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# **ESPN Thematic Report on Retirement regimes for workers in arduous or hazardous jobs**

## **United Kingdom**

**2016**

Jonathan Bradshaw  
May 2016



**EUROPEAN COMMISSION**

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**European Social Policy Network (ESPN)**

**ESPN Thematic Report on**

**Retirement regimes for  
workers in arduous or  
hazardous jobs**

**United Kingdom**

**2016**

*Jonathan Bradshaw*

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## Summary

The UK does not have and has never had retirement regimes for workers in arduous or hazardous jobs. We know of no discussion or demands for retirement regimes for workers in arduous or hazardous jobs, although there is concern that as state pension age rises in future there will be more people in general in poorer health who may find it hard to continue working.

There are no functional equivalents available in the UK.

Some public occupational pension schemes for the armed forces, police and firemen have earlier retirement ages which may be due to the nature of their jobs, but so do civil servants whose jobs it would be difficult to describe as hazardous nor, perhaps, even arduous.

Employees who are too sick to work may be able to claim Statutory Sick Pay (SSP) from their employers. Workers who become unemployed may claim Jobseeker's Allowance (JSA) (unemployment benefit). People who are disabled and unable to work may claim Employment and Support Allowance (ESA). But these are not retirement schemes. They involve tests of willingness or capacity to work.

There is no early retirement scheme in the UK. There is no entitlement to the state retirement pension until statutory pension age - currently 63 for women and rising to 65 by 2018 for women, and for both men and women to 66 between 2018 and 2020. In the future the state pension age is to be reviewed every six years and raised in line with developments in life expectancy.

Employers may allow early retirement schemes to employees in the form of early and/or enhanced occupational pensions. Since April 2015 people with private personal pensions (defined contribution schemes) may after the age of 55 take part or all of their pension pot.

The proportion of people over pension age still in employment has been increasing and there are incentives in the state pension system to encourage this.

Older people may be claiming ESA and JSA as jobs become too difficult (but also too difficult to get) as they get older. However 75% of the ESA claimants and 88% of JSA claimants are receiving the income tested version of the benefit which means that they have no other resources. When they reach state pension age, they will receive a substantial increase in their incomes, but not until they reach that age.

## **1 Overall description of the policy mix targeted at workers in arduous or hazardous jobs**

The UK does not have and has never had retirement regimes for workers in arduous or hazardous jobs. We know of no discussion or demands for retirement regimes for workers in arduous or hazardous jobs, although there is concern that as state pension age rises in future there will be more people in general in poorer health who may find it hard to continue working.

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## **2 Pension rules for workers in arduous or hazardous jobs**

### **2.1 Retirement**

There are no pension rules for workers in arduous or hazardous jobs. There is no early retirement scheme in the UK. Some public occupational pension schemes for the armed forces, police and firemen have earlier retirement ages which may be due to the nature of their jobs but so do civil servants whose jobs it would be difficult to describe as hazardous nor, perhaps, even arduous.

The current state pension system includes a contributory state pension scheme consisting of a flat-rate basic State Pension, and an earnings-related additional state pension (both mandatory). The current level of the State Pension is a flat rate of £119.30 (ca. EUR 153.90) per week from April 2016, plus any additional pension award. Individuals may also have access to Pension Credit, a means-tested, tax-financed payment consisting of guarantee pension credit providing a weekly income of £155.60 (ca. EUR 200.72) for a single person and £237.55 (ca. EUR 306.43) for a couple and savings credit. The Pensions Act 2014 introduces a simplified pension system for those who qualify for their state pension with effect from April 2016. This unifies the basic state pension and the state second pension into one higher flat-rate pension of £155.65 (ca. EUR 200.79) per week. The number of Qualifying Years required to claim the full new State Pension will rise to 35 years, and will include the introduction of a minimum qualifying period of 10 years. In future there will be no additional earnings-related state pension.



The current state pension age (SPA) is 63/64 for women and 65 for men and will continue to change whilst the UK continues to equalise the state pension age for men and women. The Pensions Act 2014 raised the state pension age for women to 65 by 2018, and for both men and women to 66 between 2018 and 2020. In the future the state pension age is to be reviewed every six years and raised in line with developments in life expectancy. The review will be based around the idea that people should be able to spend a certain proportion of their adult life drawing a State Pension – possibly up to a third. The government has just announced a review of this plan, to be led by the former director general of the CBI and to report by May 2017.

At present, pensioners with 30 qualifying years are entitled to the flat-rate basic state pension, however credits can be and are awarded to individuals who have caring or family responsibilities. This means that child care responsibilities do not prevent an individual from accessing a full UK State Pension.

There are incentives in place to encourage later claiming of the state pension, with deferral leading to an enhanced monthly pension or a lump sum payment. People are generally retiring later (see the next section).

UK workplace pensions are private pension arrangements that are not provided as part of the state benefit system. They fall into two broad types:

- Occupational pension schemes – pensions set up by an employer for employees; and
- Personal pensions – individual retirement plans facilitated by the employer. (Other people may have personal pensions as well, such as the self-employed.)

Private pension saving is a core element in helping individuals meet their expectations for a decent standard of living after retirement, but had been in long-term decline (for example, from a peak of 12.2 million in 1967, membership of occupational pension schemes had declined to 7.8 million by 2012).<sup>1</sup> To reverse this decline, from 2012 the UK has begun a programme requiring employers to automatically enrol eligible jobholders (above a certain salary level) into a qualifying workplace pension. The roll-out will cover all employers by February 2018. Indications are that the long-term decline is being reversed – workplace pension scheme membership has increased to 59 per cent in 2014, from 50 per cent in 2013,<sup>2</sup> driven by increases in membership of occupational and personal pension schemes.

Employers are free to choose which type of workplace pension they enrol eligible jobholders into, providing it meets quality criteria. However, to ensure that every employer has access to a “qualifying scheme”, the UK has set up a new low-cost occupational pension scheme, the National Employment Savings Trust (NEST), which employers can use to fulfil their new duties as a default arrangement.

The retirement arrangements with occupational schemes vary according to the scheme. If an employee wishes to, or has to, retire before the due date they may be able to take the pension that has been accrued early. Employers who want to get rid of employees may offer a package including enhanced occupational pension rights.

Employees who have built up an entitlement to a personal pension (defined contribution scheme) can, since April 2015, access their pension pots if they have reached normal

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<sup>1</sup> *Occupational Pension Schemes Survey 2013*.

<http://www.ons.gov.uk/ons/rel/fi/occupational-pension-schemes-survey/2013/stb-opss.html>

<sup>2</sup> *2014 Annual Survey of Hours and Earnings: Summary of Pensions Results*.

<http://www.ons.gov.uk/ons/rel/ashe/annual-survey-of-hours-and-earnings-pension-tables/2014-provisional-results/art--2014-annual-survey-of-hours-and-earnings--summary-of-pension-results.html>

minimum pension age – currently 55 (or earlier if they are ill or there is a protected retirement age). They are now free to choose whether they want to retire fully, cut back on hours, or carry on working. Up to 25% can be taken as a tax-free lump sum and the rest converted to a taxable income from an annuity or reinvested into funds designed to provide a regular income. Or the pot can be used to withdraw cash sums whenever it suits – the first 25% of each sum is tax free. Or the whole pot can be cashed in with the first 25% being tax free.

## 2.2 Sickness

Employees incapacitated through illness (or who may need to leave work early because they are no longer able to do their (arduous or hazardous) jobs) may be able to claim statutory sick pay (SSP). SSP is the successor to national insurance contributory sickness benefit paid by employers for short-term sickness. It can be claimed after 3 qualifying days. SSP is non-means-tested and non-contributory; but earnings must be at least at the lower earnings limit. SSP is £88.45/week (2016/17) and taxable, with no increases for dependents; the daily rate depends on the number of days someone usually works. Incapacity for work for SSP is 4 consecutive days or more, and 2 periods can link if separated by 8 weeks or less. SSP from one employer continues for up to 28 weeks.

Employment and Support Allowance (ESA) is paid by government to those with 'limited capability for work' who do not get SSP, after 7 waiting days. Many people will progress from SSP to ESA, though many go straight on to ESA. ESA replaced incapacity benefit and its non-contributory equivalent, severe disablement allowance (and other similar benefits before that). ESA is contributory and/or income related (means tested), with the latter as a top-up or claimed separately for those not qualifying for contributory ESA. Contributory ESA is individual and taxable. ESA is not an early retirement scheme: after a Work Capability Assessment (WCA) carried out under government rules by a private contractor using standard assessment rules, usually with some medical supervision, claimants are placed into either a support group (with limited capability even for work related activity) or a work related activity group (WRAG) (expected to return to work at some point). Those failing the WCA can ask for a mandatory reconsideration and then appeal against the result of their WCA, and their appeals may eventually be heard by an independent social security tribunal. The continuing process of moving existing claimants on to ESA via the WCA has been criticised,<sup>3</sup> and high numbers win their appeals. A Select Committee said that the process needed a 'fundamental redesign' to improve outcomes.<sup>4</sup>

There has been much change over recent years, in attempts to reduce claimant numbers and costs, with increased emphasis on retaining people at work and getting them back to work. A doctor's certificate (after the first 7 days of sickness) is now called a 'fit note', and can specify whether someone would benefit from adaptations to hours or work to aid their return. Referral to the Fit for Work service (independent, but government funded) can be made on a voluntary basis by a doctor after 4 weeks (or by an employer from autumn 2015), to manage return to work for those on SSP.

Those in the ESA WRAG must take steps to move towards work, including work focused interviews and sometimes other work related activities. A report said conditionality had left claimants fearful and participation was not felt to be supportive.<sup>5</sup> The first report from the ESRC- funded Welfare Conditionality project on disabled people found disabled

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<sup>3</sup> E.g. see comments from disabled claimants in the Welfare Conditionality project report published recently: <http://www.welfareconditionality.ac.uk/wp-content/uploads/2016/05/WelCond-findings-disability-May16.pdf>

<sup>4</sup> House of Commons Work and Pensions Select Committee (2014) *Employment and Support Allowance and Work Capability Assessments*, First Report (Session 2014-15), HC 302, London: TSO

<sup>5</sup> Hale, C. (2014) *Fulfilling Potential? ESA and the fate of the Work-Related Activity Group*, London: Mind/Centre for Welfare Reform

people viewing the use of sanctions for those with impairments as unfair.<sup>6 7</sup> In terms of employment services, the last government found it hard to improve outcomes for harder-to-help groups (e.g. those on ESA), and providers were spending less on them than they expected.<sup>8</sup> In response, the last government said it was investigating how to do more. The current government has now said it is going to invest in piloting ways of helping those with mental health problems in particular. It is committed to halving the gap between the employment rates of disabled people and others. And it will give an additional £60 million for support for people in the WRAG.<sup>9</sup> The government reports 152,000 more disabled people entering employment over the last year. It plans to publish a White Paper shortly setting out plans to support more disabled people into work, including engagement with employers.<sup>10</sup> But the introduction of work coaches into GP practices under the rubric of integration has been criticised by disabled people's groups for the assumption that work is always a cure.<sup>11</sup>

### 2.3 Unemployment

Employees who become unemployed (because they are no longer able to do their (arduous or hazardous) jobs, or for any other reason, may be able to claim contributory jobseekers allowance (JSA) for up to six months and income related JSA as a top-up and/or thereafter. But this is not a pension and not a retirement scheme. Claimants are expected to actively seek work and there are elaborate activation measures in place to ensure that they do so.<sup>12</sup>

Newly unemployed claimants initially receive help from Jobcentre Plus, the central government public employment services (PES). (Jobcentre Plus is an executive agency of the central government Department for Work and Pensions.) All JSA claimants are referred to the government-sponsored Work Programme after 12 months of unemployment at the latest (some groups of claimants join the Work Programme earlier than this), although they may be referred back at the end of their programme. The Work Programme has been in operation since 2011. Responsibility for paying social security benefits to Work Programme clients remains with Jobcentre Plus; Work Programme providers have no role in administering benefits (beyond reporting non-compliance to Jobcentre Plus, who make decisions about sanctions). Participation in the Work Programme is not viewed as a form of 'subsidised employment' in the UK.

The Work Programme comprises a number of large contracts to private sector companies and some not-for-profit organisations who deliver employment services to long-term claimants on a Payment by Results basis. The contractors have the discretion to provide any services they want to; there is no prescription from central government. This is often referred to as the 'black box' approach to delivering services.<sup>13</sup> Evidence from evaluation

<sup>6</sup> <http://www.welfareconditionality.ac.uk/wp-content/uploads/2016/05/WelCond-findings-disability-May16.pdf>

<sup>7</sup> The government's publications strategy for information on sanctions is set out here: <https://www.gov.uk/government/publications/benefit-sanction-statistics-publication-strategy/benefit-sanction-statistics-publication-strategy>

<sup>8</sup> National Audit Office (2014) *The Work Programme*, HC 266 (Session 2014-15), London: TSO

<sup>9</sup> House of Commons *Hansard*, 14 October 2015, col. 168.

<sup>10</sup> <https://hansard.parliament.uk/Commons/2016-03-14/debates/1603147000013/DisabilityAndEmployment>

<sup>11</sup> <https://www.opendemocracy.net/ournhhs/dr-lynn-friedli-robert-stern/why-we-re-opposed-to-jobs-on-prescription>

<sup>12</sup> For more detail on activation measures see Roy Sainsbury and Jonathan Bradshaw (2015) EUROPEAN SOCIAL POLICY NETWORK (ESPN) *ESPN Thematic Report on integrated support for the long-term unemployed, United Kingdom*.

<http://ec.europa.eu/social/keyDocuments.jsp?pager.offset=30&langId=en&mode=advancedSubmit&advSearchKey=ESPNTU>

<sup>13</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/49884/the-work-programme.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/49884/the-work-programme.pdf)

of the Work Programme so far suggests that job search support and services are provided more often, compared with training or job placements, though this varies between Work Programme providers.<sup>14</sup>

The effectiveness of the Work Programme is difficult to establish. To summarise performance very broadly, it is probably justifiable to say that overall this was very much below expectations in the first year (from mid-2011) but has been improving since. Performance for some groups (principally JSA claimants) is good; but it is below expectations and aspirations for ESA claimants, and over half the remaining households where no one works contain at least one disabled adult.<sup>15</sup> The government has pledged to invest in improving outcomes for disabled people, to halve the employment gap, as noted. There is also considerable variation in performance of the 18 Work Programme prime contractors. Performance data are published regularly.<sup>16</sup>

The effectiveness of the Work Programme in providing a *personalised* service has not yet been established, and there is evidence that, in contrast, some clients receive standardised provision that is not well suited to their individual needs.

### 3 Retirement patterns and retirement income of workers in arduous or hazardous jobs

There is no data on retirement patterns and retirement income of workers in arduous or hazardous jobs.

The average age at which people have been leaving the labour market – a proxy for the average age of retirement – rose between 2004 and 2010 from 63.8 years to 64.6 years for men and from 61.2 years to 62.3 years for women. The number of people of state pension age and above in employment has also nearly doubled over the past two decades, from 753,000 in 1993 to 1.4 million in 2011.

Trends in the labour market participation of older workers are shown in Figure 1. A significant proportion of people (31.3%) who remained in employment at their State Pension Age (SPA) or above were classified as self-employed in April-June 2012. This proportion is 2.3 times higher than was recorded in the 16-SPA age group, where self-employment only accounted for 13.5% of the total workforce. For those who were employed after their SPA, for the first time there were more men (12.2%) working than women (11.6%). It may be due to the gradually increasing SPA of women but other factors might also be involved. Men and women also carry out different types of work after their SPA. For men, the most common jobs include: managers, directors and senior officials; professional occupations; and the skilled trades. For women, the most common jobs were elementary occupations (such as cleaners), administrative positions and work within the professional occupations.<sup>17</sup>

#### Figure 1: Employment rates of older workers

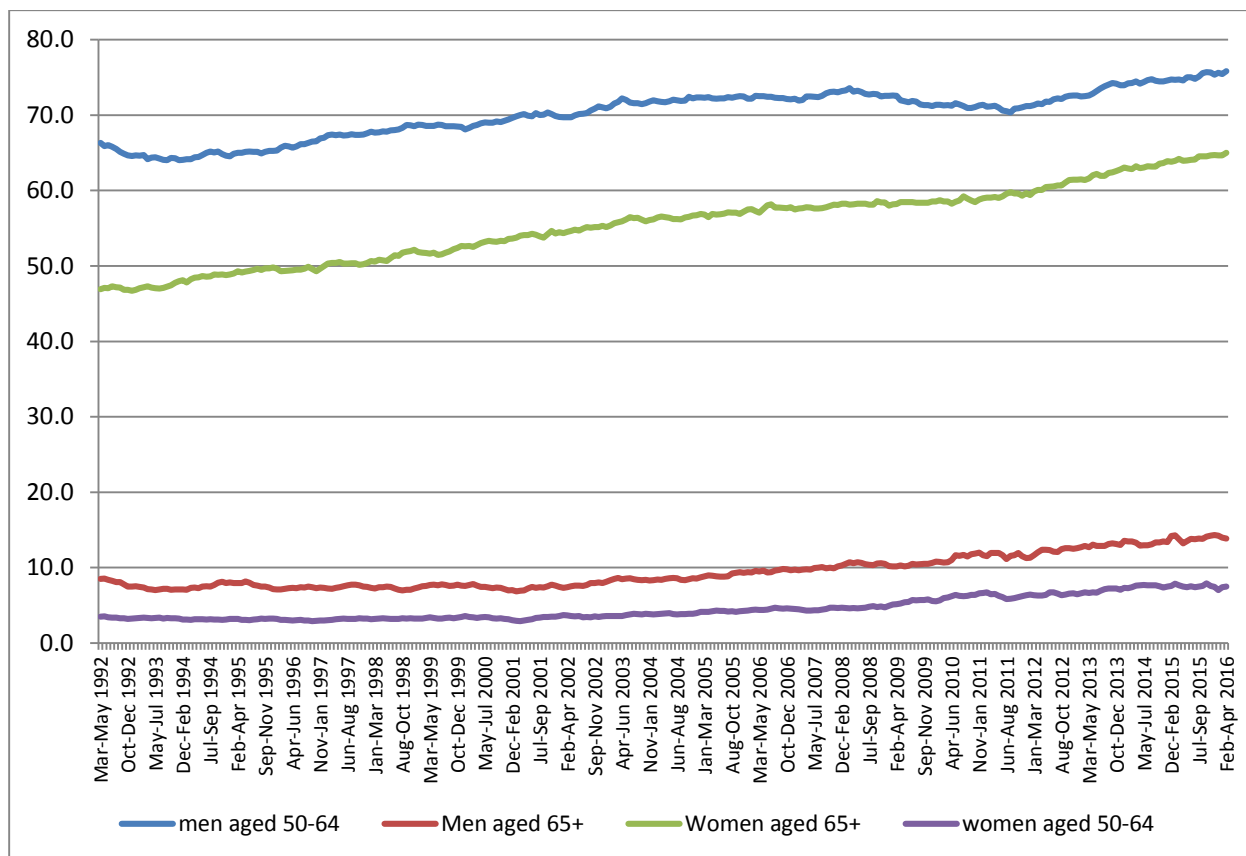
<sup>14</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/388371/rr892-work-programme-participants-experience.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/388371/rr892-work-programme-participants-experience.pdf)

<sup>15</sup> Report by Gregg, P. and Finch, D. for the Resolution Foundation. January 2016

<sup>16</sup> [http://www.cesi.org.uk/sites/default/files/response\\_downloads/WP\\_stats\\_briefing\\_SEPT14\\_MASTER.pdf](http://www.cesi.org.uk/sites/default/files/response_downloads/WP_stats_briefing_SEPT14_MASTER.pdf). (CESI has merged with NIACE to become the Learning and Work Foundation: [www.learningandwork.org.uk](http://www.learningandwork.org.uk))

<sup>17</sup>

<http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/june2016#employment>



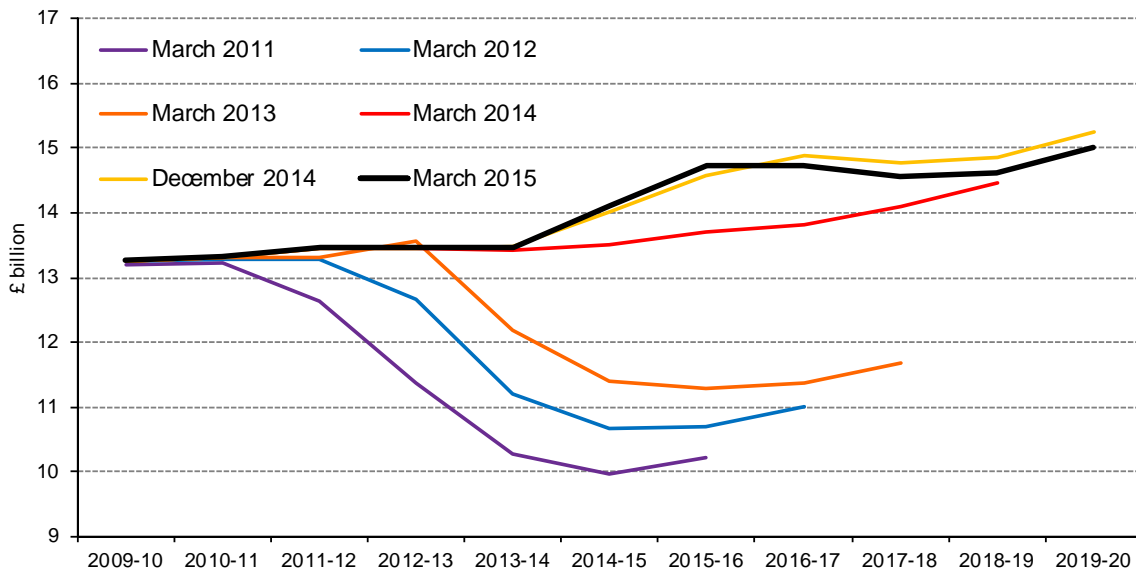
Source: <http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/employmentunemploymentandeconomicinactivitybyagegroupseasonallyadjusteda05sa>

Employment and Support Allowance was introduced because it was feared that claimants were shifting from unemployment benefits to disability benefits to obtain higher payments.<sup>18</sup> The aim was to strengthen the tests of incapacity and to reduce expenditure. In fact expenditure has continued to rise and rise faster than forecast by the Office for Budget Responsibility<sup>19</sup> (see Figure 2).

<sup>18</sup> The difference between JSA payments and ESA payments is now much reduced. A single person over 24 on JSA gets £73.10 (EUR 94.30) per week in 2016. A ESA recipient gets an extra £29.05 (EUR 37.47) on the WRAC and £36.20 (EUR 46.70) on the support component

<sup>19</sup> [http://budgetresponsibility.org.uk/docs/dlm\\_uploads/49754-OBR-Welfare-Accessible-v0.2.pdf](http://budgetresponsibility.org.uk/docs/dlm_uploads/49754-OBR-Welfare-Accessible-v0.2.pdf)

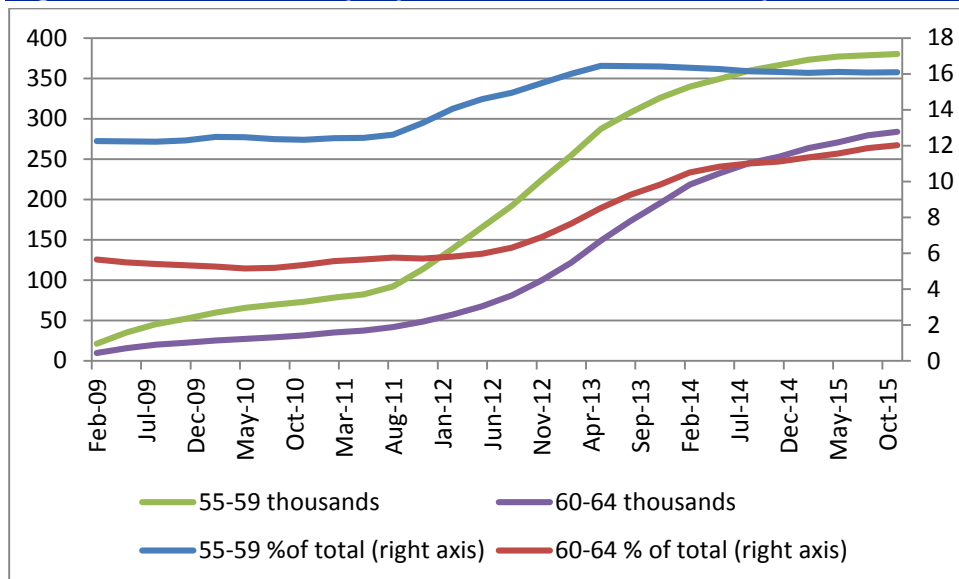
**Figure 2: Successive OBR incapacity benefits forecasts since March 2011**



Source: DWP expenditure tables

Figure 3 shows that the number of older claimants of ESA has risen sharply since 2011. The proportion of all ESA claimants aged 55-59 has also increased, but not since 2013. However, the proportion aged 60-64 has continued to increase. However, the fact that only a quarter of ESA claimants are at pre-retirement ages indicates that early retirement is not the only driver.<sup>20</sup>

**Figure 3: Number and proportion of older ESA recipients.**



[http://tabulation-tool.dwp.gov.uk/100pc/esa/ccdate/age/a\\_carate\\_r\\_ccdate\\_c\\_age.html](http://tabulation-tool.dwp.gov.uk/100pc/esa/ccdate/age/a_carate_r_ccdate_c_age.html)

<sup>20</sup> own analysis using the DWP tabulation tool [http://tabulation-tool.dwp.gov.uk/100pc/wa/comb/cnage/a\\_carate\\_r\\_comb\\_c\\_cnage\\_aug12.html](http://tabulation-tool.dwp.gov.uk/100pc/wa/comb/cnage/a_carate_r_comb_c_cnage_aug12.html).

The level of unemployment drives fluctuations in JSA claims. Figure 4 presents the trends in JSA caseloads among older people. There was a big hike in numbers with increased unemployment rates at the start of the global recession. Although the numbers have declined recently the proportion of JSA claimants who are older people has risen. This trend is likely to continue for women as their retirement age is increased.

**Figure 4: Number and proportion of older JSA claimants**



Older people may be claiming ESA and JSA as jobs become too difficult, or too difficult to get, as they grow older. However, 75% of the ESA claimants and 88% of JSA claimants are receiving the income tested version of the benefit, which means that they have no or few other resources. When they eventually reach state pension age they will receive a substantial increases in their incomes.





