

Facilitating later working and flexible retirement

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The UK's State Pension Age (SPA) for women is already planned to rise from 60 to 65 by 2020, and the Pensions Commission believes that further increases in the SPA will be required thereafter, alongside increases in state pension expenditure as a percentage of GDP. This is to make possible a state pension system which is sufficiently generous to avoid pensioner poverty and sufficiently non-means-tested to be a sound basis on which private pension savings can be built.

Unless, however, increases in the age at which individuals can receive the Basic State Pension (BSP) are accompanied by increases in the average retirement age, they will not provide an adequate solution to long-term public expenditure pressures. And unless individuals are able to make their own trade-offs between retirement age and private pension income, many will end up with inadequate income in retirement. This Chapter therefore considers issues relating not to pension ages, but to average retirement ages, and to flexible approaches to retirement age which reflect individual choice.

It covers in turn:

1. The importance of facilitating later retirement: for the economy and for individuals
2. Flexible later retirement: the positive message
3. Average retirement ages: recent trends and their implications
4. Incentives to retire later: state and private pension system design and the importance of information
5. Differences in life expectancy between socio-economic classes: possible responses
6. Age discrimination and demand for labour: barriers and solutions
7. Skills, training and health: barriers and solutions

1. The importance of facilitating later retirement

In our First Report and throughout this Report we have stressed the unavoidable choices posed by the demographic challenge. We have also stressed that these choices are partly for society to make and partly for individuals.

- Society collectively needs to make choices relating to the Pay As You Go (PAYG) state pension system. Given demographic trends, either the average generosity of this system (relative to average earnings) must fall, or pensionable ages must rise, or the tax/National Insurance (NI) contributions devoted to pensions must rise as a percentage of GDP. But unless increases in pensionable age are accompanied also by increases in average retirement age, they will not be effective solutions to public expenditure pressures.
 - If pensionable ages rise **and** average retirement ages rise, state pension expenditure as a percentage of GDP is reduced not only by pension expenditure reduction but also by a rise in GDP: for example 1.5 million extra older workers could improve the fiscal position by around 0.5% GDP, or over £5 billion a year.
 - However, if pensionable ages rise and average retirement ages do not, even the reduction in pension expenditure may be offset by other non-pension benefit expenditure (such as Incapacity Benefit and Jobseeker's Allowance).

Figure 8.1 Increase in private pension income as a result of working and saving for longer

Pension pot, annuity rate and pension income at different ages: real terms

Age	Pension Pot (£000s)	Annuity Rate	Private Pension Income (£ per year)
60	176,000	4.2%	7,500
65	221,000	5.2%	11,400
70	274,000	6.5%	17,800

Source: Pensions Commission estimates

Note: Assumes pension contributions of 8% of earnings, rate of return of 2.5% real, annuity rates from Annuity Bureau on 20 October 2005 for man, single life RPI escalation extrapolated.

- Individuals meanwhile (either directly or through their employers) need to make choices relating to the pensions they wish to achieve on top of state provision. The choice here lies between increased saving, higher retirement ages, and lower pension income in retirement. The trade-off between the latter two factors should, in theory, be strong (providing estimates of life expectancy do not continue to rise unexpectedly). A man retiring and annuitising an accumulated pension fund at age 65 could enjoy a pension 52% higher than someone retiring aged 60, given the same savings rate [Figure 8.1].

2. Flexible retirement: the positive message

Section 1 above spelt out the economic reality that later average retirement is essential if pensioner living standards, relative to average earnings, are to be maintained. That reality cannot be avoided. But it is important to prevent the misunderstandings and fears which seem to be reflected in current attitudes to later retirement.

The Pensions Commission's focus groups, like other research studies, revealed strong resistance to the idea that pension ages must rise [Figure 8.2]. The resistance appears to be rooted in concerns that people will **have** to work later, that the rise in pensionable ages will be dramatic, that a large proportion of healthy early retirement years will be sacrificed to work, and that there will not be attractive jobs available. This resistance to major and enforced increases in retirement ages is balanced however by support for the idea that people should be free to work longer if they wish.

These reactions carry three important implications for the design and communication of public policy:

(i) **Exaggerated fears about State Pension Age (SPA) should be dispelled.**

We have argued in this Report that the SPA, which will be equalised at 65 for men and women in 2020, will need to rise further in subsequent years, and our results in Chapter 6 illustrated the impact of a gradual rise to 68 by 2050. But three important points about this rise must be stressed:

- We do not believe it is necessary to raise the SPA rapidly to, say, 70 in 2030, as some submissions to the Pensions Commission argued, and as press reports have often suggested.
- The rise we have illustrated, and the general principle we have suggested – that SPA should rise proportionately in line with rising life expectancy – will not result in a reduction of the average number of years spent in retirement. Instead we believe that the aim should be to keep the percentage of adult life spent receiving state pensions roughly stable. This implies that the absolute number of years in spent in receiving a state pension will still rise.
- We have suggested the principle that any announcement of an increase in SPA should be made at least 15 years in advance, thus for instance providing assurance to people aged over 50 today that their SPA is already fixed.

We recommend therefore that government should simultaneously make it clear that a gradual rise in SPA is inevitable but also that a sudden increase which reduces the number of years spent in retirement is not required and not planned.

Figure 8.2 Reactions to suggestion that working longer is required: focus group results

- Strong initial opposition based on the assumption that people will be forced to work until 70.

- But participants felt they should be allowed to continue working if they wished, and some feared they might not be able to afford to retire, but would also find no jobs available.

- People should be able to make their own decisions on retirement age as they approach retirement, rather than far in advance.

- Working longer could be more attractive if people were allowed greater flexibility, such as part-time working or flexible hours.

- Many participants believe keeping busy and active in old age improved the quality of life and could provide a top-up to pension income.

Note: See Appendix D for details of research.

- (ii) **Measures to increase flexible individual choice need to be publicised.** People are concerned about "having to work longer" but positively welcome the idea of flexible retirement, e.g. stepping down from full-time to part-time work, while beginning to draw some pension income. State system design, as Section 4 below discusses, should facilitate this flexibility.
- (iii) **Fears about a lack of appropriate jobs need be addressed.** This implies that measures to overcome age discrimination, to encourage companies to be positive about the employment of older workers, and to ensure that training and occupational health activities facilitate later working, should be given high priority. These are discussed in Sections 6 and 7 below.

3. Average retirement ages: recent trends and implications

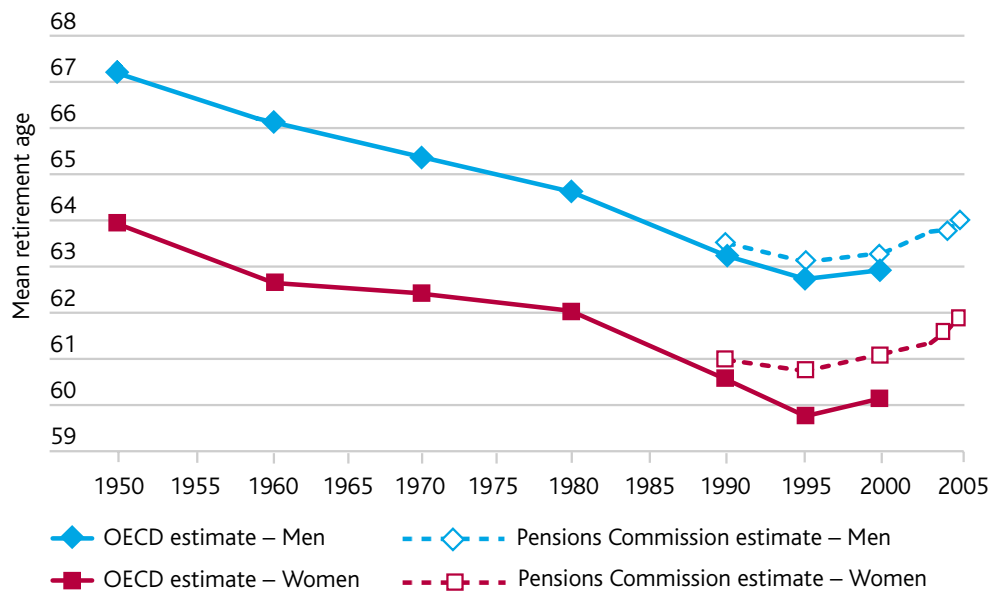
Chapter 2 of the First Report set out the different ways in which the "average retirement age" could be measured, and described in detail the long-term and recent trends in labour force participation at older ages. The key points it made were:

- Over the period from 1950-95 there was a sustained fall in the average age of male and female retirement from the labour force [Figure 8.3], despite a sustained rise in life expectancy, thus producing a steady increase in the percentage of adult life spent in retirement [as shown in Figure 1.44]. This fall in average age of retirement reversed in the late 1990s.
- The average age of retirement is determined both by the percentage of the population which remains in work between, say, 50 and SPA, and the percentage which chooses to work beyond the SPA. Both need to increase if the ratio of workers to people receiving pensions is to be stabilised in the face of the demographic challenge.
- The percentage of men working between 50 and SPA fell significantly between 1975 and 1995, but is now on a steady upward trend. The percentage for women was steady from 1975-95 and is now also gradually rising [Figure 8.4].

As the First Report described, the drivers of this pattern appear to be that:

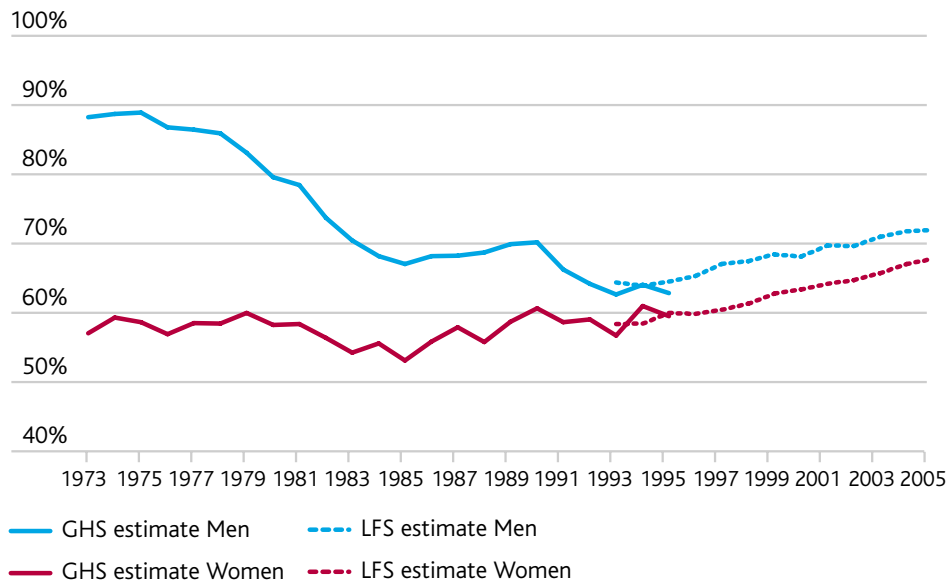
- Employment rates for men among older age groups were driven down by the major recessions of the early 1980s and 1990s. Major industrial restructuring led to the loss of many traditional manual jobs, and older workers made redundant were unable to re-enter the workforce, moving instead either into permanent unemployment or onto disability benefits. Large scale reductions in white collar jobs were facilitated by early retirement packages funded out of apparent pension fund surpluses. These trends were exacerbated by policies which, at a time when youth

Figure 8.3 Trends in mean age of retirement



Source: Blöndal and Scarpetta (1999)
 Pensions Commission estimates
 World Economic Forum, *Living Happily Ever After: The Economic Implications of Ageing Societies*.

Figure 8.4 Employment rates for men and women aged 50-SPA



Source: GHS, GB
 LFS, UK
 Note: Men aged 50-64, women aged 50-59.

unemployment appeared the more serious social problem, encouraged firms to lay off older workers in order to recruit younger ones (e.g. the Job Release scheme).¹

Similar factors applied in relation to women, but the offsetting tendency towards higher participation rates for women at all ages resulted in a flat rather than falling trend.

- Since the mid-1990s, however, some of the negative factors have eased. The period of most rapid and regionally concentrated de-industrialisation is past: companies are no longer able to use pension fund surpluses to fund redundancy; and sustained growth has driven increased demand for jobs for workers of all ages in most parts of the UK. The conditionality of Incapacity Benefit, meanwhile, has been tightened, and the percentage of men claiming Incapacity Benefit between 50 and SPA has been reduced, while the percentage of women has stabilised [Figure 8.5].

The continuation of these favourable developments is essential to further progress. Macroeconomic stability is particularly important: if older people leave the workforce via enforced redundancy and in conditions of high overall unemployment, re-entry is more difficult than for younger workers.

4. Incentives to retire later: state and private pension system design and the importance of information

People's behaviour is significantly influenced by the financial incentives which they face. The effectiveness of incentives depends crucially on people understanding them. This section considers actions which could improve both incentives and the public awareness of incentives, looking first at the state system and then at private and public employee pension provision.

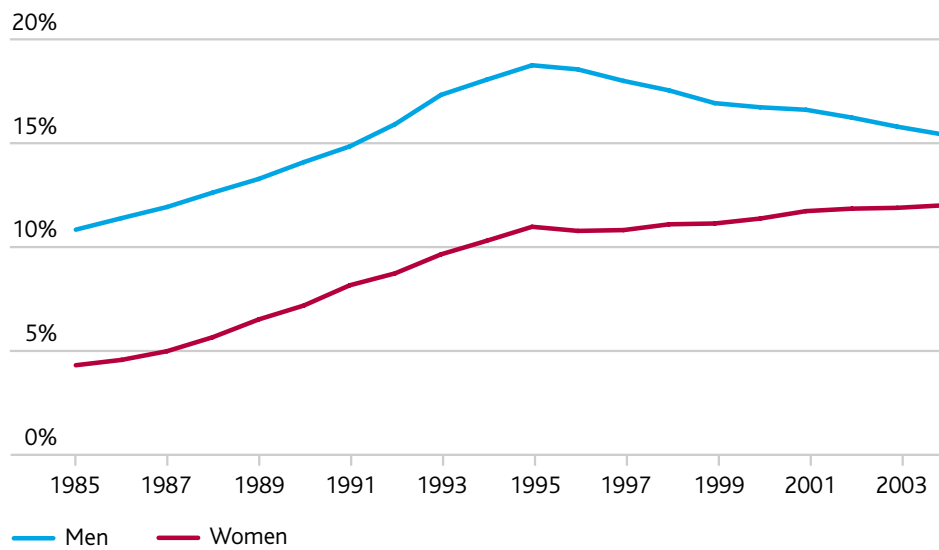
(i) Incentives created by the state system

Incentives implicit in the state taxation, benefit and pension system need to be designed to make it financially attractive to work up to SPA, and, for those who wish, to work beyond it.

- **Financial incentives at ages below SPA** Changes in the Jobseeker's Allowance regime and in the Incapacity Benefit regime, together with the introduction of the National Minimum Wage and Tax Credits, have over recent years significantly increased incentives to work at all ages below 60, and these measures may well be reflected in increasing labour market participation among 50 to 60 year olds. Beyond the age of 60, however, the availability of the Guarantee Credit to both men and women on an unconditional basis (i.e. not dependent on proof of job search) may reduce

¹ The Job Release scheme was a government policy between 1977-1988 which encouraged older workers to retire with an allowance so that they could be replaced by an unemployed person.

Figure 8.5 Percentage of people aged 50-SPA in receipt of incapacity related benefits, by sex



Source: Social Security statistics

Note: Invalidation Benefit or equivalent (Incapacity Benefit at the long-term and short-term higher rate). Severe Disablement Allowance and incapacity "Credits Only" claimants. Men aged 50-64, women aged 50-59.

the attractiveness of work at low income levels. The intended increase of the earliest age for Guarantee Credit receipt from 60 to 65 between 2010 and 2020 (mirroring the increase in SPA for women) will however remove this effect. We believe that this policy is appropriate at least until 2020 but it does imply a major challenge to government in facilitating and supporting working between 60 and 65 as this change is phased in. If this does not occur the change could simply produce a rise in the numbers claiming Incapacity Benefit. The issue of what should happen to the Guarantee Credit age beyond 2020 is discussed in Section 5 below.

- **Financial incentives to work beyond SPA.** Rational financial incentives to work beyond the SPA are already favourable. Individuals gain the benefit of a higher income tax threshold and do not have to pay NI contributions, thus reducing their effective marginal taxation rate by 11%. In addition there already exists flexibility to delay taking BSP and State Second Pension (S2P), and to receive a higher pension at a later age, and the terms of this offer now create an incentive to delay retirement (though only to age 69 for the average person) [Figure 8.6]. However only 20,000 people defer each year for between 2-2.5 years. We recommend two measures to encourage take-up of this flexibility:
 - Making it possible for people to take the state pensions on a partial basis; for instance, to take 25%, 50%, or 75% of their state pensions, while deferring receipt of the rest. At present only 100% deferral is allowed. This more flexible deferral rule would fit with people's desire to have flexible options, e.g. part-time work plus some pension receipt.
 - Publicising the option much more aggressively, with publicity focused not just on people actually reaching SPA but also say five years before, allowing people to think through in advance the age at which they would like to retire.

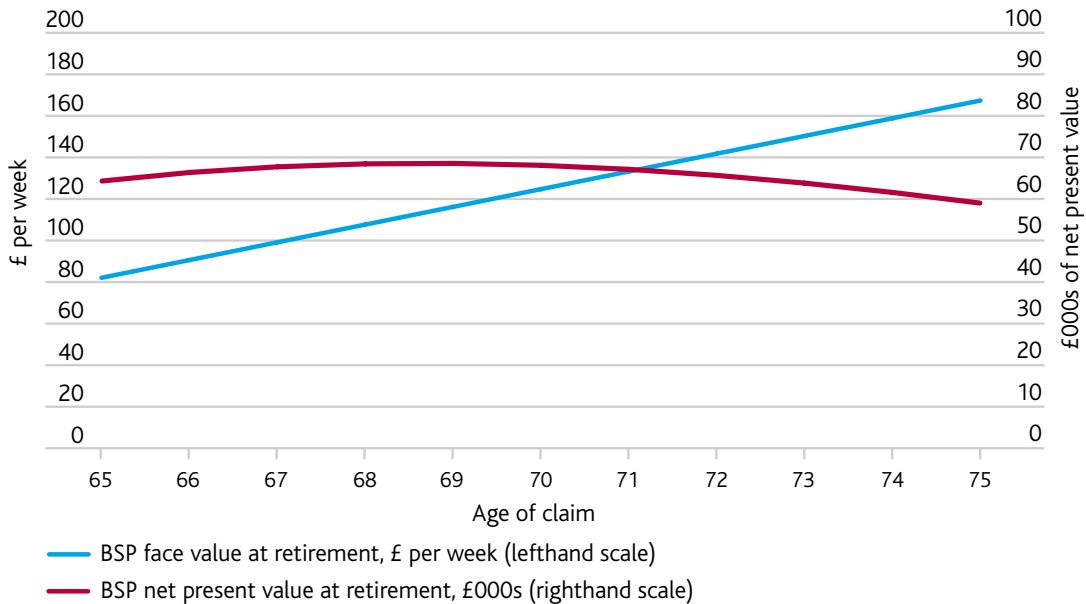
(ii) Incentives in the private pension system and in public sector employee schemes

Private sector non-state pension provision will be dominated by Defined Contribution (DC) schemes. Fewer than two million private sector employees are now members of open Defined Benefit (DB) schemes, and this number is likely to continue to fall. And the National Pension Savings Scheme (NPSS) which we have proposed will be a DC system.

One beneficial effect of the shift to DC is that annuity price differentiation by age and the fact that pension pots tend to grow with further years invested will create clear incentives to retire later, as Figure 8.1 illustrated. Government could and should play a role in ensuring that people understand, well in advance of reaching typical retirement ages, the trade-off that they will have to make. This can be achieved by:

Figure 8.6 Deferral of the state pension: face value of BSP and net present value of BSP by age at which taken

If someone wishes to defer their entitlement to their pension (both BSP and SERPS/S2P), they are able to do so. There is no requirement for an individual to be in work to defer their claim. In return for delaying a claim, the amount of pension is increased by 10.4% per year of delay, with no maximum.



Source: Pensions Commission estimates

Note: Values are for a man aged 65 in 2005 with a 2% discount rate. The net present value falls after age 69 because beyond this point the falling length of average expected remaining life outweighs the increase in accrued pension which can be secured. The precise point of maximum benefit will vary according to individual reasonable expectations of life expectancy.

- Designing NPSS communications to members so that it makes clear the different levels of pension which they might receive (for any given investment return assumption) according to the age at which an annuity is purchased. Within the Swedish system illustrations are provided for ages 61, 65 and 70 [see Chapter 10 Section 8].
- Encouraging, or perhaps requiring by regulation, private DB and DC pension schemes or policies to provide the same information.
- Publicising information about latest trends in official projections of life expectancy. Chapter 1 Section 4 [Figure 1. 42], and evidence from our own survey questions described in Appendix D, illustrated that people continue to underestimate very significantly their life expectancy. The NPSS communication package should include information which could help correct these underestimates.

Within DB schemes, barriers to later retirement have in the past been created by perverse incentives and rigidities, e.g. inflexible final salary determinants of pension income which make it difficult for people to step down to lower paid or part-time work. In the private sector, any such rigidities will be of declining importance as the overall coverage of DB schemes declines. The key priority for DB system reform lies now in the public sector, where all system features which create incentives for early retirement should be removed.

5. Differences in life expectancy between socio-economic classes: possible responses

One frequently expressed objection to raising the SPA, with which we have sympathy, is that it would disproportionately affect people in lower socio-economic groups who, on average, have lower life expectancies. As Figure 1.41 in Chapter 1 illustrated, life expectancy at 65 now appears to be increasing in all socio-economic groups. Period life expectancy of men in socio-economic class V is now probably around 13 years at age 65 and around 17 years for women. Statements that lower socio-economic groups have dramatically lower life expectancy, with figures much lower than 15 years often quoted, are usually based on the mistaken methodology which takes period estimates of life expectancy at birth and then deducts from that figure the SPA. [Figure 8.7 explains the correct and incorrect ways to estimate the relevant figures.]

But it remains the case that men in socio-economic class V face life expectancy in retirement that is about five years lower than socio-economic class I (for women the difference is about three years), and that as a percentage of expected life in retirement, a one year increase in SPA has a bigger impact on people in the lower socio-economic groups than in the highest. This reflects the fact that all DB systems with the same retirement age for all members give a worse deal to groups of people with lower average life expectancy.

Figure 8.7 Correct and misleading estimates of life expectancy post-SPA

Correct calculation for the average man

Best estimate of life expectancy of man aged 65 in 2005	19.4 years	←	Cohort life expectancy allowing for anticipated continuation of mortality rate declines.
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Misleading (but frequently used) calculation

Period life expectancy of man at birth in 2005	76.9 years	←	Period life expectancy at birth underestimates true cohort measure as it fails to allow for future continuation of mortality rate declines.
	minus		
Minus State Pension Age	65 years		Deducting State Pension Age from life expectancy at birth is wrong since it fails to allow for the fact that life expectancy at birth is reduced by deaths that occur before SPA.
	=		
Calculated (but wrong) estimate of life expectancy post-SPA	11.9 years	←	

Calculation by socio-economic class

Similar mistaken calculations can be used to suggest that the life expectancy of a man in social class V at age 65, is as low as 6 years. Given that the Period life expectancy for a man aged 65 in social class V is 13, and that overall the Cohort minus Period difference for 65 year olds is 3 years, the best estimate of life expectancy for a man in social class V at 65 is more likely to be about 16 years.

Source: Pensions Commission analysis

One advantage of shifting the earnings-related element of pension provision onto a primarily DC basis (as implied by the creation of the NPSS) is that it makes it possible to offset these disadvantages, since groups of people with predicted lower life expectancy should be able to achieve higher annuity rates. Moves towards greater differentiation of annuity rates by socio-economic indicators should therefore be welcomed.

Since, however, the BSP and S2P will remain DB systems with specified normal pension ages, the issue arises as to whether any mechanisms can be created to mitigate the impact of a rising SPA on lower socio-economic groups. One way to do this would be to reinforce the contributory principle, making pensions payable from the age at which people had achieved a given number of years of paid-up contributions, an age which lower socio-economic groups might be likely, to reach earlier than higher groups, due to earlier entry into the workforce. But the impact of earlier entry is sometimes offset by longer periods of unemployment which reduce S2P accruals. In Chapter 5 Section 6, moreover, we concluded that the arguments in favour of moving BSP accruals onto a universal, non-contributory basis, in order to address the problems faced by people with interrupted work records and caring responsibilities (in particular women) were compelling. This would make it impossible to use the contributory system as an indirect way of compensating for differences in life expectancy.

The alternative way forward is to maintain the option of making means-tested benefits available at an earlier age than the SPA, i.e. to make the Guarantee Credit available, not conditional on job search, some time before the SPA is reached. Between 2010 and 2020 the minimum age for Guarantee Credit will rise as planned from 60-65 in line with the increase in SPA for women. Beyond 2020, however, and particularly if there is no sign of the differences in life expectancy by socio-economic class reducing, there is a good case for keeping the earliest age of Guarantee Credit, at least initially, at 65 even as the SPA rises, and for thereafter keeping the earliest age of Guarantee Credit eligibility, say, two years below the SPA. This need not create disincentives to save in the NPSS, if, for those who choose to defer annuitisation of NPSS funds until the SPA, there was assurance that their accrued rights in the NPSS would not be deemed private pension income brought to account for calculating Guarantee Credit entitlements. It would, however, reduce incentives to work in the period between Guarantee Credit availability and SPA. Given, however, that such reduced incentives would only apply for say two years, and would only be applicable at fairly low levels of income, this might be an acceptable price to pay to ensure that the lowest income groups with lower life expectancy would, if they wanted to, be able to access state pension benefits slightly earlier than others. We believe this option should be considered as and when the SPA is increased.

In addition, as we discussed in Chapter 5 and Chapter 6, the option of setting separate pension ages for the BSP and the S2P (the latter higher) would enable the BSP pension age to be lower than it would otherwise need to be within any given public expenditure constraint. This would benefit people with lower incomes and lower life expectancy.

6. Age discrimination and demand for labour: barriers and solutions

Higher participation rates at older ages require good incentives for people to seek work (discussed above) and the absence of skill deficiencies or health barriers to employment [discussed below in Section 7]. They also require that employers offer jobs to older people.

There may be rational reasons for employers to prefer younger workers in some jobs, if the productivity of the younger worker is, due to the nature of the job, inherently higher. But there is a danger that employers will simply assume that productivity declines with age, even where this is not the case, and that cultural biases against older workers are embedded in personnel practices and assumptions.

Age discrimination legislation therefore has a major role to play in overcoming barriers to the employment of older workers. From October 2006 it will be illegal to discriminate against anyone on grounds of age, or to retire someone (before the age of 65) on the grounds of age, whatever the normal pension age specified within a company's pension scheme. A default age of 65 has, however, been agreed beyond which an individual who does not wish to retire will be able to request the right to stay in work, but with the employer ultimately able to dismiss the employee, without redress to an employment tribunal.

Even with this default age condition, the legislation is likely to play a major role in changing culture and practices. Making discrimination illegal on grounds of age against people well below SPA, e.g. in their fifties, will in itself play an important role in driving further increases in average retirement age, both because participation rates among those aged 50 to 65 still have plenty of potential to rise, and because participation in the labour market beyond the age of 65 (or 60 presently for women) is crucially driven by participation up to the age of 65: once older people exit the workforce they are much less likely to work again.

The Pensions Commission strongly recommends however that there should be no default age beyond which age discrimination does not apply, and believes that removing it will send a powerful signal that increases in SPA will be accompanied by changes in practice and culture towards older workers.

The challenges facing business in adopting these practices will however be real and in some circumstances older workers will have lower productivity, which could impose a cost on business unless mechanisms are created to reduce the cost of employment. One issue which we believe merits consideration is whether employers' National Insurance contributions should apply at the full rate and on all earnings for employees above SPA. At present employees above SPA pay no employee NI contributions, but employers' NI contributions are still due despite the fact that no further state pension rights (which are partly funded by an element of employers' NI contributions) are accrued.

The abolition or tapering down of employers' NI contributions for employees aged above SPA could significantly improve the economics of employing such workers. The cost could be minimised and the benefit focused on low to medium earners by limiting the reduction to an absolute amount per employee or by making the abolition or reduction apply only up to some level of earnings.

7. Skills, training and health: barriers and solutions

Two barriers which may limit the feasible increase in average retirement ages are inadequate or inappropriate skills among older workers and health problems which, while not making any work impossible, may limit people's ability or desire to work in their existing jobs or in jobs to which their skills are appropriate. The Government needs to identify measures which could help overcome these barriers.

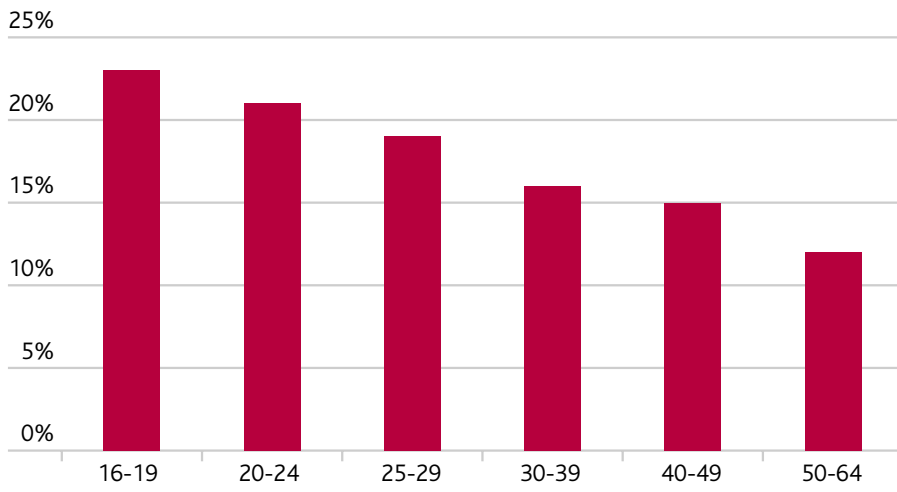
- **Skills and training.** According to measures of qualifications attained, older workers have lower skills than younger ones. A quarter of over 50 year olds have no qualifications, compared to 6% of those aged 16 to 49 (National Adult Learning Survey, 2002). This statistic is to a degree misleading, reflecting the extent to which skills have been formally recognised via qualifications, as well as actual differences in skill levels. But the steady rise in 16-18 year olds in school education and in higher and further education participation rates over the last 40 years inevitably means that formal education levels, and to a degree some skill levels, will on average be higher at lower ages, and it will be several decades yet before this age cohort effect has worked through the system.

Training during adult life, both to compensate for gaps in school education, and to ensure refreshment of skills, is therefore critical to maintaining the employability of older workers. But there is evidence that employer-provided training is skewed towards younger workers [Figure 8.8] and the low take-up of the New Deal 50 Plus in-work training grant suggests that among both employers and employees there is often an assumption that some workers are "too old to train" (DWP, 2003).

Government has only imperfect levers to address these problems but it should at least:

- Review all its training support expenditure and processes to ensure that any biases against older worker training are removed. For example, government could ensure all Learnings & Skills Councils provide help to older workers.
- Ensure that its own public sector employment practices are a benchmark of quality in the retraining and reskilling of middle-aged and older workers.

Figure 8.8 Participation in job-related training by age



Source: LFS Spring 2005

Note: Participation by employees in any job-related training in the last four weeks.

- Consider whether there is a role for voluntary standards which can be developed in collaboration with business, for instance, via the development of the Investors in People standard to include specific measures focused on the employment and retraining of older workers.
- **Health.** Evidence cited in Chapter 2 of our First Report suggested that on average increases in life expectancy are probably being accompanied by increases in health at any given age, and that increases in older worker labour force participation rates, and in average retirement age should therefore be possible. Major occupational sources of ill health which played a large role in previous generations (e.g. arising from coal mining or other jobs involving heavy manual labour and exposure to industrial pollution), and whose impacts can still be seen in the regional incidence of unemployment and Incapacity Benefit receipt, will dwindle in importance over the next few decades. (The extent to which these positive developments may be offset by growth of other factors such as obesity is unknown.)

But self-reported measures of ill health show no signs of decreasing and Incapacity Benefit claims have continued to rise until recently, with stress and musculoskeletal problems (e.g. back pain) major reported causes. In part this may reflect the fact that people are simply less tolerant of ill-health problems than in the past, and less willing to assume that these problems are compatible with continued working. It also however highlights the continued importance of occupational health and of measures to encourage and enable healthier lifestyles. People's ability to do active work at age 60 or 65, and their general physical well-being and mental alertness, are heavily influenced by factors such as appropriate ergonomic design of office furniture, levels of exercise, and the degree of stimulation provided by their job, 10 or 20 years previously.

As with training and skills, the government's ability to influence the multiple levers which determine health are imperfect, but it should:

- Ensure that the public sector sets a high standard in the encouragement of healthy working practices and healthy working environments.
- Increase awareness among businesses of the role that they can play in improving the health of their workforces, with benefits accruing to business through reduced absence and higher productivity, as well as retention of human capital built up over many years.

The Department of Health and the Department for Work and Pensions announced recently that they would jointly appoint a National Director to oversee the implementation of a Health, Work and Well-being Strategy. The Pensions Commission welcomes this development and suggests that the strategy should include an element focused on defining the best practices in middle-aged and older workers' occupational health which will tend to facilitate active labour market participation at older ages.