

LSE Undergraduate Admissions Assessment 2022 - English

Section A (90-minutes)

- **All** candidates should complete this section.
- This section has one question only.

Instructions:

Write a response to the following essay question:

Should the UK have a fixed retirement age of 70?

- You should use the information in the extracts below to outline the debate and to explain/justify your answer.
- You should not copy sentences/phrases directly from the texts. Instead, you need to put the information into your own words.
- You should aim to write at least 500 words.

Context:

In the UK, the state retirement age is currently 66 with two further increases set out in legislation: a gradual rise to 67 for those born on or after April 1960; and a gradual rise to 68 between 2044 and 2046 for those born on or after April 1977. The World Economic Forum has said that employees should continue working until 70 in nations such as the UK, US, Japan, and Canada.

However, a recent petition has urged the Government to lower the retirement age to 60. The petition argues that dropping the retirement age could help the UK's economy recover. It says young people are struggling to find work and losing their jobs due to the pandemic and suggests allowing older people to retire earlier, thereby freeing up jobs for young people.

Extract One: Petition in favour of reducing the retirement age

People who reach age 60 and are unemployed have very little chance of finding employment. Technology alone will account for too many redundancies. Youth unemployment is at an all-time high and in many cases earlier retirement will free up jobs for them. Many of the younger generation need to be given a chance to work and raising the retirement age is only making things worse for them.

To expect people to work longer and longer before they retire is based on the premise that people are living longer. Yet that does not apply to every segment of society; it is just an average. No government should be basing the age of retirement on average life expectancy. Instead, they need to look at the areas of UK with lower life expectancy and base the age of retirement on that figure, minus at least five years for men and women. Otherwise, the wealthy, who have longer life expectancies overall, are the only ones who will get to enjoy

their retirement. The people who have slogged their whole lives may live to their age of retirement, but what will their quality of life be?

An optional retirement age of 60 would not stop those in good health continuing to work should they wish to. It would give them a choice. As a bonus, it would reduce the costs of operating huge bureaucracies such as The Department for Work and Pensions, who at present continue to push older people into employment, often including those who are sick and disabled. People deserve more dignity than that.

Money would be better spent on helping younger people into work and older people to retire. Many older people have worked since they were 15. Being expected to work for 51 years in all is ludicrous. No-one should be forced to work that long. Lowering the retirement age would enable younger people to pay into the system and their own pensions, which in turn would help the economy. Letting the young stagnate while forcing the old and sick into work is not to anyone's benefit.

People who retire at 60 still have much to give to society. Allow them the opportunity to enjoy their retirement on a state pension and free them up to contribute to society in ways that differ from paid work. This would also free up jobs for young people who are struggling to find work and are losing their jobs due to the pandemic. All in all, reducing the optional retirement age to 60, while allowing people to work longer should they wish to, is a win-win situation for everybody.

Source: Collins, L (n.d.) Give men and women the option to retire at 60 with a state pension. Retrieved from <https://you.38degrees.org.uk/petitions/let-men-and-women-retire-at-60-with-a-state-pension>

Extract Two: Arguments for raising the retirement age to 70

Many Western economies face a demographic time bomb – an ageing population, which places strain on government spending and the welfare state. One solution is to link the state pension to life expectancy which could see the state retirement age increase to 70. It is estimated this could save up to £500bn over 50 years.

The graph below (Figure 1) shows how the amount spent on pensions as a percentage of GDP has increased substantially since the 1950s.

Figure 1: UK spending % of GDP

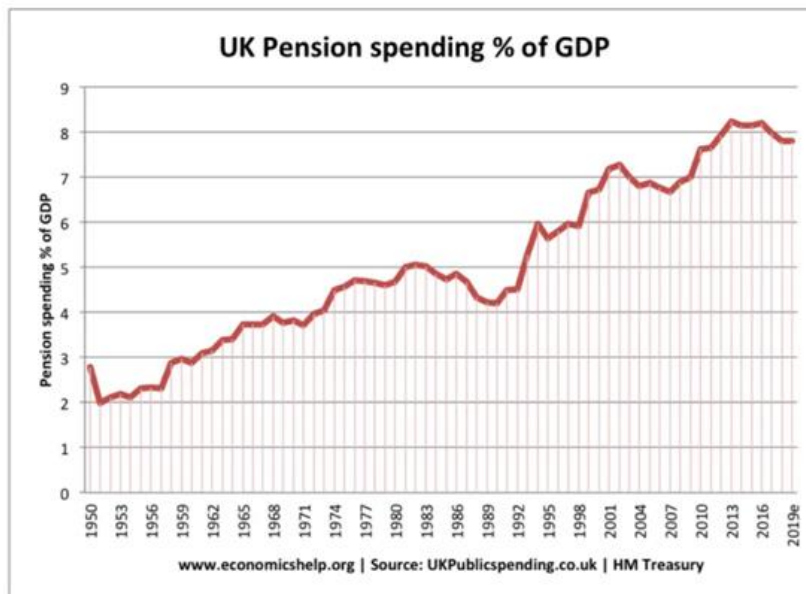


Figure 2 shows that all Western economies face a rise in the dependency ratio, which is the ratio of people who are not of working age compared to those who are of working age. The UK's demographic forecast is not as bad as other countries. This is partly because the UK has had significant levels of immigration and an increase in the population.

Figure 2: Dependency Ratio



Arguments in favour of raising the retirement age to 70 include:

1. Increasing life expectancy. When the first state pensions were introduced in 1908, the retirement age was set at 70. It was later reduced to 65. But since the start of the twentieth century, we have seen a rapid increase in life expectancy. Since 1981, for example, longevity has increased 5.3 years. If we keep the retirement age the same, we are trying to support an ever-increasing percentage of people's life in retirement.

2. Higher tax revenue. As well as saving the government pension spending, if people work longer, it will increase income tax revenues. Increasing the labour supply will also increase the productive capacity of the economy.
3. Increasing the value of the state pension. If the retirement age is increased, the government will be able to afford an increase in the real value of the state pension. A higher basic state pension will help reduce poverty without creating the disincentives to save that means-tested top-up benefits do. People may prefer a decent pension spread over a smaller number of years than a limited pension stretched over a longer time-period.
4. More flexible labour markets. At the moment, several professions have a fixed retirement age; this means people have to retire at a certain age, even if they would prefer to keep working. Increasing the state retirement age will enable people to work longer, which will help increase the supply of labour. With jobs increasingly non-manual, there isn't any physical barrier for people to keep working. It also means the economy can benefit from highly experienced and highly skilled workers.
5. Better than the alternatives. The alternatives to increasing the retirement age are unattractive. They would entail placing a higher tax burden on the working population and higher tax rates could reduce incentives to work.

Source: Pettinger, T (2016) Should we increase the state pension age? Retrieved from <https://www.economicshelp.org/blog/9556/labour-markets/increase-state-pension-age/>

Extract Three: Arguments that an increased retirement age puts pressure on the 'sandwich generation'

A new study from LSE has found that raising the retirement age is likely to put pressure on middle-aged people with caring responsibilities. The study, published in *Research on Aging*, analysed the 'sandwich generation'— older people between the ages of 50 and 69 who are most likely to have the combined pressures of extended working lives and caring for grandchildren, spouses and elderly parents.

Co-authors Dr Giorgio Di Gessa and Professor Emily Grundy of LSE Social Policy analysed the likelihood of older people combining participation in the labour market with caring responsibilities and participation in the voluntary sector. In their comparison, the authors analysed four countries with differing family care cultures and retirement and labour market policies: England, Denmark, France and Italy.

In all four countries, the study identified a negative relationship between paid work and engagement in other activities, such as volunteering and caring, with older people in paid

work less likely to be active in other activities. However, among elderly people who stopped working, French and Danes were more likely to become active in volunteering, while English and Italians were more likely to provide care.

The study's findings supports the growing body of research indicating that a lack of flexibility for employees could be particularly difficult for people in their 50s and 60s. This is due to the likelihood of their personal responsibilities increasing during this period of their life.

One of the paper's co-authors, Dr Di Gessa, said: "Alongside an increasing recognition and/or expectation that older people should engage with the wider society through activities such as volunteering and informal caregiving, there is also an increasing pressure that they extend their working lives. Our analysis suggests that it is unlikely that older people are able to combine and engage with all these activities now expected of them by society.

"It is still not clear whether people who have to stay in paid work for longer find it harder to take up new activities when they do eventually retire, in comparison to those leaving the labour market earlier. If this is the case, there might also be longer term implications for the health and well-being of these groups as they age.

"This analysis means that recent reforms to extend people's working lives might have serious implications for older people, as these policies may constrain opportunities for participation in a range of activities, including volunteering and informal caregiving. Flexible working could be one way to help people in early old age balance work and other forms of engagement and responsibilities."

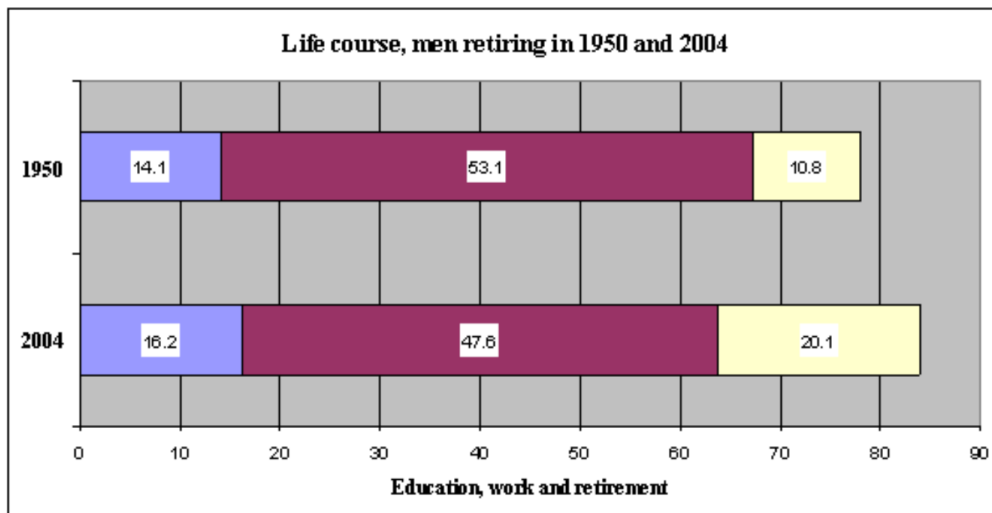
Source: Di Gessa, G and Grundy, E (2016) Increased retirement age puts pressure on sandwich generation. Retrieved from <https://www.lse.ac.uk/News/Latest-news-from-LSE/2016/10-October-2016/Increased-retirement-age-puts-pressure-on-sandwich-generation>

Extract Four: Arguments in favour of a later, more flexible retirement age

The great triumph of the twentieth century is that people are living longer lives and healthier lives. This is good news. It means that many more people reach retirement age and that people live longer in retirement. But it also means that pensions cost more. The problem, however, is not that people are living too long, but that they are retiring too soon.

When retirement was invented in the nineteenth century, it was intended to get doddering workers off the factory floor, where they lowered the productivity of younger workers. At that time, people who were 65 were very old – already older than the life expectancy of their generation – and often frail, so it made sense that retirement was mandatory and complete.

Since then, two things have changed. People are living longer healthy lives. The top line of the figure below shows the story of a man who retired in the UK in 1950. He left school at fourteen, worked until the then average retirement age of 67, and then retired with eleven years of remaining life. A man who retired a few years ago left school at sixteen and retired at the then average retirement age of 63, at which point he had 20 years of retirement. Thus, it is possible to raise retirement age but at the same time for each generation to be retired for longer than its forebears.



The second change is that societies have become richer, making it possible for people to retire when they are still active. That, however, means that the purpose of retirement has changed – it no longer exists primarily to clear dead wood out of the labour force, but to provide a period of leisure in later life, as part of a civilised society. Given this new purpose, it is bad economics, bad politics, and bad social policy to force people to retire completely on a fixed date. They should be given choice over how they move from full-time work to full retirement.

Bottom line: an important part of the response to population ageing is later retirement, on average, but also more flexible retirement. This should not be surprising. If we were designing a pension system for a brand-new planet whose native life form was living longer and longer, we would never consider a fixed retirement age; instead, we would suggest a default retirement age that bore some sensible relationship to life expectancy.

As life expectancy continues to rise, any solution that does not contain later and more flexible retirement will fail. That is true of all OECD countries and more widely. The argument applies to state pensions, to private pensions and to public sector pensions. The pressures will face the next government, whatever its political make-up. As is often the case, the economics is straightforward – it's the politics that is difficult.

Source: Barr, N (2010) Retirement age – a good news story. Retrieved from <https://blogs.lse.ac.uk/politicsandpolicy/retirement-age-%E2%80%93-a-good-news-story/>