment by the age of 59.

However, to make a real difference in terms of the economics, the actual age at which women leave the workforce has to increase when the state pension age for women increases to 65. This change in behaviour cannot be taken for granted. Younger women today still expect to retire at much the same age as their parents did. And older women expect to live much shorter lives on average than the official population projections suggest.

WOMEN'S CURRENT EXPECTATIONS ABOUT RETIREMENT

% expecting to retire at 60 or earlier		Probability of living until 75 for women in their 50s	
Women due to retire before 2010	76%	Women's perception of chance of living to 75*	66%
Women due to retire after 2010	74%	Official estimate of women's chance of living to 75**	78%

Notes:* Women between the ages of 50 and 54. **Projection by the Government Actuary's Department (GAD); the Commission thinks this is more likely to be an under-estimate rather than over-estimate.

Source: Pension Commission 2004, p19.

The CBI and others unhelpfully and inaccurately refer to reversing an “early retirement” culture. It was undoubtedly true that some firms used the apparently healthy state of their pension funds to cut labour in the early and mid 1990s by offering early retirement. And the boardroom has always had the option of early retirement given the generosity of pension arrangements at the top of companies. But these have always disproportionately affected male retirement patterns and the charge of an early retirement culture looks completely out of touch when applied to women.

Women leave the labour force on average at age 62, already above the state pension age. Moreover, the average age of retirement among women is going up, not down. Compared with other European economies, British women are much more likely to work on into their 60s. In 2002 the average age of exit according to EU Commission estimates was 61.9 years for women in the UK compared with 60.5 across the EU. Only Sweden, Portugal and Ireland had a higher average exit age for women.

However, for many women the relatively high exit age appears to be driven more by economic necessity than choice. Women in less skilled jobs appear to be in the majority of those working on beyond 60 and beyond 65, while women in managerial and professional jobs are less likely to work on, especially beyond age 65.

Public policy can help in one respect by encouraging more enlightened work practices in the private and public sectors, increasing flexibility in combining pension and work, and by legislating against age discrimination. We believe

these offer an effective way of increasing participation rates among older workers without raising retirement or pension ages. The TUC supports the idea of greater flexibility in an ageing population on a voluntary basis.

A flexible decade of retirement between 55 and 65 during which employees can decide when to retire based on their domestic needs has several advantages for both the employer and employee:

- Retention of experienced staff with valuable skills;
- Greater flexibility and choice for employees;
- The creation of a wider pool of expertise for recruitment (by including those aged 55+);
- Enabling the organisation to increase its public image to make it a preferred employer;
- A strategic and effective response to demographic change; and
- Equality of opportunity and fairness for all employees.

In addition flexible retirement provides a greater degree of choice for the individual. However there are also barriers to flexible/gradual retirement, for example it may be unattractive to individuals if gradual retirement results in significant reduction in pay though this could be offset by individuals taking part of their pension.

Evidence from the Joseph Rowntree Foundation and others shows that a range of factors motivates retirement decisions; with financial concerns more a constraint on the options rather than an overwhelming driver. The influence of health related issues and the quality and flexibility of the work available appear to be even more important than pension retirement age in determining when older workers actually exit the labour market.

As well as questions of work organisation, other issues – such as access to quality occupational health support and how issues such as stress and physical workloads are handled – need to be built into the strategy. The Government has launched a number of very welcome and constructive initiatives aimed at persuading employers to employ older workers.

Time for action

In the public sector, government departments are being encouraged to develop policies to pay, pensions, and working practices that encourage later retirement. However, in practice even in sectors facing widespread recruitment difficulties, policies appear to be applied in an ad hoc way. Recent research on efforts to recruit older nurses is set out in the box below.

OLDER NURSES IN THE NHS – THE GAP BETWEEN POLICY AND PRACTICE

A recent study by the Rowntree Foundation of older NHS nurses published in July 2003 suggest there may be some way to go in translating these initiatives into practical actions on the ground in parts of the public sector. The study found:

- The NHS has an ageing workforce with more than 75,000 nurses over 55 and other 71,000 between the ages of 50 and 54. Around 10,000 nurses retire each year. Many nurses over 50 remain in nursing but growing numbers are taking early retirement, with only a small number of former nurses returning in their 50s;
- Older nurses lacked clear advice, guidance and encouragement about the options when considering whether to retire or remain in nursing or whether to return to the NHS from the outside;
- Attitudes to older nurses were sometimes ambivalent, sometimes apathetic, sometimes welcoming. Older nurses reported ageist attitudes to wards them by employers and personnel departments, although employers also valued the qualities that older nurses brought to the job;
- Older nurses reported particular needs but not much employer effort being made to meet them. These included professional development, especially after a career break; more flexibility on hours and workload; financial barriers relating to final pension entitlements; and better tailoring of return to practice initiatives;
- Overall, both employers and trade unions agreed that there had been a poor translation of government policy into practice when it came to older nurses in the NHS.

Next Steps

This report has suggested a number of practical policy changes that could be made to start to address the inequalities faced by women today and the major challenges over the longer term highlighted in the report by the Pensions Commission. This will require bringing together specific measures to improve pension provision for women with measures to address underlying labour market disadvantage, especially in terms of pay.

The Pension Commission set out a number of specific questions they are seeking a response to in order to produce their final report with recommendations for action in the longer term:

- Is the Commission's analysis of women's pensions today and how they might evolve in the future reasonable?
- Do people accept the principle that we need to aim for a system in which all individuals, men and women, accrue pensions in their own right?
- Are there important private pension policy issues specifically affecting women or do the key issues affecting women relate primarily to the contributory nature of the state pensions?

The TUC Pensions Task Group will be setting out the TUC's answer to each of these important questions in our formal response to the Commission by early in the New Year.

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