





The role of flexible employment for older workers


Some of the increasing number of people leaving work before state pension age may benefit from more flexible jobs that bridge the gap between permanent full-time work and retirement. Stephen Lissenburgh and Deborah Smeaton of the Policy Studies Institute studied the role of such 'bridge jobs' in the lives of people leaving work between 50 and state retirement age. Using national survey data, the research examined the characteristics and experiences of those leaving permanent jobs, factors associated with moving to temporary, part-time or self-employment and the qualities of these alternative forms of work.

 Leaving work tends to be a positive choice for workers with other advantages – including those (especially men) who have been with their present employer for longer, and are therefore more likely to have accumulated savings and pension entitlements, and those who have paid off their mortgages. People with health problems are also inclined to leave work early, especially low paid men; however, for them, 'early retirement' is more likely to have been due to an inability to stay in employment, rather than a positive choice.

 Similar divisions are apparent in entering flexible employment. Older workers from a more advantaged background are more likely to enter flexible employment rather than leave the workforce on departure from permanent full-time employment and are especially more likely to enter better quality flexible employment.

 The quality of flexible employment varies according to its type. Self-employment offers job quality most comparable to that enjoyed by permanent full-time employees. Temporary employment rates next in terms of job quality, although this is more the case for those on fixed-term contracts than casual workers or agency temps. Part-time employment offers the poorest job quality among the three types of flexible employment.

 Overall, women appear more successful than men in finding flexible jobs for positive reasons, but often find that these jobs are of poor quality.

 The research identified a need for policies to: help older people with health problems to remain in work; to counter age discrimination; improve the skills of older workers; improve the financial incentives for older people to remain in work by offering them more generous tax credits and by increasing the National Minimum Wage; and to provide better regulation of casual and agency temp work.

Background

The labour market experiences of older workers have changed markedly in recent decades. Men in particular are on average leaving work earlier. People who lose their jobs in their 50s and 60s have found it increasingly difficult to re-establish themselves in a career. Economic inactivity among this age group has grown, whether resulting from people taking early retirement or from people losing their jobs and getting discouraged in the search for a new one.

Many commentators have been asking whether there are alternatives to the experience of an abrupt and perhaps premature departure from work, a form of transition that can prevent valuable economic potential from being tapped in a period in which the younger labour force will be shrinking. One possibility is for more use to be made of flexible forms of work that bridge the gap between a steady career job and retirement.

This study explores the experience so far of such 'bridge jobs' in the wider context of the types of transition that are being made by people leaving work early. Specifically, it uses the Labour Force Survey to examine the characteristics and experiences of those leaving permanent jobs between 50 and state retirement age, looks at factors associated with a move to temporary, part-time or self-employment and considers the qualities of these alternative forms of work.

Leaving permanent full-time employment

The factors associated with exit from permanent full-time employment amongst men are redolent of the 'two nations in early retirement' notion familiar in this field of research. On the one hand, certain advantages seemed to enable some people to leave work as a positive choice. Workers over 50 were more likely to leave jobs if they had been with their present employer for longer, and therefore were more likely to have accumulated savings and pension entitlements. So were those who had paid off their mortgages. On the other hand, people were more likely to leave full-time jobs if they had health problems, especially low-paid men. For this group, 'early retirement' is more likely to have been the result of an inability to stay in employment, rather than a positive choice to leave it. As men get older, the probability of leaving work increases sharply. While the researchers did not have the data to test whether this was due to age discrimination, it is certainly consistent with that interpretation.

Women also became increasingly likely to exit employment as they got closer to state retirement age.

As with men, they were also more likely to leave if they had health problems or owned their home outright. Unlike men however, older women were more likely to stay in permanent full-time employment if they were in relatively good jobs. Where women were managers, supervisors or had recently received job-related training, they were less likely to leave their jobs. While this may be evidence of a more positive labour market environment for older women, whose employment rates have actually increased since 1997, it may also reflect the weaker influence for women of the wealth-related factors that play a role in encouraging men to leave work. Years with the current employer had no effect on women's likelihood of leaving, for example, which may reflect women's less substantial occupational pension entitlements.

Moving into flexible employment

Many of the factors most strongly associated with leaving a permanent full-time job also made it more likely that people would leave work altogether rather than obtain flexible employment. In particular, they were less likely to take 'bridge jobs' if they had been with their employer for a long time, if they were older, if they had health problems and if they owned their property outright. On the other hand, there were a number of positive factors that encouraged older workers to move into flexible employment rather than leave the workforce. But these tended to vary according to gender and to the type of flexible employment under consideration. For example, men with intermediate-level qualifications and higher pay were more likely to move into self-employment, whereas women with higher degrees were more likely to move into temporary employment. Men with intermediate-level qualifications and recent experience of training were more likely to enter part-time employment, but the same did not apply to women. Reductions in hours while remaining in permanent full-time employment were more common for managers and professionals and among those with qualifications. This was true for both men and women.

The quality of flexible employment

Measured against the yardstick of permanent full-time employment, the quality of flexible employment was found to vary according to its type. There was also a substantial amount of variation in quality *within* particular categories of flexible employment.

- Self-employment offered job quality most comparable to that enjoyed by permanent full-time

employees. It was shown to be relatively stable and self-employed people reported high levels of job satisfaction and, as one would expect, had high levels of control over how they spent their time. Only the more advantaged self-employed workers, however – those who were professionals or owners of limited businesses – had earnings that were superior to those of permanent full-time employees.

- Temporary employment rated next in terms of job quality. As one might expect, it was less stable than permanent full-time employment, but temporary workers were more likely to receive training. However, earning potential in temporary employment varied substantially according to the type of work under consideration. Whereas those on fixed-term contracts earned more than comparable permanent full-time employees, this was not the case for casual or agency temps. These workers on fixed-term contracts were more likely to be managers or professionals.
- Part-time employment offered the poorest job quality among the three types of flexible employment, especially regarding stability and training opportunities, where it was inferior to permanent full-time employment for both men and women.

Policy implications

The research was able to provide some answers to three broad policy questions:

What can be done to promote the maintenance of older workers in permanent full-time employment?

Workers aged between 50 and state pension age were most likely to leave permanent full-time employment if they were older or had health problems. These factors were particularly important for men. There are a number of existing policy initiatives that can potentially promote the maintenance of older workers in permanent full-time employment where they have these characteristics, but in other respects there are policy gaps that need to be filled.

While the New Deal for Disabled People seeks to encourage sick or disabled people to re-enter work when they are out of the labour market, of more relevance to this discussion are policies that help people with health problems to *remain* in work. Examples of such policies are the Job Retention and Rehabilitation Pilots, developed by the Department for Education and Skills. These initiatives target people who are in work but have a health problem and seek to prevent people from losing their jobs either by organising early medical intervention or by re-organising employment to minimise the consequences

of the health problem for work performance. While such initiatives are at an early stage of development, these findings on the negative effects of health problems on the likelihood of staying in permanent full-time employment suggest they have a potentially important role.

The fact that the chances of leaving permanent full-time employment increase with age, even after controlling for a wide range of other factors, does not provide direct evidence of age discrimination but is certainly consistent with it. The Government is currently seeking to tackle age discrimination through the non-statutory Code of Practice on Age Diversity in Employment, but with the adoption by the European Council of Ministers of the Employment Directive on Equal Treatment, this is due to be fortified by a legislative approach. Specifically, the Government is due to introduce anti-discrimination legislation relating to age by 2006. While attempts to outlaw age discrimination have met with difficulties, there is at least the potential that such policies would reduce the number of older workers leaving permanent full-time employment.

The study found that older women were less likely to leave permanent full-time employment if they were in relatively good jobs. As such, the adoption or improvement by employers of equal opportunities policies, designed to advance women's relative position in the workplace, would be likely to increase employment retention.

What can be done to encourage older workers to move into flexible employment?

While this was not universally the case, there was a strong overall tendency for older workers who moved out of permanent full-time employment to move into flexible employment rather than leaving work if they had relatively high levels of skills and had enjoyed a relatively good permanent full-time job. Therefore, policies designed to improve the skills of older workers and to help them maintain their position in the occupational hierarchy would be likely to encourage them to enter flexible employment as a bridge to retirement, rather than moving out of the workforce.

Among current government policies, New Deal 50 plus offers an Employment Credit to boost pay and an in-work training grant to help boost skills, but this programme is only available to older people who have been out of work and claiming benefits for at least six months. This research suggests that similar initiatives might be effective if made available to older people who remain in work. While older workers will of course benefit from the Working Tax Credit, which will boost take-home pay for the lower paid, there is an

argument that this should be available on a more generous basis to older workers. This is because they have a relatively high probability of leaving work compared with younger workers, with all that follows in terms of lost tax revenues and, in many cases, additional benefit payments. If a more generous Working Tax Credit for older workers could reduce the employment rate differential between older and younger workers, it would be at least partly self-financing.

Policies to encourage employment retention and advancement for people already in work have become an important feature of employment policy in many US states and older workers in the UK, according to the findings of this research, would be likely to benefit from similar initiatives. The importance of training in encouraging older workers to enter some categories of flexible employment also suggests that the 'lifelong learning' and 'active ageing' agendas continue to be relevant and likely to yield positive results if pursued effectively.

What can be done to improve the quality of flexible employment?

The greatest shortfalls in job quality were to be found amongst casual and agency temporary work and in part-time work as a whole. Policies to improve the quality of flexible employment for older workers would be most effective, therefore, if focused specifically on these categories. Given the delay in the EU Directive on Temporary Agency Work, it has been argued by organisations such as the TUC that the UK government should take a more proactive approach and extend the employment protection proposed for those on fixed-term contracts, through the Fixed Term Employees (Prevention of Less Favourable Treatment) Regulations, to all categories of temporary worker. In doing this, the government would clearly need to have regard to the possible negative impact such regulation might have upon employers' willingness to provide temporary jobs and further research is required on this.

An alternative approach likely to yield some degree of success would be to boost the skills and earning capacity of older workers more generally, as suggested above, because this in itself would be likely to have some positive impact on the quality of flexible employment. It may be that policies such as increasing the National Minimum Wage would be of more benefit for older workers in part-time jobs, since they would benefit disproportionately from such action.

About the project

The research was based primarily upon analysis of the Labour Force Survey. This survey is a rich dataset using a nationally representative sample of approximately 60,000 households (150,000 individuals) with a response rate of 80-85 per cent. Demographic, educational and economic activity data are collected in considerable detail from individuals aged 16 and above. Each quarter, a new 'wave' of 12,000 households is introduced and the oldest wave leaves, so that 60,000 are interviewed at any one time with each wave or panel being tracked over about 12 months. The ability to monitor changes for individuals over time is obviously important for a study of employment transitions. This study used a sample of entrants from spring 1997 to summer 2000, to give a sample of just under 43,000 people aged 50 years or more.

How to get further information

The full report, **Employment transitions of older workers: The role of flexible employment in maintaining labour market participation and promoting job quality** by Stephen Lissenburgh and Deborah Smeaton, is published for the Foundation by The Policy Press as part of the Transitions after 50 series (ISBN 1 86134 475 9, price £13.95).