Encouraging labour market activity among 60-64 year olds

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This report presents the findings of a qualitative research study which explored how to best encourage the 60-64 age group to take up or remain in work. In addition, the research investigated the opportunities presented by State Pension equalisation to create incentives and remove barriers to work for this group. Existing research documents a number of individual factors, such as health, caring responsibilities and financial circumstances, which are correlated with early withdrawal from the labour market. This research aimed to better understand how these factors interact to influence decisions about when and how to leave employment.

Main findings

• Flexible working, particularly part-time and short-term contracts were favoured among those research participants who wanted to work longer. Those who did not wish to work on typically felt that they had worked for long enough. There were strong gender differences, with women much more likely to mention social reasons for continuing to work, whereas the men were more inclined to feel that they had already ‘done their bit’.

• Health, caring and financial circumstances interacted to affect decisions about whether or not to continue working. Among those who defined their current health as ‘good’ or ‘reasonable’, concern about a change in their health status coloured the way they thought about working on, with many wanting to enjoy their retirement ‘while their health lasts’. Dual caring responsibilities (for partner or parent as well as grandchildren) emerged as a major issue for a number of research participants.

• Many respondents were reacting to events as they unfolded and often with incomplete knowledge about benefits and pensions, their likely retirement income and of the prevailing policy situation, such as changes to the State Pension (for example, equalisation or State Pension deferral). These circumstances meant that respondents found it difficult to make clear plans. This lack of knowledge coupled with a general climate of distrust about pensions and government policy, acted as a significant barrier to respondents’ willingness to engage with the Extending Working Life initiatives.

• Real or perceived factors, such as benefits traps or tax on pensions acted as a disincentive for respondents to get back to work. Where respondents had experience of Jobcentre Plus services at some point in their lives this had largely not been positive, and generally older respondents did not think they would use Jobcentre Plus to help them back into work.

• Most respondents had heard about the Employment Equality (Age) Regulations, but many had erroneous assumptions about the implications for retirement age. As well as those who stated explicitly that they thought retirement was now completely open-ended, many of the more negative viewpoints (forcing people to work longer; blocking jobs for younger people) also implicitly reflected the notion that there was now no retirement age.
Background and research objectives

The research aimed to understand more about why people aged 60-64 have considerably lower rates of labour market participation than younger groups, and to explore what incentives, support or policy developments might encourage them to continue or return to work. The research also investigated the opportunities presented by State Pension equalisation to create incentives and remove barriers to working. Ninety-six people in three locations were interviewed between April and July 2007. Slightly more women than men were included to capture respondents (56 and younger) who were affected by State Pension age (SPA) equalisation.

What barriers to working exist for 60-64 year olds?

A wide variety of personal, structural and cultural factors and the interactions between these were shown in the research to influence decisions about when and how to leave employment. The study demonstrated that the relationship between individual health, caring responsibilities, finance and domestic circumstances are dynamic and interlinked. Undoubtedly poor health was a major barrier to continuing in work for some. The research shows that ill-health not only affected an individual’s decision whether or not to work, but often had implications for the partner who was caring for their spouse. Uncertainty over future health was also given as a reason for a lack of firm planning in relation to extending working lives. Dual caring responsibilities (for partner or parent as well as grandchildren) emerged as a major issue for a number of research participants. While financial issues were obviously of concern to participants, they were of less importance – on their own – in influencing retirement decisions. Financial security (often mediated through type of pension) did have a bearing on when and how to leave work; it was often combined with other factors, especially the sudden onset of poor health, which was often pivotal to decisions. Major differences in attitudes and behaviours existed between men and women, reflecting gendered work histories and experiences, which were also manifested in their attitudes towards retirement.

Overall, respondents had a patchy knowledge about benefits and pensions. They were often basing their decisions on incomplete information or erroneous assumptions, or generalising from the experience of friends and relatives. There was relatively little proactive planning for retirement among respondents in the years immediately preceding retirement. For many, financial decisions were set in place much earlier in their (working) lives, and the years running up to retirement were characterised more by tweaking these plans or adapting in the face of unplanned life events. However, some assiduous planners had been thrown off-course by underperforming pensions or mortgages. For other respondents, especially those in receipt of Incapacity Benefit, the nature of their lives meant that they had little control over their situation and they did not consciously plan for retirement. There was evidence that some people were disengaging from the notion of financial planning. A key theme to emerge was a legacy of bitterness and mistrust over pension issues and there was considerable uncertainty and anxiety among respondents about the whole issue of pensions. This negativity about pensions, the role of the financial institutions and governments did not serve to encourage people to consider working for longer, but was rather more likely to reinforce a ‘live for the day’ attitude as the future was uncertain.

What incentives would particularly help working among this group?

The key factors identified as likely to have an impact were:

- flexibility at work;
- well-being at work;
- changes in the delivery of advice, guidance and help;
knowledge and empowerment; and
the choice agenda.

More flexibility (such as flexible hours or opportunities to downsize in terms of responsibilities) was particularly important for those trying to manage health conditions or caring responsibilities. There was considerable health pessimism, even among those who currently reported good health. Emerging policy agendas around well-being at work, focusing on reducing accidents and adverse health effects as well as encouraging better retention at work for those with health conditions are likely to be very important.

Some respondents who had experience of Jobcentre Plus services at some point in their lives were positive about these experiences, but the majority were negative. Many respondents were unaware of the potential help, such as benefit protection rules (for example, for those on Incapacity Benefit who wanted to try working) and better off calculations, which Jobcentre Plus could offer and which could help determine whether returning to work would be viable. There were significant misunderstandings among the respondents about a range of policies of direct relevance to them as older workers, such as the equalisation of SPA, State Pension deferral or the Employment Equality (Age) regulations. This lack of knowledge serves to disempower older workers and undercut their ability to plan ahead and make choices about working or retiring.

How might the labour market opportunities of state pension equalisation be maximised?

The research suggested that State Pension equalisation is likely to have the most direct impact upon single women. For married women it will be just one, but not necessarily the most, important factor conditioning retirement timing. Their likely retirement timing tended to be contingent upon their husband’s work trajectory and SPA alone was not the driving force. Not all women in the research who would be affected by the change knew that it was happening. The impact of the measure was most likely to be felt by lower incomes families where men would no longer be entitled to Pension Credit at 60 and hence would need to try to stay in the labour market longer. Maximising the opportunities that State Pension equalisation could bring to extending working lives will require a change of perception about the services Jobcentre Plus provide as well as a change of practice at Jobcentre Plus to cater for this group of 60-64 year olds.

Conclusions and policy recommendations

Extending working life for those able and willing to work for longer requires action on a number of different fronts and by a range of stakeholders – government, but also employers, trades unions, voluntary organisations and individuals. Government – and especially the Department for Work and Pensions – communications are particularly important to help older people plan their later working life and timing of retirement. In particular there is a need to improve understanding among older people of key policies such as State Pension equalisation, options for State Pension deferral and aspects of the age legislation such as the default retirement age and right to request longer working. This may require new ways of providing information and guidance which may also be necessary to improve understanding among older people of the extending working life agenda. Jobcentre Plus also has a key role to play in terms of changing perceptions about the services it provides and better supporting the employment aspirations of older workers.

Caring and health issues blend with finance and job satisfaction to exert push and pull effects on continuing work. Employers should think creatively about supporting employees where they need to continue working with a health condition or care for family. Employers will need to take up the well-being at work agenda if they are to encourage older workers to stay in or return to employment. They may also need to
consider job quality as a factor that affects the intentions and behaviours of older workers.

Individuals need to improve their understanding of, and ability to respond to, the opportunities and disadvantages they experience as older workers. They need to think more clearly about realistic options where changing working arrangements are necessary and explore these with their employer, with the aid of their trades union where appropriate. They need to be better informed about their benefits, pension and financial circumstances and of key government policies if they are to play an active role in trying to manage the end of their working lives.

The full report of these research findings is published by the Department for Work and Pensions (ISBN 978 1 84712 441 8, Research Report 531. October 2008).

You can download the full report free from: www.dwp.gov.uk/asd/asd5/rrs-index.asp

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