

The Turner Report on Pensions: Implications for Career Guidance

The two Reports of the Pensions Commission, chaired by Lord Turner and published in November 2004 and 2005, have presented stakeholders with extensive and detailed technical analysis, a holistic view of options for public policy and practical proposals for financing pensions in our ageing society. This Briefing examines the implications for providers of career guidance.

Many career guidance agencies have been aware for some years of a latent but largely unmet demand for guidance from older adults. That demand (potentially huge) has become increasingly transparent, although it remains largely untapped. A number of guidance organisations are now reviewing their provision to determine how this might best be adapted or developed in order to respond.

Guidance workers operate at the human interface at which the multifarious needs of myriad individuals, and national and local policy decisions, interconnect. For guidance providers, the two parts of the Turner Report are potentially seminal because they link observations and recommendations on national policy requirements to the needs of all individuals as they grow older.

This paper: considers why the Turner Report is centrally important for guidance providers; indicates underlying demographic trends and possible financial consequences for individuals if action is not taken; outlines some of the Report's main observations and recommendations (selected because of their pertinence to career guidance); and identifies some policy and frontline implications for guidance providers.

Demographic factors and pension reform

The vast array of statistics recently published to illustrate the demographic changes can be confusing. However, all point in the same direction.

- The birth rate is below population replacement level, the period of working life is declining (extended full-time education is one main reason), and life expectancy is increasing.

- By 2010 almost 40% of the workforce will be 45+; the current UK birth rate is 1.77 children per woman, below the population replacement rate; and life expectancy for people living to, and reaching, 65 in 2004 was 82 for men and 85 for women.
- On current trends the old-age dependency ratio (i.e. the percentage of retired adults supported by those of working age), approximately 1:8 in 1941, would reach less than 1:2 in 2050.

The first Turner Report (November 2004), which set out the case for reform, supported its arguments by demonstrating the growing polarisation between well-off and poor pensioners, largely determined by income before retirement. For example, 10% of all 50+ below state pension age (SPA) are inactive and almost entirely welfare dependent; by contrast, 5% of the potential 50+ workforce are inactive, wealthy and receive generous occupational pensions.

Nearly half of the 34 million people of working age currently make no contributions, either directly or via a partner, to a pension scheme. Women especially are not saving. Caring responsibilities and broken contributions mean that 69% of women receive less than the full state pension.

Defined Benefit (DB) final salary schemes are in decline in the private, although not as yet in the public, sectors. DB schemes are being replaced by Defined Contribution (DC) schemes where employer contributions are substantially less, and pension entitlements are dependent on financial market performance. Turner calculates that contributions of 22-26% annually are required to achieve a pension of two-thirds of salary - most people's objective for a

comfortable retirement. Average contributions (employer plus worker) to DC schemes are only 7-11% annually (compared with 16-20% for DB schemes), leaving an average individual savings shortfall of some 15%.

Without an agreed government third-age strategy on pensions and work, the consequences could spell poverty for millions of older individuals. For the economy also, and therefore for jobs, the resulting loss of consumer demand could be devastating.

Turner's Proposals

The second Turner Report (November 2005) sets out the Pension Commission's recommendations. Main recommendations are:

- The gradual introduction of a more generous flat rate pension, linked to earnings and not prices, and removing the need for pension credits (means testing erodes the incentive to save). Qualification would be on the basis of residency and not National Insurance contributions, and would thus enable many carers, especially women, to receive the full state pension.
- These proposals could necessitate increasing state spending on pensions by between 20% and 25%, depending on how high State Pension Age (SPA) is allowed to rise. This is a possible sticking point with government.
- The formation of a new earnings-related National Pensions Savings Scheme (NPSS), offered through employers, with workers automatically enrolled unless they decide to opt out. Employers, employees and government would all contribute.
- Raising the SPA to 66 in 2030, 67 in 2040 and 68 in 2050. Turner recognises that many workers, normally in less well-paid manual occupations, are prone to disabilities and have lower life expectancy, and proposes some possible flexibilities involving earlier qualification for the means-tested guarantee credit and/or the state pension.

Policy changes are required to support later retirement and Turner welcomes:

- The impending age discrimination legislation, which becomes law from October 2006. However the Report is critical of the default retirement age of 65,

beyond which dismissal on grounds of age remains legal. Turner recommends no upper age limit.

- The introduction via Inland Revenue of flexibilities that will enable older workers to transfer to part-time work, while drawing a percentage of their pension from the same company (made possible from April 2006).
- The government's development of a Health, Work and Well-being strategy, involving the Departments of Health, and Work and Pensions.

Turner recommends a strong policy focus on occupational health factors in order to extend working life, including the ergonomic design of workplaces and attention to stress levels at work. The government as employer should ensure that the public services represent models of 'occupational health' best practice.

Turner considers it essential that flexible options are available for older workers enabling them to move gradually from full-time to part-time work to full retirement. Flexibility could also reduce stress levels, including those attributable to conflicting priorities such as caring responsibilities for grandchildren, partner and/or parents.

The report is critical of current training expenditure, which is skewed towards younger workers – hence, for example, the delay in removing age caps from funding of modern apprenticeships. Turner recommends that all public training policies should be reviewed to remove age bias.

Implications for career guidance

Ultimately Turner is about facilitating and supporting individual choice: whether to extend working life by working full-time, part-time or in self-employment; whether to develop one's career or change occupations by up-skilling or retraining; and when to retire completely.

At each stage individuals may face difficult decisions involving such factors as personal circumstances and relationships, finance, health, workplace attitudes and work/life balance, as well as career choice and suitability, and the availability of work and learning opportunities.

The need for access to high quality career guidance is evident. A main guidance objective is to help individuals to understand how national trends and policy decisions may apply to them,

and to support them in making wise choices in an increasingly complex national and international environment. By inference, Turner therefore shows why the demand from older adults for guidance services is potentially huge, and growing. The following paragraphs itemise some of the implications and how guidance providers might respond:

- Career guidance workers cannot be expert on all relevant legislation, but they should *keep themselves informed on policy issues and developments* so that they can relate these to client requirements. The TAEN website (www.taen.org.uk) is a good starting point. News items on government policy and national developments are updated weekly and other *Briefings* on age and employment issues are also available from this site.
- The objective of extending working life will be achieved through a number of interrelated national and local strategies, some of which are considered by Turner. Individuals require information on these. *Guidance agencies are an obvious source through which to access information*, including leaflets on pension reform and age discrimination, and how to gain more detailed guidance: for example, on financial and pensions issues or suspected age discrimination and legal entitlements.
- Many older adults report difficulty in locating career guidance providers in England at a time when increasing numbers require their services. There are as yet no English equivalents of the excellent Careers Scotland and Careers Wales websites where access and service details are clearly outlined. One 60+ has described local adult guidance facilities as “England’s best kept secret”. *Positive efforts are required to inform older adults about the services provided and make them feel welcome*, possibly involving a combination of approaches including targeted publicity leaflets, and use of community centres, media and internet.

The website designed by Know-How Works (www.know-howworks.co.uk), which is aimed at unemployed 45+ managers and executives in Thames Valley, is a striking example of good practice: it is informative, and simultaneously provides a service to clients (many of whom participate actively in job clubs) by advertising their individual skills and experience to potential employers.

- *learnirect* is responsible for providing the main national point of entry to *nextstep* provision. The implications of Turner are that there are strong reasons for *Ufi/learnirect to specifically target older adults* through its media campaigns. Many aged 50+ need reassurance that they are not too old to work and learn, and that career guidance facilities and learning opportunities are also aimed at them.

It is too early to know how far the new and innovative *learnirect* telephone Careers Advice service can influence individual attitudes, in addition to helping people relate information to their own defined needs. Feedback suggests that many older adults value local personal services.

However, increasing numbers of aged 50+ are highly computer literate and access career-related information on the internet. The government’s policy of developing personalised public services which are customer-led, implies that *individuals should be offered an informed choice of guidance provision* including *integrated national and local (face-to-face) support*.

- Older adults often present guidance workers with a complexity of personal issues, which will be increased by Turner’s proposals. This necessitates *holistic guidance approaches*. Strategies that enable *genuine partnership working with other helping agencies* are requisites for efficient holistic practice, but not easily attained where organisation survival considerations intensify competition.

Some former Information, Advice and Guidance (IAG) Partnerships produced *leaflets and/or comprehensive network directories and websites* outlining the services offered by each partner. These were easily available in public places including *libraries*, which are much used by older age groups.

- Research shows that many older people favour *highly personalised and people-focused initiatives that combine a range of activities, included supported learning, into an integrated one-site service*. Often this may be impracticable. However, some guidance agencies are working with partners to extend their provision, for example by arranging *regular ‘clinic’ sessions* with visiting advisers from such organisations as self-employment support agencies and CABX. These increase providers’ capacity for holistic practice.

Future for Third Age Guidance

Third-age guidance will inevitably become *more work-focused*. For example, the 50+ age group will want reassurance that training leads to jobs.

The logic of Turner is that guidance workers should move more closely towards, and be knowledgeable about, local labour markets and have good working relationships with employers. Potentially Jobcentre Plus and private employment agencies (some of whom specialise in helping older workers) are key network partners.

Guidance activities and services central to 50+ work requirements, and therefore likely to increase in importance, include:

- *information on local work opportunities* including (crucially) *skill requirements*;
- *skilled assessment* of occupational and transferable skills, aptitudes and experience; previously unrecognised potential; and personal values (which change with age);
- *coaching in 'career management' skills* including self-knowledge and self-assessment, locating relevant information, jobsearch, personal presentation, writing CVs, interview techniques, self-advocacy (including overcoming ageism in the workplace), and taking stock and planning ahead;
- opportunities for *work trials* (provenly effective in helping the 50+ to obtain jobs);
- opportunities to form *peer support networks* (invaluable in helping individuals to regain confidence and motivation, re-establish direction and develop new contacts);
- *advocacy* – on behalf of *individuals*, but also to *create opportunities* by making employers fully aware of third-age potential and the realities of demographic change (*third age careers fairs* and *employer events* addressed by 'age diverse' employers can be particularly effective here);
- time to tell and make sense of one's *personal story* and *plan ahead*. *Narrative-led guidance* can be invaluable in helping older individuals regain motivation and re-establish career paths, but may need to be phased because of time constraints.

Extended Working Life

If Turner's recommendations on pensions are to succeed, then government measures to extend working life must also be successful. Initial worker reactions will vary. Many will welcome the freedom to continue working. However, the adjustment will also create personal issues for large number of individuals, including concerns about:

- training and career development;
- assessment of skills, potential and continued suitability;
- attitudes of management and colleagues towards older workers;
- finance and pensions;
- personal health;
- work/life balance;
- part-time and flexible working;
- a desire – natural for many older people after years in the same job – to develop personal interests and try something else.

Many of these concerns require *skilled, sympathetic and informed workplace support*. The majority of employers provide little if any career development support to cover their entire workforce irrespective of age and work status, although there are important exceptions.

Some (almost entirely large) employers have their own career development and support teams and/or train volunteer managers, supervisors and peer workers to provide career support for all employees. External private career development companies may be brought in, although mainly to work with management and professional staff.

The Chartered Institute of Personnel and Development is encouraging many more companies to adopt inclusive career development and support strategies, including career coaching.

Trade unions have worked with management to develop Learning Centres and Employee Development Schemes for all employees in companies across the UK; these initiatives may also provide career guidance. Union learning representatives often play important roles, especially in encouraging the less qualified (many of whom are older workers) to learn; however, many ULRs still lack the strong support they require both within and outside their organisations.

Strategies inevitably vary in quality and coverage, but some have the potential to act as exemplars for other companies. Provided they can gain access, *career guidance agencies (especially if they can work in partnership) can do much to support career development in the workplace*, both as direct providers of guidance, and by training and supporting workplace intermediaries in general guidance skills, including helping older workers.

Some providers have gained invaluable workplace experience by providing the guidance element within the Employee Training Pilots, and these have involved many older workers.

Loss to the Labour Market

Causes of labour market exit can be divided into 'push' (involuntary) and 'pull' (voluntary) factors. Turner's proposals suggest that pull factors may decline and push factors increase in importance.

- *Push* factors include: ill-health; redundancy; reduced job satisfaction; changes in work or role; restructuring; recession; fixed retirement ages; and caring responsibilities (which can also be a pull factor).
- *Pull* factors include: financial security; proximity to state pension age; care of home; spending time with family; and enjoying quality time and hobbies (Irving et al, 2005).

The main push factor, *ill-health*, is often caused by *work stress*. Reasons commonly include unsupportive management, workplace pressures, and constant change in working practices especially where these erode personal autonomy. Travel-to-work difficulties may prove an additional pressure. Many people, irrespective of age, want to get out.

There are important implications here for many companies, which need to *improve management techniques* in order to minimise stress, and therefore retain staff and optimise their contributions and performance, including those of older workers.

For guidance workers it suggests that later retirement may increase the numbers of older clients who suffer from *mental health problems*, but do not necessarily want to retire from paid work. Unless management standards improve, this implies that implementation of the Turner proposals to raise state pension age may lead to a substantial increase in *incapacity benefit claimants* (nearly 50% or 1,300,000 of whom are

currently aged 50+), who will need specialist help in order to return to work or obtain suitable alternative employment.

Older workers would be caught between two stools because there is strong evidence that *unemployment* is also a main cause of ill-health, and that suitable and fulfilling employment in later age prolongs healthy active life.

Skills and Inclusion

Turner is concerned with extending working life and optimising the work contributions of all older adults, irrespective of educational and previous skills attainment levels. So also is the Government's Skills Report (*HM Government, 2005*), although the Leitch Report (*HM Treasury, 2005*) focuses mainly on the less qualified.

If older adults are to extend their working lives and if the UK economy is to profit from their skills and experience, then a *more effective balance needs to be determined between the government's skills and its social inclusion strategies*. All levels of ability (including, but not only, those without Level 2 qualifications) need to be included to ensure full economic impact.

The recent DfES proposal (January 2006) that some government funding might be made available to enable employees to study vocational foundation degrees (currently no age bar is mentioned) suggests that a more inclusive government training strategy may gradually be evolving.

Meanwhile those guidance providers limited to working with clients without Level 2 qualifications (an imperfect means of distinguishing priority for career guidance services for many reasons), should take advantage of any funding they can obtain to extend their coverage. Experience of charging clients for specific guidance activities indicates that charging inevitably discriminates financially, and is only an answer for some.

The importance of feedback

Mechanisms are required to facilitate the exchange of information nationally on good practice, and on guidance tools and methods that work well with older age groups. *learn'direct's* National Resource Service and the Advice Resources website (www.learn'direct-advice.co.uk/nrs/) are admirably positioned to help here.

Dissemination of good practice and 'what works' would need to be supported by appropriate *training*, preferably accredited to ensure subsequent high professional standards of third-age guidance practice.

Feeding back information on individual and group needs is arguably the most neglected of guidance activities, in terms of the all-important experiences and insights that frontline workers gain in their daily work. 'Hard' statistical data to measure progress against targets is abundant, but tells us little about individual circumstances, attitudes and requirements.

Guidance workers also have little time to undertake frontline 'action research'. However, feedback and research on individual needs, barriers, attitudes and responses are essential if the extension of working life is to be a humane and motivating, and not a deterministic and demotivating, experience. Efficient communication channels are required to enable feedback to reach the policy makers.

Unanswered Questions

Many older employees want to 'retire' from their present jobs because they find working conditions intolerable. However, they do not necessarily want to leave paid work nor (initially) regard themselves as retired; but find it virtually impossible to find alternative employment. Many older adults also want a change of occupation, which enables them to develop new interests and express their changing values.

Turner does not consider this common and natural concomitant of ageing, and nor does it fit with the Government's strategies, which are generally aimed at extending working life with the same employer. Directly or indirectly, Turner raises, many unanswered questions, such as:

- How long can older individuals work without the ageing process affecting performance?
- How does this differ, not only between individuals, but also between types of job?
- Are other jobs (e.g. teaching) as subject to the ageing process as manual occupations?
- How can the 'unwillingly unemployed' and the 'new career developers' (two intertwining groups) best be helped?
- How far is self-employment an answer? Will increasing numbers of older adults find that self-employment is no longer an option

without a 'lump sum' and/or pensions sufficiently high to provide the necessary underpinning capital?

- What more can be done to assist older adults who want to work and are on Incapacity Benefits? How effective is the Pathways to Work model, currently being piloted? Statistics indicate that many older claimants were not disabled when they were made redundant or 'retired' early. What are the reasons for this?
- What kinds of help might enable many more older men and women from ethnic minorities to obtain or retain work?
- Can age discrimination legislation work without employers believing implicitly in the value of age diverse working practices? What more can be done to convince employers of the value of employing older workers?
- Are certain occupational areas and types of employment particularly suited to older age groups?
- How can vocational training opportunities be made more widely available to older adults? How far is cost a barrier for both individuals, and for employers?
- What might be the impact of extending working life strategies on the voluntary sector and volunteer supply? What are the positive and negative consequences of extending working life for local communities?
- Given that young people need to consider saving for a financially healthy retirement as soon as they start paid work, and therefore how to balance retirement against other financial demands, should retirement issues form part of the 16-19 careers and/or personal and social education curricula? If so, how could the issues best be presented to ensure students perceive saving for retirement as personally relevant?
- What other interventions might help to prepare younger age groups for a rewarding and satisfying extended working life? For example, can students be helped to recognise the central importance of lifelong learning before leaving full-time education? And if so, how? Are there ways of providing workers with 'career health checks' or equivalent at key points throughout their working lives, including mid-career (45-50).

These and other questions demonstrate how complex the extension of working life will be for many people and organisations, and why the concerns encompassed by the Turner Report are central to guidance practice. Guidance is concerned principally with individuals, and it is at this level that some of the difficult decisions must be made. The support required reaches much further than information and advice, essential though these guidance activities are in helping older adults to plan ahead.

Guidance is also about people's hopes, ambitions, fears, feelings of belonging and exclusion, priorities, and the realisation of their sense of purpose in terms of lifetime accomplishments: the latter assume ever greater importance as people age. These are very personal areas, which ultimately reach deep into the *raison d'être* of individual lives. There are challenges here for the guidance profession and great opportunities. They should not be missed.

Geoff Ford
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Notes:

1. *The Department for Work and Pensions Green Paper on welfare reform (2006) announces a programme of 'pilot face-to-face guidance sessions with people approaching 50 or over 50, to deliver tailored and relevant information on working, training and planning for retirement'; these will help in identifying 'the type of information and support that individuals will need to make sensible choices' (Chapter 4, page 71, paragraphs 45-47).*
2. *An abbreviated version of this Briefing, entitled 'Turner: Transitions and Changes', was published in Newscheck (March 2006). Newscheck is a Trotman publication for career practitioners working in a variety of organisations. Details from 020 8486 1178 or newscheck@trotman.co.uk*

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