

FACTORS AFFECTING RETIREMENT



BOOK 1: INTRODUCTION, OVERVIEW & CONCLUSIONS



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Foreword

In common with many of the world's developed nations, the UK is undergoing a major demographic shift in the age profile of its population. People are leading healthier, more active and longer lives. At the same time, fertility rates are falling. Putting it bluntly, because of this demographic shift there are more older people who are living longer but not working and less young people entering the jobs market in the first place. If this trend continues, the working age population will shrink leaving a smaller proportion of the population paying national insurance and taxes to support a higher number of people who will depend exclusively on their pensions for income.

Putting it in statistical terms, this means by 2010 almost 40% of the workforce will be aged 45 and over, while 16-24-year-olds will account for just 17%. At present Labour Force Survey figures show that 2 in 3 people (67%) aged between 50 and SPA are in work. This means one third are economically inactive and this must be improved.

A recently published report on active ageing, the Performance and Innovation Unit 'Winning the Generation Game', highlighted that a third of men and women in the 50 to State Pension Age group, 2.8million, are currently not working. The report stressed that this could get much worse if these employment rates stay as they are, by 2020, there will be one million more people aged over 50 out of work. The overall working population will have 2 million fewer people under 50 and 2 million more over 50, a shift equivalent to nearly 10% of the total working population.

And yet amongst all this, evidence shows that many employers still consider age when making recruitment decisions and continue to use early retirement as the most common way of downsizing the workforce. It just doesn't make sense.

Age discrimination is deeply ingrained in our society and yet it is short sighted, unfair and a total waste of valuable human resources. I started my present career at the age of 50, and I know I still have a lot of energy and enthusiasm to offer. The all too prevalent culture of "too old at 50" must change. Employers can no longer afford to ignore the contribution that older people can make to their business.

This Government has always been opposed to age discrimination, which is why we conducted a major

consultation exercise in 1997 to identify the reasons why age discrimination is an issue and to identify the best way forward.

We talked to major employers and employer organisations, we canvassed the views of charities and age organisations, we spoke to union representatives as well as employed and unemployed older people. We looked at the experience of other countries - some with age legislation and some without. The results provided a comprehensive picture of the issues surrounding age discrimination. The consultation report 'Action on Age' was published in 1998.

Since then we have moved forward on the proposals outlined in that report and taken action to tackle age discrimination. In June 1999 we published the Code of Practice on Age Diversity in Employment. The Code is being fully evaluated to identify any changes in the attitudes of employers and individuals, and to measure the impact it is having on age discrimination in the labour market.

On 17th October 2000, the UK Government signed up to a new European Community proposal designed to combat discrimination against people at work and in training on grounds of their age, disability, sexual orientation, religion or belief. The evaluation of the Code will help us to decide how we will move forward the introduction of age legislation in this country. But it won't answer all our questions. This is why we have commissioned; and will continue to commission additional research to look at specific areas.

Downsizing by age and early retirement behaviour, both in the UK and abroad, was one such area. In 1999 we commissioned age experts from the Open University Business School, University of Warwick and University of Sheffield to conduct a major literature review of retirement issues. They considered age related literature published in the last ten years, major studies conducted since the 1970s, work in progress and other Government materials. Their research findings are now published. They provide everyone interested in age and employment with an excellent overview of the issues and an invaluable source of information and reference.

Margaret Hodge
Parliamentary Under Secretary of State for
Employment and Equal Opportunities

Introduction

1.1 Background

Over the next 35 years the age profile of the population is set to change markedly as the ratio of the over-65s to people of working age is expected to increase by around 50 per cent. This increase will be particularly notable in the Netherlands, Finland, Italy and Germany. By comparison, the projected changes in UK are expected to be less marked (Commission of the European Community 1995). However, as some commentators have noted (Taylor-Gooby 1999), there are wide margins of uncertainty regarding fertility and mortality rates, as well as possible patterns of migration. Evidence reveals considerable revisions (upwards) in projections over time (Commission of the European Community (1996), both in terms of the rising population of older people and in terms of projected increases in Government expenditure necessary to accommodate changing demography over the next half century.

Pension policy is currently a major area of debate in European countries, where proposals for reform typically involve retrenchment in one form or another (Daly 1997). Reasons for initiating reforms are varied, but in the main reflect growing concerns about the financing of public pension schemes; demographic changes; the effects of shorter working lives and greater flexibility in work leading to interrupted employment records and possible exclusion from some pension schemes; as well as changes in the labour market linked to early retirement.

A strong area for policy reform, the interface between paid employment and non-participation in the labour force provides the focus for investigation in this report. The last 20 years have seen significant reductions in labour force participation among older men in most OECD countries, a trend which many governments are now aiming to reverse. Table 1 charts this decline among the countries selected for this literature review.

Table 1 Labour force participation rates among men and women aged 55-64 between 1979 and 1998

	Men					Women				
	1979	1983	1990	1995	1998	1979	1983	1990	1995	1998
Australia	69.5	62.0	63.2	60.8	60.5	20.3	20.5	24.9	28.6	32.4
Canada	76.3	72.4	64.9	58.9	59.6	33.9	33.6	35.5	36.3	38.2
Denmark	-	67.2	69.2	67.9	61.1	-	41.7	45.8	40.1	44.2
Finland	56.3	54.1	47.1	44.6	44.5	41.3	47.4	40.8	41.9	39.7
France	69.9	53.6	45.8	41.5	41.3	39.0	32.7	31.1	30.9	31.2
Germany	66.9	63.1	58.3	54.5	55.6	28.4	26.3	27.5	31.3	33.4
Greece	-	70.8	59.5	61.1	57.0	-	25.7	24.3	24.5	24.4
Netherlands	65.3	54.2	45.7	42.3	46.9	14.4	14.4	16.7	18.6	21.5
Norway	82.0	80.3	72.8	72.3	75.8	49.2	53.1	53.9	57.4	60.8
Sweden	79.2	77.0	75.3	70.7	71.4	54.5	59.7	65.8	63.7	63.6
UK	-	71.5	68.1	62.4	62.6	-	-	38.7	40.8	39.8
USA	72.8	69.4	67.8	66.0	68.1	41.7	41.5	45.2	49.2	51.2

Source: OECD Employment Outlook (various)

This table shows that labour force participation among older men has fallen in each country. The picture for women is less clear. Trends in older women's labour force participation appear to be different to men's, with an increase in some countries. However, it is likely that the cohort effect of increased labour force participation of women in the post-war period has coincided with many of the factors influencing male participation rates in later life. Cohort analyses have indicated that women have also experienced early exit (Guillemard 1999).

Against this background this project set out to investigate factors affecting retirement in terms of welfare and pension arrangements, retirement policies and practices, and employers' approaches to employing older workers. It consisted of a review of findings from recent research studies carried out in these countries and included an exploration of the following issues:

- The role of 'push' and 'pull' factors in early retirement
- The incentive and disincentive effects of social welfare and pension arrangements in determining early exit
- The role of active labour market policies in reducing early exit
- Different experiences according to occupation, gender, ethnicity and age group
- The role of human resource management policies and occupational pension schemes in encouraging early exit and discouraging more flexible retirement.

Retirement behaviour has been subject to detailed scrutiny by economists. Economic analysis of the factors which determine retirement focuses on the role of wages and incomes. The typical approach is based around the idea of a rational individual trying to maximise their utility within the context of certain constraints. These include the personal characteristics of the individual concerned, the household context within which the decision is made as well as the wider context set by the socio-economic system.

The social security system is an especially important part of the latter.

This is not the place for a detailed review of the economic theory of labour supply (for reviews see Briscoe and Wilson 1991; or Bosworth, Dawkins, and Stromback, 1996). The crucial insight's supply decision will be influenced by the wage on offer, if the individual works, compared with their so called reservation wage. The crucial insights are that the individual's supply decision will be influenced by the wage on offer, if the individual works, compared with their so called reservation wage. All else equal, if the former exceeds the latter the individual will want to work. A person will continue to work if the expected value of retirement in the future is worth more than retiring now. In the context of the retirement decision such calculations may well be made more complex by the different incentives offered by possible pensions but the essence is the same. Essentially, the individual compares (*ceteris paribus*) the relative merits of being retired compared to staying in work. This is done in the context of the household situation. There is considerable evidence of the importance of the situation of other household members, especially the partner or spouse. The financial position of the household, including non-wage income and wealth is also very important.

The importance of the role of wages and incomes is that it provides a key insight into the reason for declining trends in economic activity rates (earlier retirement) for older workers. There is not a simple positive link between wages and economic activity. The wage represents the opportunity cost of leisure. Although there is a tendency for individuals to be more likely to work or offer to work more hours as the wage on offer rises (that is, the price of leisure increases), this is likely to be offset by an opposite effect. As people's incomes rise they may choose to spend more on leisure (that is, work less or stop working altogether). In most developed countries, as income and wealth levels have risen, men, in particular, have chosen to take more leisure in the

form of shorter weekly hours and shorter working lives. Econometric studies of individual behaviour also highlight the importance of a range of personal characteristics in the decision to retire. Of these the individual's age and state of health are probably the most important.

However, this review aimed to obtain a wider perspective than would have been the case with a simple review of econometric studies. Instead the aim was to integrate findings from studies carried out across a range of academic disciplines and areas of research.

1.2 **Methods and approach**

The review aimed to critically examine and identify gaps in the literature. It considered the following issues:

- The appropriateness of research methodology
- The representativeness of surveys
- Generalisability of findings
- How current the findings from the studies were
- The validity of the conclusions drawn
- The contextual features of the research.

It was intended that the extensive and fragmented literature in this field would be integrated to provide a valuable source of information for policy makers, academics and human resource professionals. The review focused primarily on literature published in the last 10 years, and included major studies conducted since the 1970s. Emerging findings from research in progress were accessed, along with unpublished working papers and published and unpublished Government materials.

Choice of countries to be surveyed was based on several factors:

- Estimates about the amount of available literature
- Known contacts in countries
- Emergence of new and innovative public policies towards older workers
- Similarities to the UK in terms of pension and welfare arrangements
- Different levels of economic activity among older workers.

Chapter 2 presents a detailed examination of the UK situation. This is followed by detailed reports on the other countries surveyed. Each chapter is based on the same basic model:

- The labour market situation of older people
- Social welfare and pension arrangements
- Impacts on labour market and retirement behaviour
- Role of human resource policies in influencing the labour force participation of older workers
- Older individuals' orientations to work and retirement
- Role of labour market policies and collective agreements in extending/contracting working life.

The report concludes with a discussion of key findings, the state of knowledge and implications for policy development.

Conclusions

Key findings

Policy making towards older workers

Our review indicates that in most of the countries surveyed, policy makers are now orienting towards the retention of older workers after a period of more than two decades when the emphasis has been on tackling youth unemployment and encouraging the early exit of older workers. The speed and extent of this re-orientation differs. Thus in France, Germany and The Netherlands, where there was considerable early exit, the speed and scope of reforms exceeds Norway where there has been less early exit. The principal drivers of extending working life are potential fiscal crises in public pension systems caused by the trend towards early exit and population ageing, and labour shortages. There is also evidence that some employers have recognised that early exit may have led to the permanent loss of valuable skills and knowledge.

Thus, in the countries surveyed attempts are now underway to limit early exit and to prolong working life. However, the early exit approach to managing older workers has left a legacy which is making it difficult for some governments to implement policies aimed at extending working life. There would appear to be a powerful culture of early exit in France for example, which is slowing the rate of progress on the implementation of gradual retirement, even though France appears to be having more success than other countries in promoting gradual retirement. In Germany on the other hand, little experience of part-time work and negative attitudes towards it have also slowed the introduction of gradual retirement.

This review has identified the following range of policies directly targeting or affecting older workers in the countries surveyed:

- Emergent debate concerning older workers - Canada and Greece
- Later retirement - Australia, France, Germany, UK and USA

- Closing off options for early exit/making early exit less attractive/making later retirement more attractive - Finland, Germany, Norway, Sweden and UK
- Gradual retirement - Finland, France, Germany and Sweden
- Anti-discrimination measures for example, legislation proscribing age discrimination, education campaigns - Australia, Finland, Norway, The Netherlands, UK and USA
- Measures aimed at integrating older workers for example, wage subsidies, New Deal 50+ - Australia, Denmark, Finland, Germany, Norway, Sweden and UK.

A key reform in both France and Germany has been gradual retirement. Finland and Sweden also offer this option. There is evidence of limited success in Finland and Germany and much greater success in France. Moreover, while such schemes have had some success in replacing full early exit they do not appear to have been successful so far in extending working life beyond the normal age of retirement. One problem with the implementation of gradual retirement in Finland and Germany has been a negative attitude to work which is not full-time. Full early exit still appears to be the more popular option. Moreover, arguably much of what is labelled gradual retirement could simply be seen as another form of early exit, albeit not immediate and completely.

In terms of employment policy, recent years have seen the emergence of active policies aimed at improving the employability of older workers in some of the countries surveyed. There is evidence that some such policies have not been very successful so far (for example, in Germany and Greece), although the relative newness of most of these programmes make a comprehensive evaluation impossible at this time.

Where countries have legislation proscribing discrimination on the grounds of age there is little evidence to suggest that it has been successful so far in overcoming workplace age barriers, and evidence in the USA that legislation may not be operating in the ways envisaged by its architects. On the other hand legislation does at least offer legal recourse for an individual believing that they have experienced discrimination on the grounds of age.

Employer behaviour and attitudes

The numerous studies reviewed frequently point to negative attitudes towards older workers and the key role played by line managers and co-workers in determining the experiences of older workers. Concerns about older workers include the impact of technological change, coping with workload and outdated know-how, while at the same time they are often associated with positive attributes such as reliability and a strong work ethic. The relationship between the attitudes of managers and supervisors and their behaviour towards older workers would seem to be complex and has not been fully explored in the literature.

Several of the studies that have been examined have pointed to changing attitudes among trade unions and employers towards the management of third-age workers, although we have identified no longitudinal research which would confirm whether or not attitudes towards older workers are changing in reality. Also, there would appear to be limited evidence on the impact of interventions aimed at implementing age-aware HR policies. In addition, this review has not identified any studies that have examined the attitudes and practices of local trade union officials, although such individuals may have an important role in determining the experiences of older workers.

Additionally, the studies reviewed point to the barriers facing older job-seekers. Research suggests that the existence of occupational pension schemes can lead to

the exclusion of older workers. For example, pension scheme rules appear to be one factor which discourages the recruitment of older workers. There is also evidence that organisations which use defined benefit pension schemes are more reluctant to recruit older workers, at least to entry level jobs.

Orientations to work and retirement

This review has identified a significant number of studies which identify factors associated with the retirement decision and factors which would appear to be associated with an increased likelihood of an older individual exiting the labour force early. However, there are conflicting findings both within and between countries which sometimes makes it difficult to make definite statements about the direction of relationships. These factors are:

Psycho-social

- Educational level (conflicting evidence on the direction of the relationship with retirement behaviour)
- Low skill level (conflicting evidence on the direction of the relationship with retirement behaviour)
- Retirement of one spouse associated with the retirement of the other
- Ethnic group (an under-researched area with some evidence from Germany that immigrant status is associated with earlier exit but some US research which suggests that people from ethnic minority groups may be forced to work on, often when they are in poor health)
- Dependants in the household (there is evidence of gender differences in the effect of dependants on retirement behaviour but much of it is conflicting)
- Men and women with older children are likely to retire earlier than those with younger children
- Marital status (single people tend to exit later than married people)

- Employment status (self-employed men retire later and self employed women retire earlier, although there is evidence of occupational variation in the case of women; while those on part-time contracts exit later, although again, there is contradictory evidence)
- Individuals are more likely to retire early if they perceive the financial consequences of doing so to be positive
- Individuals expecting a higher income replacement rate are more likely to retire early than those expecting lower income replacement
- No perceived threat to self-esteem encourages retirement
- Less concern about loss of social contacts/colleagues (more of an issue for single people)
- Fewer anticipated problems filling leisure time
- To spend time on leisure activities
- Having shared leisure activities with spouse
- Spousal support/pressure to retire (spouses less supportive if dependants involved)
- Perceived negative consequences of retirement less if friends have already retired
- Feeling that early retirement is the 'normal' thing to do
- Lower likelihood of people in their social network still being in employment
- Feeling that one has worked long enough.

Workplace

- Occupational stress
- Low job satisfaction
- Poor working conditions
- Repetitive work/lack of variety in work tasks
- Physically demanding work
- Lack of autonomy
- Departmental re-organisation
- Lack of challenge in a job
- Lack of development opportunities
- Compulsory retirement.

Health

- Poor health
- If perceived health consequences of retirement felt to be beneficial may act as an incentive
- Spouse with poorer health more likely to support partner's retirement

Gender differences:

- Conflicting evidence on the relationship between spouse's health and the other spouse's exit patterns.

Socio-economic

- Availability of social security benefits
- Features of the social security system
- Defined benefit pension schemes
- Occupational pension coverage
- Higher unemployment levels more likely to lead to early exit of older workers
- Active labour market policies (limited evidence on impact in most countries due to the newness of most initiatives)
- Gradual retirement (the direction of the relationship between the existence of such schemes and retirement patterns is unclear, with some evidence that they may in fact encourage early exit)
- Greater household income and wealth are associated with earlier exit (although there is some evidence of gender differences, with one study finding that women with higher incomes tended to retire later).

It is important to point out that many of the factors listed above are likely to be correlated and some in the list may simply be proxies for more fundamental influences on retirement. For example, low educational level may be a proxy for income. Also, what factors predict retirement behaviour will depend on how 'retirement' is defined. For example, is it early or full retirement that is being considered and is the retirement voluntary or involuntary. A consequence is that it is difficult to disentangle the relationships among variables.

There are important differences in orientations to retirement depending on socio-economic group. For example, one study found that 'positive' reasons for early retirement were more likely to be provided by professionals, those with a high educational level and those who worked for Government or in the service sector. 'Neutral' and 'negative' reasons were more likely to be given by individuals from lower occupational levels, with lower levels of education, and working in the industrial sector. Studies have also found that gender is a key variable, both in terms of different orientations to work and retirement among older men and women and also in terms of the role of partners of different genders in the retirement decision-making process, although there is conflicting evidence.

Overall assessment of the state of knowledge

As this review has shown, there is a substantial literature on factors affecting retirement behaviour and the relationship between age and employment more broadly. However, the US literature provides evidence of a quality and depth of research in this area that surpasses that of the UK and Europe in some regards. Criticisms which can be levelled at much of the research which has been reviewed is that it is often reliant on secondary data sources which means that measures are frequently inadequate and the secondary data sources themselves are often quite dated. For example, there is a large US literature based on an

approach to modelling the retirement decision within an economic framework, based around utility maximisation by a rational individual. However, while this literature highlights the potential gains from such an approach it has also highlighted the problems of obtaining robust estimates of many key parameters. This is in no small part due to the difficulties of obtaining a data set which is not contaminated by some form of selectivity bias.

Much of the empirical analysis of the work to retirement transition is based primarily on the analysis of cross-sectional data. The limitations of this are well recognised (Burtless 1994). Attempts to avoid these problems by, for example, using longitudinal data sets, highlight the importance of the life cycle in generating and maintaining inequality. Hayward and Lichter (1998) demonstrate how inequality in education in the US is reflected in a whole host of other socio-economic indicators, including premature retirement and greater risk of disability and poverty when retired. While far from perfect as a dataset, their work using longitudinal data illustrates the value of moving beyond simple cross-sectional analysis of individuals or time series analysis of aggregate data.

Burtless (1994) sets out in some detail the nature of an 'ideal' data-set needed for addressing these sorts of problems. This should confront directly the problems of self-selection bias, unobserved variables and other factors which dog researchers struggling with data which are usually designed and collected for entirely different purposes. These issues are also addressed in Johnson and Stears (1998), who highlight again the limitations of analysis based purely on cross-sectional data, including the sample selection biases which arise as a consequence of older survivors being atypical by the very fact of their survival. They also emphasise that links between mortality and income mean that disentangling cause and effect in these matters is difficult.

A lack of longitudinal studies also makes it difficult to assess how employers' attitudes and practices towards older workers might be changing and also difficult to understand the retirement process itself. Cross-sectional studies of the factors associated with early exit are useful but do not help us to understand the complexity of the process. There is also a lack of qualitative research among that which has been reviewed.

This review has suggested that the UK literature is particularly lacking in the following areas:

i. Studies of retirement behaviour

A number of studies - from the USA and The Netherlands in particular - have been identified which have involved analysis of major surveys of individual older workers to determine the factors which are most important in predicting retirement behaviour and retirement intentions. However, much of the literature in this area is somewhat dated and so it difficult to draw conclusions about its present-day relevance. A further weakness is that such studies have frequently relied on secondary data sources which means that often, the measures employed are not ideal. Also, on some occasions what would seem to be important variables are missing.

Qualitative studies of retirement behaviour are also necessary. A weakness of the literature which has been reviewed is that it tells us relatively little about the actual process of withdrawal from the labour market and how individuals weigh the importance of different factors in making the decision whether or not to retire. More qualitative research is needed in order to begin to disentangle the complex set of relationships between the factors identified above and retirement behaviour.

ii. Individual attitudes towards work and retirement

This survey of the literature suggests that policy making is proceeding on the basis of an incomplete understanding

of older workers' orientations towards work and retirement and how these might be changing as the focus of public policy shifts from early to later exit. Additionally, a weakness of much of the UK literature is that it has often tended to treat older workers as an homogenous group or has had a white, male focus. Insufficient attention to factors such as gender, ethnicity, disability, socio-economic group and even age in examining orientations to work and retirement is a serious deficiency. In this regard, several studies from Australia and the USA in particular have been identified which could provide models for UK research.

In the UK context there would be particular value in examining the role of part-time and self employment prior to and during retirement. It would be useful to examine what kinds of jobs older workers take and the reasons why they take them. In particular, it would be interesting to investigate the extent to which, for some people, such jobs are serving as a form of gradual retirement.

iii. Developments in organisational policies

Many of the studies which have investigated employer behaviour towards older workers are now quite dated. In addition, most studies have examined organisations in insufficient detail to offer anything other than limited insights into their behaviour towards older workers. Also, what research has been carried out tells us little about how attitudes and practices towards older workers might be evolving during a period when the UK is experiencing low unemployment and labour shortages. This review found little research concerning how such factors might be impacting on organisational policies, particularly in the areas of career planning and development, retention and retirement among older workers.

Even where best practice case studies of firms have been undertaken these have not generally been carried out in sufficient depth to understand the evolution, development and implementation of age aware

personnel policies, which makes identification and an evaluation of the success factors in the implementation of policies impossible. Another weakness of research into employers' policies is that studies have frequently been quite general in nature. For example, studies which investigated individual sectors in detail would be useful. Another weakness of the literature is that it has tended to focus on larger firms. Evidence concerning SMEs is largely anecdotal. There is also little evidence on how workplace policies on age are impacting on the attitudes and behaviour of line managers and workers. There is also limited knowledge on the workplace experiences of older workers and how this impacts on their attitudes towards work and retirement. For example, we have a limited understanding of employees' experiences of age discrimination and how they cope with it. In order to address some of these issues there would be merit in carrying out detailed case studies of organisations.

iv. Assessing the impact of active labour market policies

A further weakness in the literature is an apparent lack of evaluations of initiatives and schemes targeting older workers. This review has identified a number of innovative initiatives in Australia alone but found little evidence for their impact on older workers' employment prospects. A related point concerns the relative scarcity of studies examining the utilisation of pathways back into employment by older workers. While a considerable amount is known about early exit pathways, rather less is known about the job-search behaviour of older workers, how they seek to maintain their employability and the kinds of services they might need.

v. Occupational health and well-being

The Nordic countries and Finland in particular have carried out a range of studies and developed a number of initiatives in the area of occupational health and well-being in the last few years. Our analysis

would suggest that health and the working environment play an important role in determining the propensity of older workers to remain in employment. A programme of research in the UK similar to that which has been undertaken recently in Finland, for example, may be warranted.

vi. Programme of research

Compared to the Nordic Countries in particular, research into employment in the third age and retirement is limited and fragmented in the UK. A number of studies have been undertaken in recent years but the UK would benefit from a coordinated programme of research in this area.

Main implications for policy development

While the UK is not subject to some of the pressures facing the other countries surveyed, particularly with regard to public pension systems, low levels of unemployment combined with population ageing mean that there is a need to address structural, organisational and individual impediments to older workers' employment. The UK would appear to be unique in targeting a large scale programme like New Deal 50+ at older workers. It would also appear that the UK is more advanced than some of the other countries surveyed in terms of the development of education campaigns. However, in other areas, such as flexible retirement and some areas of research the UK would seem to be lagging behind other countries. There would be considerable benefits therefore in greater sharing of experiences between countries, given that new public policies appear to be emerging in many and a focus on the integration of older workers is new for many governments.

As has been shown, other countries are trying different approaches to tackling early exit such as gradual retirement. As a means of delaying exit and giving the individual the opportunity to exit at their own pace the notion of gradual retirement is appealing, but there is

no clear evidence that those schemes that exist in several countries are doing anything other than replacing full early exit. Moreover, it is not clear whether such schemes are acting as a stimulus to staying in employment or are in fact acting as an incentive to exit early, albeit not fully. There is limited evidence that for some older workers, gradual retirement is seen as providing them with the opportunity to prepare for full retirement. However, given the choice of full early retirement there is evidence that this is the option most would opt for. However, some of this evidence comes from countries with little experience of part-time employment. Also, once again the newness of such schemes makes it difficult to gauge their impact.

Nevertheless, there is compelling evidence that flexible retirement has the potential to help employers retain corporate knowledge and expertise and to meet skill and labour shortages. However, at this time there would seem to be limited evidence that large number of employers are considering increasing retirement ages other than to equalise them for men and women. Nor did this review uncover any evidence that early exit is any less popular as a means of managing workforce reductions than it has been in the past. It also found little evidence concerning how older workers view the prospect of later retirement.

This review has clearly shown that attitude change among employers will be central to overcoming labour market barriers to the employment of older workers. However, it is also clear that the barriers which face older workers are the result of highly complex relationships between a number of economic, social and organisational variables. Researchers have as yet only a very limited understanding of the complexity of these relationships. While attitude change is important it would appear that in many regards, employers are favourably disposed towards older workers - yet they often do not recruit or retain them. Much more research is needed in order to improve the likelihood of public policies targeting employers being successful. In terms of active labour market policies aimed at

integrating, delaying the exit of or protecting older workers there is little evidence by which their impact can be assessed. In the majority of cases this is again a reflection of their relative newness. However, there would seem to be some evidence that wage-subsidies have had a marginal impact, albeit in the case of Germany during a period of relatively high unemployment. This study has shown that there is a wide range of experience which can be drawn upon from the countries surveyed which could assist in the development of policies in the UK. Australia in particular is developing models which show some similarity to New Deal 50+. Some of these models predate New Deal 50+ and so there may be merit in looking at the content and impact of these interventions in more detail.

Increasing flexibility in retirement has the potential to bring undoubted benefits to employers and older workers alike. However, this study has identified a large amount of research evidence which suggests that in policy terms, older workers should not be treated as an homogenous group. Orientations towards work and retirement will be likely to differ considerably depending on work and life experiences and family circumstances. A clear implication of much of the research that has been reviewed is that for some groups of workers, extending working life will be problematic if not impossible. For some people with severe disabilities and long-term unemployed people, their severe labour market disadvantages will mean that, in all probability, it will not be possible to re-integrate them into the labour force, at least fully. An important lesson of the research we have reviewed is that, with this section of the workforce, it is essential that interventions come early in order to reduce the risk of permanent labour force withdrawal. Another lesson is that any attempts to encourage later retirement should not at the same time disadvantage those who are unable to do so.

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