9 *Retirement: age discrimination or the fruits of prosperity?*

> society has really no right to deny any man, or woman, who wishes to continue working the sense of fulfilment and the sense of usefulness that work can give. Compulsory retirement is an inhuman practice . . .
>
> Arthur Seldon, *Pensions in a Free Society* (Institute of Economic Affairs, 1957), p. 3

The idea of retirement has a long and venerable history; but the twentieth century has fundamentally transformed its nature. Modern retirement practice has a number of distinct characteristics. First, it is a general rite of passage which almost all adult employees can now expect to undergo. Second, it is more likely to be compelled at a fixed chronological age, rather than to be initiated by failing physical or mental powers. And third, the financial status of the retired has greatly improved, so that this form of retreat from the world of work is less commonly seen in negative terms than was once the case. These diverse elements have given rise to a rich variety of interpretations of the reasons for the modern growth of retirement. Radicals on the libertarian right and the socialist left alike have interpreted it as the product of unjustifiable discrimination against the old. Others, by contrast, have seen it as the virtuous consequence of the greater choices provided by increased wealth, greatly augmented by the modern spread of pensioning. This ambivalence in the image of retirement is, moreover, reflected in the mixed trauma and relief of those undergoing the retirement experience. There is a fear of loss of status and of psychological strains in retirement; yet at the same time many welcome the release from the burdens of working life, particularly those to whom generous pensions are paid.[1]

The steady, long-run trend to increased retirement is unmistakable. Figure 9.1 shows the declining proportion of males of sixty-five and over who continued at work.[2] In 1881, nearly three-quarters were still at work; this fell to less than half in the 1920s; and by the 1980s only one in ten males of

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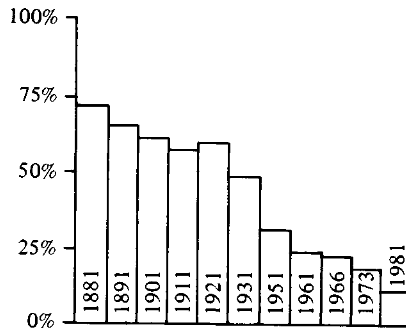
Fig. 9.1 The proportion of UK males of sixty-five and over still working, 1881–1981



Source: 1881–1973: Charles H. Feinstein, R. C. O. Matthews and J. C. Odling-Smee, *British Economic Growth 1856–1973*, Oxford, 1982, pp. 57, 560–4; 1981: preliminary estimate from 1981 Census (England and Wales only)

sixty-five and over were still working. Working women showed a similarly increased tendency to retire in the twentieth century.[3] Remarkably, these trends have occurred despite improvements in the overall health and capacity of the aged population. It is true that many sickly workers who formerly died before reaching sixty-five now survive to advanced ages, and they are likely to be relatively unfit. Thus, sickness and incapacity, now as in earlier decades, still account for a large number of individual decisions to retire.[4] Moreover, the expectation of life for men aged sixty has risen much less than the chances of surviving to that age: from thirteen-and-a-half years in the first decade of the century to seventeen years in 1978–80.[5] None the less, the average health standards of the old have, as these figures suggest, probably on balance improved. Better medical care and effective drug treatments of disabling diseases such as tuberculosis, improved safety and welfare conditions at work, rising nutritional and sanitary standards, and less physical and mental stress in homes with better facilities and smaller families: all these changes in twentieth-century Britain have probably enhanced the average capacity to work of the older members of the labour force. Certainly the casual testimony of informed opinion, based on pension fund experience and other contacts with the old, suggests that 65-year-olds in the modern era are distinctly healthier and fitter than their predecessors of generations ago.[6]

Why then, have the old showed such a pronounced tendency to cease working? Some have suggested that the medical profession can be blamed for fomenting a modern gerontophobia and for concealing the objective improvements in the capacity of the elderly for their own purposes; but this is implausible. It is true that some prominent members of the medical

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profession have pioneered the public slandering of the old. Sir William Osler, for example, on the eve of his appointment to a distinguished chair at Oxford in 1905, eulogized the creativity and productivity of the young, quoting with approval the society described in Trollope's (now justifiably forgotten) satirical novel, *The Fixed Period*,[7] in which the old were generally eliminated at the age of sixty-eight.[8] Osler soon came to regret his whimsical remark, as it had been taken to be in bad taste, though he never retracted his views on the incompetence of the aged. There were, however, an equal number of medical professionals who sprang to the defence of the aged or to the assertion of their continued employability. Evidence was produced of the continuing capacity of the aged;[9] and one distinguished doctor, apparently with a considerable private practice as a consultant to employers, took pleasure in devising a machine to electrocute malingering older workers whom he suspected of quite widespread exaggeration of their disabilities.[10] Doctors, in fact, reflected the dotty prejudices of their age in all their splendid variety. They may be blamed for doing so, but we should not mistake the social symptom for the medical cause.

It is possible that, while the capacity of the old to work has been increasing, the demands of the modern workplace have intensified to make their participation less feasible. Technical change, it is sometimes argued, leads to discrimination by employers against older workers, because jobs have become more physically or mentally demanding. Yet many technical changes and more efficient methods have actually lightened the work load and made fewer demands on workers in the course of the twentieth century. It is, moreover, plausible that improved working conditions, better health standards, increased holidays, and massively reduced hours have done much to counteract any tendency towards the intensification of work inherent in modern technological processes. It is, then, far from obvious that men of sixty-five on average now find it physically or mentally more difficult to work in their present jobs than their predecessors of a hundred years ago found it to function in the arduous work conditions of their age.[11] Indeed, such technologically enforced retirement may be less common now than in earlier decades, when there were large numbers of aged workers in casual jobs as gardeners or watchmen: jobs which were then specifically reserved for those no longer capable of working at more demanding occupations.[12]

What, then, is the explanation for the greatly increased extent to which the elderly now withdraw from the work force? The increased capacity to finance retirement and the reduced dependence of the old on income from employment appears to be a central factor. Voluntary retirement is, in a sense, a luxury good whose incidence would be expected to grow in a hundred year period in which general living standards have perhaps tripled. Cross-section studies in all periods have shown that wealthier people tend to

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Table 9.1 *The pensioning of the old, 1900–79*

Year	(1) Number of people aged sixty-five and over (millions)	(2) Number of state pensions paid (millions)	(3) Number of occupational pensions paid (millions)
1900	2.0	0.0	0.1
1936	3.9	2.5	0.2
1956	5.8	4.7	1.1
1963	6.3	6.1	1.8
1967	6.8	6.9	2.3
1971	7.3	7.7	2.9
1975	7.8	8.3	3.4
1979	8.2	8.9	3.7

Note: The columns cannot be directly compared to show the proportion of the elderly receiving pensions or retired. Occupational pensions (and from the 1940s women's state pensions) were often paid below the age of sixty-five. Moreover, state pensions and occupational pensions were sometimes paid to those who had not retired from all employments. A survey of income tax returns in 1963–4 shows that there were 880,000 occupational pensions payable to people receiving state retirement pensions and 590,000 to those not receiving such pensions, most of the latter being aged under sixty-five: see Ministry of Pensions and National Insurance, *Financial and Other Circumstances of Retired Pensioners*, 1966, p. 14.

Sources: col. (1): C. H. Feinstein, *National Income, Expenditure and Output of the United Kingdom, 1855–1965*, Cambridge, 1972, pp. T123–4; *Eurostat*.
col. (2): For 1936, *Eighteenth Annual Report of the Ministry of Health*, Cmd
the United Kingdom, 1855–1965, Cambridge, 1972, pp. T123–4; *Eurostat*.
5516, 1937 (BPP, X, 1936–7), Appendix XXIX. For 1956–79, *Annual Abstract of Statistics, passim*. All statistics relate to contributory pensions only (non-contributory, national assistance, supplementary benefit and poor law pensions are excluded).
col. (3): Government Actuary, *Occupational Pension Schemes: 1979: Sixth Survey*, 1981, p. 12. All figures include widows' and dependants' pensions. The 1900 figure is the author's estimate.

save a higher proportion of their income.[13] As the population as a whole grew wealthier over time, so their aggregate savings increased. The bulk of the resulting investment income goes to those who have saved most, and these are disproportionately concentrated among the elderly households. The pattern of savings suggested by the life-cycle model has been confirmed by empirical research: savings peak at about age sixty-five and are run down thereafter. Yet this private saving for old age is largely confined to upper-income groups, and the majority of the aged still own relatively few assets, other than owner-occupied housing, directly.[14]

The major sources of the incomes of the elderly have not been investment income from directly-held assets, but rather the growing entitlements to state and occupational pensions as shown in Table 9.1. The growth in pension entitlements was particularly marked after the Second World War

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as many earlier schemes matured and as new schemes were inaugurated, often with generous provisions for the back service of older employees. By the 1970s, as we have seen, nearly half of the employed population were in occupational pension schemes. The proportion of full-time, male employees over twenty-five with pension rights was even higher. They, their dependants, and prospective pensioners in general, could look forward to a standard of living in old age significantly better than their predecessors of a generation earlier. The old not only had higher real incomes, but also increased their standard of living relative to that enjoyed by the working population. In 1951, the average disposable income of those over state pension age (including all income from occupational pensions, interest, etc., as well as the state pension and other social security benefits) was little more than two-fifths of the average non-pensioner's, but thirty years later the average pensioner enjoyed as much as two-thirds of the average non-pensioner's income.[15] The generations retiring in the 1960s and 1970s enjoyed a lifetime experience of continually improving standards in which their retirement was truly a golden age. Having grown up in years of war, low growth, unemployment and depression, their expectations were low; yet their retirement incomes were substantially greater than their earlier experience would have led them to expect. Many owed this good fortune to the occupational pension that they received on retirement. Despite the general absence of vested rights for leavers, the number of those drawing occupational pensions rose from around 0.2 million in 1936 to 3.7 million in 1979. The number receiving state contributory old age pensions increased less sharply, but from a higher initial level: from 2.5 million in 1936 to 8.9 million in 1979.

By the later 1970s, well over a third of these state pensioners already had occupational pensions, and, if wives were included (and many of them can now expect to continue to draw a widow's pension from the occupational scheme if the husband dies), the proportion of the elderly benefiting would be even greater. Nearly half of those without an occupational pension were sufficiently poor to qualify for means-tested supplementary benefits in addition to the basic state pension; by contrast, only a small proportion of those with occupational pensions found this supplementation necessary. Occupational pensions were, then, enabling many people to live significantly above the basic subsistence level determined by the Supplementary Benefits Commission. On average, occupational pensioners drew annuities equivalent to the value of the state pension: in 1979, when the state retirement pension for a single person was £19.50 per week, the average occupational pension then being paid was £18 per week.[16] (These figures may be compared with average weekly full-time earnings for adult males at that time of about £100.) This does, however, somewhat understate the benefits from occupational pension schemes of the newly retired, for it includes some pensions of long standing (some more than twenty years old)

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fixed in a period when benefits were less generous. In 1979, for example, the average male employee retiring from the public sector on pension could expect £28 from his occupational scheme, while for the private sector the figure was £20 a week. In addition, many employees could expect lump sums on retirement: in 1979 these averaged £4,000–£5,000.

It is sometimes suggested that pension schemes have merely substituted for other forms of individual savings, and that this increase in pension entitlement represents merely a diversion of old age savings from their traditional channels. This is implausible. All the evidence we have encountered in the course of this study suggests a high degree of liquidity preference by members of the schemes, a preference which the requirements of the scheme often deliberately frustrated. Leavers who were offered returns of contributions or retirees offered lump sums preferred to take their money rather than leave it in the scheme. Insurance companies advised their salesmen who encountered the (rare) employer who suggested offering staff a free choice between a salary rise and an equivalent employer's contribution to a pension fund to break off negotiations, as it was obvious what the staff preferred. Not surprisingly, then, the imperfect studies of savings behaviour which have been made suggest that occupational pension schemes do significantly increase overall savings, rather than merely replacing other channels of savings.[17] It is also clear that they have spread wealth more equally. The degree to which employees accrue pension wealth does, it is true, increase sharply with income so that pension saving is biased towards the better-off.[18] Yet this saving is more equally distributed than other forms of asset-holding, so that the decline in the inequality of wealth-holding in British society has been accelerated by the spread of pensioning. In 1936 the top 10% of the population held 88% of total wealth, pension rights being an insignificant portion of this; by 1972 the share of the top 10% in other wealth fell to 71%, but if the more equally distributed pension rights are included the overall fall in their share was to 67%. Thus, improved occupational pensions accounted for nearly a fifth of the modern spread of wealth-holding.[19]

Occupational pension schemes have, then, facilitated the decision to retire by making it easier for greater numbers of the old to look forward to economic security in retirement. However, there were still many employees, particularly among the unskilled working class, who had no such entitlement. For them retirement was feared rather than welcomed, and they were still forced by economic pressures to continue working.[20] When they could no longer do so, state pensions were their major recourse in old age. It might have been expected that the availability of state pensions in 1909 and the significant improvements in 1928 and 1946 would have produced discrete jumps in retirement, but no such pattern is obviously discernible in Figure 9.1. This is not to say that the state pension changes did not have real effects. For example, when the pension age was reduced in 1928 from seventy to

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sixty-five and deflation increased the real value of pensions, there was a clear impact on the sixty-five to sixty-nine age-group. Between the Censuses of 1921 and 1931, the proportion of that age-group who were retired more than doubled, from 14% to 30%, whereas retirement in other age-groups increased at a slower pace in the same period.[21] Another factor may have been the unusually high level of unemployment, leading to discrimination against older workers in the period. The impact of this and the reduced pension age was too small, however, to show up in our chart of general trends (Figure 9.1). One reason for the limited impact of the 1928 pensions was that there was no requirement for those drawing the old age pension to retire, and no claw-back of earnings if they chose to continue working. Most of those who reached sixty-five did, in fact, then continue to work.[22] The retirement decision was still typically made with physical or mental capacity, job opportunities, personal inclination, and financial resources and needs rather than the state pensions as the determining factors.

The age of sixty-five as the pension age for men had long been considered ideal, and in 1909 the state pensions at seventy had been justified on financial grounds rather than because it was seriously thought that workers generally were capable of working up to that age. The reduction to sixty-five which took effect in 1928 was, then, generally welcomed. The age of sixty-five, was, however, still considered too high for women, and in 1940 women were awarded state pensions from age sixty, a distinction which has been followed in every further development of the state scheme, including the recent earnings-related provisions. The reasons for this expensive change in the state scheme, first undertaken in time of serious wartime emergency and financial stringency, were complex and confused.[23] Labour interests had been pressing for some time for a reduction in pension ages generally to alleviate unemployment, and more particularly for more generous treatment of men who retired at sixty-five whose wives were younger than they (typically by four years) and were thus ineligible to receive a pension until either their husband died or they reached age sixty-five themselves. Various spinsters' pressure groups were also arguing that working women had two jobs – one in the home and one in employment – and that they therefore deserved to retire earlier. These unlikely arguments won the day in 1940 only because of the immediate need of the government to offer a sweetener to Labour for supporting the war effort. Yet in 1946, with very little discussion of the issue,[24] the lower women's age of sixty was maintained. This was in spite of the fact that Labour's post-war state pension scheme more effectively solved the major problem (the younger wives) by making the joint pension for married couples dependent on the husband's age. Once these decisions had been taken, there was a general feeling that the expectations of women already aroused by the promise of retirement at sixty could not be frustrated by legislative change. The differential,

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remarkably, was supported even by the Phillips Committee, which in 1953 recommended maintaining a differential while generally raising pension ages to sixty-eight for men and sixty-three for women.[25] (This, like most other recommendations of the Committee, was ignored.) More recently, pressures for greater gender equality have led to demands for the equalization of pension ages, but without any real effect.[26]

The availability of wives' pensions on more generous terms from 1940 increased the incentive for men to retire, and in 1946 an even more powerful incentive emerged when old age pensions were both increased and explicitly transformed into retirement pensions. To secure the increased post-war pensions, men of sixty-five and over henceforward had to retire from full-time work; and if they earned more than £1 a week from part-time work, a new 'earnings rule' claimed back all of it. This explicit retirement condition for state pensions had been favoured by trade unionists as an unemployment palliative, and the wartime Beveridge Report had recommended its adoption.[27] It was, however, held to be less appropriate to the post-war full employment conditions in which it was introduced, and it was therefore partially counter-balanced by an incentive to continue at work. The pension (twenty-six shillings a week for a single person) was increased by two shillings a week for each year of work after the pension age. The benefit for deferment was further raised and the earnings rule further relaxed in later years, as governments attempted to persuade more of the elderly to remain in the work force.[28] Over the following decade about half of those qualifying for state pensions at the normal age chose not to retire immediately, and about a fifth were still working as much as five years after the normal retirement age.[29] The financial advantages in the deferment conditions do not, however, appear to have been widely understood, and were small, so they had little effect.[30] The rise in the real value of the state pension, providing a more powerful incentive to retire, has, however, in recent decades been a potent influence. By the 1970s the mass of the population were retiring at ages very close to those stipulated in the state pension scheme, women retiring a little later, at sixty-one on average, and men a little earlier, at sixty-four.[31] Moreover, only 9% of men in the sixty-five to sixty-nine age-group were by then employed in full-time work: it had become clearly the exception rather than the norm to work much beyond the generally accepted retiring age.[32]

For the small numbers of employees generously covered by occupational schemes around the turn of the century, this pattern of retirement was already becoming familiar; indeed, in some cases, retirement came even earlier. Groups such as civil servants, railway clerks, and policemen could then afford to retire, and they tended to do so far more commonly than their colleagues in employments without adequate pensioning arrangements.[33] Yet while the idea of a 'normal' age of retirement is now clearly established

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in most employees' minds, such a notion was much less commonly accepted in the nineteenth century. Many early occupational pension schemes specified a relatively young age (fifty-five or sixty was not uncommon) at which pensions could be drawn, but the expectation was that few people would wish to retire at that age, and the pensions were often not such as to provide a strong incentive to do so. Thus, in the Northumberland and Durham miners' scheme (which I have noted as the largest nineteenth-century pension scheme) pensions were available at sixty, but only for those who could provide medical certification of their incapacity to work and prove that earnings from other sources were no more than ten shillings a week. The treasurer of the scheme, clearly reflecting the opinion of members, protested strongly against the idea of compelling retirement at a fixed age, pointing out that while most miners retired between fifty-six and sixty-six, at least one of their members had worked in the pit until he was seventy-seven.[34] In large-scale bureaucracies such as the railways and gas companies, the initiative in setting up and extending pension schemes usually lay with the employer, but, even there, the choice of retirement age for employees could be wide-ranging. In South Metropolitan Gas, for example, with its long-established scheme, 20% of the workmen drawing a pension in 1919 had retired between the ages of fifty-five and fifty-nine, 42% between sixty and sixty-five, 25% between sixty-six and seventy, and 9% between seventy and seventy-eight.[35] There are cases on record of pensions in banks and insurance companies in the early decades of the century being paid to those retiring as late as the age of ninety-eight.[36] The average age of actual retirement for pensioners in fifteen railway pension schemes in the early decades of the present century was sixty-four; and other schemes appear to have had a similar experience.[37] This is identical to the modern average age for retirement, though the spread of ages was undoubtedly greater than it later became.

In the twentieth century it became common to specify a 'normal' age of retirement, and indeed this was usually required by the Inland Revenue as a condition of approval of '1921 Act' trust funds. For men, early schemes often specified a normal or minimum retirement age of sixty. By the 1930s a retirement age of sixty was still accepted as desirable in schemes for male clerical workers and administrative staff, but sixty-five was by then already the most commonly specified.[38] A major reason for manual workers was that the state scheme, with its pension age fixed at sixty-five, encouraged uniformity. Other factors were the improving health standards of workers and the difficulty of financing adequate pensions with young retirement ages. Even when the middle classes were brought into the state scheme in 1946, a wide variety of practice survived for many years, but ultimately the pressures led to the adoption of a normal retirement age of sixty-five, as in the state schemes, almost universally.[39] The largest exceptions were the

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schemes of the civil service and of similar bureaucracies in the private sector, where a pension age of sixty for clerical and administrative staff had been securely entrenched for many decades. Competition in the labour market and the need to match the generous civil service conditions could still lead to a reversal of the long-run trend to increasing specified retiring ages. For example, Lloyds Bank, which raised its normal retirement age from sixty to sixty-five in 1930, reduced it again to sixty in 1974; and Imperial Tobacco, which raised the age to sixty-five in 1965, reduced it to sixty in 1971. It is, however, too early to discern whether such examples represent a reversal of the earlier long-run trend to higher normal retirement ages.

For women, similar factors have been working to increase the normal pension age specified in schemes.[40] It was quite rare for women to be included in pension schemes at all before the First World War, but, where they were, the normal retirement ages specified were surprisingly low. For example, in Cadburys, where men retired at sixty, the women's normal retirement age was as low as fifty. As late as 1936, when there were 335,000 women in pension schemes, 18% of female manual workers and 37% of female staff had a normal retirement age of fifty-five or less.[41] The reasons for this were obscure, but it is clear that the younger women's pension age was well established even *before* the 1940 decision to reduce it from sixty-five to sixty in the state scheme. Longevity can hardly be an explanation, for working women, like women in general, live longer than men. Nor can the strain of child rearing, for marriage was in most pensionable occupations a ground for dismissal, or at least a ground for exclusion from the pension scheme: we are largely considering a female work force of spinsters in the period before the Second World War. Gender stereotyping – rather than fact – may have a great deal to do with the lower pension age for these women. Managers of female clerical workers, for example, referred to their menopausal symptoms as mentally disabling. Be that as it may, as with men, the power of the state scheme to standardize conditions has been evidenced since the Second World War, and sixty is now the normal retirement age for women in the great majority of pension schemes.[42] The consequence of this, and of their greater longevity, is that the cost of pensioning women can be very considerably greater than the cost of pensioning men.

The specification of a normal age for retirement does not, of course, require an employer to force all workers of that age to retire. As we have seen, there was a wide spread of actual retirement ages in early schemes, and this practice survived for many years.[43] As schemes became more generous, however, the temptations to retire voluntarily at this specified age became greater. Thus the actuary of one railway pension scheme had averred in 1895 that 'you all know that so long as a member can work he will not retire at 60'.[44] But when benefits were improved a few years later to a final salary basis, he had to eat his words as the retirement rate substantially increased.

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Employers sometimes welcomed this, but, where they did not, they soon considered providing incentives for their most valuable staff to stay on. Some early schemes had given no extra pension to someone who deferred retirement: the idea was simply that, if he was healthy enough to do so, he was lucky, and should no more expect to draw a pension than he would expect to draw a death benefit if he did not die. However, as funded and insured schemes spread, the accumulating funds were conceived of in terms of 'savings', and it became more natural to think of employees as having to be compensated for not drawing pensions. By the 1940s it was quite common for pensions to be increased by 8% for each year of deferred retirement.[45]

The Inland Revenue, which generally insisted on the specification of a normal retirement age, initially resisted the granting of such deferment rights, on the grounds that it would increase pensions beyond the usual limit of two-thirds of final salary. Just before the Second World War, they extended such regulations to insured schemes, but when wartime conditions made it essential to encourage older workers to remain in the work force, they ceased to enforce this consistently.[46] There was total confusion for a decade after the War about what the Inland Revenue would or would not allow. Some pension increases for deferment were allowed, some people were allowed to draw pensions and also continue working, and some were not allowed to get any benefits from deferment and were forbidden to continue contributing to pension funds.[47] Only in 1953 did it emerge clearly that the Revenue would permit pension increases to compensate for deferred retirement above the usual pension limits, subject to an overriding limit of either forty-five sixtieths of final salary or the actuarially calculated increase.[48] (The latter allowed for the fact that an older retiree would draw his pension later and for fewer years than a normal age retiree.) The Revenue generally discouraged the payment of pensions to those who continued working for the same employer, but (in a glorious piece of logic whose rationale only the dedicated bureaucratic apologist would seek to penetrate) insisted that they be paid rather than deferred if a person upon reaching normal retirement age moved to a new employer. The upshot of this, and of the general labour shortage in post-war conditions of full employment, was that more and more employers offered deferment benefits to employees whom they wanted to retain after normal retiring age; and deferment rights, usually subject to the employer's approval, were increasingly written into the rules of schemes. It was soon quite rare for anyone deferring retirement not to gain some additional pension benefit in consequence.[49] In the civil service, for example, those with an entitlement to a pension and lump sum equivalent to forty-sixtieths of final salary at the normal retirement age of sixty were, from 1949, permitted to increase their pension by up to the equivalent of one-sixtieth for each year of service up to

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Table 9.2 *Retirement ages in the UK home civil service, 1975–82*

Age of Retirement	Deferred Retirees 1975–8		Deferred Retirees 1980–2	
	Number	%	Number	%
60	10,373	20	14,781	29
61	3,956	8	14,501	28
62	3,862	8	4,927	10
63	4,051	8	3,493	7
64	12,347	24	5,080	10
65	8,718	17	8,206	16
66	2,050	4	253	0
67	1,462	3	111	0
68	1,103	2	74	0
69	873	2	53	0
70	609	1	36	0
71–5	1,235	2	78	0
	50,639	100	51,593	100

Source: Data supplied to the author by HM Treasury, their reference MFB 8/85 [A/1218]. Figures for 1979 were not available. There were also some deferred retirements before age sixty for some specialist employments with lower retiring ages.

the age of sixty-five. Table 9.2 shows the resulting pattern of deferred retirement, which is typical of modern white-collar employment for generous schemes of this nature.

The deferment provisions took some of the rigidity out of the idea of specifying a normal chronological age of retirement, but they were the easiest adjustments, for the cost, given the actuarial assumptions of most schemes, was nil. Early retirement was more problematical. It was possible to treat it in a parallel way, making an actuarial reduction in pension to allow for the longer period of payment, but that usually produced an unacceptably low pension. Moreover, some schemes were much less generous: they gave only the employee's contributions back to those who retired before the normal age, though some employers made up for this by paying more generous benefits *ex gratia* to employees whom they wished to retire early. By 1956, most public sector schemes already offered better ill-health early retirement pensions based on accrued service (i.e., someone who had worked for thirty rather than the full forty years would receive three-quarters pension), or even more generous provisions. By the 1970s most members of private sector schemes had also gained similar improvements in early retirement benefits, with at least a pension reflecting accrued rights, and, in the more generous schemes, even better pensions, up to the pension that would have been drawn at normal retirement age.[50] Voluntary early retirement, for reasons other than ill-health, was normally only

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accepted by the Inland Revenue as legitimate if it was no more than ten years before the normal pension age. Employers did sometimes offer this option, typically for five years or less before normal retirement, particularly at times when they were trying to reduce staffing levels as an alternative or supplement to redundancy schemes.

In the 1950s, when there was particular concern at the extent to which increased pensioning might be artificially restricting the labour supply, there were, as we have seen, many criticisms of pension schemes for encouraging discrimination against the old.[51] Some of these criticisms were justified, but most were the results of misunderstanding about the nature of pension schemes. Indeed, in some respects pension schemes provided an extra incentive to employ the old. Those who had reached the normal pension age and accrued full pension rights, for example, were cheaper to employ because no employer's pension contributions were then required, or indeed permitted by the Inland Revenue. The employee would also have a greater incentive to work, since after age sixty-five he paid lower taxes, lower national insurance contributions and eventually got higher state and occupational pension benefits as a result of the deferment provisions. This ought to have meant that older employees were substantially cheaper than younger ones,[52] and thus that they would be employed even if their productivity had fallen off somewhat. In fact, however, employees have increasingly chosen to retire or employers have increasingly compelled them to do so at something near what is now accepted as the normal age of retirement. Can it be that, despite all the adjustments that have been made, there is a strong element of 'ageism', of discrimination by employers against the old, not on grounds of capacity but on grounds of chronological age alone?

The practice which can most clearly be branded as ageism is that of compulsory retirement at some arbitrarily defined, fixed retirement age.[53] This practice was rare in the nineteenth century, and many early pension schemes were extremely flexible about retirement age. This does not, of course, mean that compulsory retirement was then unknown. It was natural for an old employee who could not do his job to be dismissed, and, according to the customs of the trade, locality or firm, he might or might not be offered a light job or an *ex gratia* pension to compensate.[54] Yet it became increasingly common in the twentieth century to require employees to retire at sixty or sixty-five, irrespective of their physical or mental condition. The earliest examples of widespread enforcement of this were for clerical and administrative employees in areas such as the civil service and banks, where mandatory retirement policies were implemented towards the end of the nineteenth century. In almost all such cases, the mandatory policy was backed up by very generous pension provisions. Although many nineteenth-century pension schemes did not include mandatory retirement rules, it was

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preeminently those same bureaucratically organized employment systems which we have identified as first adopting pension schemes that also first applied mandatory retirement rules. In the civil service, where pensions were payable from age sixty, retirement practices varied between departments in the mid nineteenth century. Civil servants for a time successfully resisted pressure from personnel managers in the Treasury to implement a general mandatory retirement age of sixty-five, but from 1890 this was enforced on senior civil servants, and from 1898 on all grades.[55] Some banks and public utilities, particularly in the last three decades of the century, also began to enforce retirement at ages typically varying between sixty and sixty-five on their clerks. Again, there was opposition from the staff in many cases, though the employers were usually able to buy this off by offering more generous pensions. On the railways, for example, mandatory retirement for clerks was quite generally imposed around the turn of the century, and, in order to win staff acceptance, their employers had to bail out the consequential deficits which emerged in the pension funds. In later decades, too, white-collar employees were more likely than others to have mandatory retirement rules.[56]

How can this pattern be explained? A natural consequence of bureaucracy is that employment practices are enshrined in rules. The spread of mandatory retirement rules may thus in part be a simple consequence of this characteristic of large-scale organizations, which have accounted for a progressively larger share of employment in the course of the twentieth century. Moreover, as greater numbers of employees survived well into their sixties, with improved longevity in the twentieth century, the need to establish clear retirement rules to avoid an excessively aged work force became more insistent. However, the nature of employment contracts in such bureaucracies suggests that the motivation may be more complex than merely the formalization of traditional rules. The whole package of internal labour market institutions, of which we have identified the growth of pension schemes as a part, encouraged long service; but this in itself created strains of a more problematic kind. Employers introducing mandatory retirement often appealed to the needs of younger employees for career progression: the increasing numbers of aged staff were, it was alleged, blocking the promotion prospects of the young. Since such career progression was an important part of the internal labour market incentive structure, particularly for white-collar staff, it was important that such blockages should be removed according to predictable rules. Moreover, job ladders with progressive salary scales also resulted in the older employees being paid rather more than their true output justified. It was difficult to impose salary reductions or demotions on such staff to reflect their declining productivity in old age, particularly given the expectations and hierarchical relationships implicit in such a system. Mandatory retirement,

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legitimized by more generous pensioning, conveniently allowed bureaucracies to buy themselves out of the expensive bias towards overpaying older workers implicit in their reward systems. In the twentieth century, such motives were commonly behind the expansion of existing pension schemes or the founding of new ones, and compulsory retirement has thus been closely associated with the spread of pension schemes and modern personnel management practices.[57]

Manual workers were less commonly subjected to mandatory retirement rules; but when they were this often resulted from similar changes in the reward structure. Trade unions had generally attacked the common nineteenth-century practice of employers of gradually reducing the wages of the old in order to reflect their declining productivity, a practice which permitted and encouraged the gradual withdrawal of such workers from the labour force.[58] The unions did so, not because they preferred instantaneous to gradual retirement in principle, but rather because they feared that such practices would undermine union-negotiated pay scales. The unions had varying success in gaining influence over pay scales. Employers resisted union control and in some cases only conceded it on the basis of piece rates which reflected individual worker effort. In the latter type of payment system, older workers found their piece rate earnings declining as they became less productive, and could choose to accept that, or retire voluntarily, perhaps by shifting to less demanding work. Hence, mandatory retirement rules were unnecessary and rarely implemented in these industries.[59] However, in many firms piece work systems declined and union-negotiated hourly rates and new payment systems such as measured day work replaced them, particularly in the post-war period. As they came increasingly to determine the earnings of manual workers, the incentive to employers compulsorily to retire older manual workers also increased. In both manual and non-manual employment in the course of the century, then, mandatory retirement rules have come to be more widely accepted as part of a general package of changes in employment practices.

The development of modern retirement practices has not, of course, been without its critics. Libertarians generally have bemoaned the absence of individual control over the retirement decision.[60] In the inter-war years of high unemployment, there was an increased disposition to view the pensioning of the old, by the state or by employers, as a desirable source of jobs for the young.[61] There was, understandably, a distinct reluctance amongst the old to oblige, at least as long as the state pension remained so inadequate; in fact most of those reaching sixty-five, as we have seen, simply drew the pension but did not retire.[62] By the same token, in the 1950s, when politicians of both parties were exhorting workers not to retire because they were needed in the labour force,[63] they in fact retired in greater numbers as the incentives offered by the improvements in the state scheme and in

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occupational pension benefits were realized. Because they were locked into already agreed pension structures, moreover, employers were only able to adjust their schemes marginally to discourage retirement.

The evidence on the choice of retirement age by the parties involved shows it to be a complex interactive process which cannot be understood in isolation from the context in which modern practices have developed, or from the incentives for both employers and employees which have been built into this. There are clearly aspects of modern pensioning in which the costs and benefits to society of retiring or continuing at work are *not* reflected in the costs and benefits as perceived at the time of the decision by the individual or his employer. It is the private costs and benefits to these actors which determine the retirement decisions. Some of the gap between private and social costs and benefits is an entirely desirable consequence of the insurance element in pension funds. It is sensible, for example, to share the risks of longevity or widowhood where these cannot be predicted or controlled by the individuals involved. To impose private costs equal to social costs when these benefits are required would, of course, negate many of the achievements of collective risk-sharing which pension schemes encapsulate.

The question remains, however, of whether other practices which are not inherent in rational old age savings, including mandatory retirement at a fixed age, have been explored by employers and employees in a way which has yet definitively produced incentives which are in the best long-term interests of either party. Pensions and mandatory retirement are, as we have seen, so deeply embedded in the whole package of employment practices, particularly those that inhibit gradual reduction in participation paralleled by reduced remuneration, that any real change on this front would imply the overhaul of far more than the pension system alone; it would rather require a rethinking of the whole nature of employment contracts and lifetime work patterns. The last major set of changes in the pensions institution – the extensive modification of pensions to provide an incentive for deferred retirement – occurred in the 1950s, under the pressure of full employment and with employers interested in extending the working lives of their employees. The high levels of unemployment in the 1970s and early 1980s were a less fertile field for the cultivation of new ideas for rebalancing retirement decisions in a more equitable and creative manner.[64]

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