To Stay or Not to Stay: Retirement Migration Decisions among Older People

1. Project overview
There is a growing population of older Black and minority ethnic (BME) people in the UK, many of whom were born abroad and so may consider ‘returning’ to their country of birth when they retire. Previous Runnymede research shows that the number of BME people over 65 years old is likely to grow from 230,000 in 2001 to 2.7 million by 2051 – a twelve-fold increase.¹

In this context, it is important for policymakers to improve their understanding of how people make the decision about where to live during retirement. Such an improved understanding will help the government to plan for a future in which large numbers of older BME people will be living in, and leaving, the UK, and the associated demands on the state, in terms of pensions, healthcare and other public services. It may also reinforce the capacity of policymakers to influence the numbers leaving the UK on retirement.

To explore this idea, Runnymede undertook a qualitative study that examined the retirement decisions of older BME people. The study was driven by 3 key questions:

- Which considerations are the most important in deciding whether or not to spend retirement overseas?
- What are the decisions people ultimately make?
- In particular, how important are financial considerations, and do people take a ‘rational’ or cost-benefit approach to the decision?

To answer these questions we ran focus groups with over 80 people, including Caribbean, Moroccan and white British people. In these meetings we were able to talk to people with different migration experiences, as well as revealing the extent to which retirement considerations are shared between white British and BME people. Participants were mainly retired but the groups did include some who were still approaching retirement. Focus groups took place in London, Leeds and Cardiff, enabling us to explore regional differences, as well as gauge the experience of those living in cities with varying BME populations. We asked participants whether they had considered spending their retirement outside the UK, such as in their country of birth, and what were the considerations that most affected this decision.

2. Findings
The focus group data show that the participants thought about retirement in a variety of ways, prioritizing different considerations and coming to different decisions – returning ‘home’, staying in the UK or splitting their time between the two. There

¹ Preceding text to 1. Project overview

Executive Summary of a Runnymede Report
were also findings distinctive to each ethnic group, as well as some commonalities. We concluded that three broadly defined considerations were the most important in deciding where to spend retirement:

- family and friends;
- health and healthcare; and
- financial considerations.

**Family and friends**

Family is often a central consideration and was mentioned by participants much more frequently as a reason to stay than to return. In particular, many of the Caribbeans said that family in the UK – children and grandchildren – is the main reason why they want to stay. Among the white British participants, some also wanted to stay in the UK to be close to family, while others considered spending time overseas in a particular country where they have family. However, some of the participants in the London group cautioned against basing retirement decisions on where family is located, and affirmed the value of friendships as equally, if not more, important.

In contrast, the Moroccans were more likely than the Caribbeans to highlight the importance of overseas family (in Morocco). However, family was often described as a reason to visit regularly, rather than move permanently. For some, family in the UK also acted as a barrier to leaving the UK.

**Health and healthcare**

Given that almost every Caribbean and Moroccan participant had something to say about it, access to good-quality and affordable healthcare is one of the most important considerations affecting people’s decision of where to retire. Participants consistently remarked on how much more expensive healthcare is overseas and how this acts as a barrier to return.

The Caribbean participants were more likely to feel positive about staying in the UK because of access to healthcare – in other words, healthcare in the UK can act as a reason to stay. In contrast, the Moroccans were more likely to feel that the cost of healthcare in Morocco prevents them from returning. Many white British participants also valued greatly the free care provided by the National Health Service, and some were deterred from moving abroad due to fears over the cost of healthcare and access difficulties, including language barriers and dealing with bureaucracy.

**Financial considerations**

For most of the Moroccans, financial considerations acted as a major barrier to return. This included the perception of a lack of access to UK state pensions and other welfare benefits in Morocco, as well as the increased cost of living and housing there. The Moroccan women did not know that UK state pensions are not uprated in Morocco, a fact that provoked some angry responses and a sense of unfairness.

Financial considerations were less important among the Caribbean participants. Accessing UK state pensions in the Caribbean was generally not seen as a problem, although some participants were put off by the potential loss of financial support from the state in terms of other welfare benefits. Some felt that there was a cost of living advantage to returning, while others felt that that advantage no longer exists. The affordability of healthcare was a central consideration among the Caribbean and Moroccan participants, which can be thought of as a financial consideration.

Among the white British participants, the cost of living was also considered important. This included comparing the affordability of property between the UK and other countries. However, people generally felt that there is no longer a clear cost-of-living advantage for those moving to France or Spain.

3. **Further findings**

Our research highlighted a number of further considerations, including:

- how people feel they have contributed to the UK economy and society and so should be entitled to some ongoing support;
- whether people take a ‘cost-benefit’ approach to their retirement decisions; and
- how various senses of belonging influence decisions.

**Contribution and entitlement**

A significant influence on decision-making, especially in the context of pensions and healthcare, is the importance people attach to notions of contribution and entitlement. Participants felt entitled to use public services, such as the NHS, either because they: (1) have contributed, or ‘paid into the system’ throughout their working lives; or (2) are British citizens, or consider themselves to be ‘British’. While perhaps out of step with current policy thinking, this sentiment fed into people’s decision-making in three distinct ways.

Firstly, some felt that after a lifetime of contributing to the UK system – through payment of taxes – it made more sense to stay in the UK and benefit from the NHS and other public services, than to return...
or move overseas and end up spending more on such services. Secondly, some felt that, as they had contributed throughout their working lives, the UK government should better support them in a return to their country of birth on retirement. In theory, this could be through uprating pensions, allowing them to continue to receive certain welfare benefits or subsidizing healthcare overseas. Thirdly, people felt that having contributed economically and socially and/or being ‘British’, they should be entitled to return to their country of birth and continue to use the public services – including health services – in the UK when they visit.

**Decision-making: cost-benefit**

Our third research question had asked whether people make retirement decisions based on an assessment of the costs and benefits of staying in the UK or moving overseas. Our research showed us that these decisions are rarely based on a detailed assessment of the financial implications of each option. However, people are often aware of financial implications and consider the trade-offs, such as that between the increased costs of healthcare abroad against the health benefits of living in a warmer climate. Some of the Moroccans did make a kind of cost-benefit assessment, noting that return was desirable but would result in a significant drop in income and living standards through a perceived inability to receive state pensions, reduced access to welfare benefits and more costly healthcare.

**Belonging**

Participants also discussed how different senses of belonging – both to the UK or one’s country of birth – influenced where they wanted to be. These included:

- an attachment to a way of life, including being in a warmer climate;
- thinking of the UK or their country of birth (or both) as ‘home’;
- experiences of rejection and discrimination (both in the UK and overseas);
- feeling a sense of attachment and belonging to specific locales, such as a city or region; and
- support for political and social values in the UK, such as equality.

4. **Key conclusions and policy actions**

The key conclusions below are important points that have emerged from our reflections on our focus group and interview evidence. The four policy actions that follow are informed by this evidence and our conclusions, but are also based on our own views and discussions about how the state should support long-term migrants if and when they decide to spend retirement overseas.

An important theme running through the key conclusions and policy actions is that of ‘contribution’. Our understanding of contribution here is of a general sense of people ‘making a contribution’, whether that is through working, paying taxes, caring for family members or being part of the community. This sense of contributing is allied to an expectation of some degree of reciprocity from the state for that contribution, and this is the meaning we attach to our use of the term, rather than the technical specificities of National Insurance Contributions and tax records.

Lastly, we have neither the detailed data nor expertise to make fully costed, detailed policy recommendations; rather, we have taken on the role of highlighting existing challenges, encouraging policy debate and suggesting ways forward.

**Key conclusions**

1. **We live in a hyper-mobile world**

Migration is very fluid: people can live in many countries throughout their lives, move back and forth between countries, migrate when they retire and split their retirement between more than one country.

The scale of migration into and out of the UK is historically high, and from a much more diverse range of countries than in the past.
2. ‘Migrants’ want to benefit from the economic and social contribution they have made to Britain

Many people who were born overseas and have lived in the UK for decades have made a significant contribution to British society. This contribution is economic – through working, paying taxes and National Insurance Contributions (NICs) – and social – through providing services and building public institutions, for example by working in the National Health Service, and by contributing to British social and cultural life more generally.

Those who want to ‘return’ (or move elsewhere overseas) when they retire feel they should receive some benefit because they have made such a contribution. They feel that they have ‘played by the rules’ and that a basic sense of reciprocity means the state should provide a degree of support in their older age, such as through pensions and healthcare.²

The extent to which people who move overseas have their pensions ‘uprated’ – i.e. pensions that rise annually with inflation – and maintain access to free NHS care are important considerations in people’s retirement decisions, encouraging or compelling many to stay in the UK.

Retirees of all ethnicities and nationalities – white British and BME alike – should be able to derive some benefit from the contributions made throughout their working lives regardless of whether they continue to live in the UK or not.

3. Re-thinking the link between geography, contribution and entitlement

Taking points 1 and 2 together, we now live in a world in which, on retirement, people often move away from where they have contributed substantially, and believe that when they do so they should be recompensed for some reasonable portion of the value of those contributions.

Benefit entitlements should not assume that people stay permanently in the same country. Such a system would be fundamentally unreasonable: it would constrain people’s choices over where to spend their retirement; and it would mean that many people who did move away would see very little recognition of the significant contributions they have made over time.

However, we acknowledge that the contributory principle – that you get out at least a portion of what you put in – is not the only valid principle for determining access to benefits and services for those who retire overseas. Residency and citizenship are also important criteria, and this is reflected in our policy recommendations.

4. Access to uprated pensions

Long-term failure by the UK government to annually uprate state pensions paid to all British pensioners living elsewhere in the world creates situations of great unfairness. There appears to be no logic to the designation of those countries in which you can or cannot receive an uprate to your UK pension as an overseas resident (see Appendix 1 for the list of countries where pensions are uprated or not). The amount to which people are entitled should not vary according to their country of residence.

People are more likely to return to their country of origin at retirement if state pensions are uprated in that country. Receiving an uprated pension would be more of an incentive to move, particularly at a time when some people perceive there to be less of a cost-of-living advantage to returning than in the past, meaning that their pension income needs to be maximized. (For further clarification see Policy Action 2.)

5. Access to NHS healthcare

Access to affordable and high-quality healthcare is a central consideration in people’s retirement decisions. Some feel they have made a sufficiently positive contribution to the UK economy and society to have earned the right to receive ongoing care from the NHS as and when they need it, even after they have left the UK.
Policy actions

1. A new debate
We need a new debate on how people in a fluid world can receive fair recompense for societal contributions made throughout their lives, even if they retire to a country other than the one where they made those contributions.

The debate needs to develop an up-to-date theory of what reciprocity looks like in an increasingly mobile world. Too often, policy discussion about migrants is short-termist, and overly focused on labour market considerations and the economic benefit to the UK, while paying insufficient attention to long-term reciprocity and obligations on the state to reward and encourage contribution.

This is especially important as policymakers anticipate a future in which there will be large numbers of foreign-born people who have lived and worked in the UK for decades, who no longer live here but who may have legitimate claims to UK state pensions and some level of ongoing access to NHS treatment. And, at the same time, there are around 7 million UK citizens living abroad, only a minority of whom are retired, and some of whom are likely to return at some point.

2. Uprate overseas pensions
Currently, recipients of UK state pensions living in the majority of countries outside the EU receive pensions that are frozen in value at the point when they leave the UK, rather than annually uprated/increased with inflation (see the full list of uprated and frozen countries in Appendix 1). The government should annually uprate all overseas state pensions, regardless of where the recipient is living, and do this within the shortest possible timeframe.

This ‘unfreezing’ can be justified on the grounds of fairness to long-term hardworking citizens. People who have contributed throughout their lives (through payment of NICs) should be entitled to receive uprated pensions regardless of where they live. Indeed, both British-born expats and overseas-born people ‘returning’ to their country of birth would benefit equally from total uprating. The freezing of pensions means that some retirees living overseas can lose out on up to £24,000 of income over 20 years of retirement.

Uprating all pensions can also be justified on fiscal grounds. A recent report by Oxford Economics suggests that uprating all pensions would encourage more people to retire overseas. While this would result in lost tax revenue and extra government spending on uprated pensions, it would also lead to savings through reduced pressure on health, social care, transport, housing and other services. The report estimates that the budgetary impact of such a change would be positive by 2018, and thereafter rise significantly.

The government has previously justified its lack of uprating to all countries by claiming that other countries are unwilling to sign a reciprocal agreement. However, countries such as Canada and Australia are willing to sign such an agreement, and it is the UK that refuses to do so. Further, the UK could, if it chose, unilaterally uprate all overseas pensions through a parliamentary vote. We therefore see no good reason for the government not to proceed with across-the-board uprating.

If access to uprated pensions continues to be as limited as it is today, then government should present evidence that the cost of uprating all pensions would be significantly at odds with the level of contributions made by the people who are currently affected. Records of pensioners’ NICs should already exist and could be consulted to allow a comparison between the contributions they made when working against how much of a pension they have received so far.

3. Assess the feasibility of improved access to the NHS
Government should fully assess the feasibility of maintaining access to free NHS care for pensioners who have lived in the UK for a significant period of time but now live overseas.
People born in the Caribbean or South Asia, for example, have often spent their whole working lives in the UK and like everyone else here become accustomed to free healthcare from the NHS. However, when some of these people retire to their country of birth, where public healthcare is more limited, but where they have not been paying healthcare insurance, they find healthcare very costly and a barrier to their retiring overseas permanently. If they then return to the UK, they are typically required to pay for NHS treatment, unless they indicate their intention to return permanently.

In our view, and reflecting the consensus of our participants, continual or long-term residency in the UK should be considered as a criterion for accessing the NHS beyond emergency care for those resident abroad and visiting the UK. The government should at least consider the costs and benefits of extending NHS care to people retiring to other countries. Here it’s worth noting that those retired in most European countries have free access to a wider array of healthcare services than just emergency care, although this does not include pre-planned treatment of existing conditions. Extending free access to the NHS, even in this limited way, should start with those who have lived 30 years or more in the UK, regardless of where they have chosen to retire.

Again, this is to improve the situation where people who have been ‘good citizens’ and actively contributed economically and socially to Britain are unable to benefit from having done so when they need it most in older age. This would particularly benefit those BME people born outside of Europe, who want to return at retirement but may face the prospect of much more costly and lower-quality care overseas.

While expanding access to the NHS would initially be costly, it would also likely lead to an increase in the number of retirees leaving the UK permanently – indeed, many of our interviewees said that the cost and quality of healthcare overseas was the main barrier to their leaving the UK. Many would in all likelihood never return to the UK to use the NHS, but would be encouraged to leave by feeling safe in the knowledge that they have a safety net in the event that they do have major healthcare needs. This might, in turn, lead to long-term savings for the state.

Therefore, we recommend that government should model the likely effects of such a policy, calculating the expected increased costs against the possible savings from reduced demand on public services (e.g. transport, housing, social care and health) that could accompany an increase in the number of older people leaving the UK. Further, the government should not assume that there will be a large number of people coming back to the UK for health treatments; rather, it should provide evidence for its estimates of the propensity to return for this reason.

4. Provide better information

Government, community groups, third-sector organizations and financial institutions should work together to collate and improve the accessibility of information on the financial implications of leaving the UK at retirement, in order to help people make informed decisions.

This should include key information on expected pension income – including whether pensions are uprated or frozen – whether people can access the NHS or not, the costs of healthcare services overseas and whether people are able to access welfare benefits and other services both overseas and from the UK. While some of this information is already available, it is often difficult to get hold of, and is widely and confusingly dispersed across various government departments and websites.

The new Money Advice Service could play a role in collating and disseminating this information. It currently has a useful page of information on the financial consequences of moving overseas, including warning people that pensions may not be uprated, in its Budgeting publication (‘Living Abroad’). Money Advice Service should expand this page into a short publication and add important detail, such as listing the countries where pensions are uprated or frozen. This information should be clearly signposted in a new ‘Retiring Overseas’ section in its existing ‘Pensions & Retirement’ section. Community groups could then access and disseminate this information to people born overseas and thinking about ‘returning’.

Finally, the DWP should be obliged to immediately inform, at the first point of contact, people considering leaving the UK at retirement as to whether they would receive an uprated or frozen state pension in their destination country. We have heard anecdotal evidence that this is not being done as a matter of course, and that people’s decisions are therefore not fully informed.
Appendix 1. Countries where UK State Pensions are (1) Frozen and (2) Uprated

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Note: These tables exclude countries where there are fewer than 100 UK state pension recipients.

Source: http://www.pension-parity-uk.com/pension-rights.htm#Are%20YOU%20frozen%20or%20YOU%20not
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- Identify barriers to race equality and good race relations;
- Provide evidence to support action for social change;
- Influence policy at all levels.

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