
THE BEHAVIOURAL IMPACT OF CHANGE IN THE TEACHERS' PENSION SCHEME

*Mark Peters¹, Merryn Hutchings², Gareth Edwards¹, Sarah Minty², Ken Seeds¹ and Sarah Smart²
BMRB Social Research (1) and Institute for Policy Studies in Education, London Metropolitan University (2)*

Introduction

This Research Brief reports on research commissioned by the DfES¹ following changes in the Teachers' Pension Scheme that came into force on January 1 2007. The research aimed to investigate:

- awareness and perceptions amongst teachers and teachers' employers of the changes to the Teachers' Pension Scheme (TPS), which came into force on 1 January 2007; and
- the impact of the TPS changes on teachers' decisions to remain in the profession and employers' decisions to support them.

It involved surveys of local authorities, headteachers in their role as employers², and of employees aged 49 to 60 (including teachers and headteachers), together with case studies in twelve schools. Most fieldwork took place between May and July 2007; consequently the main emphasis was on potential changes to behaviour rather than change that had already taken place.

Key findings

- Some eight per cent of employees (teachers and headteachers) indicated that previous pension arrangements had been a barrier that prevented them from reducing their hours or responsibilities, and a further 21 per cent that they had 'to some extent' been a barrier.
- While 24 per cent of the sample of employees aged 49 to 60 said they kept up to date with pension information, and 59 per cent that they had a broad understanding of how their pension was calculated, the qualitative research found that in many cases awareness was partial or inaccurate. The number of employees who indicated that they were aware of the TPS changes was smaller: nine per cent reported a detailed understanding and awareness, and a further 46 per cent a general awareness of the changes.
- Among teachers' employers, local authority pensions staff generally reported a detailed understanding of the changes (72 per cent), as did a third of local authority HR staff (36 per cent). However, interviews showed that those who worked directly with schools (as advisors or inspectors) knew less and were less likely to see the relevance of the TPS changes to their work. Among employees, headteachers were better informed about the TPS changes than were classroom teachers (15 per cent of heads reported a detailed understanding compared with eight per cent of classroom teachers).

¹ From June 2007, the DfES was replaced by the DCSF (Department for Children, Schools and Families).

² The local authority is the employer, except in the case of voluntary aided and foundation schools. However, the headteacher and governors are responsible for recruitment and deployment of staff, and in this research the views of local authorities, governors and headteacher as employers were all investigated.

- While teachers generally welcomed the new flexible options that had been introduced, the research was too early for many to have already taken advantage of the changes. Just four per cent of the employee sample indicated that their retirement plans had changed as a result of the TPS changes, and a further 23 per cent that they might possibly change. Six per cent of the employee sample indicated that as a result of the changes they would stay in teaching longer than they had previously intended, and seven per cent that they would now reduce their hours or responsibilities earlier than they had previously anticipated.
- There were few differences in this across different groups of teachers, though those aged 49 to 54 were more likely to indicate a possible change in their plans than those aged 55 to 60. Those teaching secondary shortage subjects and headteachers were no more likely to anticipate taking advantage of the changes than other teachers.
- A majority of headteachers as employers indicated interest in employing older teachers in roles such as enrichment work with small groups (79 per cent), mentoring less experienced teachers (73 per cent), and taking classes during PPA time (75 per cent of primary headteachers), arguing that this would enable schools to benefit from their skills and experience.
- However, headteachers expressed various concerns about creating reduced capacity posts. Older teachers were seen by some as a costly resource in comparison with NQTs or support staff, and 41 per cent of headteachers as employers wrote comments about the cost. Some were also reluctant to allow teachers to move to part-time work, which they saw as creating timetabling problems and reducing continuity for pupils; 49 per cent of primary and 56 per cent of secondary headteachers said that they would *not* be happy to employ more part-time teachers.
- The qualitative research showed that a minority of headteachers recognised that the new flexibilities could be used to support good human resource management. Others had either not recognised this, or felt that it was inappropriate to suggest to teachers that

they might reduce their hours or responsibilities.

Background

The changes to the TPS took place in a context in which rising life expectancy is leading to moves to encourage people to work longer and to save more for retirement, and many pension schemes are changing in ways that reflect this. This report is concerned with those changes that affect existing members of the scheme: the two that are likely to have the greatest impact are the introduction of phased retirement (enabling older teachers to reduce their hours and/or responsibilities and to draw on some of their accrued pension benefits), and the changes to average salary calculation (through which the pension is based either on the best three consecutive years in the last 10, or on the average salary in the final year).

The potential impact of the pension scheme changes must be considered in the light of current behaviour. The pattern of teacher retirements in the last 20 years shows that the number retiring before the age of 60 has consistently exceeded the number retiring at or after 60. Those in leadership grades and men more often retire before 60 (in comparison with classroom teachers and women) (DfES, 2006). Some older teachers have moved to part-time work or to supply teaching as ways of reducing their hours or responsibilities (DfES, 2006; Hutchings *et al.*, 2006).

Research design

The evidence in this report is based on both quantitative and qualitative research. The following groups were surveyed:

- local authorities: separate surveys were conducted with pensions staff (67 responses – 48 per cent response rate) and HR staff (39 responses – 28 per cent response rate)
- headteachers in their role as employers (672 responses – 34 per cent response rate) (referred to as ‘headteachers as employers’)
- ‘employees’ aged 49 to 60 who were members of the TPS: (3865 responses in all, 939 from headteachers - 47 per cent response rate; and 2926 from other teachers - 44 per cent response rate).

Design weights were applied to the achieved samples of employees and of headteachers as employers to correct for the over- and under-sampling during the sample selection phase. The percentages reported are based on weighted data. Differences are reported only when they are statistically significant at the 95 per cent confidence level.

Case studies were conducted in twelve schools selected to illustrate diversity in phase, size and location; in each case the headteacher and between two and five teachers aged 49 to 60 were interviewed, and in all but one a governor was interviewed. Local authority advisors and inspectors were also invited to take part, but generally did not agree to do so. Following the survey, a further twelve interviews were conducted with local authority staff, headteachers and other teachers to pursue particular lines of enquiry. In total, interviews were conducted with 21 headteachers, 51 teachers, two school administrators, 12 governors and staff in five local authorities.

Findings

Headteachers' attitudes to flexibility for employees to reduce hours or responsibilities

The TPS changes offer older teachers the opportunity to reduce their hours and/or their responsibilities as they approach retirement, but this will be possible only if schools wish to employ them. The headteachers as employers survey data show that headteachers' attitudes to this varied enormously. While over 80 per cent agreed that they tried to support staff who wished to reduce hours or responsibilities, 49 per cent of primary and 56 per cent of secondary headteachers indicated that they would not be happy to employ more part-time teachers. Half the secondary headteachers interviewed indicated that they were unlikely to support reductions in hours or responsibilities and would do so only if they were 'in the interests of the school', which appeared to be constructed as distinct from, or even in conflict with, the well-being and job satisfaction of the older teachers. In contrast, other headteachers (about half of those interviewed, including headteachers of primary, secondary and special schools) saw meeting the needs of older teachers as part of ensuring quality provision for pupils. Some of these had used a variety of ways of enabling teachers to reduce their hours and/or responsibilities under the previous teachers' pension regulations. These different attitudes seemed to be rooted in the

headteachers' ideas about what makes an effective school; they did not relate to their age or the date of their headship training. Heads of schools that employed a high proportion of part-time teachers³ were more likely than those with a low proportion to agree that they would be happy to employ more (28 versus 18 per cent). But in the schools with higher proportions of older teachers⁴, retention was less often identified as a priority, and headteachers were more likely to agree that they would like older teachers to move on so that younger ones could be recruited (47 versus 24 per cent with a low proportion of older teachers).

Factors in teachers' retirement decisions

The likelihood of benefiting from the TPS changes may also be affected by the range of factors that teachers take into account in making decisions about retirement. Teachers were asked to select, and rank in order of importance, three factors that encouraged them to stay in teaching and three that encouraged them to leave. The factors that most encouraged them to stay in teaching were enjoyment of teaching (26 per cent selected as the most important); financial commitments that prohibit retirement (17 per cent); not being able to afford to retire, and wanting to build up a larger pension before retirement (each 10 per cent). The qualitative research indicated that for some teachers, the earliest date at which they would consider retiring related to financial commitments (in particular, mortgages, and children's higher education). However, once these had been met, whether work was enjoyable became the central factor. Thus older teachers were more likely than younger to choose school-based factors as encouraging them to stay in teaching, and younger teachers more likely than older to choose financial factors. For some other teachers, finance was less central, and the main reason for staying in teaching was their enjoyment of their role.

The factors that were most frequently ranked first in encouraging teachers to leave were wanting to retire while still healthy and able to enjoy it (selected by 37 per cent as the most important); not enjoying some aspects of their current work

³ Schools in the sample were divided into three groups of approximately equal size based on the proportion of teachers (headcount) that worked part-time; a low proportion was 0 to 15 per cent, and a high proportion over 30 per cent.

⁴ Sample schools were also divided into three groups of approximately equal size based on proportion of teachers (headcount) aged 50 and over; low – 0 to 20 per cent, high – over 40 per cent.

(20 per cent); and not achieving a satisfactory work-life balance (11 per cent). The qualitative data identify a perception that at a certain age (generally located in the late fifties), energy will drain away. Eight out of 65 interviewees cited a variety of 'mortality myths' suggesting that those who continue to teach (or who move from full-time work straight into retirement) are likely to die sooner than those who retire early or gradually; however, there is no evidence to support these. Headteachers were more likely than teachers to select not achieving a satisfactory work-life balance as one of the three factors encouraging them to leave (47 versus 37 per cent) while teachers were more likely than heads to select not enjoying some aspects of current work (58 versus 42 per cent).

Teachers' understanding of their pensions

While 24 per cent of the employee sample said they kept up to date with pensions information, and 59 per cent that they had a broad understanding of how their pension is calculated, the qualitative research found that in many cases awareness was partial or inaccurate. In particular, almost all those who talked about actuarial reduction underestimated the extent of the reduction. More than one in 10 interviewees believed that working part-time would vastly reduce their pension, because they did not understand the calculations correctly. One in six teachers in the survey indicated that they found pensions information 'confusing', or had not yet looked at it. Both the interviews and the survey showed that many teachers investigate their pensions only when they expect to retire in the next year or so; only 12 per cent of those aged 49 to 51 said they kept up to date with pension information, compared to 39 per cent of those aged 58 to 60. Those teachers who have misunderstandings or who find pensions information confusing may be less likely to understand and take advantage of the new options available. The qualitative research found that some teachers had not received annual statements from Teachers' Pensions, and this contributed to their vagueness about their pensions.

Awareness and understanding of TPS changes

Within local authorities, those who worked directly with teachers' pensions generally reported a detailed awareness and understanding of the TPS changes (72 per cent), but HR staff were more likely to report only a general awareness (36 per cent detailed understanding, 49 per cent

general awareness). Governors interviewed reported limited or no awareness. Amongst headteachers as employers, 11 per cent said they had a detailed awareness and understanding, while a further 50 per cent reported that they had at least a general awareness. A similar pattern was found among employees, with slightly fewer reporting either a detailed (nine per cent) or general (46 per cent) awareness. Some groups had a greater awareness: headteachers (68 per cent of those aged 49 to 60 reported a detailed or general awareness); men (68 per cent); older teachers (62 per cent aged 58 to 60 versus 46 per cent 49 to 51); and those who were closer to their anticipated retirement date. However, 31 per cent of all employees had a limited awareness, and 13 per cent said that they were unaware that the scheme had changed.

A majority of those surveyed indicated that they were aware of both the increase to contributions and of other changes (69 per cent of headteachers as employers, and 60 per cent of employees). Interviews showed that more were aware of and understood the change to average salary calculations than the introduction of phased retirement. Many saw this simply as a reduction in hours or responsibilities, but did not understand that it also involves drawing part of the pension early. Some interviewees were 'aware' of changes that had not in fact taken place, such as raising normal pension age to 65 for teachers over a certain age. Thus survey respondents' claims to awareness of changes other than increased contributions must be treated with some caution. Some headteachers in their role as employers and some employees said they knew very little about the TPS changes: some 15 per cent of each group were aware only of the increase in contributions, while 16 per cent of headteachers as employers and 22 per cent of employees indicated that they were 'not aware of many changes at all'.

Sources of information about the TPS changes

In relation to sources of information about the changes, local authority staff were most likely to have learned about the changes from the Employers' Toolkit (81 per cent pensions staff, 62 per cent HR), the TPS website (76 per cent pensions, 46 per cent HR), and from training provided by Teachers' Pensions or the DfES (72 per cent pensions, 56 per cent HR). The majority of governors interviewed had heard about the changes only through the research; some felt strongly that they should be provided with more information. The most important source of

information for headteachers as employers and for employees was teacher unions (56 per cent, 59 per cent). The next most frequently cited source for employees was talking with colleagues (39 per cent). Among employees, headteachers were more likely than teachers to indicate that they had heard about the changes through written information or official sources, and teachers more likely than heads to say their information came from talk with colleagues (42 versus 28 per cent). Less than a quarter of headteachers as employers and of employees had found out about the changes from the TPS website. Almost a third of headteacher employers had received letters from their local authorities, but only 14 per cent of employees said that they had heard about the changes from the local authority, and just nine per cent of teachers said that they had been informed by their headteacher. These data suggest that communication about the TPS changes has been limited, and that there was no consistent method through which information had been passed to all teachers. Chance and misunderstanding played a role in what information was noticed. In addition, some individuals had received information but had not paid any attention to it. The information sheet provided with the survey and to all interviewees was reported to be clear and comprehensible, and appeared to have increased understanding in many cases. But for some respondents it revealed that they did not understand as well as they had thought.

Teachers' career plans before retirement

Before retirement, 60 per cent of the employees surveyed anticipated that they would continue to work on the same salary scale and for the same hours. Almost a fifth (18 per cent) indicated that they would reduce their hours or responsibilities, and only eight per cent (mainly those who were younger) indicated that they would seek promotion. Slightly more of the deputy and assistant headteachers said they intended to seek promotion (12 per cent), with seven per cent of this group looking to achieve headship. Headteachers were less likely than other groups to intend to move to part-time work (six per cent) or to reduce their responsibilities (two per cent, compared with six per cent of teachers).

Teachers' retirement plans

There was some contrast between the data about teachers' retirement plans from the surveys, in which those responding were channelled into a definite choice, and the data from interviews, which indicate very much more fluid and nebulous

plans. Far fewer employees indicated that they would retire before the age of 60 than has been the case in recent years: just a quarter indicated that they would draw an actuarially reduced pension (22 per cent), or take premature or ill-health retirement (two per cent, one per cent). This contrasts with the 2005-6 figures (DfES 2006b) which show that 57 per cent of all teachers' pension awards fell in these categories. It is impossible to tell whether this contrast represents a dramatic change in retirement patterns, or simply illustrates the size of the gap between intentions and actions in this respect. It is of course possible that some of those who might otherwise have retired before the age of 60 had decided to extend their working lives by taking phased retirement, but only five per cent of employees indicated that they planned to do so. Some groups were more likely to anticipate retiring before age 60: those in secondary schools, headteachers, men and those with more years of pensionable service.

Employees were asked how definite their retirement plans were. Overall, just 13 per cent indicated that their retirement age plans were certain, and 15 per cent that their type of pension award was certain. Those whose anticipated retirement was some years ahead indicated a higher degree of uncertainty. Those who intended to retire before age 60 indicated a higher level of certainty than those who indicated they would work to age 60 or beyond.

Those who intended to teach to 60 or beyond more often selected school-based factors (such as 'I enjoy teaching') as incentives to stay in teaching than those who anticipated retiring before 60 (69 per cent selected a school-based factor among the three most important, versus 59 per cent of those who intended to retire early). Similarly, those anticipating staying in teaching to 60 or beyond were less likely to identify school-based factors as reasons to leave (e.g. not enjoying some aspects of their work, or unsatisfactory work-life balance) (70 per cent versus 76 per cent of those who intended to retire early). Expectations also played an important role; those who anticipated teaching to 60 or older were far more likely to agree that they had 'always expected' to work until they were 60 or over (17 per cent versus three per cent of those retiring early).

Actual impacts of the TPS changes

The survey was sent out just five months after the changes came into effect, and was too early to capture action in response to the changes. The qualitative research took place over a longer period, and interviews were conducted with four teachers who had changed work patterns in response to the changes (two in case study schools and two in follow-up interviews). Eight per cent of the employee sample had had either formal or informal discussion about taking phased retirement with their headteachers, and two per cent with the local authority. Around one in 10 headteachers indicated that discussions about potential roles for older teachers who opted to reduce their hours or responsibilities had taken place. This had more often occurred in schools with higher proportions of older teachers.

Potential impact of the changes

There was no clearly agreed view among teachers' employers (local authorities and headteachers) as to what the future impact of the changes would be. Some headteachers as employers viewed the changes very positively, identifying potential roles for older teachers working who had reduced hours or responsibilities such as enrichment work with small groups (79 per cent), mentoring less experienced teachers (73 per cent), and taking classes during PPA time (75 per cent of primary headteachers). Sixty-four per cent of headteachers as employers agreed that work-life balance for teachers would be improved, and 50 per cent agreed that there would be greater opportunities for older teachers to pass on their skills and experience. While 41 per cent of headteachers agreed that teachers would extend their working lives, working beyond the age at which they would otherwise have retired, 54 per cent thought that teachers who would otherwise have continued to work full-time to age 60 would now reduce their hours and responsibilities before that age. Headteachers interviewed argued that the changes would benefit the school because those who were no longer able to contribute fully could take on reduced capacity roles in which their skills and experience would be valuable, and they would have more energy and increased motivation. A minority of the headteachers who were interviewed identified the potential for human resource management, and offering positive ways forward to some older teachers who are not coping with their current responsibilities. Some of these identified the potential for encouraging retention, but none linked this specifically to shortage secondary subjects.

Overall, four per cent of the employee sample indicated that their retirement plans had changed as a result of the TPS changes, and a further 23 per cent that they might possibly change. The survey explored these changes. Around a quarter (24 per cent) of all those whose plans had definitely or possibly changed - six per cent of all employees - considered they might stay longer in teaching as a result of the TPS changes, but a similar proportion (25 per cent) - seven per cent of all employees - anticipated retiring earlier than they would otherwise have done. This does not suggest any major impact in terms of extending working lives. Of those who said that their plans had definitely or possibly changed, 62 per cent said that this resulted from the introduction of phased retirement, 44 per cent from the change to average salary calculation, and 28 per cent from increased flexibility in relation to the lump sum (some indicating more than one of these changes).

Two fifths of all employees indicated in the survey that they would consider phased retirement, but qualitative data showed that many misunderstood what was involved in this, thinking the term referred to any reduction in hours or responsibilities before retirement. Of those who said that they would consider phased retirement, half thought they would reduce both their hours and their responsibilities in such a role; a further 38 per cent that they would reduce only their hours; and just four per cent that they would reduce only responsibilities.

Barriers and constraints

Local authority staff noted that phased retirement can only be taken if the salary is reduced by at least 25 per cent, but that this does not fit well with teachers' work patterns. If this figure were reduced to 20 per cent it would allow teachers to work four days a week in a phased retirement role. Some 14 per cent of those teachers who would consider phased retirement indicated they would like to work four days a week, and they would be unable to do this under the current regulations.

The survey data showed that both local authority staff and headteachers as employers identified cost as a concern. When asked to write on the questionnaire the main difficulties in creating roles for older teachers who reduced their hours or responsibilities, 11 out of 39 local authorities and 41 per cent of headteachers wrote comments about the cost. Older teachers were seen by some as a costly resource in comparison with

NQTs or support staff. Some headteachers were also reluctant to allow teachers to move to part-time work, which they saw as creating timetabling problems and reducing continuity for pupils; as shown earlier, 49 per cent of primary and 56 per cent of secondary headteachers said that they would *not* be happy to employ more part-time teachers. Some headteachers and governors also indicated reluctance to use the possibilities opened up by the TPS changes proactively in managing staff, because they felt it would not be appropriate to approach teachers and suggest that they reduced their hours or responsibilities.

Almost half the employees who said they would consider phased retirement anticipated having difficulty in finding suitable employment in which to do this. One teacher who had wanted to take phased retirement in her current school had not been allowed to do so. Some teachers pointed out that headteachers are often reluctant for part-timers to fit their work into a small number of whole days because of timetabling difficulties; others echoed the headteachers' concerns about lack of continuity for pupils. A few talked of the difficulties of reducing responsibilities and staying in the same school.

Potential impact on school leaders and succession planning

There was considerable interest among headteachers in system leadership roles; 85 per cent of those headteachers who said they would consider phased retirement (or 30 per cent of all headteachers) said they would be interested in mentoring less experienced school leaders. However, most of those interviewed intended to do this after 'retirement', or saw no need to make use of the new pensions flexibilities. The NCSL (2006) have suggested that one benefit of headteachers taking on system leadership roles would be that their deputies have a chance to 'act up', which might make them in turn more likely to apply for headship. The research showed that such opportunities had had varying impacts (either encouraging or discouraging them to apply for headship, and either increasing or reducing their confidence); if such roles are to be a positive step towards headship it seems important to support acting heads, and mentor them as they move on to headship.

There was some interest among headteachers in co-headship, with 76 per cent of those who would consider phased retirement (27 per cent of all headteachers) identifying such a role as a possibility. The qualitative research investigated a number of existing co-headship arrangements,

most of which had the impact of supporting the younger co-head to move to full headship when the other retired. One such arrangement had been explicitly designed as a mentoring arrangement. While none of these arrangements was taking advantage of the TPS changes, it was obvious that these could be useful in promoting similar arrangements.

Implications for policy

These findings have a number of implications for policy and practice, and some suggestions for future strategies and actions have been identified:

- a further modification to the pension scheme which would reduce the salary reduction needed for phased retirement to 20 per cent;
- improved communication about the TPS which is sent directly to teachers; is in simple language; includes worked examples; and aims to counteract common misunderstandings;
- ensuring that all active members of the TPS receive annual statements;
- informing school governors about the changes;
- seeking out those who have taken phased retirement and writing case studies to publicise the arrangement;
- emphasising the importance of teacher well-being and motivation and its impact on pupil learning in all headteacher professional development, and including the new pensions arrangements as potential ways of contributing to the well-being of older teachers;
- encouraging headteachers to discuss the difficulties of approaching older teachers on this topic, and sharing examples of successful human resource management;
- making ongoing efforts to raise awareness of the potential that the TPS changes open up for co-headship arrangements;
- commissioning research to explore the variety and impacts of such arrangements, and to identify key factors in successful arrangements; publicising case studies of the most successful.

References

DfES (2006) *School Workforce in England* (including pupil: teacher ratios and pupil: adult ratios), January 2006 (Revised), additional tables added December 2006.

Hutchings, M., James, K., Maylor, U., Menter, I. and Smart, S. (2006) *The Recruitment, Deployment and Management of Supply Teachers in England*, RR738, Nottingham: DfES.

Information about Teachers' Pensions

Information about teachers' pensions can be obtained from the Teachers' Pensions website. This gives details of the scheme and the various possibilities open to teachers. It also includes a facility for members of the scheme to obtain an on-line estimate of their pension benefits, and one for making specific enquiries.

Alternatively, Teachers' pensions can be contacted by telephone on **0845 6066166**, this is a BT local call rate number.

Additional Information

Copies of the full report (DCSF-RR024) - priced £4.95 - are available by writing to DfES Publications, PO Box 5050, Sherwood Park, Annesley, Nottingham NG15 0DJ.

Cheques should be made payable to "DfES Priced Publications".

Copies of this Research Brief (DCSF-RB024) are available free of charge from the above address (tel: 0845 60 222 60). Research Briefs and Research Reports can also be accessed at www.dcsf.gov.uk/research/

Further information about this research can be obtained from Jim Foley, 2F Area B, DCSF, Mowden Hall, Staindrop Road, Darlington, DL3 9BG

Email: james.foley@dcsf.gsi.gov.uk

The views expressed in this report are the authors' and do not necessarily reflect those of the Department for Children, Schools and Families.