

Transitions after 50: *Older People and Paid work*

A Literature Review For The Joseph Rowntree Foundation

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1. INTRODUCTION

1.1. Background

This report has been prepared by the New Policy Institute for the Joseph Rowntree Foundation and is based on the brief agreed between Donald Hirsch, Dominic Hurley and Cathy Street during the meeting held at Caledonia House on 2nd August 1999. The work has been carried out by Nick Donovan and Cathy Street.

The brief for the New Policy Institute was as follows:

- To undertake a broad sweep of the literature concerning older people, paid work and their transition into retirement.
- To pick up on and briefly summarise any parts of key reports which have a focus on transition issues.
- To provide where possible, some basic analysis of the key themes in the literature.
- To examine the main databases held at Essex such as the BHPS in terms of what, if any, data may be extractable concerning patterns of movement out of and back into work for older people, and what calculations could be made in the future.
- To look at the kinds of working options being taken up by older workers.
- To identify any gender based differences.

The focus of the review was to be on the *attitudes and ensuing behaviour* of employers, employees and employees' families towards retirement, staying in work, or possibly seeking some form of new employment, on a part or full time basis. Older employees' personal experiences, the knowledge or beliefs on which they make decisions about paid work and the pressures they may face, possibly from their families/dependents, were other important areas to be included.

It was confirmed that the review should consider all income groups and should encompass people taking early retirement, people who have moved frequently in and out of work and those who have been out of paid work for some time. Non-traditional forms of paid employment should also be explored – however this would not include any voluntary activities, for which a separate literature review has been commissioned. Similarly, the review would not include a detailed review of literature on taxes, benefits and pensions since this is also being undertaken separately.

Finally it was agreed that the review would highlight any significant gaps in the existing literature and would provide some preliminary thoughts on possible policy implications.

1.2. Review of the key texts

There is a large amount of literature relevant to the Joseph Rowntree's Foundation new programme *Transitions After Fifty: older people and paid work*. It is concentrated in several areas: economic literature documenting and analysing the decline of employment among the over fifties, particularly relating to the spread of occupational pensions; ageism, in particular the attitudes of employers towards older workers; and older men who are detached from the labour market. There are also several areas, which might be of importance, where there is little or no data or research: family pressures, in particular "eldercare" responsibilities; the process of making a decision to withdraw from the labour market; the working options taken by individuals near the end of their working lives; and the labour market activity of older women.

The decline in the employment of the over-fifties has been analysed in several pieces of published research. The most directly relevant analysis is *The Decline of Employment Among Older People in Britain* (1999) by Nigel Campbell. Campbell poses certain questions about the decline of employment and draws upon the Labour Force Survey, British Household Panel Survey and other research in order to attempt to answer them. Questions considered include: are more people voluntarily choosing to retire early? Has there been a reduction in the labour supply? Does the more widespread availability of occupational pensions encourage early retirement? Has there been a shift in the demand for labour away from older men? Has age discrimination increased? Particular attention was paid to the effect of occupational pensions, and the reduction in labour supply.

Some of these questions are also the concern of *The Dynamics of Retirement: Analyses of the Retirement Survey* (1997) edited by Richard Disney, Emily Grundy, and Paul Johnson. This provides a comprehensive picture of retirement patterns as well as income dynamics, disability and health status, financial assets, housing wealth and occupational and private pensions. Follow up work emerging from the analysis of the Retirement Survey, for example, *The Dynamics of Male Retirement Behaviour* (1998) by Sarah Tanner has concentrated upon the effects of occupational pensions on retirement patterns.

The above research has mostly examined the effect of occupational pensions on the behaviour of individuals (who are, after all, the objects of the surveys on which much of this literature is based). The three texts which touch upon the role of the employer in the growth of early retirement are *Retiring Nature: Early Retirement in Local Government* (1997), from the Audit Commission, *Lost Time: The Management of Sickness Absence and Medical Retirement in the Police Service* (1997) from Her Majesty's Inspectorate of Constabulary, and CJM Poole, *Retirement on Grounds of ill health: cross sectional survey in six organisations in United Kingdom* (1997). The Audit Commission found that three out of four local government staff retire early – almost 40 per cent on health grounds. The HMIC found similar results in the police service. They also found wide disparities between the use of medical retirement in different forces: 16% of retiring officers in Kent do so on medical grounds compared to 72% in Merseyside.

Characteristics of Older Workers: Secondary Analysis of the Family and Working Lives Survey (1998), by Stephen McKay and Sue Middleton is also very relevant to the forthcoming JRF programme. McKay and Middleton explore many different aspects of older worker's lives. In particular, they analyse the chances of leaving employment, unemployment or inactivity at various ages. They also ask about people's experiences of age discrimination in making job applications – finding that only 5% of people believed that they had suffered from age discrimination in this area.

Age discrimination – in both searching for work and other areas – is the focus of a series of other surveys and research. Research looking at the attitudes of employers includes that conducted by Philip Taylor and Alan Walker: *Employers and Older Workers*, (1993); *The Ageing Workforce: Employers' Attitudes Towards Older People*, (1994) and *Policies and Practices Towards Older Workers: a Framework for Comparative Research*, (1997); Metcalf and Thompson *Older Workers: Employers' Attitudes and Practices*, (1990), Cindy Russell and Keith Faulkner, *Age and Employment in the Rhondda Valley*, (1997) and James Arrowsmith and Anne McGoldrick *Breaking the Barriers*, (1996) Research which asks individuals about their experience of age discrimination, rather than employers, includes the aforementioned *Characteristics of Older Workers* (1998), and also research conducted by outplacement consultants Sanders and Sidney, *Ageism in Employment* (1995). Finally, the Government has recently published its Code of Practice on age discrimination: *Age Diversity in Employment* (1999). The publication of the Code of Practice was preceded by that of *Action on Age: Report of the Consultation on Age Discrimination in Employment*, (1998).

Another key concern which is the focus of the available literature is the detachment of older men from the labour market. The rise of economic inactivity among people of all ages is the focus of *Unemployment and Non-employment: unpacking economic activity* (1998), by Paul Gregg and J Wadsworth. Gregg and Wadsworth used the Labour Force Survey to delineate the national trends in labour market detachment. As outlined in section 1 while older women have not shared in the rise in employment of women generally, the shocking story is that of the decline in employment and the rise in economic inactivity (as distinct from unemployment) of older men. As older men have contributed disproportionately to the rise in economic inactivity among men in general they feature prominently in *The Detached Male Workforce* (1999), by Christina Beatty and Stephen Fothergill. The focus of this work are those men who are neither employed nor recorded as unemployed. It presents the results of a large scale survey into the labour market activity, and financial and household circumstances of men aged 25-64 who have not had a regular full-time job for most or all of the preceding six months. One in five of these men described themselves as retired while over one-third of these men's self declare status as long term sick or disabled. A companion report by Beatty and Fothergill, *Incapacity Benefit and Unemployment* (1999) looks in more detail at the labour market activities of Incapacity Benefit recipients.

1.3. Possible gaps in this body of literature

By contrast, there is much less in the literature on the position of women in the labour market. Basic data is of course available from the main employment and household surveys. A comparative piece detailing older women's labour market activity in European countries is also available.¹ However, there is little else specifically focused on female employment. This perhaps reflects the fact that the main change over the last three decades has been the decline in employment of older males – rather than the fact that older women haven't shared in the wider increase of female employment.

There is also little research available on the attitudes of an individual at the point of withdrawal from the labour market. The Policy Studies Institute conducted a review on behalf of the Carnegie Inquiry into the Third Age which covers some issues in this area. The Retirement Survey also provides some basic reasons which people give for early retirement. But there is very little qualitative data or research which begins to untangle the many possible reasons which may cause someone to leave the labour market.

It also might be profitable to explore the process of labour market disengagement as it affects older people. Activists and organisations working in the field of older unemployed people describe a process of rejection and disenchantment which worsens as people get closer to the formal retirement age. These psychological processes have been touched upon in research by Paul Jackson and Philip Taylor (1994).² Some further research which explores the psychological pressures facing older people who are out of the labour market might be complementary to economic analyses of the benefits and pensions regimes.

There is also little research into the types of employment which people may enter as they get older. Labour force statistics are available which demonstrate that older people are more likely to be in part time employment and/or in self employment than their younger counterparts. However, we have little knowledge of why, how or when people enter these employment states.

¹ Anne Harrop, *Employment Position of Older Women in Europe: A Demographic Profile*, Age Concern Institute of Gerontology, London, 1990.

² Paul Jackson and Philip Taylor, Factors Associated With Employment Status In Later Working Life, *Work, Employment and Society*, 8 (4), 1994.

It is possible that in the “decision” of an individual to withdraw from the labour market, there are pressures stemming from the individual’s family. Concerns about the worker’s health may prompt a spouse to persuade their partner to retire early; the individual may decide to wind down or end their career to spend more time with their family; the retirement of a spouse may prompt one’s own retirement – these are just some of the possible factors which may lie behind early withdrawal from the labour market. We have been unable to find any research which explores these areas.

There is, however, a small amount of literature on one of the pressures which may stem from one’s family – caring responsibilities. These are thought to be important in the decision to withdraw from the labour market for a significant minority of individuals. Data from the Retirement Survey reveals that 5% of early retirees do so because of the ill health of others. Other research carried out by Beatty and Fothergill (1999) found that 21% of the detached male workforce aged 55-64 described themselves as full time carers. There are some other analyses, mostly using the supplementary questions asked in the 1985 General Household Survey, available on the impact of caring responsibilities on labour force participation among older people.³ However, there is little research which examines either the extent of withdrawal from the labour market because of caring responsibilities or the circumstances surrounding an individual’s decision to withdraw.

1.4. Consultation

These findings have been supported by other organisations whom we consulted during this review.

Our contacts included the following: the Industrial Relations Unit at the University of Warwick; the Audit Commission; UMIST; the Employers Forum on Age and Age Concern; the Third Age Employment Network; the Pre-Retirement Association; the National Pensioner’s Convention; the Association for Retired People (ARP.50); the Local Government Department of Warwick Business School; the Campaign Against Age Discrimination in Employment (CAADE); the Carer’s National Association; the Carnegie Third Age Programme; Sheffield University; the Open University Business School; Centre for Policy on Ageing; Loughborough University Centre for Research in Social Policy; and the Institute of Employment Studies.

Overall, the advice and information gathered from this array of organisations indicated the following:

- That whilst the overall body of literature about this age group is vast, the literature and research concerning employee attitudes and experiences is much smaller and less developed.
- The main focus of the existing literature is on issues concerning pensions, age discrimination and employers’ attitudes towards older workers.
- It was suggested that data on the influences of employees’ families was particularly limited and that this is one area which clearly warrants further research. This was also widely thought to be true for research into gender based differences.
- Furthermore a number of people suggested that the *suitability of available work* for older people requires greater attention – basing policy on simple counts of job vacancies misses the complexities of the situation completely.... the comment that “not every older person wants to work in B&Q” was typical of some of the views expressed when discussing the difficulties of encouraging older people back into paid employment.

³ Maria Evandrou and David Winter, *Informal Carers and the Labour Market in Britain*, WSP/89, STICERD, London, 1993. Janet Askham, Emily Grundy and Anthea Tinker, *Caring: the Importance of Third Age Carers*, London, 1992. Judith Philips, *The Employment Consequences of Caring for Older People*, *Health and Social Care*, 2, 1994.

2. BACKGROUND

2.1. Present context

There are around 8 million people aged between 50 and the state pension age in Great Britain. 69% of them are economically active - defined as those in employment plus the ILO unemployed (i.e. have looked for work in the last four weeks) - compared with 79% for all those of working age.

Economic Activity Status: by gender and age, Autumn 1998

	Men			Women		
	50-64	65+	All 50+	50-59	60+	All 50+
In employment						
Full time employees	49	1	28	28	2	11
Part time employees	4	3	4	28	5	1
Self employed	15	3	10	6	1	3
All in employment	69	7	42	63	8	27
Unemployed	4	..	2	2	..	1
Economically inactive						
Seeking work	0	..	0
Not seeking work	27	93	56	35	92	72
All economically inactive	27	93	56	35	92	72
All (=100%) (thousands)	4,828	3,713	8,541	3,507	6,551	10,058

Source: Table 2.1, Social Focus on Older People, ONS 1999. UK, percentages.

2.2. Historical Trends

These employment patterns have changed over time. Employment of men aged between 55-64 was relatively stable from the 1950s to the middle of the 1970s. Over the same period female employment of those aged between 55-64 rose. However from the late 1970s employment of older men and women fell – dramatically in the case of older men. While unemployment increased slightly for older men (and remained unchanged for older women) economic inactivity increased markedly.

Employment, Unemployment and Inactivity, 1979-1997, %

		Men All	Men 55-65	Women All	Women 55-60
Employment	1979	90.8	79.4	60.2	50.9
	1997	80.6	58.3	68.9	50.4
	Difference	-10.2	-21.2	+8.6	-0.5
Unemployment	1979	4.3	3.8	3.7	2.2
	1997	6.2	4.6	3.9	2.2
	Difference	+1.9	+0.9	+0.2	+0.0
Economic Inactivity	1979	4.9	16.8	36.0	46.9
	1997	13.3	37.1	27.2	47.4
	Difference	+8.4	+20.3	-8.8	+0.5

Source: Table 1, The Decline of Employment Among Older People, Campbell, 1999.

This pattern is reflected in most industrialised countries:

The percentage of men aged 55-64 working in 10 countries, 1971-91

	1971	1975	1980	1985	1987	1988	1989	1990	1991	% change 71-91
US	77.3	71.4	68.8	64.4	64.5	64.1	64.3	64.5	62.5	-19.1
France	73.0	67.1	65.3	46.7	43.9	43.7	43.6	43.0	42.0	-42.5
Germany	77.1	66.7	64.1	53.6	54.1	52.5	51.7	-	-	-32.9
Netherlands	79.3	69.9	61.0	44.2	44.7	44.5	44.2	43.9	41.8	-47.3
Sweden	82.8	80.7	77.5	73.2	73.4	73.7	73.9	74.5	73.9	-10.7
UK	82.9	82.0	73.9	59.4	58.1	60.1	61.6	63.4	61.5	-25.8
Ireland	82.4	76.1	72.2	64.7	62.7	61.9	59.9	59.1	-	-28.3
Portugal	82.1	77.1	74.8	64.9	62.1	62.1	63.9	65.4	66.5	-19.0
Spain	82.7	76.7	71.5	59.1	57.0	56.1	56.7	57.2	56.2	-32.0
Canada	78.8	76.3	72.7	64.3	61.9	62.5	-	61.0	-	-23.6

Source: OECD statistics on the working population, in Stiehr & Schumacher, 1996⁴

⁴ Karim Stiehr and Jurgen Schumacher, *Retirement in the 1990s and Beyond*, ISIS, Frankfurt, 1996.

3. MOVEMENT IN AND OUT OF WORK

“Patterns of movement both out of and back into work for older people: the numbers involved; the relative incidence of sudden breaks of employment and gradual drift away from steady work.” & “Differences between male and female patterns”

The most useful sources for analysing movements in and out of work are panel surveys. Analysis of the British Household Panel Survey (BHPS) provides data directly relevant to this area. Also useful is the Retirement Survey – although only two waves of this survey are available. The main use of the BHPS has so far been in *The Decline of Employment Among Older People* (1999). There follows a summary of his findings and a re-ordering of some of the data presented by Nigel Campbell.

3.1. Transitions between different labour market states

The “gradual drift away from steady work” depends upon one’s age. Men aged over 55 are more likely to move from employment into retirement. Men aged between 45-54 are more likely to move into long term sickness. The following tables provide some idea of the transitions between different labour force states.

Men’s transitions between different labour force states (%)

Labour force state initially (1990)	Labour force state at end of BHPS period (1996)					Total
	Employed	Unemployed	Long term sick	Retired	Student or other	
Employed	67	5	6	22	0	100
Unemployed	19	26	23	31	1	100
Long term sick	3	3	62	31	1	100
Retired	5	0	2	93	0	100

Women’s transitions between different labour force states (%)

Labour force state initially (1990)	Labour force state at end of BHPS period (1996)					Total
	Employed	Unemployed	Long term sick	Retired	Looking after family	
Employed	66	4	4	20	6	100
Unemployed	33	15	4	19	30	100
Long term sick	4	0	58	31	6	100
Retired	6	3	1	74	16	100
Looking after family	15	1	6	24	54	100

Sources: BHPS, Tables 14 and 15, Campbell 1999

3.2. Patterns in and out of work

There are limitations to the usefulness of knowing people’s official labour force status. As some of the research in this area indicates, the lines between status as long term sick or disabled, unemployed or early retired are not clear-cut. More useful, perhaps, is to know people’s movements in and out of employment.

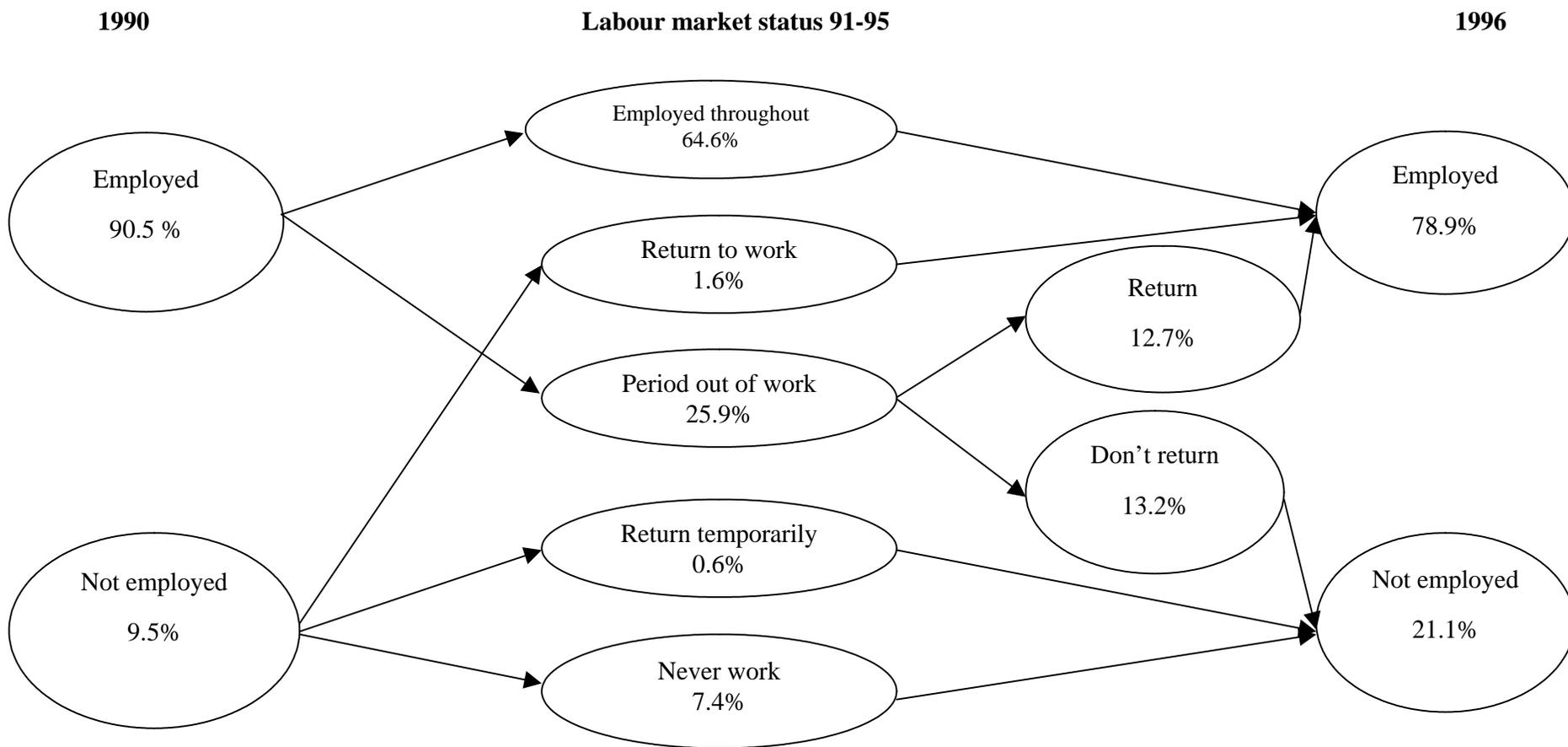
We have designed several flow charts which show how people move in and out of the labour market and their chances of returning to work after various stages. The following charts, derived from Campbell’s analysis, provide an overall picture of different cohort’s movements between employment and non-employment over a six year period.

We attempted to use the BHPS to look at reasons for moving out of work among older people. However, in our opinion the sample size is too small to provide any meaningful data. However, although not attempted within this study, it would be possible to re-analyse the BHPS and break down these flows further to provide a picture of movements into self employment and part time working.

Movements of older people in and out of employment.

Men aged between 45-49 in September 1990.

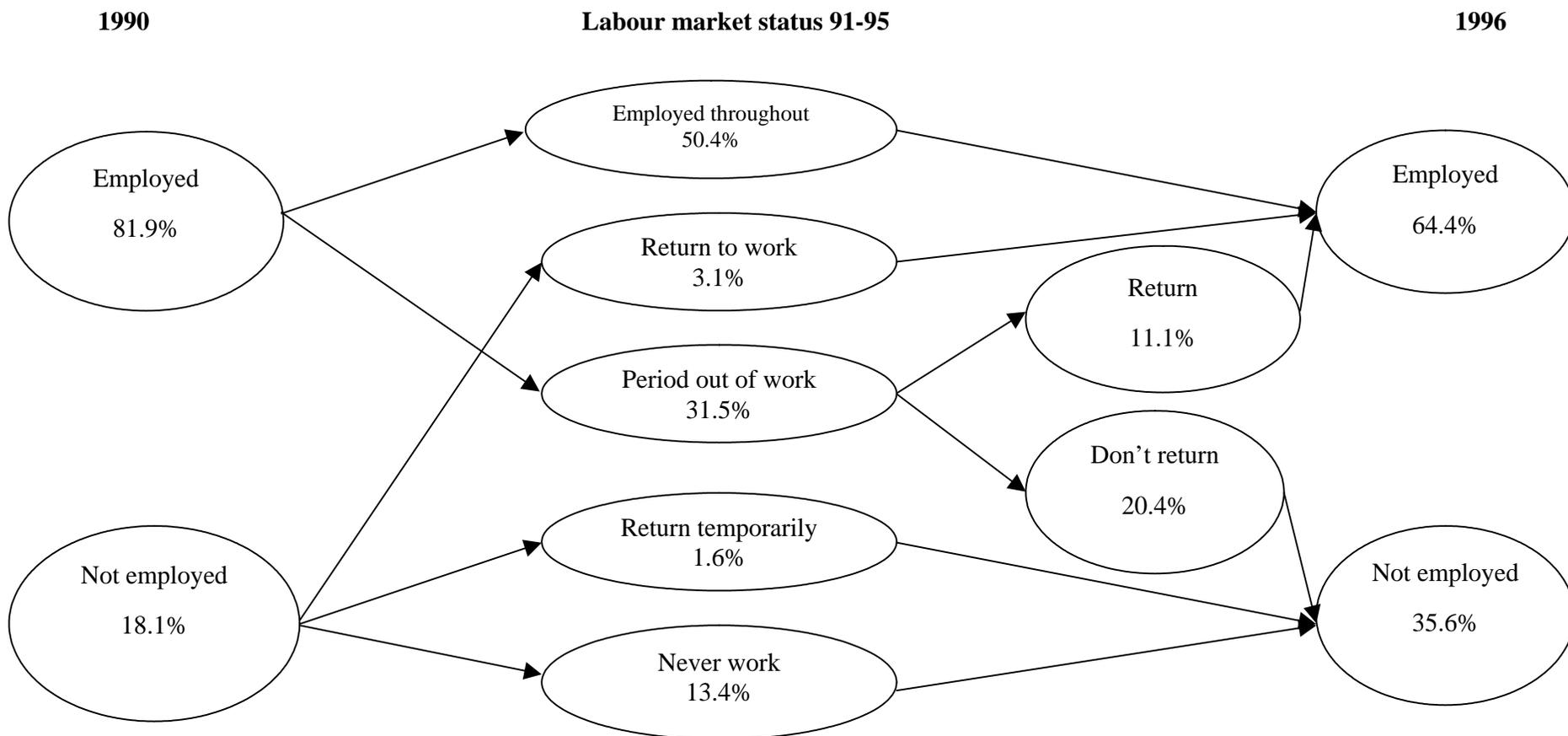
BHPS, Adapted from tables 8 & 12, Nigel Campbell, The Decline of Employment Among Older People in Britain.



Movements of older people in and out of employment.

Men aged between 50-54 in September 1990.

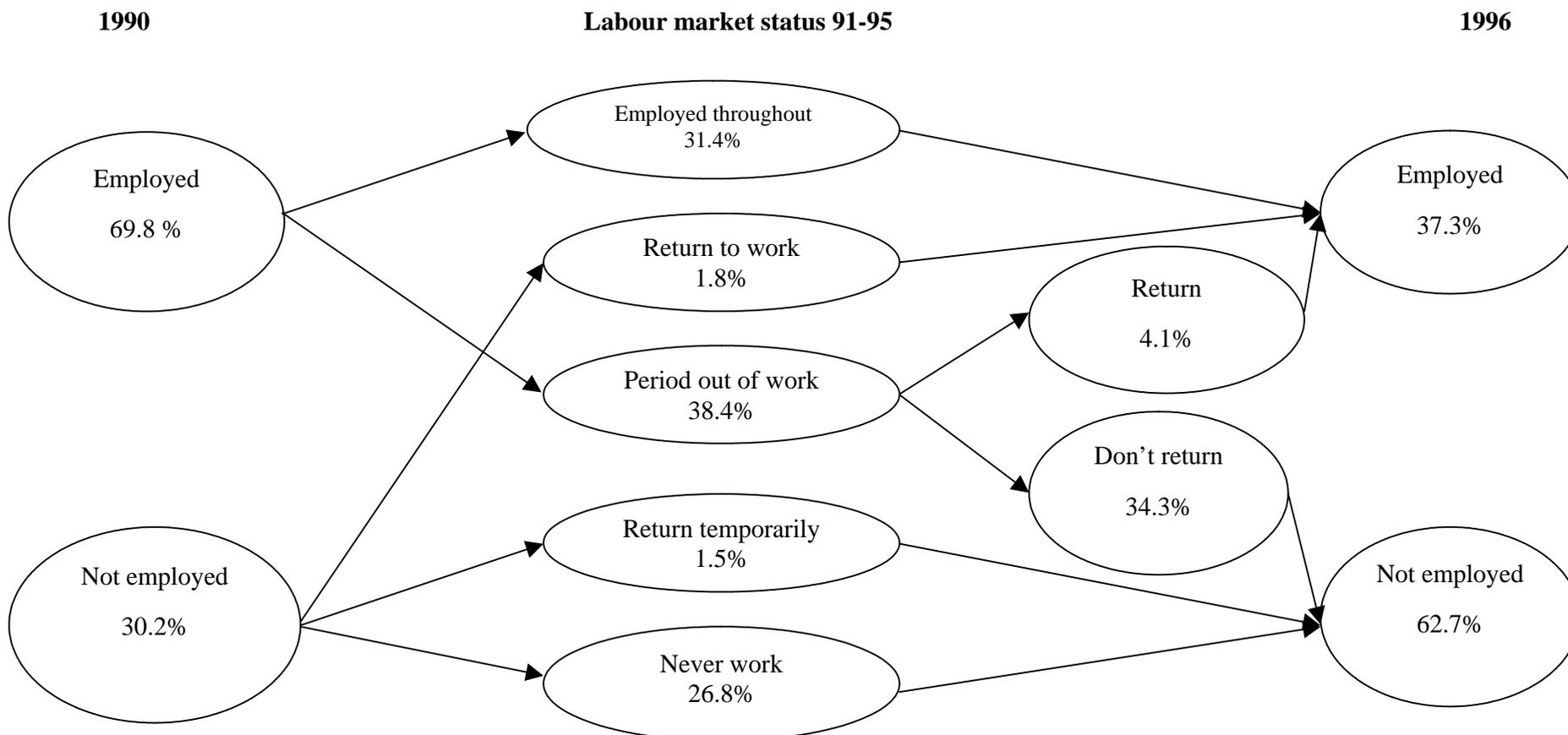
BHPS, Adapted from tables 8 & 12, Nigel Campbell, The Decline of Employment Among Older People in Britain.



Movements of older people in and out of employment.

Men aged between 55-59 in September 1990.

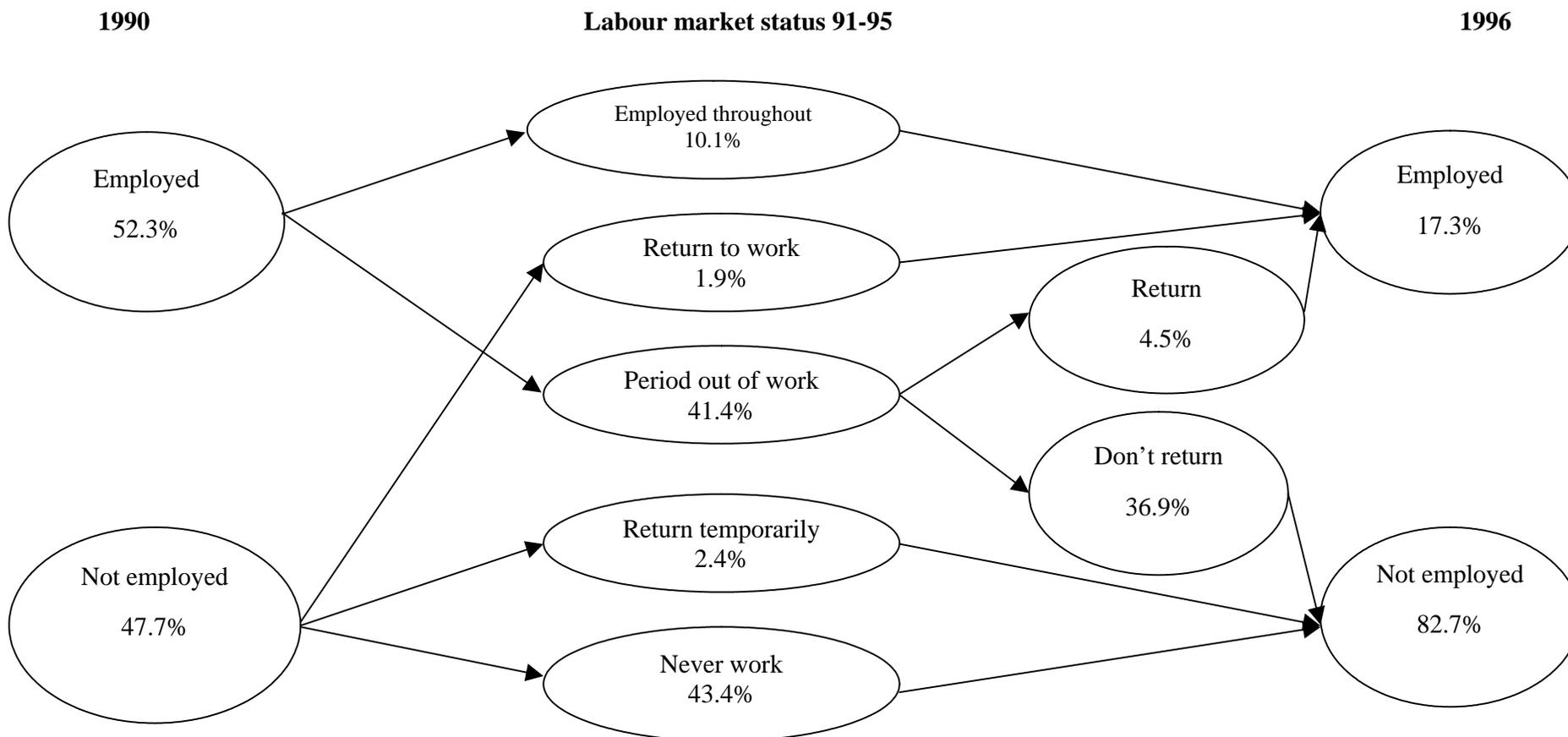
BHPS, Adapted from tables 8 & 12, Nigel Campbell, The Decline of Employment Among Older People in Britain.



Movements of older people in and out of employment.

Men aged between 60-64 in September 1990.

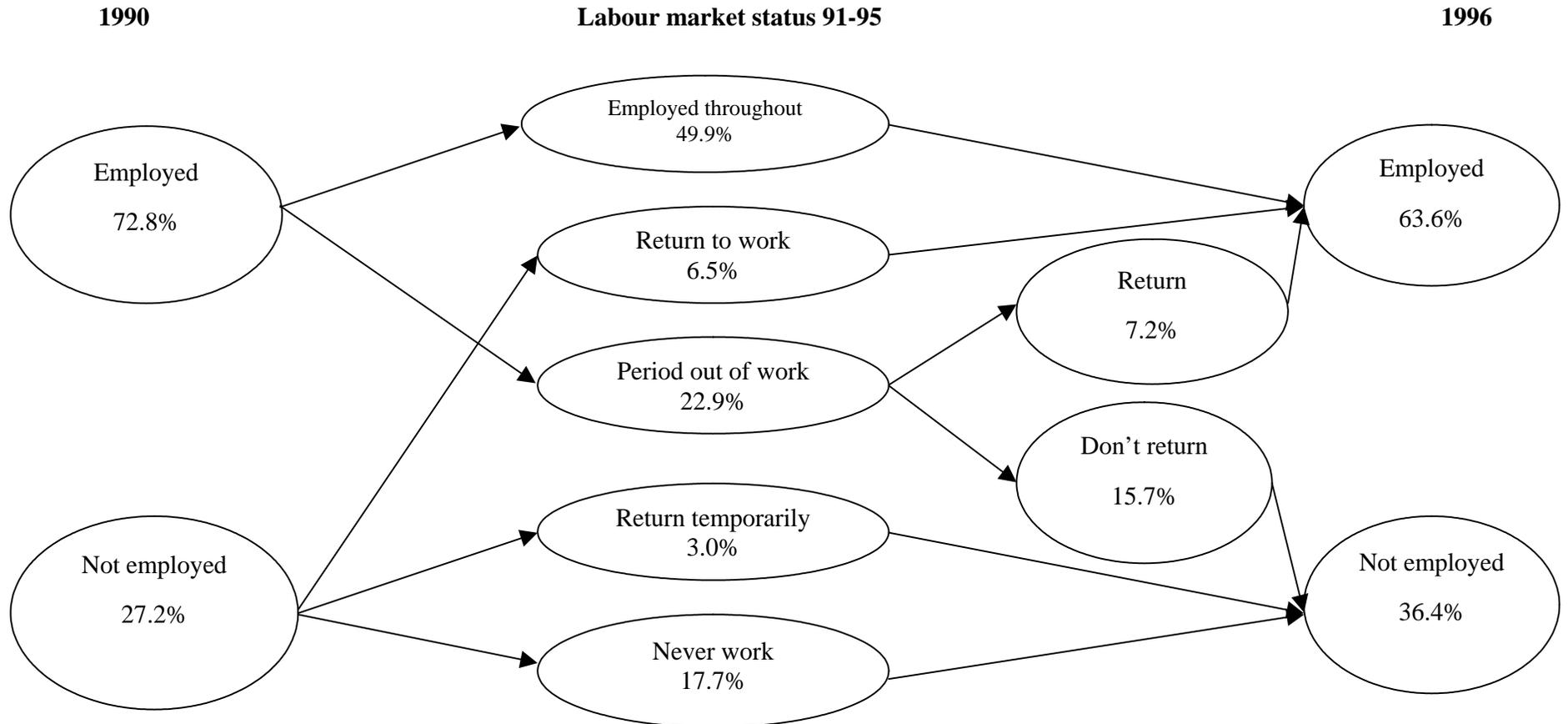
BHPS, Adapted from tables 8 & 12, Nigel Campbell, The Decline of Employment Among Older People in Britain.



Movements of older people in and out of employment.

Women aged between 45-49 in September 1990.

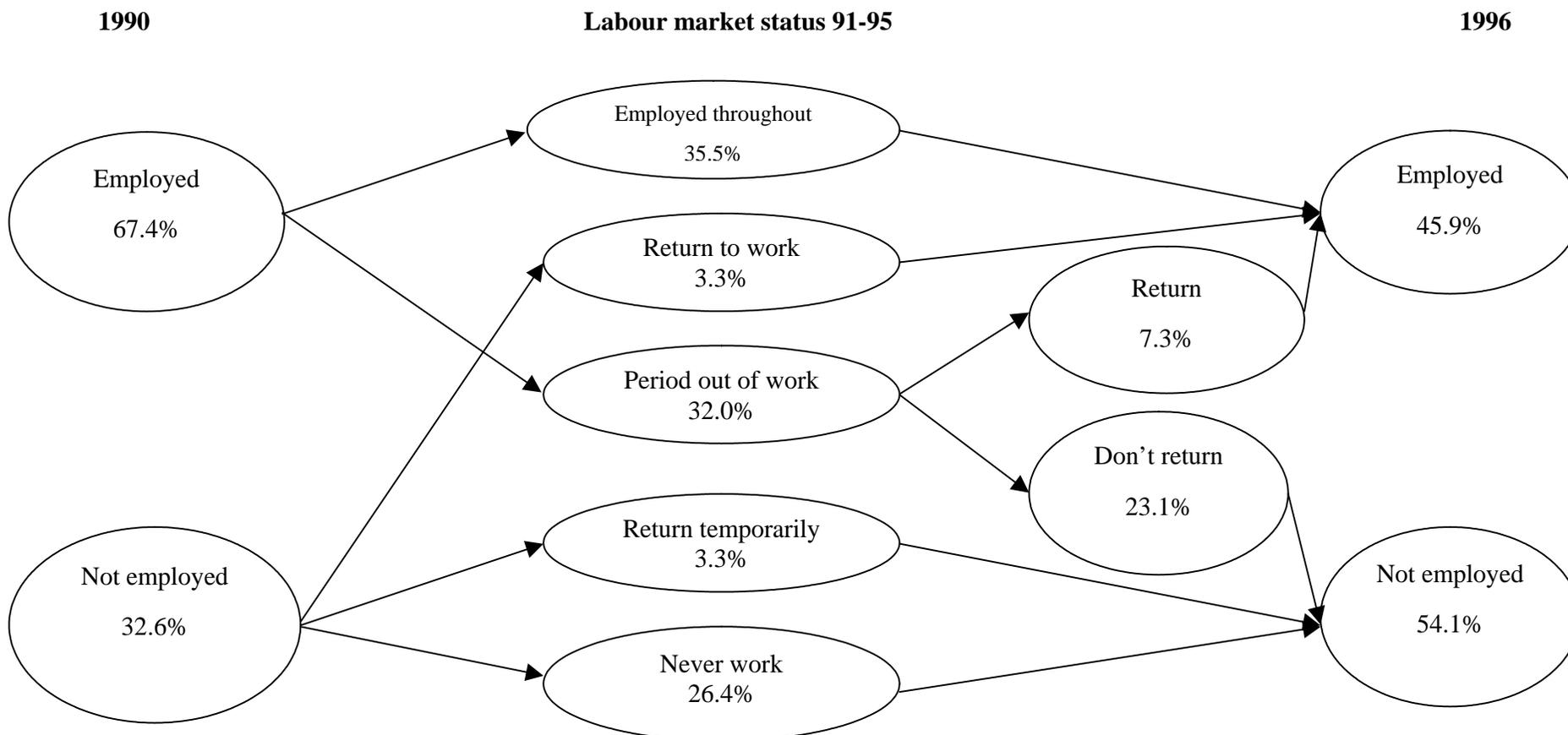
BHPS, Adapted from tables 8 & 12, Nigel Campbell, The Decline of Employment Among Older People in Britain.



Movements of older people in and out of employment.

Women aged between 50-54 in September 1990.

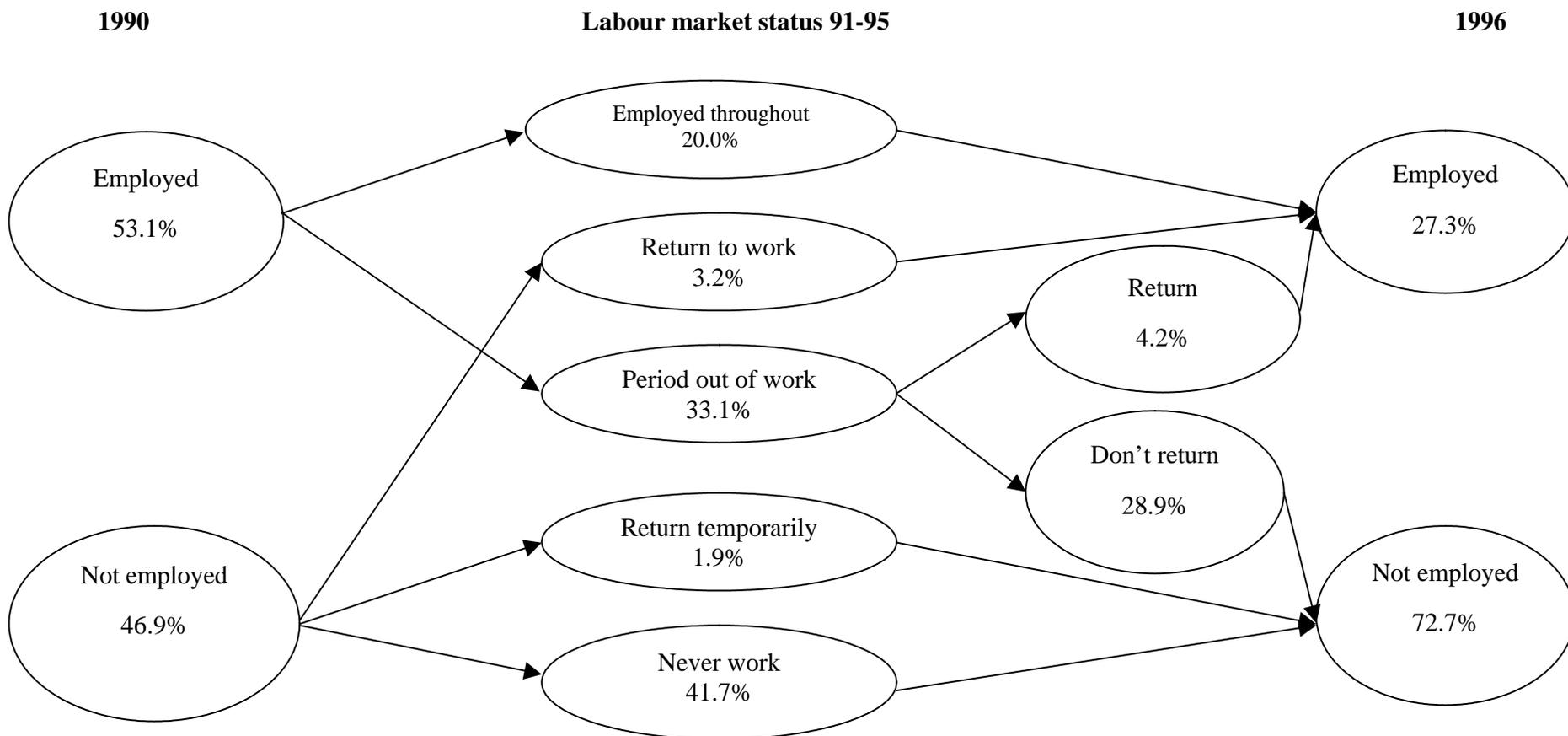
BHPS, Adapted from tables 8 & 12, Nigel Campbell, The Decline of Employment Among Older People in Britain.



Movements of older people in and out of employment.

Women aged between 55-59 in September 1990.

BHPS, Adapted from tables 8 & 12, Nigel Campbell, The Decline of Employment Among Older People in Britain.



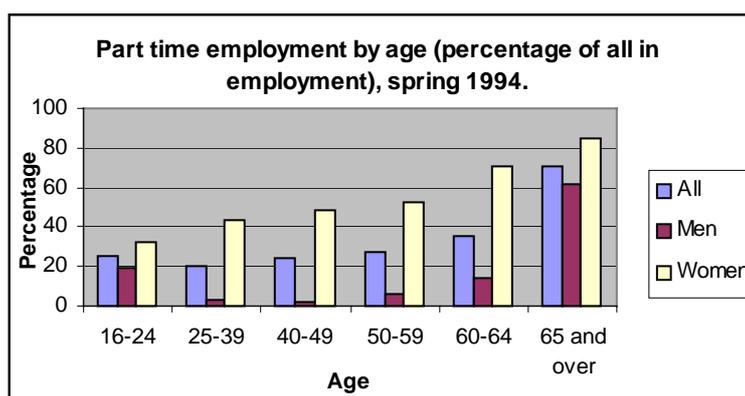
4. WORKING OPTIONS

“The kinds of working options being taken by people around the end of their working lives, including part-time and self-employed work.”

The Labour Force Survey provides a statistical picture of the types of working options being taken by older people. There is, to our knowledge, very little qualitative research into the types of working options being taken by people around the end of their working lives. Although not undertaken for this review, analysis of the BHPS could perhaps provide data on movements into and out of different forms of employment.

4.1. Part time employment

Older people are more likely to work part time than their younger counterparts. As the chart below shows 27.1% of 50-59 year olds and 35.5 % of 60-64 year olds work part time, as compared to 20.5 % of the 25-39 age group. These figures hide significant differences between males and females. More women than men of all ages work part time – and the percentages of women working part time rises with age. The pattern with men is different: very few men aged between 25 and 59 work part time while significantly more of the under 25s and over 60s do so.⁵



Source: LFS, adapted from C Tillsley, Older workers, *Employment Gazette*, 1995

Among these older people in part time jobs few report that their present job is the same as their lifetime’s work. Furthermore, such changes in employer or occupation are likely to be associated with occupational downgrading.⁶ This implies that the ideal of many people – to gradually wind down from their present job rather than run down the cliff face of standard retirement – is not being realised.

Despite this, most older people who are working part time are doing so voluntarily. According to the 1990 Labour Force Survey fewer than five per cent of all part time workers would have preferred a full time job and almost no women reported that they would prefer working full time.⁷

⁵ Christine Tillsley, *Older workers: Findings from the 1994 Labour Force Survey*, *Employment Gazette*, April 1995.

⁶ Bernard Casey, Jane Lakey and Michael Fogarty, *Inquiry into the Third Age Study of Paid Employment: Employee Part: The Experience and Attitudes of Older People to Work and Retirement*, Carnegie Trust/PSI, 1991, p.11.

⁷ Casey et al, p.12

4.2. Self employment

Older people are also more likely than younger people to be in self employment. Of all people aged 16 or over in employment in Spring 1994 12.8 % were self employed. This rises to 17% among workers aged between 50 and the state pensions age, and to 24.9 % of those over the state pension age.⁸

The greater likelihood of older people to be self-employed partly reflects the fact that the self employed tend to work longer than employees and to retire later.⁹ Some “push” factors, such as employees personnel policies, and “pull” factors, such as the existence of occupational pensions, which encourage early retirement are absent – encouraging later retirement.

Before starting a period of self employment 68% of older people were working as employees, 11 % were unemployed and 21 % described themselves as inactive.¹⁰ Reflecting on higher 1988 figures Casey et al comment: “Just over 40% of these older entrants were previously retired or economically inactive. This suggests that some older people are making a positive choice to become self employed.”¹¹ When questioned in the Retirement Survey most self employed people confirmed this – giving positive reasons for having chosen to work in this way.

Key texts

Christine Tillsley, *Older workers: Findings from the 1994 Labour Force Survey*, Employment Gazette, April 1995.

Bernard Casey, Jane Lakey, Michael Fogarty, *The Experience and Attitude of Older People to Work and Retirement*, PSI/Carnegie Trust UK, 1991

Stephen Mcay and Sue Middleton, *Characteristics of Older Workers: Secondary Analysis of the Family and Working Lives Survey*, DfEE RR45, 1998.

⁸ Tillsley, *Employment Gazette*, 1995

⁹ McKay and Middleton, *Characteristics of Older Workers*, 1998.

¹⁰ McKay and Middleton, *Characteristics of Older Workers*, 1998.

¹¹ Casey et al, p. 11.

5. ATTITUDES

“*The attitudes of workers at the point of transition to retirement/continuing employment*” & the attitudes of employers and of employee’s families.

There is a plethora of research into the attitudes of employers and organisations towards older employees. This research encompasses both age discrimination in job applications and promotion and also the availability of vocational training.

There is some data available on the attitudes of people towards retirement generally (as opposed to their attitude towards their own retirement). For example, one survey, *The “Midlifers” Generation: Attitudes to work, retirement, money and family of men and women approaching retirement*, provides a picture of people’s views on the advantages and disadvantages of retirement: for example, 60% of people thought that the main disadvantage of retirement was a smaller income. Unfortunately, this particular survey suffers from an idiosyncratic design.¹² The Policy Studies Institute in their report for the Carnegie Trust (1991) also cite a number of older surveys which provide certain insights into people’s attitude to retirement in general.

However, there is little research available on the attitudes of individual employees towards their own retirement. We still know little about the decision making process which leads up to withdrawal from the labour market. For example, it may be useful to know, say, whether there are changes in how individuals value leisure time, or whether their satisfaction with their job declines with age.

5.1. Attitudes of individuals

Employees

The table below provides the reasons given for early retirement in the Retirement Survey.

Reasons for early retirement

	All (%)	Men (%)	Women (%)
Own ill health	26.6	26.0	27.7
Ill health of others	5.2	4.1	7.5
Involuntary redundancy	14.5	15.0	13.7
Voluntary redundancy – reasonable financial terms	17.8	23.6	7.1
Spend more time with family	5.4	2.5	10.7
Enjoy life while young and fit	5.7	5.8	5.4
Fed up with work or wanted a change	5.3	4.4	6.9
Other	12.7	8.5	20.5
Fixed retirement age	6.9	10.3	0.7

Source: Table 2.19, *The Dynamics of Retirement*, (Eds.) Disney et al.

Unfortunately we don’t have statistics which enable us to examine the reasons for withdrawal from the labour market into all labour forces states: unemployment, long term sickness or disability and early retirement.

¹² Guardian Royal Exchange, *The “Midlifers” Generation: Attitudes to work, retirement, money and family of men and women approaching retirement*, London 1992

This lack of knowledge is obviously important when considering policy options designed to encourage workers to stay in the labour market for longer. For example, it is not known how workers would react to financial incentives to remain in work, because we are not certain of the role that non financial motives play in retirement behaviour.

Key texts

Julie Houghton, *Are You Planning To Retire?*, University of East Anglia, 1996

Guardian Royal Exchange, *The “Midlifers” Generation: Attitudes to work, retirement, money and family of men and women approaching retirement*, London 1992

Bernard Casey, Jane Lakey, Michael Fogarty, *The Experience and Attitude of Older People to Work and Retirement*, PSI/Carnegie Trust UK, 1991

Richard Disney, Emily Grundy and Paul Johnson, *The Dynamics of Retirement: Analyses of the Retirement Survey*, DSS RR42, London 1997.

Those Without Work

It can be seen from the flow charts presented earlier that once an older person is out of work then the chances of ever re-entering employment are slim – and that this situation worsens with age. These diminishing employment chances do not go unnoticed by older individuals who are looking for work. It is thought that there is a gradual withdrawal from the labour market by older people – the first experience of life without a job is disillusioning and every rejected job application detaches the individual still further from the labour market. One researcher working in this area believes that “many people over 50 may gradually write off their chances of employment, a trend which increases the nearer the 60 year old threshold approaches.”¹³

This belief was confirmed in one piece of research into adult males – this showed a process of psychological withdrawal from the labour market prior to reaching the formal retirement age. The research drew upon longitudinal data from three interviews with 175 unemployed males aged over fifty. It used the General Health Questionnaire – a self administered screening test which covers a range of types of distress from anxiety, depression and low self-esteem – to measure well being.

The researchers found that “*For those not 56 years old who labelled themselves as retired, it is possible to see a gradual withdrawal from the labour market at a psychological level before it becomes apparent in formal terms. At the first interview, all those contacted said they thought of themselves as unemployed and most were also actively seeking work. Although the prematurely retired still thought of themselves as unemployed at the time of the second interview, many of them said they were no longer seeking work. The main reason given was that ‘it wasn’t worth it’. By the third interview, they had ceased to consider themselves as unemployed; rather they said they had retired, even though they were not eligible for a state pension by virtue of their age.*”¹⁴

¹³ Geoffrey Ford, *Career Guidance in the Third Age: A Mapping Exercise*, NICEC Project report, Cambridge, 1997.

¹⁴ Paul Jackson and Philip Taylor, Factors Associated With Employment Status In Later Working Life, *Work, Employment and Society*, 8 (4), 1994 p.565.

Key texts

Bernard Casey, Jane Lakey, Michael Fogarty, *The Experience and Attitude of Older People to Work and Retirement*, PSI/Carnegie Trust UK, 1991

Geoffrey Ford, *Career Guidance in the Third Age: A Mapping Exercise*, NICEC Project report, Cambridge, 1997.

Paul Jackson and Philip Taylor, Factors Associated With Employment Status In Later Working Life, *Work, Employment and Society*, 8 (4), 1994.

5.2. Attitudes of employers

Age discrimination?

There is little quantitative evidence which could confirm that age discrimination is behind the drop in the employment of older people. McKay and Middleton (1998), in their analysis of the Family and Working Lives Survey (FWLS) found that 5% of people aged between 45 and 69 believed that they had been victims of age discriminated in their job applications. This belief peaks between 50 and 54 years of age where 7.2% believed they had ever been victims of age discrimination in job applications. The sense of discrimination in promotion and transfer opportunities was much less widespread than in application procedures. More men than women believed that they had been discriminated against.¹⁵

Other research, conducted by outplacement consultants Sanders and Sidney, into the views of both job candidates and employers on their database, found that age discrimination was thought to be a serious problem. Sixty per cent of the candidates (who were aged 35 or over) believed they had been excluded from job interviews because of their age and 19% believed that they had been excluded from job offers. Candidates were also asked at what specific age they felt that their own prospects started to become limited in their particular jobs and industries – this “mean age of limitation” was 42 years of age. It is fair to say that this research was based on a survey which was far less rigorous than the FWLS.¹⁶

Of course, people may be victims of a variety of forms of age discrimination without being aware of it. People may also believe they have been discriminated against when this is in fact not the case. In any event, it is unlikely that quantitative surveys would pick up on age discrimination in a very meaningful way.

There is also an abundance of qualitative evidence on the attitudes of employers and managers towards older workers. Philip Taylor and Alan Walker have presented findings from a 1991 survey of employers. They found that 43% of employers considered age to be an important consideration in the recruitment of staff and that 15 5 of all employers specified maximum recruitment ages in their job advertisements. Other views expressed are summarised in the table below:

¹⁵ Stephen McKay and Sue Middleton, *Characteristics of Older Workers*, DSS RR45, 1998, p. 22.

¹⁶ *Ageism in Employment*, Sanders and Sidney, 1995.

Thinking about the older workers in your company please state your agreement or disagreement with the following statements:

Older workers	Agree strongly	Agree slightly	Not sure	Disagree slightly	Disagree strongly
Are hard to train	4	39	11	28	14
Do not want to train	2	23	10	36	26
Have a lot of mileage left in them	37	44	10	5	1
Lack creativity	3	19	17	37	21
Are too cautious	3	33	18	32	10
Are employees making tie until retirement	1	23	13	33	26
Are very productive employees	22	41	20	10	3
Cannot adapt to new technology	5	35	14	32	9
Are more reliable than young workers	31	43	15	5	2
Cannot do heavy physical work	8	40	19	24	5
Are interested in technological change	2	29	24	36	4
Are inflexible	1	26	12	43	14
Dislike taking orders from younger workers	5	33	14	31	12
Have fewer accidents	8	25	50	9	4
Are less likely to be promoted in this company	10	34	12	30	10
					Per cent of all employers

Source, Table 7, Taylor and Walker, Employment Gazette 1993

In 1992, Sheffield University has conducted research into the attitudes of Institute of Personnel and Development members to older and younger workers. Respondents regarded people over 40 as:

Negative	Positive
Less ready to accept the introduction of new technology	Having more experience which is useful in the job
Less able to adapt well to change	Thinking more before they act
Learning less quickly	Being more reliable
Less able to grasp new ideas	Being more interpersonally skilled
Less interested in training	Being more conscientious
	Being more confident
	Working harder
	Being more effective in their jobs
	Working better in teams
	Not taking things so easy

Elsewhere studies have been carried out into the adverts placed in job centres – which showed that 11% of vacancies were not open to people aged over 60. Similarly, another survey of adverts in the press found adverts with age bars in 11% of the national press and 9.5 % of the local press.¹⁷

Finally, older workers are far less likely to receive employer paid training than their younger colleagues. The table below, derived from the FWLS, shows the distribution of training by age

¹⁷ Jones, A and Longstone, L (1990) *A Survey of Restrictions on Job Centre Vacancies*, Research and Evaluation Branch Report no. 44, Employment Department, Employment Service, March. Tillsley, C. (1990) *The Impact of Age on Employment*, Warwick Papers in Industrial Relations, University of Warwick, 1990.

When people last received employer paid training.

When received employer paid training	16-29	30-39	40-49	50-59	60-69	All ages
In last 4 yrs	13	6	5	2	-	6
5-9 yrs ago	11	8	4	3	1	6
10-14 yrs ago	5	7	3	2	1	4
15-19 yrs ago	-	12	4	2	1	4
20-29 yrs ago	-	7	17	7	4	7
30+ years ago	-	-	9	24	24	9
Never	71	60	60	62	69	64

Source: FWLS, in Kerry Platman, *The Glass Precipice: Employability for a mixed age workforce*, Employer's Forum on Age/Age Concern, 1999.

Key texts

DfEE, *Age Diversity in Employment: A Code of Practice*, 1999.

DfEE, *Action on Age: Report of the Consultation on Age Discrimination in Employment*, 1998.

Philip Taylor and Alan Walker, *Employers and Older Workers*, Employment gazette, August 1993.

Philip Taylor and Alan Walker, Policies and practices towards older workers: a framework for comparative research, *Human Resource Management Journal*, 8 (3)

Cindy Russell and Keith Faulkner, *Age and Employment in the Rhondda Valley*, Rhondda Carnegie Project Group, 1997

James Arrowsmith and Anne McGoldrick, *Breaking the Barriers*, Institute of Management, London 1996.

Richard Worsley, *Age and Employment: Why Employers Should Think Again About Older Workers*, Age Concern, London 1996.

Kerry Platman, *The Glass Precipice: Employability for a mixed age workforce*, Employer's Forum on Age/Age Concern, 1999.

Early retirement

As well as the large amount of literature on the extent of age discrimination within organisations and employers, there is also a smaller and interesting body of literature on attitudes towards early retirement within different organisations.

The main theme to emerge from this research is that there are large differences in the extent of early retirement between organisations in the same industrial sector, and between sectors. For example, in local government while the proportion of early retirements – three in four – is already high, in some local authorities as many as 90% retire early.¹⁸

¹⁸ Audit Commission, *Retiring Nature: Early retirement in local government*, briefing, November 1997

Other research has explored the practice of medical retirements and finds that these also vary widely. For example within police forces there are great disparities between the regions: in 1996/7 16% of those retiring in Kent did so on medical grounds, but 77% did so in Merseyside. Poole, in a study of six public and private sector organisations, found that some organisations routinely use the medical route to ending an employment relationship. This process is described as “medicalising dissatisfaction”.

The implication of this research is that early retirement is in large part a function of management practices and organisational culture.

Key texts

Audit Commission, *Retiring Nature: Early Retirement in Local Government*, 1997.

Home Office, *Lost Time, The Management of Sickness absence and Medical Retirement in the Police Service*, 1997.

CJM Poole, *Retirement on Grounds of ill health: cross sectional survey in six organisations in United Kingdom*, British Medical Journal, vol. 314, 29 March 1997.

5.3. Attitudes of families

Caring responsibilities

It is estimated that 1 in 6 employees have “eldercare” responsibilities. Of the 6 million carers in the UK it is thought that half are aged between 50 and 64 years old.¹⁹

There are a significant number of older people, women in particular, who move away from full-time employment in order to give care to an adult. “Another important reason for high rates of economic inactivity, and indeed for reduced working hours, was the responsibility for providing care. This was particularly common for women in their 40s and 50s. By their late 60s, almost one woman in three would have cared for an adult at some point in their life, as would more than one in every ten men.” Half of those providing care in the last three months were aged fifty or over (three quarters of those providing care did so for more than ten hours per week).²⁰

Caring responsibilities can be a reason for early retirement. Analysis of the Retirement survey found that 5.2% of people gave the ill health of others as the main reason for their early retirement. Using wider categories than simply early retirement it has been found that 21% of the detached male workforce aged 55-64 described themselves as full time carers.²¹ For a small number of older women caring can also be a reason for economic inactivity among those who want a job but aren’t seeking work – 2% of women in their fifties are in this position.²²

It has been found that there are different relationships between employment and caring for men and women. It is suggested that there is a stronger link between withdrawal from the labour market and caring for men compared with women. The reasons may be that the greater availability of part time work for women makes it easier for them to combine part time work and caring responsibilities.²³

¹⁹ J Kodz, B Kersley and P Bates, *The Fifties Revival*, IES Report 359, Brighton, 1999.

²⁰ Stephen McKay and Sue Middleton, *Characteristics of Older Workers*, DSS RR45, 1998, pp. iii., 62

²¹ Christina Beatty and Stephen Fothergill, *The Detached Male Workforce*, Sheffield, 1999

²² Table 2.3, *Social Focus on Older People*, ONS, 1999.

²³ Judith Philips, *The Employment Consequences of Caring for Older People*, Health and Social Care, 2, 1994, p.145.

Key texts

Judith Philips, *Employment Consequences of Caring for Older People, Health and Social Care*, 1994

Carers National Association, *The True Cost of Caring: A Survey of Carer's Lost Income*, 1996.

Eileen Drew, Employment Prospects of Carers of Dependent Adults, *Health and Social Care in the Community* 3(5), 1995.

Gianetta Rands, Working People Who Also Care for the Elderly, *International Journal of Geriatric Psychiatry* 12, 1997

Janet Askham, Emily Grundy, Anthea Tinker, *Caring: The Importance of Third Age Carers*, research paper 6, Carnegie Inquiry Into Third Age, London 1992

Maria Evandrou and David Winter, *Informal Carers and the Labour Market in Britain*, London, 1993.

Ruth Hancock and Clare Jarvis, *Long Term Effects of Being A Carer: Main Findings From a Research Survey*, Institute of Gerontology, London, 1994.

6. INFORMATION

“the information available to workers that influence these attitudes. Are people making decisions based on accurate information?”

There is very little literature and almost no data focused on the information which is available to older workers at the point of transition in the labour market.

The most relevant piece of research: Geoffrey Ford’s *Career Guidance in the Third Age: A Mapping Exercise* (1997) is a worthy attempt to capture the variety of projects and initiatives which focus upon providing career guidance to the over 50s. However, it provides no evidence concerning the extent or availability of careers advice for older people.

Pre retirement information can be provided by the state, by employers or by other non-state organisations. The DSS provides some advice – particularly on pension and benefit entitlements. Ford lists and describes some of the more prominent schemes aimed at the over 50s – often supported by local TECs: POPE in Bradford, the mature workers register in Bournemouth and the East Midlands Third Age Challenge.

Large employers also sometimes prepare their employees with pre retirement courses. Preparation for Retirement (PFR) programmes are sometimes provided by larger organisations. It is believed that their use peaked in the 1980s with the trend of many larger organisations towards shedding their older workforce: “with rationalisation programmes complete. PFR has decreased in importance for many employers.” In 1987 PFR programmes were estimated to reach less than 10% of people approaching retirement.²⁴

Key texts

Geoffrey Ford, *Career Guidance for the Third Age: a Mapping Exercise*, NICEC (National Institute for Careers Education and Guidance) report, Cambridge, 1997.

Lorraine Ashton, *Health at Work Survey: Planning For Change (Pre-Retirement) Courses*, London, 1991.

Pre Retirement Education in the 1990s: The European Perspective, Pre-Retirement Association, 1990.

Retirement Education in Scotland, Age Concern Scotland, 1981

²⁴ *Pre Retirement Education in the 1990s: The European Perspective*, PRA, 1990

7. TAXES, BENEFITS, AND PENSIONS.

“Tax, benefit and pension rule contributions that influence behaviour – especially with respect to perverse incentives.”

One of the major themes of this body of literature is the influence of pensions on the employment of older people. It emerges as a major or minor focus in much of the literature. Two studies in particular are worthy of mention: *The Dynamics of Retirement: Analyses of the Retirement Survey* (1997) edited by Disney *et al* and *The Decline of Employment Among Older People in Britain* (1997) by Nigel Campbell. There is also a focus upon Incapacity Benefit in some of the literature – the most thorough and recent examinations of the relationship between economic inactivity and receipt of incapacity benefit are provided by Christina Beatty and Stephen Fothergill in *Incapacity Benefit and Unemployment* (1999), and Marilyn Howard in *Disability Dilemmas: Welfare to Work or Early Retirement?* (1998).

7.1. Occupational pensions

Theory

It is thought that the spread in the coverage, and the increase in the value of occupational pensions, lies behind some of the decline in employment of older people. There are two methods through which occupational pensions might affect retirement. First, the pension will provide an attractive financial incentive to retire (reducing the labour supply). Second, the existence of, and the structure of, occupational pension schemes might make an older person more expensive to employ (reducing labour demand).

Most occupational pensions are defined-benefit rather than defined-contribution schemes. In particular, most occupational pensions are linked to a person’s final salary (others are linked to average salary). This creates three possible incentives – one on employers and the others on employees. First, employers find that their contributions to the pension scheme rise when a person in close to retirement – maybe leading to the employer encouraging early retirement. . Conversely, employees may find that by carrying on working they can increase the level of their pension by adding to their final salary (or, in a defined contribution scheme, adding to their total contributions). Third, employees might be discouraged from downshifting (working less hours or moving to a less well paid position within the firm) because of the negative effect on their final salary. This may encourage people to retire early rather than wind down their working careers more gradually.

Evidence

Sarah Tanner (1998) has compared the retirement behaviour of older males with occupational pensions to that of those not belonging to such schemes. She found that those with an occupational pension are more likely to retire at younger ages. She concludes, though, that “*A comparison of the labour market experiences of those with and those without occupational pensions in the Retirement Survey suggests that this is not sufficient to explain the trend towards earlier retirement.*”

One question asked by Tanner was whether early retirement was related to increased levels of occupational pensions or to increased coverage. She found that the evidence from the Retirement Survey did not support an explanation of increasing coverage of occupational pensions. There is some evidence that different cohorts are drawing their occupational pensions at earlier ages. However, this is not conclusive proof that occupational pensions have become more generous – individuals may be taking advantage of one off early retirement windows opened by particular macroeconomic shocks.

Nigel Campbell (1999) also found that occupational pensions are associated with lower employment rates among people in their 40s, 50s and 60s – but only with those who are in the top half of the earnings distribution. He analysed those who were employed in 1990 but who subsequently became displaced from the labour market (perhaps a period of unemployment, ill-health or caring responsibilities) but were employed again in 1996.

Campbell also re-analysed Tanner’s work to produce the table below. He remarks “*people with an occupational pension were more likely to be in work in wave 1...Five years on, however, this situation is reversed. People without an occupational pension have higher employment rates in wave 2 than their pensionable counterparts, whether or not they had been working in wave 1.*”²⁵

Male labour market behaviour, with & without occupational pensions

	% working in Wave 1	% of those working in Wave 1 who were still working in Wave 2	% of those without work in wave 1 who were working in wave 2	% working in Wave 2
With OP	76.4	50.2	3.5	39.2
Without OP	68.8	60.5	8.4	44.2

Source: Table 17, Campbell, 1999. Based on Tanner (table 6) and Campbell’s own calculations. Wave 1 collected in 1988-89, wave 2 collected in 1984. Analysis of men aged between 55-59 in first wave.

It is, of course, worth noting that Tanner was asking whether workers retired (self-assessed retirement status) while Campbell was searching for those who become temporarily displaced from the labour market during a six year period of their later “working life”.

Key texts

Richard Disney, Emily Grundy and Paul Johnson, *The Dynamics of Retirement: Analyses of the Retirement Survey*, DSS RR42, London 1997.

Sarah Tanner, The Dynamics of Male Retirement Behaviour, *Fiscal Studies* 19 (2), 1998.

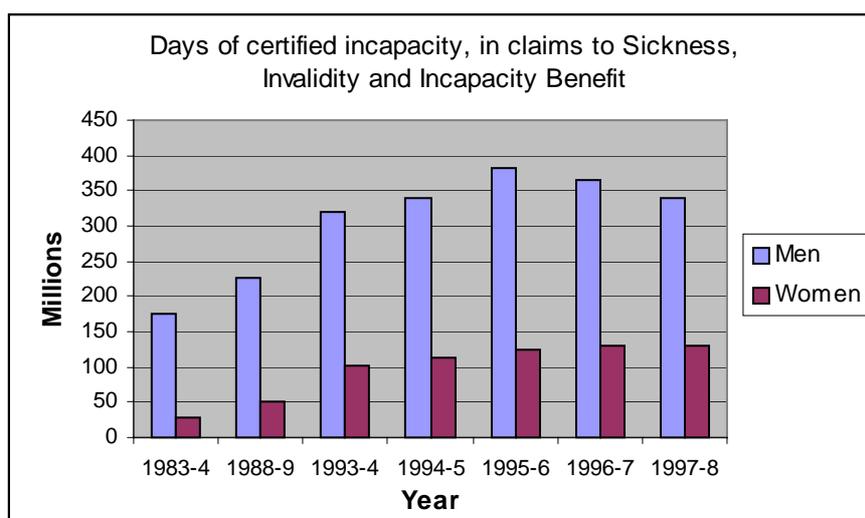
Nigel Campbell, The Decline of Employment Among Older People in Britain, CASEpaper 19, 1999.

7.2. Benefits

In the population as a whole there are more people of working age who are classified as long term sick or disabled than who are unemployed (claimant count measure).²⁶ More and more older people are claiming sickness/invalidity benefits. According to the *Social Focus on Older People* in 1987 8% of 55-64 year olds in Great Britain were in receipt of sickness or invalidity benefits; in 1998 12% of this age group were receiving incapacity benefit (which replaced sickness/invalidity benefit).

²⁵ Campbell, 1999, p.50.

²⁶ Beatty and Fothergill, 1999, p.46.



Source: Social Security Statistics, 1998.

Some of those in receipt of incapacity benefit may be interested in re-entering the labour market. About a third of working age disabled people are economically inactive have indicated that they would like to work. However, very few do so: only 2% of people move from one of the incapacity benefits into work.²⁷

The structure of Incapacity Benefit may be behind this. The most recent analysis of Incapacity Benefit and Unemployment found that the flow of ICB who are actually unemployed is almost completely in one direction – few return to work. “ICB claimants are discouraged from looking for employment because to do so might prejudice their status as “unfit for work” and thus their benefit entitlement.”²⁸

Key texts

C Poole, Retirement on Grounds of Ill Health, *British Medical Journal* 314, 1997.

Christina Beatty and Stephen Fothergill, *Incapacity Benefit and Unemployment*, Sheffield, 1999.

Disability Dilemmas: Welfare to Work or Early Retirement? In (eds.) James McCormick and Carey Oppenheim, *Welfare in Working Order*, IPPR, London, 1998.

²⁷ Marilyn Howard, Disability Dilemmas, in (eds.) James McCormick and Carey Oppenheim, *Welfare in Working Order*, IPPR, London, 1998.

²⁸ Christina Beatty and Stephen Fothergill, *Incapacity Benefit and Unemployment*, Sheffield, 1999, p.7

APPENDIX

Upcoming research

Beyond 2020 Vision: Formulating social policy within an ageing society.

- LSE led research team seeking to construct a microsimulation model which will enable the modelling of different policy options on the future demand for pensions, health and personal social services and long term care.

Contact: Jane Falkingham, LSE.

Literature review of factors affecting retirement behaviour.

- DfEE commissioned research from the Open University Business School.

Contact: Philip Taylor

Attitudes and aspirations of older workers

- DSS commissioned evaluation of attitudes and aspirations of older workers. Being conducted by the Warwick Business School. Due to be published shortly.

ESRC Research into the older worker

- Awaiting details.

Contact: Professor Ivan Robertson, UMIST

Resources: datasets

Family and Working Lives Survey

- Cross sectional survey.
- Data collected in 1994-95.
- Data focuses on the employment and family histories.
- Sample +11,000 people. . 9,139 and booster sample of 2,098 from ethnic minority groups.
- Respondents were aged between 16-69. Partners of respondents also questioned.
- Two parts to the interview: first backward-looking record of events, second section focused on current situation in terms of benefits, employment etc.

Main use so far: *Characteristics of Older Workers: Secondary Analysis of the Family and Working Lives Survey*, McKay and Middleton, DfEE RR45, 1998.

Retirement Survey

- Panel survey.
- Data collected in two waves: 1988-89 and 1994.
- First wave sample of 3,543 key respondents aged between 55-69, together with 609 spouses outside this age range. About 2/3 of the sample were re-interviewed in 1994.
- Data focuses upon labour market activity, retirement behaviour, assets and other personal characteristics.
- Main uses so far: *The Dynamics of Retirement: Analyses of the Retirement Survey*, Disney, Grundy and Johnson, DSS RR42, 1997. *The Dynamics of Male Retirement Behaviour*, Tanner, Fiscal Studies, 1998.

Labour Force Survey

- Cross sectional survey.
- Approximately 60,000 households questioned by telephone.
- Organised by the ONS
- Collected every three months.

Lifetime Labour Market Database

- Cross sectional survey
- LLMDB is longitudinal source, containing 15 years of National insurance records for a sample of men aged between 25 and 44 on 1 January 1978.
- Data based upon Inland Revenue and National Insurance data
- Main use so far: Ball and Marland, *Male Earnings Mobility in the Lifetime Labour Market Database*, DSS, ASD working paper 1, 1996.

British Household Panel Survey

- Panel survey.
- Data collected each year from 1990. Seven waves are so far available (latest 1997).
- Sample of 10,000
- Data collected is wide-ranging: includes personal characteristics and assets, labour market activity, health status etc.
- Combined with the European Household Panel Survey since wave 5.
- Main use so far: *The Decline of Employment Among Older People in Britain*, Nigel Campbell, CASEpaper 19, 1999.