

FACTORS AFFECTING RETIREMENT



BOOK 2: UNITED KINGDOM



Book 2: United Kingdom		Page
2.1	Summary	2
2.2	The labour market situation of older people	3
2.3	Social welfare and pension arrangements	7
2.4	Impacts on labour market and retirement behaviour	13
2.5	Role of human resource policies in influencing the labour force participation of older workers	17
2.6	Older individuals' orientations to work and retirement	22
2.7	Role of labour market policies and collective agreements in extending/contracting working life	26

2.1 Summary

- Globalisation of markets, intensified competition and the drive for increased productivity and efficiency savings have often resulted in workforce reduction exercises which have had a disproportionate impact on older workers in their selection for early retirement programmes or redundancy.
- Over the past twenty years older men have taken a disproportionate share of the falls in employment, with rates varying across the country.
- In the late 1990s low levels of unemployment and skills shortages in certain sectors had a marginal effect on participation rates among older workers.
- The widening gap between the age at which individuals exit the labour force and average life expectancy means that there is a growing period of dependency on pensions and benefits and growth in their cost.
- Women employees are only half as likely as men to belong to occupational pension schemes. Women with low-paid intermittent and part-time working patterns tend to be unable to accrue anything other than low occupational pensions. Differential earnings levels ultimately affect the financial quality of life after state pension age.
- Although there will be some catching up for women's pensions, research suggests that they will not be equalised under new proposals.
- The amount received by recipients of state pensions is declining in real terms.
- There is an occupational effect on retirement behaviour - evidenced by higher rates of professional and non-manual workers retiring before they reach state pension age. Those with good occupational pension rights tend to retire early, while those without suitable provision have to continue beyond state pension age unless forced to retire by ill health.
- Few employers seem to be implementing age-aware human resource policies.
- Research indicates that key factors in the retirement decision are health and finance related. However, there is insufficient evidence on the major differences which can occur in the process between members of different occupations, socio-economic groups, or age groups, or the differences which occur by virtue of gender or ethnicity.
- There is a growing awareness that mechanisms, such as welfare, pensions and employer policies need to be explored further to stimulate the economic and social inclusion of older people.

2.2 The labour market situation of older people

In presenting an overview of the economic situation of older people, this Section examines the context of employment for those aged over 50 in Britain in the late 1990s. Changes within and between the public and private sectors, combined with economic, industrial and organisational changes have provided the circumstances for the decline in labour force participation among older people. Technological innovation and flexible working patterns might offer the means by which older people can regain some status in the labour market.

Since the 1970s economic and structural changes have had a major impact on both public and private sector activities, on traditional industries such as manufacturing, mining and construction, and on the ability of older people to sustain their position in the labour force. The growth of the service sector and the evolution of new areas, such as financial services, has led to the demand for new sets of skills and abilities. Technological innovation and the temporal and spatial reorganisation of work have led to changes within the labour process and engendered new ways of working. This has led to job losses among some groups of workers, while presenting new opportunities for others. Lindley, Wilson and Villagomez (1991) provide a useful review of trends in the UK, emphasising the impact of structural change on older workers. This has been extended to cover Europe as a whole in Lindley (1999 a b).

Sectoral change

In the public sector, factors such as the privatisation of utilities, the tightening of public expenditure and 'value for money' approaches have changed the complexion of employment. With the introduction of compulsory competitive tendering in local Government, 'market testing' within some central Government departments and restructuring, opportunities for those aged over 50 have been reduced, as the security of lifelong employment has diminished, although there is evidence that reports of the demise of 'jobs for life' are premature (Burgess and Rees 1996, 1997).

In the private sector, globalisation of markets and intensive competition between domestic producers and with overseas providers have effectively changed the shape of employment. The drive by organisations for increased productivity and efficiency savings has taken the form of workforce reduction exercises, the layering of organisational hierarchies, and the outsourcing of some functions and activities. 'Downsizing' and other initiatives have had a disproportionate impact on older workers in their selection for early retirement programmes or redundancy. In 1995 Arrowsmith and McGoldrick (1997) carried out a survey of 1,665 Institute of Management members (response rate 33 per cent). In almost nine out of 10 (87 per cent) organisations pursuing size reduction strategies these had adversely affected older workers.

Technological change

With the application of new technologies over recent years, the skills requirements within many industries and organisations have changed markedly. Requirements for conventional skills are increasingly being replaced by the need for knowledge and abilities in managing and interfacing with information and communication technologies. The use of innovative technologies has assisted the spatial reorganisation of work by enabling functions to be spread geographically across the country or, indeed, around the globe, and managed through integrated software systems.

Flexibilisation of work and new forms of contracting

The increasing flexibilisation of work (Casey, Metcalf and Millward 1997) offers the potential for new forms of employment among older workers. It has been suggested that the growth in the use of short-term and fixed-term contracting arrangements challenges barriers based on age-related assumptions, offering older workers the possibility of accessing second careers and post-career jobs (Arrowsmith and McGoldrick 1997). However, as yet, there is little empirical evidence to confirm or dispute this.

Demographic change

Demographic shifts in the UK are changing the age composition of the population. While birth rates have fallen dramatically - decreasing from around 2.7 children per UK couple in 1960 to around 1.7 children per UK couple in 1989 (Eurostat) - the proportion of the population aged 50 and over is expected to rise to one in three by the year 2020 - 38 per cent of men and 42 per cent of women (Tillsley 1995). Against this backdrop of declining birth rates, increased life expectancy and an ageing population, the labour force participation of older workers has been declining.

Labour force participation among older workers

At the end of the 1990s, despite low levels of unemployment and skills shortages in certain sectors - notably distribution and consumer services, transport and public administration, and in business services (DfEE 1999a) - labour force participation among older workers had changed little. According to some (Campbell 1999), early exit will continue as the interplay of factors such as employer policies and practices towards older workers, welfare and pension provision, individuals' labour market orientations and early retirement expectations (McKay and Middleton 1998) influence outflows from the labour market. Briscoe and Wilson (1991) provide a review of the factors influencing activity rates as well as providing alternative projections to the official DfEE ones. These suggest

faster declines in economic activity rates for males and bigger increases for females.

Cohort analysis of LFS data between 1979 and 1997 indicates that each successive generation of older men has lower employment rates than the preceding generation. Evidence suggests that there is a strong possibility that the next generation of men will stop work even earlier than the current generation, while women will exit from the labour force earlier than they would have done had men's effective retirement age not fallen (Campbell 1999).

Evidence from the Labour Force Survey (Employment Department 1995; DfEE 1999b) shows the extent of the decline in labour force participation among older men. In 1999, 74 per cent of men aged 55-59 were economically active, compared with 93 per cent in 1971. Among men in the 60-64 age group half (51 per cent) were economically active in 1999 compared with over four fifths (83 per cent) in 1971. By contrast participation in the labour force by women aged 55-59 increased from 51 per cent in 1971 to 55 per cent in 1999.

Between 1994 and 1999 the proportion of women aged 50-59 in employment and working full-time increased from 47 per cent to 52 per cent, while among men in the same age group it decreased from 94 per cent to 91 per cent. Among men aged 60-64 the proportion in full-time employment decreased from 85 per cent in 1994 to 81 per cent in 1999. An interesting change over the period is the growth in part-time working among older men, particularly those aged 65 and over - from 61 per cent to 69 per cent (Tillsley 1995; DfEE 1999b).

A recent investigation of LFS data conducted by Campbell (1999) extends this analysis by revealing that between 1979 and 1997 older men took a

disproportionate share of the decline in male employment - men aged between 50 and 64 accounting for 46 per cent of the decline in employment. The significance of this is illustrated by the fact that there were only half as many men aged 50-64 as there were 'prime' age men. Campbell's (1999) analysis indicates that the decline in male employment now begins at an earlier age: 50 rather than 55. He also shows that in 1997, better qualified older men had the highest employment rates. However, he also shows that among men in the 58-60 age group between 1979 and 1997, employment rates fell most among the best and least qualified.

The pattern of decline in national economic activity rates can mask regional variations. Work by Collis and Mallier (1996) revealed that although economic activity rates for men aged 50 to 69 declined overall by 19 percentage points between 1971 and 1991, there were marked differences between regions in the extent of this decline. While the rate in the South East fell by 16 percentage points, in Northern England it dropped by 23 percentage points. This has been ascribed to the regional differences in the demand for labour (Gudgin and Schofield 1993) and to declining jobs in heavy industries, notably mining (MacKay 1992).

On a national scale, the decline in labour force participation among those aged 50 and over has been attributed to a number of economic and political factors, and to structural features. Older men have tended to be located in declining industries, under-represented in industries experiencing growth and thus to be affected by a reduced demand for unskilled workers (Jacobs, Kohli and Rein 1991; Trinder 1989). During periods of economic expansion and contraction, when labour demands have grown and receded, respectively, the labour force participation of older men has fluctuated accordingly. In recessionary periods older workers have been utilised in early exit strategies to counter problems with youth unemployment (Kohli, Rein, Guillemard and van Gunsteren 1991; Trinder 1989).

Early retirement has become an important feature of labour market dynamics over recent years as increased prosperity and burgeoning leisure opportunities, together with the growth of occupational pensions has encouraged a proportion of those who can afford to, to choose to retire. Meanwhile, age-related factors, such as age discriminatory practices against older workers in employment, and employers' perceptions regarding the trainability of older people may conspire to effect individuals' employment prospects.

Analysis of economic activity rates of older workers and retirement decisions has laid considerable stress on the role of unemployment. There is evidence that the age structure of the employed work force changes during a recession. As employers cut back on recruitment, it is younger workers who are predominantly affected (Lindley et al 1991). However, if the employer has to make people redundant, it is older workers who suffer disproportionately (Leppel and Clain 1995). Moreover, once they become unemployed, older workers are much less likely to find their way back into a job. There is evidence of a kind of ratchet effect operating, which given the difficulties faced by unemployed older workers in finding new jobs, results eventually in withdrawal from the workforce. Lindley (1999a) argues that, for this reason, every effort should be made to avoid older workers becoming unemployed in the first place. A variety of policies is required to achieve this aim, including training and development as well as some element of subsidy.

Older workers' employment

Employment tends to decline steeply after the age of 50 for both women and men. Compared with younger workers, older workers in employment are more likely to work on a self-employed basis and to work in part-time jobs. Those working past state pension age are most likely to be in temporary jobs (Tillsley 1995; McKay and Middleton 1998). Findings from McKay and Middleton's secondary analysis of data from the Working Lives

Survey (1994-95) show a concentration of older workers, particularly men and women in their early 50s, in manufacturing and other services. With regard to occupations, men aged 45-59 are concentrated in management, clerical and craft occupations, while among those aged 60 and over there is a move towards working in personal and protective, and in 'other occupations'. Among women aged 45-54, a significant proportion (three in 10) are engaged in clerical or secretarial work, and personal and protective occupations, while among those aged 55-64 there is a noticeable growth in working in personal and protective work and 'other occupations', such as cleaning. McKay and Middleton's (1998) analysis of occupational profiles by age reveals some interesting differences between age groups. For example, four per cent of men aged 45-49 compared to 14 per cent of men aged 65-69 work in unskilled 'other occupations', while 23 per cent of the 45-49 age group work as managers compared to 16 per cent of the 65-69 age group. However, insufficient information is provided to account for these trends. Further analysis would be useful to explore this phenomenon.

A notable feature of employment among older workers is their rate of self-employment, which tends to be higher than for other age groups (Tillsley 1995). However, in examining routes into self-employment McKay and Middleton (1998) show that the highest rates of movement into self-employment are among people aged in their 30s. According to McKay and Middleton: 'Older workers who are self-employed have typically been in this status for a considerable time and for them it is likely to be a relatively stable employment status'. They suggest that the ranks of the self-employed are swelled by people moving out of unemployment into self-employment in their mid-50s and by those in their late-50s and early 60s moving out of employment to work on a self-employed basis. They point out that the rate of transition from employment into self-employment increases significantly for those aged over 60. Bryson and White (1997) have suggested that rising self-employment can be interpreted as an indication either of increasing flexibility or rising insecurity in the labour market.

Declining participation and its implications

There is growing concern over the declining numbers of older people in employment, the consequent failure to harness their knowledge, skills and experience, and the implications of an increasing imbalance between the shrinking labour force and those who are dependent upon it. As the ratio of people of working age to pension age declines - from around 4 to 3.3 between the early 1970s and 1992 (Meghir and Whitehouse 1997) - there is a need to investigate those mechanisms which can be used to stimulate labour force participation among the over-50s, such as welfare and pensions policies, and employer practices. There is a need to focus attention on 'productive ageing', particularly on the problems facing the majority of older people who may not wish to be considered passive, dependent recipients of welfare or pensions and who may not be satisfied with the role of 'retiree'. Within this context, existing welfare policies and, to an extent, employer attitudes and practices mitigate against productive ageing.

The next section examines the role of welfare and pensions policies in older workers' labour force participation.

2.3 Social welfare and pension arrangements

This section reports the current position on pensions and reviews proposed changes to the pension system. The following issues are covered: the potential for partial pension arrangements; take-up and impact of pensions on labour market behaviour; inter-relationships between state policies, employer policy and individual behaviour; and pensions and gender.

Existing pensions and proposed changes

Pensions in Britain underwent a major review over a decade ago when the 1986 Social Security Act began the process of shifting provision towards the private sector. By modifying the State Earnings-Related Pension Scheme (SERPS) and offering inducements for employees to leave the scheme and occupational pension schemes, the Government sought to encourage the take-up of personal pensions. Although a numerical success, with 5.5 million subscribers (DSS 1998), the rate of drop out from the schemes tended to be high, with around one in three ceasing contributions within the first three years (Waine 1999). Although an attractive prospect for high income earners, such pensions offered poor value to those on low or intermittent incomes because of high initial charges. Consequently, the schemes are perceived as failing to provide adequate coverage for retirement (DSS 1998).

Taylor-Gooby (1999) highlights the opposition from employers' organisations, trade unions and private pension funds to the Government's intention to phase out SERPS prior to the 1986 reforms and to replace it with mandatory private funded personal or occupational pensions. This was partly due to concerns over the funding arrangements for pensions for those on low or intermittent earnings, and the need for two pension schemes (SERPS and its replacement) to run concurrently, thus incurring double the amount of expenditure. The additional cost to employers and the state was estimated to be some £2 billion per annum (Pierson 1995). As a result, proposals were substantially modified and the 1986 legislation expanded private pensions by making SERPS less attractive. New deregulated private schemes for portable pensions were established. The target rate for SERPS was reduced from 25 per cent to 20 per cent of relevant earnings, and the pension was to be based on revalued lifetime earnings rather than the 20 best years. Pensions of surviving spouses were reduced to half rather than all of the deceased contributor's pension. Contracting out from the state scheme to a private pension was made easier with an additional rebate of two per cent of earnings for

those doing so before 1994. Transfers from SERPS grew rapidly until the early 1990s, when membership levelled out. The proportion of pensioners in non-state funded schemes grew from just over half to two thirds between 1986/7 and 1994/5 (Burchardt 1997).

Under current provisions entitlement to a full pension depends on contributions being made for 90 per cent of the working life, with any time spent unemployed, sick or disabled being credited as contributions. Since 1978, time spent caring for children has reduced the effective number of years of contributions required through the Home Responsibilities Protection system (Blundell and Johnson 1998). While the majority of men aged 65 and over receive a full pension based on their contributions, the situation for women remains less comprehensive, particularly among older women who have taken time out of the labour force. Where pensions are paid, however, indexation of the flat rate pension to price increases rather than wages in 1980 has resulted in their being devalued from 31.7 per cent of average male earnings in 1981 to 25.4 per cent by 1990 (DSS 1990). Those who can afford to may defer their pension by up to five years, although since the abolition of the earnings rule in 1989, the incidence of deferral has declined. Prior to its abolition, the Earnings Rule deterred participation in the labour force by the over 60s/65s as any sum earned above £75 per week would result in a reduction in pension entitlement - by 50 per cent of every £ between £75 and £79, and 100 per cent thereafter (Blundell and Johnson 1998).

In the mid-1990s three quarters (75 per cent) of the workforce were 'contracted out' of SERPS into private occupational or personal pensions. Reforms introduced in 1995 to phase in the increase in women's pensionable age from 60 to 65 by 2020, and tighten rules governing the calculation of earnings on which a SERPS pension is based, resulted in the reduction of projected spending on SERPS by around 25 per cent by 2020 and nearly half by 2040 (Taylor-Gooby 1999). Almost half of pensioners' income comes from non-social

security sources (Blundell and Johnson 1998) and current Government proposals seem set to increase this with the shift towards increased private provision. The proposed reform of the pension system is detailed in the 1998 Green Paper, *A New Contract for Welfare: Partnership in Pensions*, the central tenet of which is the transfer of responsibility for increasing pension incomes above the low level of basic pension to the private sector. The Government's intention is that 'state pensions will complement private pensions to give people a decent retirement' (DSS 1998). In addition to the basic state pension, a State Second Pension is to replace SERPS. Initially, it will be for low and moderate earners, and will be aimed at those who are unable to remain in paid work due to caring responsibilities, illness or disability. Moderate earners, with income in excess of £18,500, will be encouraged to join private schemes as the State Second Pension becomes restructured into a flat-rate scheme within five years of its introduction. The scheme is then intended to be for low earners and the economically inactive (DSS 1998).

Employees without occupational pensions are to be offered a stakeholder pension to top up their basic state pension. Those in approved occupational or stakeholder pensions will continue to receive these alongside the basic state pension. Aimed at middle income earners (£9,000-£18,500 per year), stakeholder pensions are intended to be more flexible and cheaper to administer than existing private schemes and are to be safeguarded by minimum standards and the appointment of trustees.

Although the proposed changes are an attempt to rectify imbalances in the existing system and target the needs of those on low incomes, they have attracted criticism for their failure to do just this, as well as on a variety of other fronts. Piachaud (1999) questions whether the Government's proposals are any more sustainable than any other major reforms of pensions during the past 30 years. He points out that the current public: private balance of pension provision is 60: 40,

but that under the new proposals it will be 40: 60 by 2050. At that time, he asserts, the relative value of the basic state pension will have fallen from its current value of 15 per cent of male average earnings to 7.5 per cent (Piachaud 1999).

Campbell (1998) has identified three major problems with the pensions debate. First, it has been conducted on the assumption that state pensions are generally more expensive to the taxpayer than private sector pensions. Contributions to the state pension system are tax deductible - unlike private pension contributions. Moreover, as with private pensions, state pensions are taxed on receipt. Therefore state pensions are effectively being taxed twice. As tax relief on private pension contributions is granted at marginal tax rates, top-rate taxpayers receive larger subsidies. This engenders inequalities between the higher paid, who can benefit from private pensions and tax breaks, and the lower paid (Campbell 1988).

A second problem arises with the variable investment management record of the private sector, where high costs and risks of personal loss seem to have been forgotten. This is to be addressed by establishing management by trustees and the regulation of occupational pensions by a regulatory authority. A set of minimum standards is to be introduced which will safeguard investors. However, no information has been provided on the form this will take. Campbell (1998) highlights the third problem as being the embodiment of the central aim of achieving universal and secure pension provision for each individual, regardless of lifetime earnings. The underlying reasons for the debate, and the need for universal coverage, are the social and economic changes which have been occurring. With the move from family to state responsibility for the elderly, taxpayers are now widely expected to carry the costs of elder care (Campbell 1998). Increased longevity, social change in the form of divorce and increasing independence mean that fewer women spend their lives financially dependent on a man. This,

together with increasing rates of labour force participation, means that women need pension provision in their own right. Campbell (1998) argues that the 'job for life' no longer exists and that many who would have relied upon lifetime employment with the same employer and having pension coverage through a final salary scheme are no longer adequately covered.

To assess the potential impact of the proposed Government pension reforms, particularly in targeting stakeholder pensions at middle earners currently without a private pension, the Institute of Fiscal Studies (Disney, Emmerson and Tanner 1999) analysed data from the British Household Panel Survey on the earnings and savings patterns of BHPS middle earners over a four year period (1992-95). Findings from the analysis reveal that the majority of individuals in the middle income band already have a private pension. Only one in four people on this income did not have a private pension or a personal pension to which they contribute the National Insurance rebate. Moreover, those in this earnings band without private pensions were found to be less likely to have stable employment. Over a third (36 per cent) had been unemployed at least once during the study period, compared with around a seventh (15 per cent) of those with private pensions. This suggests that a less stable employment pattern is an explanatory factor in the lack of private pensions among some in the middle income group. This group was found, in addition, to have earnings falling below £9,000 at least once in four years. The study found that middle earners without a private pension are less likely to have other savings than those who have a private pension. Disney et al (1999) conclude that those without private pensions, who are more likely to experience intermittent and low earnings may benefit from the flexibility of stakeholder pensions. But with little access to additional resources (that is, savings) to help them manage during periods with fluctuating earnings they may prefer to use other forms of investment, such as savings.

Piachaud (1999) recommends two ways to assess the likely impacts of the proposed pension reforms:

- according to the gains and losses relative to the status quo and
- in accordance with the standards set by the Government.

It has been argued that current entitlements are well below those which would have applied under the 1978 Labour arrangements, with the basic state pension indexed to earnings and full SERPS, and that subsequent reforms by successive Conservative administrations (Fowler 1986; Lilley 1995) have reduced SERPS spending by 75 per cent and 'drastically worsened the position of women' (Piachaud 1999). The proposed replacement of SERPS by a State Second Pension will offer some increase in pensions to those on the lowest income, but the possible effects of stakeholder pensions are difficult to predict. Piachaud suggests that the combination of the State Second Pension and stakeholder pensions should boost the incomes of the poorest and reduce the number dependent on the minimum income guarantee below what it would otherwise have been. However, any effects over the next ten to fifteen years may be small and largely experienced by younger pensioners.

Using four goals from the Green Paper (DSS 1998) as benchmarks Piachaud (1999) examines the proposed reforms. The adequacy of pensioners' incomes, particularly those of the poorest, is not an issue which is discussed in the Green Paper, although the long-term aim of earnings indexation for the minimum income guarantee and the means by which take-up can be increased and support delivered to the poorest are the subject of some coverage. This should, Piachaud asserts, be the starting point for considering levels of expenditure on pensions, particularly as pensioner incomes in Great Britain are relatively lower than in many other industrialised nations.

With regard to the possible impact on the extent of means testing of pensioners, Piachaud argues that under the new proposals, around one third of pensioners would continue to depend upon means-tested assistance. This is largely due to the combination of a narrow margin between the basic state pension and the Second State Pension, and the minimum income guarantee level, plus intermittent spells out of work and the consequent disruption of entitlements (Rake, Falkingham and Evans 1999). Moreover, as Piachaud (1999) points out, the lack of post retirement earnings indexation of the basic state pension and State Second Pension means that, even if above the minimum income guarantee level on retirement, the person may fall below over time. Regarding the quest for a fairer minimum income guarantee that rewards savings and is cost effective - Piachaud states that the means-tested minimum income guarantee will reduce or eliminate gains from past savings and attempts to reward savings more will increase the cost.

On the treatment of women, according to Piachaud the proposed reforms offer some gains compared with existing policies, but women will still fall short of achieving equality in old age. Piachaud states that credits for the Second State Pension which will mainly help women are much less generous than those currently provided for the basic state pension, being available only to women with children aged five or under. Two million women will not gain any pension entitlement as they work because they earn below the lower earnings limit. Furthermore, it is anticipated that only one third of those with stakeholder pensions will be women.

Under the new proposals the state role as pension provider will diminish while its role as regulator for private sector provision is set to increase. Campbell (1998) challenges the shift towards private provision, arguing that the state pension is cheaper for taxpayers than private pensions; that it offers security to potential pensioners as they do not have to worry about poor

investment or mismanagement of funds; that it is simple to administer and to understand; and that it is flexible, with eligibility or rates being varied through legislation.

A key point raised by Piachaud is the widening gap between declining retirement ages and increasing life expectancy which has resulted in a growing period of dependency on pensions and thus the growing cost of pensions. He asserts that 'the long-term sustainability of ever earlier pensions is not considered in the Green Paper', and draws attention to the fact that in the US, one of the mechanisms used to cope with anticipated funding problems was raising the pension age. By contrast the UK Government's proposals appear to accept existing policy on pension ages.

Pensions and gender

The concentration of poverty among women in later life has been well documented (Glendinning and Millar 1987; Walker 1987; Arber and Ginn 1991). As Falkingham and Rake (1999) assert, old age is predominantly a female experience - with 60 per cent of those aged over 65 being women and 75 per cent of those over 85. Almost two thirds of single female pensioners have incomes in the bottom two quintiles of the income distribution, with only six per cent in the top fifth of the distribution (DSS 1997). This shows that older women are more reliant on income support and other means tested benefits.

By comparison with other countries, particularly the United States, little research has been undertaken on women and retirement, or on women and pensions - with a few notable exceptions. Ginn and Arber's (1993, 1994, 1996) studies of the General Household Surveys and the Retirement and Retirement Plans Survey (1988) have demonstrated that occupational pensions are the main means by which disadvantage in the labour market during the working life is translated into low income in later life. While men's socio-economic position

in retirement is a continuation of their labour market position, among women the situation can be far more complex.

Research shows that women are less likely to belong to an occupational pension scheme. Ginn and Arber's (1993; see also Green, Hadjimatheou and Smail 1984) study of 13,500 respondents (aged 20 to 59) to the 1987 General Household Survey found that around a fifth of women (22 per cent) compared with almost half of men (46 per cent) were members of occupational pension schemes. This can be attributed largely to two factors: the disruptive effects of women's caring and family responsibilities on their employment and gender divisions within the labour market which have traditionally concentrated women in a narrow range of low paid occupations and in more junior positions within organisations (Hakim 1979; Martin and Roberts 1984).

Ginn and Arber found that the main reason for non-membership of schemes among women (35 per cent) was economic inactivity, compared with 15 per cent of men. The lack of schemes at their workplace was reported by almost two-fifths (39 per cent) of women and a quarter of men (24 per cent). Findings from the study show that career breaks, part-time working, lower wages and intermittent economic activity all contribute towards the poorer position of women in relation to occupational pensions. Analysis of the data reveal that the gender gap in occupational pension scheme membership becomes substantial during the reproductive years and persists into retirement age. A major finding was that early leavers of occupational pension schemes are disproportionately women, whose contributions go to fund enhanced benefits for other employees.

All pension schemes rely on years of pensionable service and level of income, so that women's lower rates of pay prevent them from obtaining as high an occupational pension as men. Even women working

full-time without a career break on average earn less than men (Ginn and Arber 1993). In their study of work history data from the 1988 OPCS Retirement and Retirement Plans Survey, Ginn and Arber (1996) confirm women's secondary position compared with men in relation to occupational and personal pensions. Women's average time spent in employment was 27 years (19 years in full-time and eight years in part-time paid work), compared with 43 years for men. This, together with other factors, such as differential rates of earnings, was found to affect pension entitlement and the financial quality of life after state pension age. Analysis of the data revealed the importance of marital status and family role as factors in constraining pension entitlement. However, Ginn and Arber argue that increased employment among women will not remove their disadvantage later in life. This can only be adequately addressed by their following male patterns of full-time continuous employment to ensure adequate incomes and thus sufficient pensions.

In another study Ginn and Arber (1994) used data collected in waves of the General Household Survey GHS (1988-90) to analyse the employment and pension plan membership of 9,000 British women (40-59) in relation to the presence, employment status and earnings of their adult offspring (aged 16 or over). According to the authors, only half of British women who are employed work full-time - in contrast to the US where the majority of women in employment work full-time. Economic activity patterns are linked to the lack of adequate childcare provision. As well as being in lower paid part-time jobs women tend to be lower in the occupational scale and less likely to be able to access fringe benefits such as an occupational pension plan. Ginn and Arber (1994) suggest that the 'empty nest' (where children are no longer living at home) and the 'swollen nest' (with co-resident offspring) may influence midlife women's availability for employment, and whether this is full- or part-time. Their analysis showed that women working full-time were more likely to belong to an occupational pension plan than those who are

employed part-time. Parental status was found to affect pension scheme membership, with women with children at home less likely to belong than childless women. The presence of adult offspring has a major influence on women's hours of work, substantially reducing the likelihood of them being in full-time employment - after age, educational qualifications, class and health have been taken into account.

Given the poor position of women in relation to pensions, some commentators have challenged the Government's proposed reforms (DSS 1998) as research indicates they are not in the interests of the majority of women due to the combination of their income profiles and working patterns (Ginn and Arber 1998; Williamson 1997). Waine (1999) argues that the Government has not recognised the impact of pension privatisation on women. Evaluation of personal pensions showed that they had few advantages for women, and as the proposed stakeholder pension offers a similar package, it is likely to be as disadvantageous (EOC 1998).

2.4 Impacts on labour market and retirement behaviour

As well as examining the impacts of social welfare and pensions arrangements on labour market behaviour, this section investigates patterns of retirement and early retirement behaviour in Britain.

As detailed in Section 2.2, the labour force participation of older men has been declining since the 1970s. Commensurate with this decline has been a trend towards earlier retirement. Casey (1992) has asserted that the rationale for this has been that a section of employers have regarded the performance of older workers as being lower than those in the 25 to 34 age range - in terms of work speed, their ability to adapt to new ways of working, and to learn new skills. With long-term contracts, the wages of some older workers may exceed their marginal productivity, and it may be considered more cost-effective for the organisation to dismiss them.

However, it has been the popularity of this approach, in delayering and rationalising exercises, with employee representatives and the wider community that has won broader support among employers; that is, the avoidance of compulsory redundancies amongst those with domestic commitments by encouraging older people near retirement age to withdraw from their jobs (Casey 1992). As employers have utilised early retirement schemes in short-term headcount reductions, the longer-term impacts have been the loss of company-specific skills and knowledge, plus the raising of employee expectations regarding retirement: 'to expect a shorter working life and at least some control over the point at which they retire' (Varlaam and Bevan 1987).

Extent and nature of early retirement

A number of surveys (Taylor and Walker 1994; Income Data Services 1995; Disney, Grundy and Johnson 1997) report the increasing take-up of retirement opportunities by men at ever earlier ages. Taylor and Walker surveyed 500 firms employing 500 or more people and achieved a response rate of 61 per cent (304 firms). They found that retirement at the age of 65 was the experience for men in just over half (55 per cent) of the companies, with over a third (36 per cent) reporting that their male employees retired between the ages of 60 and 64, while over a quarter said their female employees retired after state pension age. Early retirement schemes were operating in two fifths of organisations, notably in the manufacturing, production and construction sectors.

In their survey of 22 occupational pension schemes (covering 37,864 retirements) Income Data Services (1995) found that over 95 per cent of retirees were aged under 65 and that two out of three retirees had begun to draw their pension before the age of 60. In their survey of individuals, although reporting a wide dispersion of retirement ages, from 50 to 70, Disney et al (1997) found nearly one half of men compared to one third of women retiring before state pension age. Tanner (1997) reports that, between 1988/89 and 1994, there was a decline in employment rates from 49 per cent to 45 per cent among 60 to 64 year old men. Tanner also reports that around one in three women compared to less than one in ten men retire after the state pension age.

While the overall trend has been increasingly towards earlier retirement, this has masked the complexities in the transition from being economically active to 'retired', which is subject to a range of different influences, particularly factors such as access to pensions and social welfare benefits, as well as health and familial considerations. Disney et al's (1997) study - conducted across two waves of the Office for National Statistics Retirement Survey - has shown that moving from

employment to retirement is not always clear cut; for around one in ten individuals (eight per cent) there is considerable fluidity in labour market activity as they move in and out of spells of employment, unemployment and retirement (Tanner 1997).

One of the main factors which adds to the complexity in this area is the term 'retirement', which can be subject to different interpretations ranging from permanent withdrawal from the labour force to retired from a main occupation but still economically active. This is a major consideration when examining the extent and nature of retirement in Britain; different research studies may use different definitional frameworks. Disney et al (1997) use two measures of retirement:

- self-reporting of retirement status
- employment status - corresponding with retirement definitions used in other surveys, for example, the Family Expenditure Survey and the General Household Survey, which both use a residual category to exclude all of those not working, seeking work and citing retirement as the main reason for not working at the time of interview.

Evidence presented by Tanner 1997 shows the differential rates of retirement according to the definitions used. Almost a quarter (24 per cent) of men who were working in 1994 considered themselves to be retired. Among those who considered themselves to be retired, almost one fifth (17 per cent) of men and a quarter (25 per cent) of women identified other reasons (such as ill health) for not working.

One of the key findings from the Retirement Surveys (Disney et al 1997) was the effect of individuals' occupations on the pattern of retirement. Over two thirds of men in professional and white collar occupations retire before state pension age, compared with half of men in skilled and unskilled manual occupations. The pattern

among women was found to be similar but proportionately smaller. It may be that occupational positions are linked with the possession, or otherwise of occupational pensions. Indeed, occupational pensions may have a greater impact on retirement behaviour than other factors by providing the requisite income with which to take decisions. Disney et al (1997) found significant differences in the retirement behaviour between those with and those without occupational pensions. Three-fifths (60 per cent) of men with an occupational pension, compared with under half (45 per cent) of those without an occupational pension, retire before they reach the age of 65. Analysis of British Household Panel Study data reported by Campbell (1999) found that people aged 45-64 in the top half of the wage distribution and who were members of occupational pension schemes were considerably more likely to be displaced from the labour market than those with the same income but no occupational pension. By contrast, occupational pension scheme membership showed no relationship with the likelihood of displacement among people whose incomes were in the bottom half of the distribution. Miniaci and Stancanelli (1998) report analysis of British Household Panel Survey data which showed that the probability of retirement was 36.7 per cent higher for workers who were members of an occupational pension scheme. They also report that white collar workers tended to retire earlier while the self-employed and part-time workers tended to retire later.

The proportion of women with occupational pensions (33.4 per cent) who retire before reaching 60 is only slightly higher than those who retire without (30.3 per cent) (Tanner 1997). According to Stears (1997) while those with good occupational pension rights tend to retire early voluntarily, those with poor pensions have to continue in work until after state pension age unless they have to retire involuntarily due to poor health or for other reasons. Moreover, those without an occupational pension are more likely to report that their total income in retirement was below levels expected than those who had an occupational pension.

While financial issues are an important determinant, a major consideration raised by a number of commentators (Gustman, Mitchell and Steinmeier 1995; Henretta, O'Rand and Chan 1993) is the context of the retirement decision and the part played by spouses and families in retirement behaviour. Research by Disney et al (1997) supports the call for household rather than individual analysis of decision making. The research found that joint retirement decisions were made by 14 per cent of married couples. For the majority of couples, retirement did not occur at the same time. The extent to which the decision to take retirement may be influenced by spouses needs further investigation.

Routes out of the labour market according to occupation

Recent research also shows that there are important differences in routes out of the labour market depending on occupation. Taylor and Urwin (1999) examined LFS data on the previous occupational group of older non-working men between the years 1992 and 1996. Among non-working men in the 50-59 age group, those who formerly worked in higher-grade occupations were considerably more likely to be classified as retired than non-working men from other occupational groups. On the other hand, non-working men who had previously worked in personal, clerical or sales occupations or who had worked in manual or other occupations were more likely to be classified as unable to work because they were long-term sick or disabled. However, a significant proportion of men who had worked in higher-grade occupations were also classified as long-term sick or disabled. Thus, among men in this age group who had previously worked in higher-grade occupations there appear to be two main non-work categories in addition to unemployment: long-term sickness/disability and retirement. Among other occupational groupings there is only one: long-term sickness/disability.

Disability

Between the years of 1976 and 1995 the number of people in receipt of Invalidity Benefit (IVB) more than

tripled. Over the period and as at November 1996, two thirds (65 per cent) of recipients were aged 50 and over (Swales 1998). In 1995, 470,000 IVB recipients had been claiming benefit for six years or more, and nearly one million had been claiming for over three years (Campbell 1999). The rise in claims, particularly between 1980 and 1994 was mainly among categories of 'other and unspecified disorders of the back', which rose fivefold; 'osteoarthritis', which increased sixfold; and 'depressive disorder', which rose fourfold (Campbell 1999). Inflows and outflows of IVB changed little over the period. Inflows increased between 1991 and 1995, in line with a rise in unemployment levels. However, with the introduction of Incapacity Benefit (IB), higher outflows and reduced inflows have meant declining numbers of claimants.

Few of those who are in receipt of IB return to work. Only around one in twenty leave benefit for work each year and half of these return to a job with their former employer (DfEE 1998). Also, Edgeley and Sweeney (1998) estimate that 21,000 people move from Jobseeker's Allowance to IB each month - constituting around a third of all new claimants - while around 15,000 move from IB to JSA due, in a number of cases, to no longer meeting the requisite medical criteria. Campbell (1999) points out that people moving from JSA to IB become less attached to the labour market.

The rapid growth in Invalidity Benefit claims between 1980 and 1994 may, in part be linked to labour market conditions. Due to the difficulties encountered by older workers in accessing employment opportunities, particularly during periods when labour markets are slack, some commentators (Laczko 1987) have argued that more older workers are 'discouraged' and that they drop out of the labour force during periods of increasing unemployment. They may regard themselves as 'retired', 'sick' or 'disabled' as a strategy for dealing with their situation until there is an upturn in the market or, alternatively, remain external to the system. Others (Campbell 1999; Cox 1997) have, however, disputed

the 'discouraged worker' hypothesis, asserting that recent labour market trends, such as the boom of the late 1980s have had no discernible effect on flows from IVB.

Health considerations

Health considerations often play a major role in retirement behaviour. The survey of retired men conducted by Parker (1980) and Walker's (1985) study of early retirement in Sheffield both found that ill health had an important influence on the retirement decision. However, Casey (1998) has pointed out that the interpretation of survey findings is made difficult by the fact that some respondents giving retrospective answers may offer 'health' as a more socially acceptable response than some of the alternatives. Nevertheless, there is much US evidence that, for an individual, health can be the crucial factor influencing the decision to retire but that given good health, economic factors predominate (Leonesio 1996; see also Johnson 1989). Interestingly, while early retirement has been increasing, measures such as mortality rates have shown a decline, with life expectancy also increasing. Johnson (1989) has asserted that while this is not an ideal measure of health, it offers an objectivity not present in data provided on disability rates. As definitions used in research can vary between studies, and with the reliance upon self-reporting methods, it is not possible to objectively measure the incidence of disability, or how this has altered over time. Possibly the analysis of morbidity rates may shed light upon the position of health in relation to early retirement activity at a national level. Looking at trends over the population as a whole, morbidity rates have fallen (which might be expected to lead to increased activity rates for older workers). However, at the same time incomes and wealth have increased, which on balance (*ceteris paribus*) may be expected to lead to declining rates (especially among males) (Bosworth et al 1996).

2.5 Role of human resource policies in influencing the labour force participation of older workers

This section examines employers' policies and practices towards employing and retaining older workers. It includes an assessment of the prevalence of age discriminatory attitudes and practices in organisations and of employer policies aimed at encouraging older worker participation. The involvement of older workers in training and development activities is also considered.

Ageism and discrimination

Ageism among employers has been evident in the 1980s and 1990s, and notably manifest in those policies and practices which have denied older people access to training and employment opportunities. Branine and Glover (1996) have highlighted this form of prejudice which abuses the perceived chronological age in forming judgements about people. It can affect any aspect of work, and the importance of defining ageism in both qualitative and quantitative ways has been emphasised by Bytheway (1995) who regards terms such as 'elderly' and 'old age' as being ageist because they group people on the basis of age, and like 'middle-age' use cultural concepts with no defined beginning or end. For Biggs (1993), ageism is a form of oppression arising from the social construction of older age, where the assumption is that older people are increasingly and inevitably passive and dependent on other members of society.

Employment plays a central role in the generation and experience of age discrimination. Older, as well as younger workers, can often be held back from realising their potential at work because of age discriminatory policies and practices. These may be based upon ageist attitudes and assumptions regarding an individual's experience, abilities, skills or knowledge. Other influences can be transmitted via human resource management policies, company ethos and marketing. Lindley (1999a) reports that many of the stereotypes of older people are simply wrong. Although, at the individual level, there is some limited evidence of deteriorating physical and mental performance with age, these effects are marginal. At the organisational level, Warr (1994) concludes that, in most cases, variations within age groups far exceed those across age groups.

One of the major ways in which ageism has been apparent in organisations during the past two decades is in early retirement programmes. These have been used as a means of achieving staffing reductions,

particularly in large organisations, in those with a trade union presence, in manufacturing and in the public sector (Casey and Wood 1994). While some employers have recognised that there is a business case for retaining older workers - in terms of maximising returns on investment; preventing skills shortages; responding to demographic change and promoting diversity within the workforce (Taylor and Walker 1995) - it is arguably the case that a culture of early retirement dominates UK industry. As employers' age discriminatory attitudes and practices persist, the consensus about the benefits of early retirement have, in many instances, encouraged older workers to exit from the labour market, while many individuals wishing to prolong their active working lives may have been prevented from doing so. Walker and Taylor (1993) argue that ageism is not merely a case of individual prejudice, but is institutionalised in the labour market and in other social and economic systems.

Employers' attitudes to older workers

Research conducted in the 1990s pointed to widespread age discrimination in recruitment (McGoldrick and Arrowsmith 1992; Tillsley 1990; Oswick 1991) and within employment (Itzin and Phillipson 1993; Hayward, Taylor, Smith, and Davies 1997; Arrowsmith and McGoldrick 1996a; Taylor and Walker 1994). It is difficult to compare the findings of the various recent research projects in this field because of methodological differences. For example, Itzin and Phillipson surveyed only the public sector, Tillsley analysed newspaper advertisements, Taylor and Walker surveyed only larger firms (more than 500 employees) while Hayward et al surveyed employers of different sizes, and Arrowsmith and McGoldrick surveyed the membership of a management association. Differences may also be explained by studies being conducted at different points during the economic cycle.

Nevertheless, in examining particular attitudes held by employers across surveys it is interesting to note some similarities. In their survey of a nationally representative sample of 304 organisations (representing a response rate of 61 per cent) employing 500 or more people Taylor and Walker (1994) found that over two fifths (43 per cent) regarded age as an important consideration in recruiting staff. When asked about their perceptions of older workers, significant proportions of employers regarded them as being difficult to train (43 per cent), unable to adapt to new technologies (40 per cent) and as being too cautious (36 per cent). The research did, however, identify more positive attitudes in regarding older workers as being more reliable than younger workers (74 per cent) and as being productive employees (63 per cent). Nevertheless, 44 per cent of the personnel managers questioned agreed that older workers were less likely than younger workers to be promoted in their organisation. Hayward et al's (1997) telephone survey of personnel managers found that older workers were still regarded as being difficult to train (30 per cent), unable to adapt to new technologies (34 per cent) and as being too cautious (36 per cent). With regard to more positive attitudes towards older workers, they were believed to be more reliable than younger workers (79 per cent), as being productive employees (83 per cent) and offering a good return on human investment (84 per cent). Although this survey indicates that employer attitudes towards older workers are more favourable than those recorded by previous research, this may be due to differences in reporting or data collection methods. In their achieved sample of 514 employers, Hayward et al (1997) covered organisations ranging in size from 10 to over 100 employees. Given the differences in approach it is therefore not possible to compare findings from Taylor and Walker's and Hayward et al's surveys. To chart and understand any real changes taking place over time longitudinal research would be required.

While research points to discrimination against older workers in the UK labour market, Arrowsmith and McGoldrick (1996b) found evidence of positive attitudes towards older workers among a group of managers. A management survey carried out as part of a detailed case study of a major retailer found that characteristics of a 'qualitative' or motivational nature (for example, service, pride in job, cheerfulness, reliability) were more likely to be ascribed to older workers whereas 'quantitative' characteristics (for example, fast pace, trainability, handling new technology) tended to be ascribed to younger workers. On the other hand, there was evidence that, even though their recruitment potential was recognised: 'Traditional sources of labour supply were still identified by the management sample as the core response to future recruitment needs' (p. 53).

These findings raise questions about the relationship between managers' attitudes towards older workers and employment practices. Taylor and Walker (1998) explored this relationship empirically using data collected as part of their survey of employers' attitudes and practices towards older workers. Some attitudes towards older workers were found to be associated with recruitment, training and promotion practices. For example, they report that managers believing that age was an important consideration in the recruitment of staff were more likely to report that older workers were hard to train and could not do heavy physical work. Also, respondents who believed that age was related to promotional opportunities were likely to take the negative position that older workers were marking time until retirement, lacked creativity, were too cautious and did not have a lot of mileage left in them. Taylor and Walker found that both 'qualitative' and 'quantitative' (in Arrowsmith and McGoldrick's terms) characteristics were associated with employment practices, although certain characteristics and practices were unrelated. The findings from these studies suggest that relationships between characteristics managers associate with older (and younger) workers and their behaviour towards them are complex. A better understanding of these

relationships might lead to the development of more effective educational campaigns among employers.

Employers' policies towards older workers

Although some employers have responded to demographic change by taking more active steps to recruit older people (Metcalf and Thompson 1990; Thompson 1991; Hayward et al 1997), these have generally been characterised by their short-term and temporary nature. Where policies have been aimed at older workers to address skills shortages they have often been used in conjunction with other approaches, and have usually been targeted at recruitment (such as encouraging line managers to engage older workers, or to raise recruiting ages) rather than training and developing older employees (Thompson 1991). Thompson's survey of 2,000 organisations found that only a minority of private sector employers looked to older workers in times of labour shortages, with them often being regarded as a last resort. It should be noted that Thompson achieved a 38 per cent response rate to his survey and so some caution is required in interpreting findings from this study.

For the majority of employers, strategies for meeting skills shortages have tended to focus on alternative options. In the service sector, for example, there has been an emphasis on attracting more women - and in some instances older workers - into employment by improving flexibility in working hours. By comparison, the construction and production sectors have concentrated on improving training programmes to enable the existing workforce to be better utilised, along with moves towards technological improvement (Taylor and Walker 1994). Taylor and Walker also asked managers about policies targeting older workers. Few employers had such policies. For example, offering later or partial retirement was a feature of less than 10 per cent of companies. On the other hand, more general policies such as offering flexible working hours or job-shares, which might be expected to benefit older workers, were in place in rather more companies (31 per cent and 23 per cent respectively).

Recent research (Hayward et al 1997) confirms that significant numbers of employers have yet to incorporate the dimension of age into their HRM policies, with 36 per cent of their sample of organisations having formal equal opportunities policies which omitted reference to age. Also, only one per cent had specific age-related policies and a further six per cent had written policies which included age. As with equal opportunities policies, those policies which specifically referred to age were more prevalent in the public sector than in the private sector, and their likelihood increased along with organisational size (in terms of workforce).

In terms of practice towards older workers, findings from Hayward et al's survey show similar disparities between public and private sector organisations in their application of flexible working, and retirement and redundancy practices. Overall, 23 per cent of organisations offered job-sharing arrangements, compared with 69 per cent of public sector organisations. Greater consistency was demonstrated with regard to redundancy measures, with 80 per cent of public sector concerns and 69 per cent of organisations, overall, stating these were based on jobs and not on age.

Barriers to employing older workers

A number of commentators have investigated the barriers to older workers' employment, generally by using a survey methodology. Taylor and Walker (1994) asked a nationally representative sample of 304 large employers (employing 500 or more people) about the factors which might discourage them from recruiting and employing older people. By far the most important factor, cited by almost three-quarters (72 per cent) of respondents, was the perceived lack of appropriate skills among older workers. The perceived skills gap had been reported earlier by Thompson's (1991) survey which found 58 per cent of respondents concerned by the paucity of skills among older workers. Other factors cited by Taylor and Walker as being important barriers to older workers' employment were the lack of

qualifications held (51 per cent), the truncated pay-back period on training (49 per cent) and rules governing company/ occupational pension schemes (46 per cent).

In their recent survey of employers, Hayward et al (1997) found that the greatest deterrent to employers recruiting older workers remained the low return on training investment, cited by two thirds (65 per cent) of employers questioned. Employers have also remained concerned about the perceived lack of appropriate skills (50 per cent) and qualifications (46 per cent) among older workers. When asked about the rules regarding pensions, two fifths of employers (39 per cent) said they would have at least a 'fair amount of influence' in discouraging the employment of older people. But the cost of employing older people, especially those reaching formal retirement age, can become expensive - particularly when a ten per cent rise in final salary adds ten per cent to the annual pension. For those in occupational pension schemes costs will tend to rise with age, even if the wage (exclusive of pension cost) appears to decline in real terms (Campbell 1999).

Training

Although it is a truism that the provision of appropriate training and skills development leads to enhanced productivity and improved job opportunities for employees, evidence (Warr and Birdi 1998; Warr 1994; Dibden and Hibbett 1993) reveals that older workers are treated less favourably than younger workers in the provision of training.

Analysis of the 1992 Labour Force Survey (Dibden and Hibbett 1993) revealed that workers aged 50 and over were less likely than younger workers to have received training in the previous four weeks. Only seven per cent of those aged between 50 and state pension age had been involved in training, compared with 14 per cent of 25 to 49 year olds and 22 per cent of 16 to 24 year olds.

In 1994, Warr published findings from secondary analysis of the 1991 Labour Force Survey, which investigated the extent and nature of training among employees and self-employed individuals aged between 16 and 64. Covering the preceding four week period, when questioned, overall:

- the proportion of older managers undertaking job-related training during the specified period was found to decline with age, although not as steeply as among non-managers
- older managers, supervisors and employees were found to be less likely than their younger counterparts to have undertaken training and had spent less time on off-the-job training.

Trinder (1992) has suggested that low levels of training among older workers are largely a result of a lack of opportunities. Research carried out by Warr and Birdi (1998) suggests that there are other factors. In their study of 1,798 manufacturing workers drawn from different plants of a car manufacturing firm they explored employee development activities outside formal training. Four types of activity were studied: a company-sponsored tuition refund scheme; a company subsidised employee development programme; a company-provided employee development centre and a personal development record made available for employees to plan and record their progress. Among the mainly male (95 per cent) workforce questioned:

- older employees were substantially less active in all of the schemes
- education level, learning motivation and learning confidence, as well as lower age, were found to be predictive of participation in each type of activity

- of the environmental factors, support from managers, co-workers and non-work sources were positively correlated with activity, while time constraints were found to have a negative association
- controlling for other factors, age was found to have a negative impact on activity.

The findings reported in this section of the report have implications for both employer and Government policies in terms of training an ageing workforce and educating employers around the human capital investment issues surrounding older workers. However, several of the studies in this area have important weaknesses which limit the conclusions which can be drawn. There have now been several surveys of employers' attitudes and practices towards older workers. The most comprehensive of these is Hayward et al's (1997) study. Taylor and Walker's (1994) survey achieved a high response rate, although it is now somewhat dated. Some studies have suffered from low response rates (for example, Thompson, 1991; Arrowsmith and McGoldrick 1996a) or have surveyed specific subsets of managers (for example, Taylor and Walker 1994) and so it is difficult to make judgements about these findings. Another problem with these surveys is the assumption that the view of a Human Resource Manager, or in fact any individual manager alone, will accurately reflect views in the rest of the organisation. This is unlikely to be the case. If anything, such surveys probably underestimate the extent of discriminatory attitudes and practices in organisations. A more fruitful approach would be to undertake detailed case studies of organisations where the attitudes and experiences of different employee sub-groups could be assessed and the role played by HR policies in facilitating the inclusion or exclusion of older workers could be examined in detail.

2.6 Older individuals' orientations to work and retirement

This section explores the orientations to and experiences of work and retirement among older individuals. Where the literature available allows, differences according to occupation, socio-economic group, gender, ethnicity and age group have been examined. The impact of caring responsibilities on orientations to work and decision-making regarding retirement is also examined.

Orientations to work and retirement among older people are governed by a number of factors which Johnson (1989) has identified as pertaining to health, economic and structural elements. While ill health has been identified as one of the most important reasons for retirement (Parker 1980; Walker 1985), other influences, such as income and wealth, and labour market considerations can be equally important. Pull factors associated with the attractiveness of life in retirement, such as opportunities to take up a secondary career, undertake voluntary work, or to enjoy new hobbies can be important for some older people; push factors, including negative attributes of a current job can be important for others in their decision to remain in or to leave the labour force. Some commentators (for example, Campbell 1998) have suggested that declining employment rates among older workers are related to the wage levels they can command. While employers may be reluctant to employ older workers if the wages paid do not reflect productivity levels, work is likely to be less attractive to people whose potential wage is relatively lower than it used to be, or than that of colleagues. Nevertheless, for older people without adequate assets, in terms of property, pensions or other sources of income, cessation of employment may not be a viable option.

Early retirement

As in many other countries, the retirement experience for the majority of the UK workforce has historically been compulsory retirement at the statutory age. Consequently, individuals have not generally been faced with making a conscious decision about withdrawing from the labour force. However, with the growth of early retirement as a feature of work organisation, particularly over the past 20 years, an increasing number of individuals are facing complex choices about whether or not to remain economically active. Whether this situation will continue as organisations have become more streamlined remains to be seen. It has been suggested that because of the stereotypes surrounding ageing and the negativity towards the role of older workers in the workforce, individuals may feel caught between staying in work which is increasingly experienced as onerous, or opting for the negative social status of retirement (Maule, Cliff and Taylor 1996).

Despite the changing nature of retirement for a growing number of older people, relatively little empirical work has been undertaken in the UK to examine those factors which exert most influence over the retirement decision. Johnson (1989) points out that where studies have been conducted, the relative importance attributed to factors has been a function of the research methodologies adopted, and that few attempts have been made to examine the simultaneous impacts of the various constituents in the decision-making process.

Research conducted in the USA has suggested that the key factors in early retirement decisions are health (Kingston 1983) and personal finance (Myers 1983), although which is more important has been a subject for debate. Other factors important in the retirement decision, such as job-related factors - notably the link between heavy workload and the attraction of early retirement (Pollman 1974) - and the impact of factors external to work, such as family life, have also been highlighted by the literature (Hwalek et al 1982;

Szinovacz et al 1992). Studies which have been conducted in the UK have reported similar findings. McGoldrick and Cooper's (1989) study identified financial inducements as a key aspect for individuals in making retirement decisions, although factors such as deteriorating working conditions, personal health and the desire to develop interests and hobbies were also acknowledged as being important. Prior to this, a study of applications to the Job Release scheme conducted in the late 1970s found that health was a more important determinant of early retirement decisions among semi-skilled manual workers than those in professional and managerial occupations (Makeham and Morgan 1980).

Jackson and Taylor (1994) examined the relationship between present employment status and previous financial and psychological well-being and employment commitment among a group of 175 men aged over 50 to examine the factors associated with employment status. Respondents were interviewed at three time periods and the researchers used data collected at time one when all were unemployed to compare those who remained unemployed, those who subsequently retired and those who were re-employed at time three, one year later. They report that both the retired and early retired groups felt more in control of their lives and reported lower employment commitment than the other groups at time 1. There was also a difference in terms of the financial strain reported by respondents, with both the retired groups but also a group which had been unemployed for a shorter period of time reporting lower levels of financial strain than a re-employed group and a longer-term unemployed group at time 1. On the other hand, psychological well-being and self-reported health status did not differ between groups at time 1 indicating that pre-existing differences in physical and psychological health could not account for subsequent changes in employment status. The authors concluded that these findings were indicative of an element of psychological withdrawal on the part of the retired groups over a long period before they described themselves as retired.

Despite the widespread use of early retirement schemes, particularly during the privatisation of utilities during the mid to late 1980s and early 1990s, there is a distinct lack of research data available. While a small number of studies have examined the factors influencing early retirement decisions, there is a paucity of information on the potential differences which may occur in the process between members of different occupations, socio-economic groups, age groups, or the differences which occur by virtue of gender or ethnicity.

Deciding on retirement

Some insight into the general area of decision-making on early retirement has been provided by a recent study (Maule et al 1996). A postal questionnaire survey of 439 employees, most of whom were men, working at different levels within a multinational company, across several UK plants was used to investigate the range of factors which featured in decisions made by employees leaving on an early retirement scheme. Based on previous research and in depth interviews, fifteen attributes were identified as being important in determining whether or not to accept retirement terms. From their rating of these factors, over two in three respondents (70 per cent) identified pension arrangements and lump sum payments as being the most important, while around one in four respondents (24 per cent) were concerned about ill health and future health. Health may be best regarded as a dichotomous - conditioning - variable. If someone suffers ill health this can be a major factor influencing their decision to retire. If not, it does not enter the equation.

Although the survey findings are consistent with those from previous studies (Myers 1983; McGoldrick and Cooper 1989) in identifying finance as being of primary importance in the early retirement decision, Maule et al (1996) highlight the significance of other factors in the decision-making process. This is evidenced by three in five respondents (62 per cent) taking early retirement despite regarding their financial package as inadequate.

With regard to their labour market orientation, one in five respondents (22 per cent) said they intended looking for part-time work after retiring; one in fourteen respondents (seven per cent) intended looking for a full-time job and one in twenty respondents (five per cent) intended investigating opportunities for self-employment. Two out of three respondents said they intended taking full retirement. When asked the reason for continuing employment, the majority (39 per cent) attributed this to the inadequacy of the financial package, a third wanted to be able to afford small luxuries and 18 per cent said they wanted to use their time productively.

Statistical analysis of the data across occupational groups enabled Maule et al (1996) to discern crucial differences between salaried and hourly paid employees' in the roles played by 'push' and 'pull' factors in the early retirement decision. While the retirement decision for hourly paid employees was dominated by 'push' factors - the negative aspects of their current job, such as shift work, as well as factors including ill health and fears over their future health - salaried employees were attracted by the positive potential offered by retirement opportunities, such as starting a new career or developing new hobbies or interests.

The study also identified a number of other important factors in the retirement decision, notably social influences. The majority of married people (93 per cent) consulted with their spouse, with personnel staff (46 per cent) and with colleagues (42 per cent) and supervisors (35 per cent), but only the spouse was identified as exerting an influence over the decision. Respondents expressed concerns about life beyond retirement in terms of inflation, a major concern for salaried employees, having sufficient money and not seeing work colleagues (Maule 1995).

In considering the merits of Maule et al's research it is important to point out that the researchers employed a

cross-sectional design based on two different samples rather than one sample monitored over time. Consequently, any allusion to comparability would seem to be spurious as data collected from two different samples at two different points in time can be influenced by internal (individuals' circumstances and experiences) and external factors (changes in the economic situation). The samples used are overwhelmingly male, and almost seven out of ten respondents (68 per cent) are hourly paid. It is not clear how representative this is of the workforce surveyed.

In contrast to Maule et al's (1996) findings, Tanner's (1997) analysis of responses to the ONS Retirement Surveys found that ill health provided an explanation for early retirement for over one quarter of men (26 per cent) and women (28 per cent). Voluntary redundancy, with reasonable financial terms, accounted for a further quarter of men (24 per cent) leaving employment early, but was less important for women (seven per cent). One in six men (15 per cent) and over one in seven women (14 per cent) cited 'involuntary redundancy' as the reason they had left employment. The relevance of the family context to retirement behaviour, especially among women, is evidenced by their retiring to spend more time with their families (11 per cent), to co-ordinate giving up work with their partners (six per cent) or because of the ill health of others (seven per cent). Around one in ten (11 per cent) of women cited 'other' reasons for their early withdrawal from the labour force which would have been interesting to explore further.

More detailed analysis of the early retirement data revealed major differences between those with and without occupational pensions (Tanner 1997). Men without occupational pensions (23 per cent) were almost twice as likely as women without (14 per cent) occupational pensions to be made redundant involuntarily. Among women little difference was noted between the two categories. Men without an occupational pension were more likely to cite ill health as the reason for retiring early (39 per cent) than those

with an occupational pension (26 per cent). Similarly, men with an occupational pension were more likely to report their early retirement being 'individual instigated' (40 per cent) than those without one (18 per cent). For women, the situation was reversed: 35 per cent of women with occupational pensions and 29 per cent of women without occupational pensions reported ill health as the main determinant of their early retirement. With regard to occupational differences (among those employed prior to retirement), findings are in line with Maule et al's (1996) study, with those in professional and white collar occupations being more likely than those from other occupational groups to leave the labour force voluntarily. This is particularly pronounced among women.

Overall, evidence indicates that the trend towards early retirement has been partially driven by the increase in occupational pension coverage. Although the growth in coverage has been relatively small, the amounts received have increased substantially (Johnson and Stears 1995). Longitudinal data across the two waves of the ONS Retirement Surveys provides valuable information about early retirement patterns (Tanner 1997). The main change in reasons provided for early retirement was reportedly in ill health, which among 60 to 64 year olds increased by seven percentage points in the proportion of men and nine percentage points in the proportion of women citing this. Data available on Invalidity Benefit claims indicate a corresponding increase over the period; the number of men aged between 60 and 64 claiming IB increased by 21 per cent between 1988 and 1994 (Blundell and Johnson 1996). If anything, data across the two waves of the Retirement Survey reveal a decline in individually initiated early retirement, but a slight increase in employer instigated early retirement decisions, especially among those aged 65 to 69 (Tanner 1997).

2.7 Role of labour market policies and collective agreements in extending/contracting working life

This section examines Government and other programmes related to older workers, notably education campaigns amongst employers and older workers. Possible future strategies are explored.

Education campaigns

A small number of companies, such as Tesco and B&Q, have embraced policies towards the employment of older workers. The much publicised scheme at B&Q (see Hogarth and Barth 1991) allows for fixed-term contracts to be issued for two-year periods. Sutcliffe Catering also offers post-retirement age contracts to employees and reviews them regularly (IDS 1996). Among the majority of organisations, however, negative attitudes towards employing older people persist. To combat this the Government mounted the Getting On campaign in 1993. Aimed at encouraging employers to recruit on the basis of ability rather than on age and qualifications, to offer flexible working arrangements, and to continue to train employees regardless of age, the campaign comprised a series of seminars at various venues around Britain, and the publication of a follow up booklet in 1994. The following year the Government published a booklet and video, *Too old...who says?*, aimed at older workers. The next section reprises key findings from the evaluation of the campaign (Hayward et al 1997).

A survey carried out by Hayward et al of 100 employers who had attended seminars found that many were doing so out of professional interest, rather in the capacity of an employer suggesting, according to the report, that the seminars were not always reaching their target audience. In addition, when asked about their prior knowledge of the campaign, only three out of 10 of those attending the seminars, were aware of the campaign and even then, often not in much detail. Moreover, even among what the researchers acknowledge was a self-selected, interested, group less than a third had taken any subsequent action with regard to older workers. Interviews were also conducted with older people. The campaign booklet was felt to be poorly targeted and insufficiently detailed to offer any real practical help.

Following a consultative process, the present Government published, in 1999, a non-statutory Code of Practice on Age Diversity in Employment, aimed at tackling age discrimination at work. The Government's evaluation of the Code is looking at representative samples of organisations, and individuals aged 50 or over. Findings of the overall evaluation will be made available in 2001. The second wave of this evaluation carried out six months after the launch of the Code indicated that awareness of the Code was low. Employers were sceptical about its likely impact and the majority had not made and did not anticipate making policy changes as a result of the Code (Jones 2000). Given that the implementation of the Code is in its infancy it would be unwise to label it deficient on the basis of these findings. Nevertheless, these findings provide an indication of the extent of the barriers it may need to overcome.

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