

## Crossroads after 50

### Improving choices in work and retirement

People are living longer but on average leaving the workforce younger, not always at a time of their own choosing. This has important implications for retirement incomes and for economic and social participation in later life. Since 2000, the Joseph Rowntree Foundation has supported a research programme on how people are making transitions in work and towards retirement after age 50. Here, Donald Hirsch – Special Adviser to JRF – reviews its main findings and issues raised for policy. The research sheds new light on people's experiences in the workforce, the manner in which they leave it and what is happening to over-fifties outside paid work. Findings reveal in particular the complexity of modern pathways out of work and factors that influence them: simple financial sticks and carrots are unlikely on their own to change retirement behaviour greatly.

- Employers are only just beginning to adopt policies to avoid squandering the talents of older workers. Training and worker development remain skewed towards younger workers.
- A high proportion of men and women over 50 care for other adults. This does not typically lead them to give up work. However, if current pressures on their lives continue to build, there is a risk that the supply of this vital unpaid work will reduce, at a time when demand for it is growing. This could put caring services under renewed strain.
- Workers in professional and managerial jobs tend to enjoy greater choice and control over how they leave the workforce than those in less privileged occupations.
- Financial factors tend not to be the primary force driving decisions about leaving work. Health and family considerations, together with attitudes to work, combine to create aspirations about when to retire. Financial factors, however, can be a key constraint determining when it is possible to do so.
- People who leave permanent full-time jobs before state pension age are about as likely to move initially into part-time, temporary or self-employed work as to leave the workforce directly. However, opportunities to get good 'bridge jobs' tend to be much greater for certain groups than for others.
- Leaving work early increases the long-term risk of poverty for some occupational groups, but is less important than one's overall work history. Those with modest means, but not the poorest workers, have a particular risk of a painful drop in income between early job exit and state pension age.
- People with negative experiences on leaving work, and those with financial difficulties, are less likely to engage in fulfilling activities in retirement, such as involvement in their communities.

## Background: employment trends and a new policy agenda

Since the late 1990s, the patterns of employment and retirement of people in their fifties and early sixties have become a central policy concern – not just in the UK but throughout the developed world. People, especially men, have been leaving work earlier even though they are living longer. This increases the ratio of years in retirement to years in work, making it potentially harder for individuals to make adequate pension provision. For the economy as a whole, it raises issues not just for financing pensions but also for labour supply, especially in the next 20 years as the number of 50- to 65-year-olds rises steeply as a percentage of the working-age population. A further concern is that individuals leaving work early may feel prematurely excluded from social participation.

These factors have created a debate about the desirability and means of raising economic participation by people over 50. Legislation and campaigns to combat age discrimination, together with active assistance for and subsidy of older people in the labour market, are currently being pursued by government. Some employers, together with older people's advocates, are exploring ways in which older people can be better supported in work. Sometimes this is presented as a campaign to extend people's working lives per se, but a less prescriptive aim is to extend *opportunities* for older workers. On this view, while people who choose to

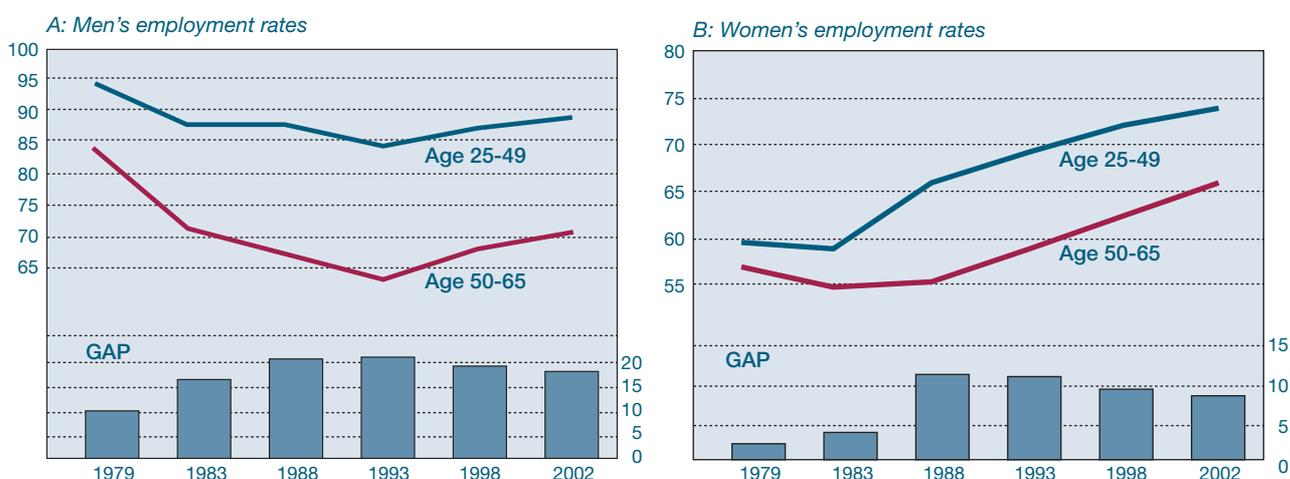
retire early may have to accept consequences such as smaller accrued pension entitlements, such choice should not be denied them, and nor should artificial disincentives to retire be created.

In the past few years, overall employment rates for older people have started to recover, though not to historic levels (see Figure 1). A significant aspect of this change is that the *gap* between employment rates of the over-fifties and those aged 25-49, which had been widening for both men and women, is starting to narrow.

In further developing policies for older workers and seeking to provide appropriate opportunities, it is important to understand more about their experiences and preferences. A report by the Prime Minister's Performance and Innovation Unit (Cabinet Office, 2000) suggested that most of the reduction in older people's employment rates has not been voluntary. However, that report and subsequent policy development had to rely on an inadequate base of evidence, in terms of the factors influencing labour market behaviour after 50. To help fill this gap, the Joseph Rowntree Foundation commissioned 12 research studies under its Transitions After 50 programme to explore the experiences and preferences of individuals at this stage of life. This programme is nearing completion, and has provided a rich seam of evidence relevant to the further development of policy.

## Figure 1: Employment trends by age and gender

In the past quarter-century, the proportion of older men not working has doubled. But is the trend now reversing?



Sources: Performance and Innovation Unit, Department for Work and Pensions

NOTE: the graph puts older people's employment rates in context by also showing the percentage of men and women in younger age-groups who are working. The *gap* between the over-fifties and the under-fifties is shown in terms of the difference in percentage points between these rates. For both men and women, this gap widened in the 1980s, as older people participated relatively less in employment. Recently, for both sexes, the gap has started to reduce.

## Opportunities for older workers

How can employers and government improve the supply of job opportunities in later working life? Different countries have approached this issue in different ways. In some (eg the USA) the emphasis has been on worker rights: on treating all workers equally, regardless of their age. Following Britain's decision to sign up to European legislation to outlaw age discrimination and the launching of the Age Positive campaign, the message that workers should be valued regardless of age has been a key theme. Other countries (eg Finland) have put more emphasis on focusing on meeting particular needs of older workers, such as the need for flexible working hours and attention to occupational health (Taylor, 2002).

Evidence on employer support for older workers in the UK shows that the promotion of an age-diverse workforce has so far made limited progress. For example, a study of the experience of older nurses in the health service (Watson et al., 2003) shows that while employers are aware of the importance of catering for their needs given demographic change and labour supply shortages, they have done very little to meet particular needs such as retraining and opportunities to move to less physically demanding work. More generally, initial assessment of the Government's Code of Practice on Age Diversity showed, for example, that employers remain more willing to train and develop younger workers than older ones, despite the fact that job retention rises with age. One sign of change, however, is in employers' attitudes towards early retirement: in

today's changed economic climate, they are trying to encourage a new culture in which early retirement becomes less of an expectation than it was in the 1980s and 1990s (Vickerstaff et al., 2003).

### Work opportunities: policy levers

What kinds of policy can help promote opportunities for older workers? The Government is already pursuing various measures that:

- *Help individuals* to obtain or retain work, by improving training, particularly through employment services.
- *Give incentives* to stay in the labour market, including wage subsidies and changes in benefit and pension rules.
- *Promote fairness* by encouraging and obliging employers to treat older people fairly, rather than discriminating by age.

These policies can go some way in making it easier for older people to function in the labour market. However, since the difficulties of older workers may be deeply rooted and linked to progressive disillusion and detachment from work, a more fundamental objective would be to:

- *Improve the working lives of people as they get older.* The UK remains a long way from the Finnish philosophy that work needs to adapt to help older workers remain engaged and healthy.

## Priorities and experiences in leaving the labour market

The ways in which people leave the labour market in later life are influenced on the one hand by people's preferences and decisions and on the other by the extent to which they are able to exercise these preferences, or are constrained by factors beyond their control.

"Everyone who could jump, jumped, and those who didn't jump at that time got shoved out."

Woman who had taken voluntary redundancy from public sector job

Many people have limited control over the manner of their departure from work and over its timing. The research has produced clear evidence confirming that less advantaged groups tend to have less choice and control (particularly Arthur, 2003 and Barnes et al., 2002). Three aspects in particular interact to make this so:

- Those with weaker work histories and lower skills have less negotiating power in the labour market.



- Those with weaker financial resources are more likely to become dependent on benefits when losing a job; these people may find getting another permanent job or taking on temporary or part-time work more financially risky.
- Lower socio-economic groups experience greater health problems at this stage of life; these are a major cause of detachment from the labour market.

To the extent that people do have choices, their decision-making is based on a complex array of factors. The research indicates that these are driven by people's domestic circumstances and obligations and by how positive they feel about their jobs, with financial circumstances playing an important but often subsidiary role. The overall health situation of workers and their partners play a particularly frequent part in such decisions. Financial factors are often seen in terms of constraints: many feel that "I would retire if I could afford to".

#### **Older workers' decisions: policy levers**

Policies that influence decision-making of older workers may include:

- *Financial carrots and sticks* to encourage people to work longer. These may include, for example, targeted wage subsidies such as the Employment Credit or harsher benefit conditions that make it harder to remain outside work before retirement. The evidence indicates that such incentives, on their own, are not likely to change employment rates greatly. Since many people who leave work have no choice and many decisions are motivated by strong factors other than money, 'carrots' are likely to reward mainly those who would have worked anyway and 'sticks' to punish those who continue not to work.
- *Addressing fundamental causes of disillusion and disengagement with work*, and helping improve older workers' career paths. For example, the Government could go further in re-orienting guidance services to help more older workers to manage their careers. At a local level, there are promising signs of self-help networks among older people helping to build their ability to function in a modern labour market.

### **New pathways and work-life balance**

The traditional image of retirement as being a sudden change from doing a full-time career job on a Friday to doing nothing on a Monday is increasingly out of date. As people grow older, their priorities change, and often they want to balance work with other interests and obligations.

There are many types of pathway between a 'main' career job and full retirement. A study of transitions (Lissenburgh and Smeaton, 2003) suggests that almost as many people leaving permanent full-time jobs between 50 and state pension age go into part-time, temporary or self-employed work as retire directly. However, access to higher quality 'bridge' jobs is greater for certain groups. For example, self-employment - the type of bridge job that most commonly provides job satisfaction for older workers - is most commonly taken up by men, particularly those with qualifications. Women more commonly take up part-time work, often at lower rates of pay. An important element is the strength of the individual's previous networks when in work (Barnes et al., 2002).

"I've played cricket for a number of years and I live very close to Broadstairs Cricket Club ... they've got a vacancy for a groundsman coming up."

Research scientist, pharmaceutical industry, approaching retirement from career job

Several studies indicate a considerable desire to work part-time but a perception that the options to do so are limited (Watson et al., 2003; Vickerstaff et al., forthcoming 2004; Mooney and Statham, 2002). Common reasons for wanting to work fewer or more flexible hours include spending time caring for another adult (eg a parent) or for a grandchild. A large proportion of women and men in their fifties have some form of caring responsibility, yet relatively few appear to give up work as a consequence (Mooney and Statham, 2002). Those who work and care express strong commitment both to doing their job properly and to fulfilling their caring commitments, but as a consequence can have highly pressured lives.

"You've got certain skills – you really ought to try and put something back into society."

Former manager involved in local voluntary work

In seeking the right balance between paid work and other aspects of their lives, some older people wish to put greater emphasis on unpaid activities, whether alongside or replacing paid work. Many who give up work make valuable contributions to their communities.

However, opportunities to do so can depend heavily on the circumstances of the individual. Those in poor health, who have had negative experiences of leaving work and who are financially less well-off, can find it harder to participate in fulfilling voluntary activities (Barnes et al., 2002).

### ***New work patterns: policy levers***

A more flexible range of work opportunities in later life would help older people to reorient their work commitments to meet their aspirations, without having to exit the workforce completely. An overarching change would be for government and employers to widen their concept of ‘work-life balance’ to focus less particularly on families with young children. Specific tools available to government include:

- *Widening opportunities to work part-time.*  
Measures could include
  - changing pension rules to allow occupational pensions to be drawn while working part-time for the same employer (already proposed by government);
  - conditions on employer pension schemes to make part-time work easier; and
  - an extension of the new statutory employer obligation to consider requests for part-time work, currently applicable only to parents of children under 6, to cover all workers.
- *Paying greater attention to the needs of carers,* in particular of older adults, in campaigns and discussions with employers. Some forms of material support to carers can help, but a key factor will be the level of awareness of the prevalence and burden of adult caring among employers and fellow workers.
- *Helping workers to manage their own job transitions.* For example, not all older workers have the skills needed to become self-employed. In the Department of Trade and Industry’s policies promoting entrepreneurship and social enterprise, the situation of older workers leaving career employment could be addressed more directly.

### **Leaving work and income prospects**

Few people who leave work early are able to make an accurate calculation of whether they will have sufficient income to meet their needs throughout retirement. Even those who have enough in the short term may find that their resources seem increasingly meagre over the several decades during which they may have to live on a fixed income. Financial information and understanding are generally weak among workers approaching retirement; they are strongest among people in professional occupations who receive useful information primarily from their employers (Arthur, 2003).

"We thought that basically we would be quite well off, comfortable, hopefully, on one salary as opposed to the two salaries that were coming in ... I think we felt very much that it was an experiment to start with and it would take us a year or two to work out exactly how much we did need and whether the calculations had been right or not – and if they weren't, we would have to draw our horns in."

**Woman, former teacher, left work aged 53, received pension lump sum plus income of £7,000 a year**

Does early retirement systematically increase the chance of experiencing poverty in later life? The evidence shows that for men in some occupations (clerical, craft or sales occupations, and personal and protective services), working less than five years in one’s fifties makes the experience of low income more likely (Bardasi and Jenkins, 2002). For women, there is no such effect, since their chance of poverty continues to depend primarily on the level of a partner’s income (or absence of it). For all workers, occupation and overall work history are more important than the precise timing of retirement. Moreover, those people who retire early and survive to their 70s and beyond tend disproportionately to be the better-off, many of whom have been well provided for financially, so it is hard to discern a systematic disadvantage among early job leavers twenty or thirty years on (Meadows, 2002).

"Financial security means I can be in control, as I have been the rest of my life. I don't want handouts, like the £200 for fuel. I want to be independent, not told what to do."

**Participant in focus group about experiences outside work, Hackney**

What is easier to pinpoint is the difficulty that many people have in making ends meet immediately after leaving work early – especially those who depart involuntarily. The group whose income seems to be most severely affected by such a move in the years before receiving their state pension are people on

modest, though not the lowest, in-work incomes. The very poorest workers may be little worse off on Incapacity Benefit than in work, but those who were slightly better off in work can sink into poverty as a result of losing it (Arthur, 2003). Moreover, those under severe financial pressure in early retirement find it difficult to fulfil their aspirations, because they do not feel in control of their lives (Barnes et al., 2002).

### **Improving incomes: policy levers**

It is beyond the scope of this exercise to suggest measures that will provide everyone with financial security in retirement. However, the experiences of people during transitions after 50 should help frame the development of such measures, identifying the need to:

- *Provide much greater transparency.* At present, it is extremely difficult if not impossible for someone leaving the workforce early to predict with any reliability what this decision will mean for their income ten or twenty years hence. Better advance information on public and private pension prospects is a first step to better understanding.
- *Recognise that people may combine working and claiming benefits or pensions* for considerable periods during the transition. The benefits system continues to assume a dichotomy between those inside and outside the labour market. It needs to be adapted to allow for more flexible transitions – encouraging rather than deterring people to work intermittently rather than not at all.
- *Recognise that the experiences of men and of women differ considerably.* The Government's pensions Green Paper (Department for Work and Pensions, 2002) points out that women are the most likely to be underprovided for in terms of independent pension entitlements, but does not propose policies that would effectively start to change this situation.

### **Conclusion: key challenges for government and society**

The above research shows that many people, especially those with prior disadvantages, are having negative experiences of leaving work that can cause further financial disadvantage as well as frustrated aspirations in later life. In working to make transitions more satisfactory, six particular priorities for society and for government suggest themselves:

- *Improve choice and control for the 'have-nots' in later working life.* In particular, this requires a change in attitudes to workers and what they can contribute, and greater attention to training and development in its widest sense – improving the general skills of older workers that help them to manage their own pathways through work and to retirement more effectively.
- *Fit jobs to older workers as well as older workers to jobs.* Employers can benefit by looking at the resource represented by older workers and considering how the organisation of work can make best use of it. This may mean, for example, restructuring career paths and job descriptions to make it easier for people to shift to different kinds of work as they grow older.
- *Create a new balance of priorities between working, living, health and well-being.* Ways of promoting this balance include improving opportunities to work flexibly and part-time, greater public recognition of the contribution of working carers and giving a stronger priority to both physical and psychological aspects of occupational health.
- *Make financial choices after 50 more transparent.* This includes both the provision of clear information and the development of better advice and financial education that allow workers to understand their financial futures better than they do today.
- *Improve opportunities to build retirement income among people other than men in stable careers.* In particular, the pension system needs to do more to help people, especially women, with interrupted work histories. One option is to give specific incentives to build up pensions later in one's career for those who are underprovided.
- *Develop new modes of paid and unpaid work, accessible in later life.* A risk is that not just income but personal fulfilment will become less evenly distributed, with more advantaged workers better able to make satisfactory transitions to active retirement. A challenge for all of society is to become more inclusive in this respect. Just as employers need to learn better how to tap the skills of their own workers as they grow older, so communities need to become better at using the talents of a wide range of people once they have left career employment.



## About this *Foundations*

This *Foundations* was written by Donald Hirsch, Special Adviser to the Joseph Rowntree Foundation and also adviser to the Foundation's Transitions After Fifty Programme on which it is based. The programme was launched in 2000, and its 12 research studies will be completed by early 2004. These studies were a mixture of qualitative research and secondary quantitative analysis of large-scale surveys. They addressed

three main themes – older people and work, activities beyond work, and the income implications of work-to-retirement transitions. The programme concentrated on the point of view of individuals – the ways in which they leave the labour market, their attitudes and influences, their activities beyond work, and how these factors interact with what is happening in their domestic and wider lives.

## How to get further information

A full report on this Programme, **Crossroads after 50: Improving choices in work and retirement** by Donald Hirsch, is published by the Joseph Rowntree Foundation (ISBN 1 85935 155 7, price £13.95). It is available from York Publishing Services Ltd, 64 Hallfield Road, York YO31 7ZQ, Tel. 01904 430033, Fax: 01904 430868 (please add £2.00 per order). You can also download this report free from [www.jrf.org.uk](http://www.jrf.org.uk).

This *Foundations* is based on the above overview report and on the following 12 studies in the Transitions After 50 series published for the Joseph Rowntree Foundation by the Policy Press, Bristol. Copies of each are also available from York Publishing Services.

Where indicated, a four-page summary of the *Findings* of the study is available from the Foundation, via our website [www.jrf.org.uk](http://www.jrf.org.uk) or in paper form by calling 01904 615905 or emailing [publications@jrf.org.uk](mailto:publications@jrf.org.uk).

Arthur, Sue (2003), **Money, choice and control: The financial circumstances of early retirement** (ISBN 1 86134 476 7, £13.95). 'The financial circumstances of early retirement', *Findings* No. D23.

This qualitative study of 56 retired people in their fifties and early sixties profiled their experiences and attitudes before and after they stopped working and how these influenced their decision to do so.

Bardasi, Elena and Stephen P. Jenkins (2002), **Income in later life: Work history matters** (ISBN 1 86134 401 5, £12.95). 'Work history and incomes in later life', *Findings* No. 482.

This study examined the relationship between the risk of having a low income in later life and people's lifetime employment history. It was based on secondary analysis of the British Household Panel Survey.

Barnes, Helen, Jane Parry and Jane Lakey (2002), **Forging a new future: The experiences and expectations of people leaving paid work over 50** (ISBN 1 86134 447 3, £11.95). 'Experiences and expectations of people leaving paid work after 50', *Findings* No. 022.

This qualitative research study looked at how older people came to leave paid work and how they were spending their time in retirement.

Hornstein, Zmira (ed.) et al., (2001), **Outlawing age discrimination: Foreign lessons, UK choices** (ISBN 1 86134 354 X, £14.95). 'Age discrimination legislation: choices for the UK', *Findings* No. 711.

Looking at existing legislation internationally, this study analyses the options for the UK in designing laws against age discrimination in employment.

Lissenburgh, Stephen and Deborah Smeaton (2003), **Employment transitions of older workers: The role of flexible employment in maintaining labour market participation and promoting job quality** (ISBN 1 86134 475 9, £13.95). 'The role of flexible employment for older workers', *Findings* No. 343.

This research examines the characteristics and experiences of those leaving permanent jobs to take up temporary, part-time or self-employment before retiring fully. It is based on secondary analysis of the Labour Force Survey.

Meadows, Pamela (2002), **Early retirement and income in later life**, (ISBN 1 86134 442 2, £10.95). No *Findings*.

This study compares the financial position of people in the current pensioner population who retired early with their counterparts who retired at state pension age. It is based on secondary analysis of the Family Resources Survey.

Mooney, Ann and June Statham with Antonia Simon (2002), **The pivot generation: Informal care and work after fifty** (ISBN 1 86134 402 3, £11.95). 'Informal care and work after 50', *Findings* No. 032.

This report examines the extent to which people in their fifties and sixties are combining work with family caring responsibilities and how this affects their attitudes to employment. It is based on a qualitative survey of carers in work and who have recently retired as well as information on trends from a range of sources.

Phillipson, Chris (2002), **Transitions from work to retirement: Developing a new social contract** (ISBN 86134 457 0, £11.95). No *Findings*.

A detailed overview of the various changes affecting people in their fifties and beyond, this report brings together empirical and theoretical studies and includes a special analysis of the British Household Panel Survey.

Power, Maria (forthcoming, 2004), **Initiatives to help older people to volunteer** (provisional title).

This research is exploring the factors that prevent or inhibit the involvement of older people (particularly those from non-professional backgrounds) in volunteering, and the steps organisations have taken to overcome these barriers.

Taylor, Philip (2002), **New policies for older workers** (ISBN 1 86134 463 5, £13.95). 'Public policy initiatives for older workers', *Findings* No. D62.

This study compared a range of policy initiatives relating to older people and their employment patterns, in Australia, Finland, Japan, the Netherlands and the United States as well as the United Kingdom.

Vickerstaff, S, Baldock, J. and Cox, J. (forthcoming, 2004) **Impact of employers' policies and practice on the process of retirement** (provisional title). Early findings of this study have been published in Vickerstaff et al. (2003) 'Employers and the management of retirement', *Social Policy and Administration*, 37 (3) June 2003: 271-287.

This research is looking at the interaction of employers' policies and practices, state retirement policies and the preferences of employees and their families in influencing retirement decisions. Employees, ex-employees and personnel managers in three large case study organisations have been interviewed.

Watson, Roger, Jill Manthorpe and JoyAnn Andrews (2003), **Nurses over 50: Options, decisions and outcomes** (ISBN 1 86134 544 5, £11.95). 'Nurses over 50: options, decisions and outcomes', *Findings* No. 783.

This study examines the options open to and decisions made by nurses over 50 and the results in terms of their movement in and out of the NHS. It is based on interviews with stakeholders in the NHS and with older nurses themselves.

### See also

Hirsch, Donald (ed.) (2000), **Life after 50: Issues for policy and research**, YPS/JRF (ISBN 1 902633 84 9, £12.95).

This report introduced the programme with literature reviews of what was so far known about older workers in the labour market, about incomes and about volunteering rates.

### References

Cabinet Office, Performance and Innovation Unit (2000), **Winning the generation game: Improving opportunities for people aged 50-65 in work and community activity**, The Stationery Office.

Department for Work and Pensions (2002), **Simplicity, security and choice: Working and saving for retirement**, The Stationery Office.

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