

OPTIONS TO CONTINUE IN WORK

This note looks at the options if you want to extend your working life. Extending your working life is part of the transition from full-time paid work into retirement. The 'baby boomer' generation is reaching the stage of life when these decisions will have to be made. So far, as they have progressed through the life course, 'baby boomers' have rewritten all the rules and much is changing about 21st century retirement. More than half of those approaching 'retirement' want or need to continue working but 'baby boomers' want greater control over their transition into retirement and how and when they will exit the workplace. There is an increasing desire for a phased or gradual retirement, flexible working, and an improved work/life balance.

Work/life balance

In short, work/life balance is about helping to combine work with personal interests outside work. Many employees are juggling responsibilities at home and in the workplace and find that work demands get in the way of non-work commitments and their quality of life outside of work. Typical issues for employees are hours of work, workload and work intensity, sense of control or lack of control, personal fulfilment, work flexibility, physical and emotional wellbeing. Employers are increasingly finding customers demanding 24/7 service; and associates in other time zones around the world who expect service when it suits them.

It had been thought that the demand for work/life balance and the needs of employers requiring a productive and motivated workforce able to meet the increasing demands placed on them might be in conflict. For many employers the reality is that their requirements and the desire of their staff are frequently complementary. Employers recognise that the wellbeing of their staff is enhanced when the personal goals of staff are aligned with employer goals. They are finding that addressing work/life balance issues for their staff brings benefits. The benefits include raised morale and commitment, improved retention and easier recruitment, reduced absenteeism, increased flexibility in the workforce to meet the customer service requirements, and higher productivity. Furthermore, work/life balance is not just about parents with young children. It is equally relevant to those with eldercare responsibilities, those with no dependants taking on community responsibilities, study and leisure activities. Flexible working patterns and good

work/life balance practices are now becoming the norm in our workplaces and this opens big opportunities for workers seeking to extend their working life and improve their quality of life by adopting a gradual and phased approach to retirement.

Flexible working

Flexible working can take a number of different forms: part-time or term-time working, job share, home working, flexi-time, monthly or annual hours, compressed work week, peak period working.

Men can expect to live for 20 years after retirement and women 25 years. In the 21st century we should not think of retirement as a sudden, complete and automatic cut off from work but as a process of stepping down from working life. Some people will still do this in one step but others might find it better to take several steps perhaps spread over a number of years. The advantage of looking at it like this is that it gives you scope for keeping a foot in the world of work as long as you want to or need to, without being locked into a pattern of full-time working that no longer meshes with your interests and aspirations.

The important thing is that increasing recognition by employers of work/life balance issues and the benefits of flexible working can open up opportunities for you.

Realism and other possibilities

There are opportunities for a new approach to work in later life but we need to be realistic in our expectations. For most people flexible working means in practice part-time working although women are successful at gaining job share and term-time working. It also makes very good sense to change your working patterns with your existing employer if this is possible. You will need to talk with your employer and reach an agreement that is satisfactory to both of you. This should be an agreement that brings benefits and not a headache to your employer. One issue that can be difficult is your position in the company pension scheme and particularly if you have a final salary scheme. You will undoubtedly need your employers help to ensure you do not lose out.

In some situations at the time you ask there may be no scope for flexibility. You may agree a short sabbatical or career break provides the best short term solution.

If flexibility is not possible you will wish to consider other options. You may seek the flexibility you need with another employer although, even despite the age discrimination legislation, it is not always easy to get another job at the same level or wage rate and you will need to assess your skills. You might choose to go agency working, temping or work freelance.

Some older workers take up self employment. Being self employed may be a new beginning or the fulfilment of a dream; they gain great satisfaction from turning a skill, some knowledge or a hobby into a new career. They are in control and have full flexibility but of course there are challenges such as finding and satisfying customers and keeping all the paperwork up to date. It need not be sophisticated; it could be an idea as simple as identifying the need for a window cleaning round.

Options with your occupational pension and at age 65/60

When you reach State Pension Age you do not pay National Insurance contributions and at age 65 your tax allowance increases. This means if a woman carries on working beyond age 60 (increasing from 2010) she will keep more of her pay and unless she is a high earner she will keep more of her pay at 65. Similarly a man who continues working beyond 65 will keep more of his pay.

Since 2006, subject to the rules of your company pension scheme, you can draw your pension and continue working for your employer. Furthermore, you might find you can start drawing your company pension before age 65. This offers possibilities to draw your pension and combine it with flexible working to improve your quality of life and maintain your income. Combining the options available through your occupational pension with those from the tax and National Insurance concessions give you some powerful options. The case study below sets out some options and outcomes for Roger as he reaches age 65.

What you get from staying in work

Roger is aged 64 and earns £15,000 a year. He takes home £230 a week after tax and national insurance (NI). **£230**
a week

Roger gets council tax benefit and Pension Credit, but not housing benefit. He has no income other than the pensions, earnings and benefits shown.

Let's look at some options at age 65.

1. He could stop working and claim his pensions at 65. **£170**
a week
Then he'd be able to draw:
£85 a week state pension
+ £52 a week from the State Second Pension (S2P)
+ £21 a week pension from his employer
+ £12 a week council tax benefit and Pension Credit
He needn't pay NI after 65, and wouldn't pay tax on this amount – so that leaves him with the whole £170 a week.
2. He could carry on working at 65 but not draw his pensions. **£260**
a week
That's £30 more than when he was 64 – because he pays less tax and no NI.
3. He could carry on working at 65 and draw his pensions. **£385**
a week

Suppose he decided to work on but cut back his hours.

4. He could knock off four hours a week. **£230**
a week
After tax and NI this is no loss of earnings at all – and that's without drawing any pension.
5. He could drop back to working three days a week. **£176**
a week
His income goes down by 23%, but his hours drop by 40%.
Again that's without drawing any pension.
6. He could drop to three days a week, but draw his pensions as well. **£295**
a week
That's for a three day week.

Remember that if Roger does not draw his pensions for a few years he would expect to get a bigger pension when he does and he would get the extra for the rest of his life. The figures are based on 2007/08 and will change slightly after 6 April 2008, but the principle remains sound.