What difference does a year make?

Tim Pike

Pensions Policy Institute

WHERL

31st March 2017

www.pensionspolicyinstitute.org.uk

Pensions Policy Institute

We'd like to thank...

Our sponsors

ESRC Economic & Social Research Council

MRC Medical Research Council

Our hosts today

Royal London

We'd like to thank...

Pensions Policy Institute
PPI

Our collaborators

Age UK – Improving later life

Department for Work & Pensions

King's College London

Manchester 1824 – The University of Manchester Institute for Collaborative Research on Ageing

Pensions Policy Institute – PPI

UCL

University of Toronto

Pensions Policy Institute

PPI

WHERL

Wellbeing

Health

Retirement and the

Lifecourse

www.wherl.ac.uk

Lifecourses

PENSIONS POLICY INSTITUTE

PPI

The work-based lifecourses for men and women used in the modelling for this note

Male Lifecourses	Proportion (%)
Mostly full-time throughout	45
Mostly non-employed throughout	4
Full-time, very early exit (at about age 49)	12
Full-time, early exit (at about age 60)	30
Late start (at about age 23), early exit (at about age 60)	9
Female Lifecourses	**Proportion (%)**
Mostly full-time throughout	27
Mostly non-employed throughout	17
Weak attachment, early exit (at about age 49)	7
Family carer to part-time (long break: 16 years)	12
Family carer to part-time (short break: 4 years)	13
Family carer to full-time (10 year break)	18
Mostly part-time (from about age 23)	6

This lifecourse data is historical using data based on the lifecourses of men aged 65 to 74, and women aged 60 to 69, at the time of the survey.

Lifecourses

PENSIONS POLICY INSTITUTE

PPI

The work-based lifecourses for men and women used in the modelling for this note

Male Lifecourses	Proportion (%)
Mostly full-time throughout	45
Mostly non-employed throughout	4
Full-time, very early exit (at about age 49)	12
Full-time, early exit (at about age 60)	30
Late start (at about age 23), early exit (at about age 60)	9
Female Lifecourses	**Proportion (%)**
Mostly full-time throughout	27
Mostly non-employed throughout	17
Weak attachment, early exit (at about age 49)	7
Family carer to part-time (long break: 16 years)	12
Family carer to part-time (short break: 4 years)	13
Family carer to full-time (10 year break)	18
Mostly part-time (from about age 23)	6

This lifecourse data is historical using data based on the lifecourses of men aged 65 to 74, and women aged 60 to 69, at the time of the survey.

Lifecourses

PENSIONS POLICY INSTITUTE

PPI

The work-based lifecourses for men and women used in the modelling for this note

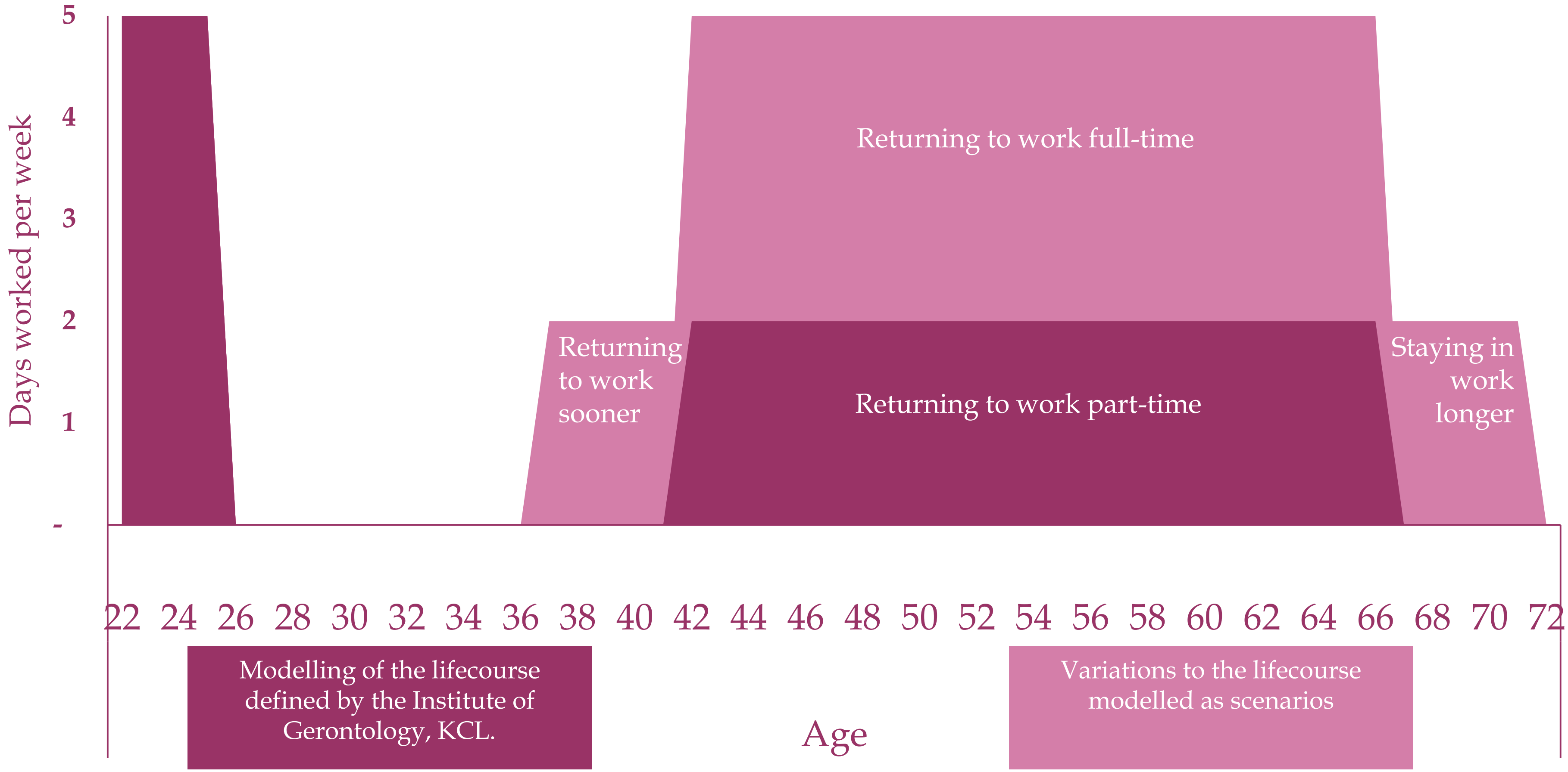
Male Lifecourses	Proportion (%)
Mostly full-time throughout	45
Mostly non-employed throughout	4
Full-time, very early exit (at about age 49)	12
Full-time, early exit (at about age 60)	30
Late start (at about age 23), early exit (at about age 60)	9
Female Lifecourses	**Proportion (%)**
Mostly full-time throughout	27
Mostly non-employed throughout	17
Weak attachment, early exit (at about age 49)	7
Family carer to part-time (long break: 16 years)	12
Family carer to part-time (short break: 4 years)	13
Family carer to full-time (10 year break)	18
Mostly part-time (from about age 23)	6

This lifecourse data is historical using data based on the lifecourses of men aged 65 to 74, and women aged 60 to 69, at the time of the survey.

Adjustments to work patterns (in our model)

PENSIONS POLICY INSTITUTE

Family carer to part-time (long break: 16 years)



Adjustments to work patterns (in policy)

PENSIONS POLICY INSTITUTE PPI

- Returning to work after a break as a family carer
- Older workers extending their working life
- Other forms of labour market interventions
- Other areas of policy

Shortening a career break

Weekly post retirement income at age 66 for women earning at the median level under who are currently 60 and have taken a career break

(£ per week, in current earnings terms)

Lifecourse	State pension	Private pension	Other state income	Tax	Total net income
Family carer to part-time (break: 16 years)	£159	£22	£3	-£0	£184
Come back one year earlier (break: 15 years)	£159 (-)	£23 (+£1)	£3 (-)	-£0 (-)	£185 (+£1)
Come back five years earlier (break: 11 years)	£159 (-)	£27 (+£5)	£3 (-)	-£0 (-)	£189 (+£5)

Shortening retirement

PENSIONS POLICY INSTITUTE
PPI

Weekly post retirement income in the first year of retirement for women earning at the median level under who are currently 60 and have taken a career break

(£ per week, in current earnings terms)

Lifecourse	State pension	Private pension	Other state income	Tax	Total net income
Family carer to part-time (long break: 16 years)	£159	£22	£3	-£0	£184
Staying on one more year (retire at 67)	£160 (+£1)	£23 (+£1)	£3 (-£0)	-£0 (-)	£186 (+£2)
Staying on five more years (retire at 71)	£162 (+£3)	£30 (+£8)	£3 (-£1)	-£0 (-)	£195 (+£11)

Working different hours

PENSIONS POLICY INSTITUTE

Weekly post retirement income at age 66 for women earning at the median level under who are currently 60 and have taken a career break

(£ per week, in current earnings terms)

Lifecourse: Family carer to part-time (long break: 16 years)	State pension	Private pension	Other state income	Tax	Total net income
Working one day a week	£159 (-)	£13 (-£9)	£3 (-)	-£0 (-)	£175 (-£9)
Working two days a week	£159	£22	£3	-£0	£184
Working three days a week	£159 (-)	£31 (+£9)	£3 (-)	-£0 (-)	£194 (+£9)
Working four days a week	£159 (-)	£41 (+£19)	£3 (-)	-£0 (-)	£203 (+£19)
Working five days a week	£159 (-)	£50 (+£28)	£3 (-)	-£0 (-)	£213 (+£28)

Delaying an early exit

PENSIONS POLICY INSTITUTE
PPI

Weekly post retirement income at age 66 for men and women currently aged 60 earning at the gender specific median earning level (£ a week in 2016 earnings terms)

Income per week (2016 earnings terms)	Men						Women		
	Very early exit (49) Additional years worked			Early exit (60) Additional years worked			Early exit (60) Age at retirement		
		+1	+5		+1	+5		+1	+5
State Pension	**£171**	£173	£181	**£191**	£191	£191	**£174**	£174	£174
Private Pension	**£83**	£86	£98	**£112**	£113	£120	**£84**	£85	92
Other	**£3**	£3	£3	**£3**	£3	£3	**£3**	£3	£3
Tax	**-£9**	-£10	-£14	**-£19**	-£19	-£20	**-£10**	-£10	-11
Total	**£248**	£252	£268	**£288**	£289	£295	**£252**	£253	£258
Percentage of income from private pension	**33%**	34%	37%	**39%**	39%	41%	**33%**	34%	35%

What are the barriers?

Pensions Policy Institute

- How can we ensure people are fit to participate in the workforce?
- How can people manage other responsibilities?
- What makes people motivated to work for longer?

What difference does a year make?

Pensions Policy Institute

PPI

- After a career break:
  - About £1 a week for a part-time return
  - About £3 a week for a full-time return

- Delaying an early exit:
  - About £4 a week for a man exiting around age 50
  - About £2 a week for a man exiting around age 60

Thoughts

- What are the policy implications for younger cohorts?
- How does the financial impact balance against the other implications of increased working?
- What policy nudges might encourage these individuals to alter their behaviour?
- How does this fit with the automatic enrolment review?