

Extending working life: A review of the research literature

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This literature review was commissioned to assess the state of knowledge about factors influencing the labour market participation of older workers. The context for the study is the increasing rate of labour force participation of older workers and the narrowing of the gap in employment between those 50 plus as compared with younger age groups. This development is also reflected in changes in public policy with moves to encourage workers to consider extending their working lives. Against this background, the focus of the review is on exploring a range of questions concerned with understanding why some people remain in employment and why others leave ahead of State Pension Age (SPA). The review also identifies gaps in the research literature and policy issues to consider if the goal of extending working life is to be achieved. The study analyses a range of quantitative and qualitative studies on work and retirement, published in the UK over the period 1999-2005.

Key findings

- Despite increases in the employment rate of older workers, substantial numbers leave work ahead of SPA. In the UK, at the turn of the 21st century, one-quarter of men were leaving work before 58 years of age, with one-quarter of women leaving before the age of 57.
- A combination of 'push' and 'pull' factors influence movement out of employment. Poor health and disability are the most common factors '*pushing*' people out of the labour market, and are especially significant for those in their 50s and early 60s. Work-related issues are significant in respect of problems relating to stress and the perceived intensification of work routines. '*Pull*' factors are associated with financial security, those retiring early voluntarily having higher earnings than those leaving at SPA.
- Occupational pensions may provide an *incentive* for early retirement, especially for higher social class groups. *Disincentives* to return to work include the likelihood of receiving lower wages than when previously employed, loss of benefits and expected costs associated with returning to work.
- Access to training is important for extending working life. However, older workers continue to be disadvantaged in respect of work-related training. Those in part-time employment appear more disadvantaged than others. Older workers may, in some instances, be unwilling to take-up offers of training, either because they lack confidence or because it may be perceived as offering few advantages.
- Opportunities for flexible employment are valued by many groups. Most flexible working takes the form of either part-time or self-employment. Access to flexible work options vary in respect of sector of employment, being more common for public sector as opposed to private sector employees.
- Movement from work to retirement represents a significant period of transition. Attitudes towards work and retirement will vary at different points. For example, among those in their 50s expectations about work remain strong; for those in their early sixties, expectations of retirement become more common. Groups vary in their ability to make meaningful choices about whether to continue in employment or to retire. Health and family

considerations will be important in shaping decision-making, but the timing of retirement will also be influenced by financial considerations.

- A number of important gaps are identified in the research literature. These concern: the experiences of different ethnic minority groups, the impact of 'multiple' forms of disadvantage, the nature of decision-making in the move from work to retirement, the role of partners and other groups in influencing decision-making, and the impact of different types of transition affecting people in their 50s and early 60s.
- The report identifies a number of policy areas for development to assist the goal of extending working life. These cover: extending choice and control in the transition from work to retirement, extending initiatives in the area of training, encouraging a preventative approach to health issues in the workplace, supporting programmes to assist women in employment, expanding options for flexible employment, and acknowledging the complexity of transitions into retirement.

Summary of research

The period from the 1970s through to the 1990s was characterised by the early withdrawal from work of substantial groups of workers. Retirement or 'exit' from the workforce, occurred at different points from age 50 onwards for increasing numbers of employees. For some this reflected access to occupational pensions of sufficient size to allow an extended period of leisure over continuation in work. For others, however, location in areas affected by high unemployment created pressures to withdraw from work ahead of SPA. Over the course of the 1990s, with the move out of economic recession, the pattern of early withdrawal from work went into reverse with increases in economic activity for men and women in their 50s and 60s.

The purpose of the review was to, first, analyse the evidence from research about those factors which encourage older workers to stay, leave or return to the labour market; second, to highlight what is missing from the research literature and possible sources of data to fill them; third, to indicate policy conclusions which might be drawn from available research.

What are the most important drivers and barriers to working longer?

Health status is the most important factor 'pushing' people out of work and reducing the likelihood that they will return. The earlier the retirement the more it is driven by health as opposed to financial factors. Men and women in lower social class groups are especially likely to cite health-related reasons for leaving work ahead of SPA; those in physical or heavy manual jobs are likely to have low expectations of working up to or beyond SPA. The likelihood of someone who leaves work through ill-health or disability after age 50 re-entering the labour market is slim, and declines rapidly as the length of unemployment increases.

Financial insecurity (insufficient pension provision; having an outstanding mortgage; financial commitments to children) may result in people working longer. *Financial security* is an important factor taking people out of the labour market, those choosing to leave work ahead of SPA reporting higher incomes than those expecting to retire at SPA. This variable may also be linked with a desire among people for a change in direction to their lives, and/or a desire to spend more time with their partners.

Type of employment is strongly related to likelihood of working up to and beyond SPA, with the self-employed much more likely than employees to work later. Employment sector or type of job is also important: post-SPA men are *over-represented* in distribution, hotels, restaurants and 'other services', with an *under-representation* in the construction and manufacturing industries. Older women continue their pre-SPA pattern of part-time employment in service-related positions.

Access to training and further skill development is important for extending working life. Evidence from a range of studies suggests older workers continue to be disadvantaged in respect of access to work-related training. Some groups, notably those in part-time employment and on fixed-term contracts, appear more disadvantaged than others. On the other hand, there is some evidence

that older workers may, in some instances, be unwilling to take-up offers of training, either because they lack confidence or because it may be perceived as being of limited benefit.

Access to flexible employment appears to be valued by many groups. Most flexible working takes the form of either part-time or self-employment. Women are more likely to work flexibly than men. There are also gender differences in the type of flexible work arrangements, with women more likely to undertake term-time working and job-sharing with men more likely to have a shorter working week. Access to flexible work options also vary in respect of sector of employment, with these arrangements more common for public sector as opposed to private sector employees.

Decision-making in the move from work to retirement will be influenced by the degree of control which individuals have over key events affecting their lives. Researchers contrast those with total choice and control to those with virtually no choice at all. Between these extremes will be a variety of circumstances and experiences, these influencing the extent to which work and retirement pathways are open to individual control.

What is missing from the research literature?

More information is needed on the experiences of different ethnic minority groups. Compared with white 50-64 year olds, black men of the same age are a third more likely, and Indian, Pakistani and Bangladeshi men two-thirds more likely, to be out of work. This is almost certainly associated with health problems of different kinds, these often leading to detachment from the labour market at a relatively young age.

Research is needed on the impact of 'cumulative' and 'multiple' forms of disadvantage. Some of the more intractable problems facing those in their 50s and 60s reflect the interaction between a range of issues which taken together may represent a formidable barrier to people either remaining in or returning to the labour market.

More detailed studies are necessary about the nature of decision-making during the transition from work to retirement. Qualitative research has added to our knowledge of this area. Nonetheless, further studies are required which extend our understanding of the transition as a process involving complex decisions regarding the timing of retirement, considerations about flexible work, financial options, and possibilities for voluntary work within the community.

Greater information is needed on the role of partners and other network members in influencing retirement decision-making. In addition to the intimate ties of marriage, we also need more information on the role played by friends and work colleagues in influencing views about staying or leaving work.

Research is required examining the multiple transitions experienced by people as they move through their 50s. Changing orientations to employment and growing awareness of retirement is one important dimension. Responsibilities in relation to care work for parents and/or grandchildren may merge with changes at a personal level. New commitments, such as pressure to fund children through university, may create additional reasons to remain in employment.

Answering the above questions would best be achieved through a qualitative longitudinal study of retirement decision making, following a sample of men and women through their 50s and assessing the range of factors operating to influence key decisions regarding changes to their lives. This should be complemented by additional secondary analysis of data sets such as the BHPS, BSAS and ELSA, focusing on changing attitudes towards work and retirement. Follow-up surveys to those such as Humphrey et al. (2003) will also be important to monitor changes in retirement plans, opportunities for extending employment, and reasons for retirement.

What are the areas that need to be developed to extend working life?

The research identifies six areas for development to assist the policy objective of extending working life.

First, extending choice and control in the transition from work to retirement, supported by more active retirement planning and greater awareness about pensions and future retirement income.

Second, extending initiatives in the area of training, with regional and local area activities targeted at challenging negative attitudes about the benefits of training.

Third, encouraging a stronger preventative approach to health issues, developing policies aimed at reducing the risk of older workers leaving the workforce for reasons of poor health.

Fourth, supporting programmes aimed at helping women in the workplace, for example those with multiple caring roles for adults as well as children.

Fifth, expanding options for flexible employment among different groups of workers as well as improving the quality of working conditions in this area.

Sixth, acknowledging the complexity of transitions from work to retirement with support for greater fluidity and flexibility in movement across each life stage.

The full report of these research findings is published for the Department for Work and Pensions by Corporate Document Services (ISBN 1 84123 917 8. Research Report 299. December 2005).

It is available from Paul Noakes at the address below.

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