

Working after State Pension Age: Quantitative Analysis

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The aim of this research was to further understanding about the factors affecting the labour market participation of older people at, and after, State Pension Age (SPA). The report presents findings based on cross-sectional analyses of the Labour Force Survey and Family Resources Survey and longitudinal analyses of the British Household Panel Survey. The report examines the circumstances under which people work after SPA, the types of jobs they have, and the impact working post-SPA has on the wealth, health and happiness of the working compared with the non-working retired population. In addition, the research examined how far decisions to work after SPA can be viewed in a positive light and the extent to which they are a reluctant, constrained choice.

Key findings

- Since 1990, employment rates for men from the age of 65 have flattened out and for women from the age of 60 have risen slightly. Prior to this, there had been a long period during which rates of working after SPA had been falling for men and static for women. These rates currently stand at eight per cent for men and nine per cent for women.
- A high proportion of those working were self-employed but this seems to reflect later retirement amongst the self-employed rather than any shift from employment to self-employment, although this transition did happen for a small minority.
- Part-time opportunities appeared to be particularly important for post-SPA workers, the largest groups of employed and self-employed men and women worked part-time, mainly through choice. The post-SPA workforce worked fewer hours than younger workers, whether working full-time, part-time or in temporary jobs.
- For some, the decision to continue working seemed to be linked to their household circumstances, and a desire to stop working quite close to the retirement of their partner.
- Continuing to work was also linked to maintaining living standards, or to improving them for the period when work ends. There was considerable evidence that those working past SPA had high rates of saving and were less likely than non-workers to be receiving income from an occupational pension. They were also more likely to have outstanding mortgages.
- Older workers were found to have relatively high levels of job satisfaction, and relatively few of the men wanted to stop working. The clear majority of those working after SPA had remained in the same job as before. They were more likely than younger age groups to be working for small firms with less than 10 employees.
- Working beyond SPA is only a strong possibility for those working in the run-up to this stage. It is difficult to re-enter the labour market having left it. Moreover, many of those leaving work may be doing so on health grounds, or because they have sufficient resources to live on in retirement. Rates of working for those who do continue to work drop relatively quickly after 60/65. Even if more people can be encouraged to work after this age, on current trends they would not work for many more years.

Summary of research

Background

Much of the research investigating labour market participation amongst older workers has focused on those aged between 50 and State Pension Age (SPA)¹. However, a significant minority of those over SPA (eight per cent of women and nine per cent of men) do continue to work and there is little research about this group.

When considering post SPA workers, it is important to bear in mind that it is far more difficult for people to work after SPA if they drop out of the labour market prior to this. After age 50, it becomes increasingly difficult for people to move from inactivity or unemployment into paid work². Therefore, the group of interest is selected from a distinct, and declining, group who are likely to be rather untypical. Those who are 'lost' to employment prior to SPA are the lowest paid and those with better pay and occupational pensions.

The work decision

Overall, employment rates for women from the age of 60 and men from the age of 65 stand at eight per cent and nine per cent respectively. These rates of participation were examined in relation to a range of both supply factors, which could be expected to influence the work decision and demand factors, such as regional differences in economic conditions and a number of interesting findings emerged. Marital status was a factor that appeared to be associated with labour market participation particularly for women, the participation rates of married women were exceeded by the rates for women who were separated or divorced. Possible explanations for this finding are social factors (e.g. a desire to go to work and meet people) and financial factors (family budgets are often affected by relationship breakdown).

When housing tenure was examined, it was found that the groups of both men and women with the highest probability of labour market participation were those with outstanding mortgages on their properties. Tenants were among the least likely to work.

Another factor likely to be a consideration in the work decision is whether the individual has other sources of income. Forty per cent of the non-workers received an occupational pension, a figure that fell to 33 per cent among workers. The association between working and lower levels of occupational pension receipt was, however, confined to men. Among the men, 67 per cent of non-workers had an occupational pension compared with 53 per cent of the working men. Having any educational qualifications was associated with working past SPA, and having none was associated with leaving work.

There were important links between the participation rates of men and women living in couples: 41 per cent of post-SPA working men had working partners compared with just eight per cent of non-working men. Among working women, 55 per cent of their partners were also working, while just 11 per cent of non-working women had partners at work.

The demand side analysis found that participation rates after SPA were not strongly associated with regional unemployment levels. However, the highest levels of post-SPA employment were found in London, especially Inner London, and the South East.

A statistical model of working showed the strong significance of many of the factors mentioned. The results tended to support the idea that for many people over SPA, working was associated with financial hardship, such as: the absence of an occupational pension, income below £100 for men, still paying a mortgage and, for women, being separated or divorced. Yet a certain level of advantage would appear to be a pre-requisite in terms of reasonable levels of education, more affluent regions of residence, good health and being of a younger age.

¹ Currently the State Pension Age is 60 for women and 65 for men.

² McKay, S. and Middleton, S. (1998) *Characteristics of Older Workers*, DfEE Research Report 45.

Types of jobs

The research examined a range of characteristics of the types of jobs undertaken by post-SPA workers. The first of these was whether these workers continued in the same job they had held pre-SPA. It was found that three quarters of men and women working after SPA were in jobs they held prior to SPA. This proportion rises for full-time employees but for men working part-time drops to a little over half. Part-time opportunities appeared to be particularly important for post-SPA workers, the largest groups of employed and self-employed men and women worked part-time, predominantly through choice. Indeed, the post-SPA workforce worked fewer hours than younger workers, whether working full-time, part-time or in temporary jobs, this gap in hours was greater for men than women.

Those working post-SPA were over-represented in certain industries: distribution, hotels, restaurants and 'other services'. They were under-represented in the construction industry and the declining manufacturing sector, from which significant proportions of all men over the age of 50 have lost their jobs over the past couple of decades. Men working post-SPA were less likely than their younger colleagues to be employed as managers, in skilled trades or as machine operatives. Instead they exhibited higher representation in the 'elementary occupations' that often require little training or qualifications. Similar occupational outcomes apply to women whose employment in professional jobs diminishes, with increasing proportions located in elementary occupations instead.

Employer size was important with workers over SPA twice as likely as other age groups to be employed in companies with 1-10 staff and far less likely to be employed in organisations with over 50 staff.

Generally speaking, workers in their 50s were the most likely to say they wanted to give up paid work. Among men, the desire to give up paid work was rather lower among those in their 60s, especially past SPA, than among those just prior to State Pension Age. For women, however,

those working into their early 60s were more likely to say they wanted to leave work than women in their late 50s. Many people working beyond State Pension Age appeared to value their work rather highly.

Reaching State Pension Age was not generally associated with deterioration in hourly pay rates once occupational group, employment status, sex and educational achievement were controlled-for (however, there was a gap among men working full-time).

Dynamics of retirement

Simple panel analysis looked at the antecedents of being in work post-SPA in 2000 and showed the difficulty of returning to work once people left the labour force. Whether people were working in 1991, and if as an employee or as self-employed, was particularly important in which of them were working in 2000. Among men aged 50-59 and self-employed in 1991, some 40 per cent were working ten years' later. This compared with 17 per cent among employees, and just five per cent of those not in paid work.

The best predictor of being in work post-SPA overall is being in work in the period just before. Most 'apparent' factors correlated with working post-SPA worked through this link. Their *independent* effect on working after 60/65 was much weaker. However, some of the characteristics of jobs and workers are associated with remaining in work after SPA. For both men and women, having a partner in work (in 1991) made a large difference to the prospect of remaining in work post-SPA. Couples seemed to be making joint labour supply decisions. In couples, the older the female partner, the less likely that men were in paid work at any given age, and vice versa for women.

More complex event-history analysis confirmed many of these findings for men, but illustrated the limited effect of different characteristics on women's rate of working. Rates of working were only sustained for only a few years after State Pension Age, and this only happens for those working in the period just prior. Increasing participation in paid work post-SPA would seem

to have to deal with keeping people in the labour force before SPA, as well as the decisions made by workers once they reach SPA.

Effects of working past State Pension Age

Men working past SPA reported financial situations that were superior to those of non-workers. Some 59 per cent of men working past SPA said they were 'living comfortably', compared with 40 per cent of those not working (and aged 65-75). Among women, 87 per cent of workers over SPA said they were either 'living comfortably' or 'doing all right', compared with 65 per cent of those women not working. The median incomes of workers were around two-thirds higher than among non-workers for both men and women.

Some 76 per cent of men working and aged 65-75 described their health over the last years as either 'excellent' or 'very good', compared with 54 per cent of non-workers. Among women, 71 per cent of workers reported a similarly high level of health, compared with 49 per cent of non-workers.

Half the male workers, and approaching two-thirds of the women, were saving money, compared with around one third of non-working men and women. This could be evidence that they were putting money away for their future retirement, particularly since the proportion of people saving, compared to five years' previously, had fallen for non-workers, but increased for workers.

Conclusion

This research highlighted some important themes, one of which is the different motivations behind people continuing to work. For some, the decision seems to be linked to wider household circumstances, in particular a desire to retire at the same time as their partner. Another incentive was to maintain living standards, or possibly improve them for the period when paid work ends. The evidence for this is the high rates of saving amongst those working past SPA, who

were less likely than non-workers to be receiving income from an occupational pension. Those working after SPA were also more likely to have an outstanding mortgage, which presumably they wanted to pay off while still having earnings as an important source of income.

For some, continuing to work was a choice that appeared to be based on a strong attachment to work. Older workers had relatively high levels of job satisfaction and relatively few of the men reported wanting to stop work. A high proportion of those working were self-employed but this seems to reflect later retirement amongst the self-employed rather than any significant shift from employment to self-employment amongst this age group, although this transition did happen for some. Many employees had, however, changed their working hours, either by reducing them or moving to part-time work and the majority remained in the same job as before.

Finally, one of the strongest conclusions is that working beyond SPA is only a strong possibility for those working in the years preceding SPA, as it is difficult to re-enter the labour market having left it.

The full report of these research findings is published for the Department for Work and Pensions by Corporate Document Services (ISBN 1 84123 532 6. Price £27.50. Research Report 182. January 2003).

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