

Creating a 'Career MOT at 50'

Helping people keep working and save for later life



An Age UK discussion paper, October 2017

Why the 'Career MOT at 50' is needed

The State Pension age (SPA) is rising, scheduled to increase to 67 in 2026-28 and with further rises likely in the 2030s and beyond. This makes working longer essential, and there is a clear need to help people plan their future careers as they approach the latter part of their working life.

Many people are likely to struggle to stay in work, and we believe there is a gap for a service that facilitates this. However, it's also important that people have sufficient pension savings so that when the time comes to stop work or wind down their hours, they can afford to do so. It is in everyone's interests to make such an intervention happen – Government, employers, pension schemes and individuals will all benefit – and the July 2017 announcement of bringing forward the SPA rise to 68 reinforces its importance.

This paper aims to start a discussion about how such a service – based on Mid-Life Career Reviews (see below) – should be designed and implemented, and how people can be encouraged to save more into their private pension. We hope that it can be the start of a serious discussion about how to facilitate longer working lives and higher levels of pension saving.

Late 50s is too late...

John Cridland recently published his Review of the State Pension age, and one of his recommendations was for a 'Mid-Life MOT' in people's late 50s and early 60s. Age UK has long supported a similar proposal and we agree with the Review's recommendation – however we believe the intervention should take place earlier – at age 50 – so people still have time to adjust their future working plans, for example by re-training, *and* so they have time to sort out their pension.

The 'career MOT at 50', which we also refer to as simply the 'MOT at 50', should also contain more advice on work and learning matters than John Cridland's proposal – otherwise we believe it will have limited value for keeping people in work until their late 60s (or even beyond).

This should be done by extending the Mid-Life Career Review pilots that were funded by the Business Department in 2013-15, and proved to be a very successful and low-cost means of helping people at about the age of 50 consider their future work and learning options, as well as managing changing needs (for example caring for a relative) as people approach later life.¹

Work and learning were the crucial elements of this intervention. Discussion of people's work aspirations, skills needs, and how to achieve these should remain at the heart of the 'career MOT at 50'. If people are to re-train through formal or semi-formal education, then the MOT needs to be delivered while there is still ample opportunity to reap the benefits of doing so, which is why we believe it should be delivered at age 50.

From an employment perspective, the MOT should include:

- An exploration of what job the participant might want to do for the rest of their working lives.
- When and how they envisage retiring (i.e. making the transition).
- An assessment of their transferable skills, occupational skills, and experience.
- Information on job search (including signposting to any local provision offering more detail) and interview techniques, if appropriate.

- Options for formal, semi-formal and informal training – including where to go to get further advice.

In addition, we also believe that as people plan their later working lives and try to make their transition to retirement a reality, then considering the adequacy of pension provision is also important. This discussion paper explores how this might be achieved.

We want to see a new social norm established – making an ‘MOT at 50’ the usual thing for people to do when they hit 50 is the best way to generate public participation at a meaningful level.

With the rising SPA and increasing expectations of working longer, there is an ever growing need for people to need to make informed choices about training options and possibilities for their future career, as well as how to make a successful transition to retirement...

A ‘Career MOT at 50’ is a popular idea

Age UK commissioned YouGov to conduct polling exploring the idea of a ‘career MOT at 50’: whether or not people wanted it and what should be discussed in it. There was an encouraging response.ⁱⁱ

The service was described as being: “an opportunity to receive professional advice about your future working options at or around the age of 50. This can help you to plan how to work until retirement and can include advice on re-training and pension saving. This service would be free of charge.”

Over half of all 40-64 year olds (51 per cent) said they were very or fairly interested in taking part. This rises to 60 per cent of those aged 40-44, which illustrates the attractiveness of the MOT to its target audience.

We also asked all participants, regardless of whether or not they were interested in taking part, what issues potential participants would like to discuss in the MOT. Top answers were:

- Consideration of pensions/savings provision to help me save enough for retirement (48 per cent)
- A discussion about what job(s) I might want to do for the rest of my working life (44 per cent)
- An assessment of my transferable skills and experience (44 per cent)
- When and how I envisage retiring (i.e. plan my ideal retirement) (40 per cent)
- The impact of my health on my working prospects (38 per cent)
- Identifying any skills I may need in the future and options for training (37 per cent)
- A discussion about different types of flexible working and how I can raise this with my employer (35 per cent)
- Information on job search and interview techniques (24 per cent)
- Don’t know (19 per cent)
- Other non-paid work that I could do (e.g. volunteering in your community) (18 per cent)ⁱⁱⁱ

The participant’s age made little difference to these.

Talking about pension saving and finances is clearly just as important as discussing work and careers...

Bringing pensions into the ‘Career MOT at 50’

...however people need to make an informed decision about the whole picture – finances play such an important role in decision-making around retirement that we believe it is imperative that people understand and consider their pension alongside their work. This should be at a fairly high level, perhaps including a State Pension forecast, an assessment of private pension saving and an explanation of why it is worth increasing contributions. The main aim here would be encouraging people to save more, and ‘warming them up’ for greater interaction with their pension. For people who require more detailed information at this point, there can be a signpost to Pension Wise.

The polling referred to above has found that the feature that people most desire in an ‘MOT at 50’ is help with saving enough for their retirement. 48 per cent of all 40-64 year olds said they would like the session to include this. It was followed by discussing future working options and skills needs, which 44% supported including. This clearly shows there is a demand for more engagement with pension saving – people know saving is important and want to do the right thing, but they often don’t feel empowered enough. Creating an MOT at 50 is an opportunity to change this.

According to the Pension Policy Institute, 97 per cent of older workers will see a positive return on their saving following automatic enrolment into a pension scheme.^{iv} It is not too late to start (or re-start) saving at age 50, so the MOT at 50 represents an ideal moment for intervention on both fronts.

Case Study

Hannah, mid-life review participant

'Last year as I approached a 'big' birthday I decided to take up my employer's offer of a review. I am a bit of a planner and I like the idea of retiring at an earlier point and enjoying an active retirement rather than having to work well into my late-sixties so I was keen to hear their thoughts. The session was interesting and helped me focus on what I'd need to do to keep working and managing a transition to retirement. This part was great and I can see how it would be useful for a great many people.

However a bit more information on retirement income would have been useful – I realise the session can't provide financial advice, but using some fictional case studies about the potential range of income or rough projections of state and private pensions would have provided a helpful illustration. It might have prompted me to speak to my private pensions provider or our employer's pension officer, or made me think about how long I will be making mortgage repayments and possibly inform my future decisions when it comes to re-mortgaging. I would have appreciated some ideas and suggestions about how to maximise my income in later life... and what a realistic retirement date might look like.

The absence of these discussions did seem like a bit of a missed opportunity.'

At 50, most people are still in the accumulation phase of pension saving. It is important that the 'MOT at 50' does not encourage people to see their pension as a bridge to early retirement, pushing them to use their pension saving too early and leaving them to rely on the State Pension in later years. That is why we believe the focus here should be on encouraging saving, ensuring people do not opt out of existing saving and to help people understand how much they need to contribute to reach their desired income goals.

As such, the intervention should be a prompt to check your position and circumstances, including a 'nudge' towards either starting to save, or for those already saving to increase their contributions. It could use simple tools, such as an online calculator and other appropriate materials, coupled with access to an adviser who understands the benefits of saving for later life. And it could signpost to further sources of information such as Pension Wise or the Money Advice Service's Retirement Adviser Directory.

The Pensions Dashboard, an online service being developed by HM Treasury and the pensions industry that is due for release in 2019, will facilitate this. The Dashboard will be an electronic platform displaying all of someone's pension savings in one place, making it clear how much money people have saved and their projected income for retirement. It could prove a very useful tool for bringing pensions into the MOT at 50. It will improve visibility of pensions and enhance opportunities to engage. As the Dashboard is developed over the next few years, functionality to form part of an MOT at 50 should be built in to make this a reality.

Pension Wise already provides guidance to people aged 50+ who wish to discuss retirement income products in more detail – we do not believe the MOT at 50 will encroach into this space, but should instead be seen as a 'pre-Pension Wise' session. It would be firmly rooted in the 'guidance' space rather than being considered 'advice'.

Different delivery models

The Mid-Life Career Review pilots used different models to work with different groups of people, mainly through UnionLearn and the National Careers Service. The extended MOT at 50 could also be delivered through a variety of models, with the best way likely to depend on the person who is being 'MOT'd' and, in reality, where the funding comes from.

Any pensions element to the career MOT at 50 should stick to the accumulation side – Pension Wise and advice providers are already able to help people with decumulation choices, and it is important the 'MOT' stays clear of offering financial advice. There might be a role for the new single financial guidance body in assisting with delivery as outlined in the possible operating models below, working in conjunction with a career-focussed organisation.

Insurance company Aviva is already running a pilot testing out career planning and financial guidance at age 50 for its own staff. The outcomes from this will help build the evidence base and inform the debate on how best such a service can be delivered, as well as what it might include.

There is also a debate for delivering the MOT at 50 between group vs. individual settings – to achieve mass coverage, the former might be a more cost-effective means. Or it could be a combination, with different delivery models potentially working in different ways.

Potential delivery models include:

- 1) **The National Careers Service as a deliverer or commissioner.** The Government could charge the NCS with developing a nationwide MOT at 50, with support from Pension Wise about pension saving decisions. This would require the expansion of the Pension Wise remit to allow it to develop tools to help people see the benefits of saving. The NCS could either deliver centrally, or commission providers (e.g. NCS contractors, pension schemes) to develop their own MOT. These would require central government funding, although the NCS has acquired the necessary expertise through its involvement with the MLCR pilots.
- 2) **A light-touch pensions intervention.** This could be simply an extension of the Mid-Life Career Review pilots, or further developments on that theme, with an additional nudge towards encouraging people to check their entitlement and increase their pension contributions or opt-in to saving.
- 3) **A community learning model.** A two-session intervention led by local (community) providers with relevant expertise, with the first being a group session aimed at discussing future work and training-related possibilities. The second session, held a week later, would be an individual discussion about pensions – how much pension saving people have, and how much they are able to save in the future. This would need to be established nationally and the Government would need to ensure a consistent approach. It would require funding for delivery and for training staff.
- 4) **Employer-led.** Every large employer could have a duty to offer the MOT to staff, backed by a government-sponsored service for smaller employers. This could give employers flexibility to decide on its precise nature, but be based on prescribed ‘key features’, including the appropriate pension scheme (e.g. the one used for auto-enrolment) and working through tools to help people understand the benefits of saving.
- 5) **Pension scheme-led.** As part of automatic enrolment, schemes could offer an MOT at 50 to all members, through employers where appropriate. This could include careers and retirement content, as well as all the information about savings choices.
- 6) **A combination of employers, pension schemes, and other actors.** This could partner key delivery stakeholders on the work side, such as the National Careers Service and UnionLearn, with the pension schemes and Pension Wise to deliver a pension saving engagement tool as part of the intervention.

It would also be possible to combine two approaches, for example the National Careers Service partially delivering the intervention itself and partially commissioning community learning providers.

There would, of course, be a cost to these models, which would differ according to the approach taken – as would who pays. For example, the central Government would need to directly fund a roll-out through the National Careers Service, whereas pension providers might be more involved if it were pension-scheme led. The central Government would need to play a coordinating role, even if not involved in the actual

delivery, as well as the strengthening of delivery networks in some cases (including training staff and ensuring a consistent national provision).

Next steps and recommendations

- 1) **Commit to extending the Mid-Life Career Review pilots to create an ‘MOT at 50’ for all.** A Government commitment will help focus minds towards delivering a population-wide service and generating sufficient scale to do so.
- 2) **Build the evidence base.** The Government should carefully consider different models of incorporating pensions, working with employers and pension providers, and evaluate which bears the most promising outcomes for individuals – as well as building the business case to explain why it’s a good idea for employers.
- 3) **Build a coalition to develop the model.** Organisations with experience in delivering advice to this age group such as the National Careers Service, UnionLearn, the Pensions Advisory Service, and Pension Wise – as well as other stakeholders like pensions companies and employment specialists – can help develop a model for a broader intervention, including pensions.
- 4) **Link closely with the Government’s Fuller Working Lives strategy.** Many of the FWL objectives about recruit, retain and retrain can be built in to this intervention, helping deliver government policy here.
- 5) **Ensure the Pensions Dashboard is built with the delivery of this intervention in mind.** This will facilitate opportunities to nudge people towards increasing pension saving later on.

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ⁱ Mid-Life Career Review, pilot project outcomes phases 1, 2 and 3 (2013-2015), NIACE 2015

ⁱⁱ It can also be reasonably assumed that the polling’s participants were unlikely to have previously heard of Mid Life Career Reviews, and so were effectively being cold-called about the idea.

ⁱⁱⁱ All polling conducted by YouGov for Age UK during September 2017.

^{iv} Pensions Policy Institute (2014), The benefits of automatic enrolment and workplace pensions for older workers