

# Summary

## Introduction

In the past three decades, the labour market participation of people aged 50 and over has decreased, in particular among older men. In recent years employment rates have risen again, although they have not reached 1970s levels. One objective of the Government is to improve the position of those aged over 50 in the labour market. The *Department for Work and Pensions (DWP)* therefore, commissioned the *National Centre for Social Research* to conduct a survey among people aged 50-69, to identify what factors encourage labour market participation and influence labour market withdrawal among this age group.

The sample was selected from two different sources, (i) respondents previously interviewed on the Family Resources Survey (FRS) and (ii) a boost sample of people in receipt of Incapacity Benefit and/or Income Support, selected from benefit records. This was to ensure that the sample contained sufficient numbers in receipt of benefits for separate analyses. The data from these two samples were combined, and re-weighted to be representative of the general population aged 50 to 69. A total of 2,808 face-to-face interviews were carried out between May and August 2002.

## Characteristics of the sample

Two main activity measures were used in this survey:

- Questions about respondents' current situation, and activities in the last month, were used to define 'working' respondents.
- In a separate question respondents were asked whether they were 'fully retired', 'semi-retired' or 'not yet retired'. The aim here was to identify people who *considered themselves* to be retired.

According to these definitions, 47 per cent of the sample were 'working'; in parallel, 50 per cent described themselves as 'not yet retired', nine per cent as 'semi-retired' and 41 per cent as 'fully retired'. (Sections 2.1.2 and 2.1.3)

## People currently in work

The proportion of people in work decreased with age. Self-employed people left the labour market at a slower rate than employees; overall, around one in seven working people were self-employed, but more than a quarter (29 per cent) of those working beyond state pension age were self-employed. People with better qualifications were more likely to be in work. Among couples, working people were more likely to have a working partner. (Section 3.1)

In any given five-year age-band, men were more likely to be in work than women. However, women were more likely than men to be working past their – currently lower – state pension age: one in five women aged 60-64 were working, compared with one in eight men aged 65-69. Around a quarter (28 per cent) of those working beyond state pension age were doing so in elementary occupations. (Sections 3.1 – 3.9)

Three-quarters of employees had been offered at least some encouragement to undertake training in the last three years. However, in the light of the Government's Code of Practice on Age Diversity in Employment, which includes standards for non-ageist approaches to training, it should be noted that the proportion being encouraged to undertake training declines with age. (Section 3.7)

Self-employed people had more flexibility in their working arrangements than employees. Around a half of each group had access to one or more forms of flexible working arrangement; however, the take-up rate was much higher among the self-employed, at around three-quarters (compared with around half for employees). This is likely to be partly due to differences between age groups (take-up of flexible working arrangements was higher among older age groups and the self-employed were, on average, older than employees). (Section 3.5)

Only 56 per cent of the self-employed had any form of private pension provision (either current or deferred), compared with 72 per cent of employees. Moreover, current membership of a private pension scheme was much lower among the self-employed, meaning that more of them were solely reliant on deferred rights from previous schemes or other sources of income in retirement. (Section 3.8)

## Retirement plans of those in work

The research examined the age at which all those who were in work expected to retire. 'Early retirement' is defined as retirement *before* state pension age, and 'late retirement' as retirement *after* state pension age. People's intentions, in terms of early and late retirement, are important in the context of the move to bring women's state pension age into line with that of men, and of initiatives to extend working life more generally.

Overall, 40 per cent expected to retire at state pension age, with broadly similar proportions expecting to retire earlier (25 per cent) and later (20 per cent)<sup>1</sup>. Men were much more likely than women to be expecting to retire early: a third expected to retire before state pension age (65), whereas only 13 per cent of women were expecting to retire before their state pension age of 60. Given that women's state pension age is due to rise to 65, it is important to note that one-third of working women approaching their current state pension age were expecting to work beyond it. (Sections 4.1.1 and 4.1.2)

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<sup>1</sup> The remaining fifteen per cent did not yet know when they expected to retire.

Expectations of early retirement were particularly prevalent among (i) people with degrees, (ii) people in managerial, professional or associate professional occupations, and (iii) those with private pensions. There is considerable overlap between these groups. Of all those in work, 19 per cent had all three characteristics and, among such people, the proportion expecting to retire early rose to 47 per cent. People expecting to retire early also had higher-than-average incomes. (Section 4.1.2)

Expectations of early retirement were also more widespread among those with a spouse or partner than among single people. Their partners also tended to be working, 'wanting to spend more time with family' was a widely cited reason for wanting to retire early, and couples tended to take joint decisions about when to retire. (Sections 2.1.2, 4.2.1 and 5.3.2)

Among the self-employed there was more uncertainty about retirement, with a third not knowing when they might retire compared with only an eighth of employees; the remainder were more likely to be expecting to retire *after* state pension age. These same points also apply to the semi-retired, in relation to full retirement. (Sections 4.1.2 – 4.1.4)

In the light of proposals to make employers' fixed retirement ages unlawful, the research investigated the relationship between fixed retirement ages and state pension age. Only a small proportion (11 per cent) of employees who were expecting to retire 'early' (in relation to state pension age) were expecting to do so at their employer's fixed retirement age. However, 27 per cent of employees who reported that their employer did not have a fixed retirement age expected to work *beyond* state pension age, compared with only 13 per cent of those *with* a fixed retirement age. This suggests that employers' fixed retirement ages were influencing decisions not to work beyond state pension age rather than having a significant impact before this age. (Section 4.1.3)

The research also looked at the notion of 'gradual retirement', defined as '*gradually reducing the amount of hours you work*'. Thirty-one per cent of current workers (excluding the semi-retired) were planning to retire gradually, with more intending to start before state pension age than after it. Almost two-thirds of the self-employed were planning to retire gradually, compared with only a quarter of employees. (Section 4.5)

## The fully retired

The research examined influences on labour market departure for all those who described themselves as 'fully retired', – once again 'early retirement' is defined as retirement *before* state pension age, and 'late retirement' as retirement *after* state pension age.

Among those fully retired, over half (59 per cent) had retired *before* state pension age, with a further 26 per cent having retired *at* state pension age. Men were much more likely than women to have retired early: three-quarters of men had retired before their state pension age of 65, whereas only a half of women had retired before their state pension age of 60. Given that women's state pension age is due to rise to 65, it is important to note that 14 per cent of retired women in this study had retired after 60. (Section 5.1.2)

Among working people, there was an association between expectations of early retirement and occupation, private pension provision and qualifications. We found a similar association for retired people: among those with a degree and a private pension income, and previously employed as managers, professionals or associate professionals, the proportion retiring before state pension age rose to 72 per cent, compared with 59 per cent of the retired sample as a whole. (Section 5.1.2)

There were two main reasons given by those who had retired *at* state pension age, each given by around half of those doing so: (a) it was what they had always expected to do, and (b) it represented the first opportunity to draw a state pension. A similar pattern was observed in Chapter 4. It supports the suggestion made in that chapter, that there are two main elements associated with retirement at state pension age. The first is that it is a set *age*, defined by the Government, and therefore there is a cultural expectation of retiring at that particular age. The second is related to the arrival, at this set age, of an additional or alternative source of income, thus giving people the financial means to stop working. (Sections 5.2.3)

In the context of proposals to make employers' fixed retirement ages unlawful, the research found that among ex-employees who had retired before state pension age, only two per cent had done so at their employer's fixed retirement age. The research thus provides no hard evidence that employers' fixed retirement ages exerted a widespread influence on decisions to retire before state pension age, although it is possible that this happens in more subtle ways. However, there *is* evidence that employers' fixed retirement ages may have prevented some people from continuing in work *beyond* state pension age. Among ex-employees who had retired late, 60 per cent had previously been working for an employer with no fixed retirement age; looked at the other way around, 18 per cent of those whose previous employer had no fixed retirement age, had retired after state pension age, compared with only seven per cent of those whose previous employer had a fixed age. This echoes the findings in Chapter 4, and suggests that the impact of fixed retirement ages was more about hindering people from retiring 'late' (that is, after state pension age) than about forcing them to retire 'early' (that is, before state pension age). (Section 5.1.3)

Almost two in five people (39 per cent) felt that retirement had been forced upon them, ranging from nearly a half of those retiring early to only one in five of those retiring late. Those forced into early retirement were much more likely than others retiring early to suffer poor health, and to cite it as a reason for retiring (74 per cent compared with 24 per cent), while nearly a third said they had been made redundant. (Sections 5.3.1)

Four groups – those forced to retire early, those retiring early on a voluntary basis, those retiring at state pension age, and those retiring late – were compared on a range of measures. On average, late retirees had the lowest post-retirement incomes of all, and voluntary early retirees had the highest. The late retirees and the forced early retirees had suffered the largest drops in post-retirement income, but for the latter group this had been less expected. Those retiring early on a voluntary basis were by far the most satisfied with their post-retirement situation, while those forced to retire early were by far the least satisfied. Late retirees were relatively satisfied with their post-retirement situation, despite their modest incomes. (Sections 5.4 and 5.5)

The research also looked at the notion of 'gradual retirement', defined as gradually reducing the number of hours worked, and examined the extent to which those already retired had made use of gradual retirement. In contrast to the intentions of those not yet retired, only seven per cent had actually done so. This might be because gradual retirement is becoming more prevalent among successive cohorts of people, or – more probable – because people's expectations of retiring gradually are not always realised; for example, nearly two in five had been forced into retirement, a situation that they may not have anticipated. Gradual retirement was more likely to be planned, or to have taken place, before state pension age than after it. (Section 5.6)

## Transitions towards retirement

When asked about their retirement status, nine per cent of the sample described themselves as 'semi-retired'. Two-thirds of this group were working. Semi-retired workers were more likely to be self-employed (30 per cent) than other workers in this study (13 per cent), although the self-employed were still in a minority. Semi-retired *employees* were much less likely than other employees to have a permanent contract (55 per cent compared with 94 per cent), tending to be employed on a fixed-term or temporary/casual basis instead. (Section 6.1.6)

Most semi-retired workers were working part-time (89 per cent), and also worked less overtime. As a result, their average hours were much lower than those of other workers (18 hours per week, compared with 39 for other workers). They expressed greater satisfaction with their hours, and with their jobs in general. (Sections 6.1.6 and 6.1.7)

Those moving into semi-retirement generally did so before reaching state pension age. Two-thirds of semi-retired men reported that they had become semi-retired by the age of 60, and 88 per cent by the state pension age of 65. Sixty-one per cent of semi-retired women had become so by their (currently lower) state pension age of 60. (Section 6.1.2)

For most people, the transition to semi-retirement had been voluntary, but a third felt they had been forced into it. For a large minority, it was also associated with a change of occupation: among semi-retired workers, 32 per cent were currently working outside their previous line of work. (Sections 6.2 and 6.3)

## People of working age who were not in work

The research explored the 38 per cent of sample members *below state pension age* who were not working<sup>2</sup> at the time of interview. This group consisted disproportionately of people close to state pension age, as progressively more people move out of employment as they approach that age. It included disproportionately more people with lower qualification levels and with health problems; people with a spouse or partner were *less* likely to be in this group. (Section 7.1)

Many did not expect to return to work again. This is important in the context of policy interest in re-engaging this population in the labour market. Three-quarters said that they did not expect to work again, and nearly two-thirds (64 per cent) said that they were not looking for work and did not want work. These proportions increased with age. Women were more likely than men to expect to work again. (Section 7.2)

The three main reasons for not looking for work, given by different groups of people, were health problems (50 per cent), because they were retired or financially secure (22 per cent) or because they were looking after the home or family (12 per cent). Overall, some 60 per cent of those not working could be classified as 'involuntarily out of work'. (Section 7.3.3)

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<sup>2</sup> This includes people who did not describe their current situation as employed or self-employed, and who had not worked (either as an employee or as self-employed) in the previous month.

The markedly different characteristics of the three groups identified – none of whom were actively seeking work – are summarised here:

- The largest group – those not seeking for work for health reasons – was predominantly male. They were more likely than the second group to have no qualifications; they were also younger, and more likely to be single. They had much lower levels of income and were heavily reliant on benefits. The ages at which they had last worked covered a wide spectrum, with an average of 46.5.
- The second largest group consisted of people who were retired, were financially secure or did not want work. They had clearly had more choice in their decision and had typically stopped work more recently, at an average age of 50.7. Men outnumbered women, but to a lesser extent than in the first group. They had above-average incomes, derived principally from private pensions and assets.
- The third largest group was not seeking work because they were looking after the home or family. This group was predominantly female, on average younger than the other two groups, had been away from the labour market for longer and had left their last job at an average age of 34.5. More than half were looking after, or caring for, someone else. Fifteen per cent had never had a paid job. Nearly all had a partner, half of whom were working. Their average income was similar to that of the second group but came from different sources, predominantly from partners' earnings and benefits in equal proportion. (Sections 7.3.3, 7.4)

The Government is to pilot measures aimed at helping those on Incapacity Benefit back into work. Among this group, 13 per cent expected to work again in the future, while 29 per cent said they would like to work but had no expectation of doing so. Almost all were not looking for work due to health reasons, but almost two-thirds said that they would consider looking for work if their health improved. Those not expecting to work again had significantly more health problems than those seeking work or expecting to work again. (Section 7.2, 7.3.3 and 7.5)

Two-fifths (39 per cent) of those below state pension age and not working were aware of the New Deal 50 Plus and 28 per cent were aware of the New Deal for Disabled People. However, much smaller numbers had actually participated in these schemes (five per cent and one per cent respectively), highlighting the potential for the extension of support available through New Deal 50 Plus proposed by the Government. (Section 7.5.1)

## Income and assets

The research examined people's income and assets, concentrating on differences between individuals who differed in their attachment to the labour market.

Among those who were working below state pension age, there were interesting differences between those who classed themselves as semi-retired and those who did not. Although the two groups did not differ much in terms of their levels of current income, the semi-retired had around twice as much total (non-pension) wealth as those who were not retired. More than 80 per cent of both groups have a private pension that they are currently drawing or will be able to draw in the future. (Sections 8.3.1, 8.6.1 and 8.7.2)

Non-workers below state pension age were very diverse in terms of their income and assets. On average, those who classed themselves as retired (or semi-retired) were only slightly better off than the non-retired in terms of their current income; however the sources of that income were very different, with the non-retired tending to rely more on state benefits and the retired tending to rely

more on private pension income. The retired group also had far greater wealth, on average, than their non-retired counterparts. Private pension coverage among the non-retired group was also much lower. (Sections 8.3.2, 8.6.1 and 8.7.2)

We did not find evidence to suggest that the few people who continued to work past state pension age were doing so to achieve a comparable income to those who were not working. They tended to be better off in terms of current income than their retired contemporaries and had higher total wealth on average, and comparable pension coverage. (Sections 8.3.3, 8.6.2 and 8.7.2)

## Health and caring

The research looked at the health of the sample overall, the specific types of health problems they experienced, and the relationship between health problems and labour market participation.

The majority of people in this study (60 per cent) described their general health as either 'good' or 'very good'. People's view of their general health did not decline significantly with age, despite an increasing incidence of reported health problems and disabilities. This suggests that older people take increasing health problems for granted, and assess their general state of health in this context. (Section 9.1.1)

The average number of health problems and disabilities among the sample as a whole increased with age. However this was largely because higher proportions of older people reported problems; among those with problems, the average number of problems did not vary greatly with age. (Section 9.1.2)

There were larger differences between working and retired people, both in how they described their general health and in the proportions reporting health problems and disabilities, than can be explained by differences in age. Recipients of Incapacity Benefit were the most likely of all to report a poor state of general health. (Section 9.1.1)

The most widely reported problems were heart, blood pressure or circulation problems (23 per cent), and problems or disabilities connected with the back or neck (21 per cent), legs or feet (21 per cent) and arms or hands (17 per cent). Psychological problems were less widely reported: eight per cent reported suffering from depression, bad nerves or anxiety, and three per cent reported suffering from mental illness or other nervous disorders. For all types of problem, the proportion was highest among recipients of Incapacity Benefit, and lowest among people in work. (Section 9.1.2)

Over a third (37 per cent) of people reporting a health problem said they had at some stage been forced to retire or leave a job because of such problems. People with psychological problems (depression, bad nerves or anxiety, and mental illness or other nervous disorders) were more likely to report this (63 per cent). However, the majority of people with a health problem reported more than one, and most people with a psychological problem also reported physical problems, so it is difficult to establish which particular problems were most likely to cause people to leave work. (Section 9.1.3)

The likelihood of having retired or left a job did, however, increase with the *number* of health problems reported. Other measures of labour market attachment were also directly correlated with the number of health problems: the likelihood of being in work, being fully retired, being in receipt of Incapacity Benefit, and – among those below state pension age – of being out of work and not seeking work. (Section 9.1.3)

Overall, 35 per cent of people had a partner with health problems or disabilities. Sixteen per cent of these people had, at some stage, been forced to retire or leave a job because of their *partner's* health problem. The likelihood of this happening increased if the person and their partner both had health problems. (Section 9.1.6)

Overall, 23 per cent of respondents were currently caring for someone who was sick, disabled or elderly. Half were caring for a parent or parent-in-law, and a quarter were caring for a partner, with the remainder caring for a child or for someone else. Forty-six per cent of carers were currently working – in line with the figure for the sample as a whole – but around one in five carers reported that their caring role had had some impact on their ability to work. (Section 9.2)

## Volunteering

The research also examined the extent and nature of any voluntary work carried out by respondents and the characteristics of such respondents. About a quarter of respondents (23 per cent) had undertaken some voluntary work in the previous year, and around one in eight (12 per cent) did voluntary work every week. For the majority of volunteers (about four in five), the voluntary activity was not related to their current or previous job. However, regular volunteers were most likely to come from a professional or managerial background. Those in work were more likely to be involved in voluntary work in order to make use of their skills and to take part in the community, whereas the fully retired were more likely to be doing so in order to remain active.

## Conclusions

For many people, the current state pension age is seen as the 'natural' time to retire. Two influences are likely to be important here. First, the state pension age is a set *age*, and there is a cultural expectation of retiring at that age. Second, at this set age, an additional or alternative source of income becomes available, giving people greater financial scope to stop working. If the Government wish to change perceptions of state pension age, it should be noted that policies such as more attractive terms for deferring the state pension – address the second of these elements but not necessarily the first. There may also be a need to portray state pension age itself as a more flexible concept – a date *from which one can begin* to draw a state pension.

Employers' fixed retirement ages appear to be more of a barrier to working beyond state pension age, than a factor forcing people to retire early. Current proposals to make fixed retirement ages unlawful seem appropriate as part of a package of measures to extend working life, but also need to address the widespread view of state pension age itself as a 'fixed' age.

Although the state pension age for women is not due to start changing until 2010; there is evidence that women are already attuned to extending their working life beyond the current state pension age of 60. In particular, women were more likely than men to be working beyond their current state pension age, to be expecting to retire after state pension age, or to have delayed their retirement until after state pension age.

The notion of 'semi-retirement' can be seen as a way of easing the transition from work to full retirement. Semi-retirement is associated with self-employment, with employees moving from permanent to fixed- or short-term contracts, with a reduction in working hours and with a move away from people's main line of work. Semi-retired workers were generally less certain than others about when they would retire fully, with a tendency to carry on working beyond state pension age. However, many had embarked on the process before state pension age, so any policies aimed at encouraging semi-retirement need to be considered carefully if the net effect is to be an overall increase in the length of working life.

The vast majority of people below state pension age and not working fell into four main categories, each of which have different implications for policy:

- One in 12 were actively seeking work.
- One in five considered themselves retired or financially secure, typically having above-average incomes, derived principally from private pensions and other assets; these are largely people who have chosen to retire early.
- One in eight, predominantly women, were looking after home or family and had typically been away from the labour market for a long time or had never had a paid job; around half were looking after, or caring for, someone else, which may have contributed to their decision not to look for work, but fewer than average had any health problems.
- The largest group, one in two, were not seeking work for health reasons and, on average, had more health problems than anyone other than those on Incapacity Benefit.

Specifically among recipients of Incapacity Benefit, nearly all were not looking for work for reasons of ill-health, although 13 per cent were expecting to work in the future. Three per cent of recipients were actively looking for work at the time of interview; a further 39 per cent said they would like to work, but most of these had no expectation of doing so. Those not expecting to work again had significantly more health problems than those seeking work or expecting to work again.



# 1 Introduction

This report presents the findings of a study of the factors which affect the labour market participation of older workers. The National Centre for Social Research, in conjunction with the Institute for Fiscal Studies, was commissioned to undertake this study by the Department for Work and Pensions. This chapter describes the background to the study, outlines the aims of the research and briefly summarises the survey method, before describing how the remainder of the report is structured.

## 1.1 Background

The labour market participation of older men and women in Britain has changed dramatically over the past 20 years. The proportion of British males aged 55-64 who were in employment has fallen from 80 per cent in 1979 to 62 per cent in 2002<sup>3</sup>. Among those who are still working, there has been a shift away from full-time employment to part-time employment and self-employment. Among older women, the proportion who were working has actually increased, from 52 per cent in 1979 to 57 per cent in 2002.

A recent National Statistics feature<sup>4</sup> highlighted these changes and showed how inactivity among men aged 50 to 64 has increased from 22.6 per cent in 1984 to 26.9 per cent in 2001 (having peaked at 28.5 per cent in 1995). It also suggested the possibility that there are two groups of inactive older men, those who have retired voluntarily from professional occupations and those who have moved into inactivity through unemployment and may now be long-term sick or disabled. It is also important to note that the proportion of those aged between 50 and state pension age who are classed as unemployed, at 2.5 per cent, is much lower than the proportion who are economically inactive, which is 28.5 per cent.

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<sup>3</sup> Source: LFS, Note that the 1979 'Employed' category does not include those on Government training schemes or unpaid family workers although the 2002 'Employed' category does.

<sup>4</sup> Barham, C. Patterns of economic inactivity among older men, Labour Market Trends Vol. 110 No. 6, June 2002.

Older people are also more likely to experience long-term unemployment. Thirty-seven per cent of those unemployed and aged over 50 had been out of work for more than a year, compared with 23 per cent of those unemployed aged 25-49<sup>5</sup>. In their analyses of data from the *Labour Force Survey*, *The Family Resources Survey* and *British Household Panel Study*, Smeaton and McKay (2003)<sup>6</sup> also highlighted the difficulty of returning to work once people had left the labour force.

Campbell<sup>7</sup> carried out further analyses of FRS, LFS and BHPS data to explore the decline in labour market participation among older men. He then proposed five possible explanations for this decline:

- More people making a voluntary choice to retire early.
- Labour supply reductions that are involuntary or the result of constrained choices or distorted incentives.
- The effects of occupational pensions.
- A shift in labour demand away from older men.
- Increasing age discrimination.

In particular, the report highlighted the impact of both voluntary and involuntary decisions to withdraw from the labour market, and concluded that voluntary decisions (unconstrained choices) were, at best, a limited description of the story.

In addition to changes in activity rates, life expectancy is increasing. This, combined with increasing inactivity rates, means that people can expect to spend a greater amount of time in retirement. There has also been a decline in birth rates, together with increasing numbers of younger people staying on in education and hence delaying the onset of work. This will result in an increasingly smaller workforce, thus putting a greater burden on public spending in terms of increasing benefits and lost tax revenues.

A key objective of the Government is to improve the position of those aged over 50 in the labour market. In particular, as part of the Welfare to Work programme, the Government has set a Public Service Agreement target to increase the labour market participation of those aged between 50 and state pension age and to reduce the gap between the employment rate of older workers and the working age employment rate. Various measures have been introduced in order to support people aged over 50, including:

- the launch of New Deal 50 Plus;
- the extension of the New Deal for Disabled People to include those on Incapacity Benefit;
- increasing access to those aged over 50 to educational and training opportunities;
- as part of the 'Age Positive' campaign, the introduction of a non-statutory 'Code of Practice on Age Diversity in Employment';
- setting up a Cabinet Committee on Older People in October 2001.

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<sup>5</sup> Labour Force Survey, Office for National Statistics, Autumn 2002.

<sup>6</sup> Smeaton, D. & McKay, S. (2003) Working after State Pension Age: Quantitative Analysis, DWP Research Report 182.

<sup>7</sup> Campbell, N. The decline of employment among older people in Britain. LSE (1999).

Smeaton & McKay highlighted the importance of increasing participation among those below state pension age, in terms of the impact on future employment rates of those aged above state pension age. The best predictor of whether people were working beyond state pension age was whether they were doing so in the period before they reached state pension age.

There has been much recent coverage of changes in retirement behaviour and in population trends (increasing longevity) as well as current problems in the pension industry, culminating in the publication of the recent Government Green Paper<sup>8</sup>. The changes proposed in the Green Paper are aimed at helping people make better-informed choices about retirement, improving saving through the workplace, encouraging simple and flexible savings products, and introducing measures to extend working lives. With regard to extending working lives, the Green Paper made the following proposals:

- Providing extra back-to-work help for those aged 50 and over, and piloting measures to help recipients of Incapacity Benefit return to work.
- Treating men and women between 60 and women's state pension age as active labour market participants when women's state pension age rises from 2010.
- Bringing forward more generous increases for deferring state pensions and maintaining state pension age at 65.
- Implementing age legislation by December 2006, covering employment and vocational training in which compulsory retirement ages are likely to be unlawful unless employers can show that they are objectively justified.
- Allowing people to continue to work for the sponsoring employer while drawing their occupational pension, raising the earliest age from which a pension may be taken from age 50 to age 55 by 2010, and consulting on best practice to ensure that occupational pension rules do not discourage flexible retirement.
- Changing public service pension scheme rules, for all new members initially, to make an unreduced pension payable from 65 rather than 60.

The present study investigated the likelihood of people delaying their retirement beyond the current state pension age, and also covers those who were working beyond state pension age.

There has been much research that has considered these issues in detail. The 2000 study, *Factors Affecting Retirement*, reviewed literature from the previous 10 years with regard to labour market participation and retirement. This highlighted the decline in labour market participation of older people and, in particular, older men. It also highlighted the fact that policy is now being geared toward the retention of older workers, whereas previously it had actually been geared toward early exit.

The study highlighted a number of areas where current research literature was lacking. In particular, it was noted that much of the current UK literature on retirement behaviour had become somewhat dated and hence of limited use. For example, Disney et al (1997)<sup>9</sup> reviewed data from the Retirement Surveys from 1988/9 and 1994. This included an assessment of retirement age, early and late

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<sup>8</sup> Simplicity, security and choice: Working and saving for retirement. HM Treasury/DWP 2002.

<sup>9</sup> Disney, R. Grundy, E. & Johnson, P. (1997), *The Dynamics of Retirement: Analyses of the Retirement Surveys*, DWP Research Report No. 72.

retirement, and the reasons for these. The survey also covered other key issues including health and caring. However, given the timing of these surveys, there was a clear need for the data to be updated.

Furthermore, much of the previous research had relied on secondary analysis of data from other sources not collected for this purpose. This survey was therefore designed to address this gap in knowledge and further understanding of retirement, the factors affecting people's decisions to retire, and the labour market participation of older people. The literature review also identified a need to differentiate by age, rather than considering people aged 50 to state pension age as a single group, gender and current or previous occupation. Many of the analyses presented in the report, therefore, highlight relevant differences between subgroups.

Also highlighted by the Factors Affecting Retirement study was the need to investigate the role played by part-time work and self-employment in the process of gradual retirement. The prevalence of semi-retirement, the types of jobs undertaken by the semi-retired, and gradual retirement were all investigated as part of this survey.

## 1.2 Aims of the research

In broad terms, the aim of the study was to identify what factors encourage labour market participation and influence labour market withdrawal.

Specifically, key research objectives were identified for separate groups of interest:

- For older workers in employment – analysis of factors that are likely to influence the decision to retire or remain in the labour market.
- For those in receipt of income replacement benefits (particularly Incapacity Benefit) – analysis of factors that might influence people to return to some kind of employment or activity, or move more permanently into inactivity.
- For those who consider themselves to be retired – examining, where applicable, the reasons for early retirement, whether they would consider working again and/or engage in voluntary activity, satisfaction with retirement and retirement income, and comparisons with pre-retirement expectations.

The research was also designed to examine factors such as financial situations, reasons why people work beyond state pension age, and barriers to economic activity.

## 1.3 Survey method

### 1.3.1 Sample

The population of interest was defined as adults aged 50 to 69. Within this, three key groups of interest were identified:

- those currently in employment;
- those in receipt of income replacement benefits (Income Support and Incapacity Benefit);
- those who consider themselves to be retired.

In addition, respondents in the following age bands were of interest:

- 50 to 54;
- 55 to 59;
- 60 to 64;
- 65 to 69.

The sample frame for this study was respondents who had taken part in the Family Resources Survey (April 2001 to March 2002). However, relying solely on the FRS as a sample frame would have resulted in a relatively small number of respondents reliant on income replacement benefits. This group was the focus of the second of the three key research objectives identified above, and a large sample of respondents in this group was, therefore, necessary. For this reason the sample was boosted using benefit records supplied by the Department for Work and Pensions.

In total, a sample of 4,647 individuals was issued and a gross response rate of 60 per cent was achieved. This was higher (64 per cent) among the FRS follow-up sample and lower (49 per cent) among the sample selected from benefit records. This difference was mainly due to the benefit sample being given the opportunity to opt-out in advance of fieldwork (all FRS respondents selected had already agreed to take part in further research as part of the FRS interview).

### 1.3.2 Data collection

The interviews were administered using computer-assisted personal interviewing (CAPI) and took place during summer 2002. The questionnaire was developed by NatCen in conjunction with DWP. The questionnaire development process drew on a number of other survey questionnaires including the following:

- The Family Resources Survey (FRS);
- The 1994 Retirement Survey;
- The English Longitudinal Survey of Ageing (ELSA);
- National Adult Learning Survey (NALS) 2001;
- New Deal for Lone Parents Evaluation;
- Workplace Employee Relations Survey (WERS);
- 'Disabled for Life?' Attitudes towards, and experiences of, disability in Britain.

Some questions were taken directly from these surveys and others developed from questions used on them. In addition, questions were developed specifically for use as part of this study.

The questionnaire was piloted in February 2002 and a number of modifications were made as a result.

The final questionnaire was structured as follows:

<b>Section</b>	<b>Details</b>
Household & family	Household and demographic information.
Current status	Activity status of respondent and partner.
Employment history	Information on respondent's job, changes in hours. Details for most recent job if not working, brief working history, changes in working patterns in the three years before the survey/ before retirement.
Partner's employment	Partner's job details.
Work-related issues	Job satisfaction, impact of new technologies at work, use of internet.
Education/qualifications	Qualifications achieved, any recent work-related and non-work-related training undertaken.
Attachment to work	Recent job search activity undertaken, barriers to finding work, experience of New Deal programmes.
Retirement age	Age at which plan to or did retire, reasons for early/late retirement.
The retirement decision	Factors considered, whom consulted, satisfaction with retirement.
Future expectations	Expectations of working in the future/retirement.
Income from employment	Income received from employment/self-employment.
Tax credits and benefits	Income received from tax credits and benefits.
Pension and other income	Details of pension and other income such as allowances from family members.
Assets	Savings/investments held.
Pensions	Pensions contributed to – type of pension, amount of contributions, details of employer schemes.
Changes in income	How income in retirement compared with previously, expectations of retirement income, spending patterns and how they are managing financially.
Health	Respondent's and partner's current/past health – details of any illness/disabilities, and the impact of these on work and working status.
Caring	Details of any help given or received both inside and outside the household, type of help, impact on work and working status.
Voluntary activities	Voluntary activities undertaken, plans for retirement, changes since retired.
Housing	Tenure, details of housing, plans to move post-retirement or stopping work.

Data were weighted to correct for differential probabilities of selection, and post-stratification weights were applied, based on working status and receipt of relevant benefits within age and gender.<sup>10</sup> More detail on the survey method can be found in the appendix to this report.

## 1.4 Structure of the report

Chapter 2 considers the characteristics of the sample. This gives a brief summary of the demographic breakdown of the sample including age, gender, household characteristics, employment and retirement status, health and disability.

Chapter 3 is based on those who were working. This looks at the characteristics of those in work, including those above state pension age. Also covered are people's pension contributions, including the type of pensions contributed to as well as other pensions held. Work-related training and flexible working arrangements are also covered here.

Chapter 4 is also based on all those in work, including those aged above state pension age. It examines at what age they expected to retire, whether this constitutes early (pre-state pension age) or late (post-state pension age) retirement, and the reasons why this might be. It also looks at the nature of the retirement decision and whether it was forced or voluntary as well as whether people were planning to retire gradually.

Chapter 5 is based on all those who were fully retired. This looks at people's age at retirement and again considers early and late retirement and the reasons for this. The retirement decision is also explored, including whether it was forced or voluntary and what issues were considered when making the decision. The chapter also covers whether or not people had retired gradually. The final sections look at income sources and levels in retirement as well as satisfaction with retirement.

Chapter 6 considers transitions towards retirement. Respondents were asked whether they described themselves as fully retired, semi-retired or not yet retired and in this chapter, those that reported they were semi-retired are examined in detail. This includes analysis of the characteristics of this group, the sort of work they are (or were) doing, and comparisons with the fully retired.

Chapter 7 focuses on all those of working age who were not in work. This chapter looks firstly at the characteristics of those who were not working compared with those who were, and then focuses on reasons why people were not in work. It also covers expectations of future employment and what might make people start looking for work again.

Chapter 8 looks in some detail at the income levels, sources of income and assets and the extent to which people's incomes were dependent on state benefits. It also covers pension wealth, and knowledge about pensions. These are considered for the sample as a whole, and among key breakdowns such as those above or below state pension age, those in and out of work, and the fully retired, semi-retired and not yet retired.

Chapter 9 looks at health issues, and specifically at those with a long-term health problem or disability. This includes the nature of people's health problems, whether their partners had health problems, and the impact of these on labour market participation. It also covers those who were caring for someone, and what impact this may have had on employment.

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<sup>10</sup> Data were weighted to match the FRS in terms of the proportion in employment. It is known that the FRS identifies a higher proportion of inactive older men than the LFS.

Chapter 10 considers voluntary activities, including what sort of people were involved in these, and their reasons for doing so.

Chapter 11 draws together the findings under thematic headings to highlight what we see as the most important conclusions of the study. The chapter also includes suggestions for areas of further investigation.

## 1.5 Reporting conventions

All figures shown in the tables and quoted in the text are based on weighted data. The bases in tables indicate the (unweighted) sample size. More detail on the weighting can be found in the appendix. By convention, a 0 is used where there are no cases at all and an asterisk is used (\*) to signify less than 0.5 per cent. **Figures in tables enclosed in [ ] indicate those which are based on an unweighted sample of less than 50 and should, therefore, be treated with caution.**

Differences are only commented on if they are statistically significant.

## 2 Characteristics of the sample

This chapter encompasses all survey respondents, describes the basic characteristics of the sample and the proportions in each of the main activity groups. It considers the overlap between various groups, that is, the extent to which respondents fall into more than one category (for example, working *and* retired). Where appropriate, comparisons are made with data from other sources. The chapter also identifies some of the key groups that will be investigated in more detail in later chapters.

In the course of their interview, respondents were asked two key questions that are described in this chapter and used to classify the sample in subsequent chapters of the report. The first of these related to their current status in terms of economic activity, using standard categories; the second question asked people whether they considered themselves to be fully retired, semi-retired or not yet retired, and is thus a subjective description of their status in relation to the labour market.

### 2.1 Demographic profile of the sample

#### 2.1.1 Age, gender and marital status

The data from the survey were weighted to match population estimates on a range of criteria, including age and gender, to ensure the sample was representative of the general population aged between 50 and 69 in these respects.<sup>11</sup> The resultant sample was evenly split between men and women. There were slightly more respondents in their fifties than in their sixties (Table 2.1).

Nearly three-quarters (72 per cent) of the sample were married and living with a spouse, and around one in eight (12 per cent) were divorced. This is very similar to the profile of FRS respondents in the same age category (74 per cent married and 11 per cent divorced).<sup>12</sup> It was less common to be widowed (seven per cent) or never married (six per cent), although obviously the prevalence of widowhood increased with age. Two per cent of respondents had been married but were now separated (Table 2.1).

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<sup>11</sup> Full details of the weighting procedures are contained in the appendix.

<sup>12</sup> FRS 2001/02 Weighted data.

For those who were not living with a spouse, only a small minority were cohabiting with a partner. Divorcees were most likely to cohabit (18 per cent) and the widowed were least likely to do so (eight per cent). In total, 76 per cent of respondents had a spouse or partner.

**Table 2.1 Age, gender and marital status of the sample**

	<i>Column percentages</i>
<b>Age within gender</b>	
Men aged:	
50-54	16
55-59	13
60-64	11
65-69	10
Women aged:	
50-54	16
55-59	13
60-64	11
65-69	11
<b>Marital status</b>	
Married and living with spouse	72
Divorced	12
Widowed	7
Single (never married)	6
Married and separated	2
<i>Base: All</i>	<i>2808</i>

A minority (nine per cent) of respondents had dependent children (aged under 18) living with them. This varied considerably with age, so that 22 per cent of 50-54 year olds had such dependants, compared with fewer than one per cent of 65-69 year olds. Only a small proportion (five per cent) had paid any fees or maintenance for educational courses for their children in the previous three months. A quarter (23 per cent) were responsible for providing help for, or looking after, another adult; this is considered further in Chapter 9.

### 2.1.2 Economic activity status

Respondents were asked to describe their **current situation** in terms of a list of standard categories used to measure economic activity. The first column of Table 2.2 shows the results in relation to the sample as a whole. A little under a half (44 per cent, of the sample) were in employment, either as employees (38 per cent) or as self-employed (six per cent). A third (34 per cent) described themselves as 'retired'. Most of the remainder saw themselves as 'long-term sick or disabled' (12 per cent). A few (five per cent) were looking after the home and family, or were unemployed and available for work (two per cent).

**Table 2.2 Respondents' and partners' current activity status**

	<i>Column percentages</i>		
	<b>All respondents</b>	<b>Respondents with partners</b>	<b>Partners</b>
Employed	38	40	44
Self-employed	6	7	7
On Government training/employment scheme	*	*	0
Unemployed and available for work	2	2	1
Waiting to take up a paid job	*	0	0
Retired	34	33	31
Long-term sick or disabled	12	11	8
Looking after the home or family	5	6	8
Doing voluntary work	*	*	*
Caring for child/sick/disabled adult	1	1	1
In full-time education	*	*	*
Other	*	*	*
<i>Base: All</i>	2808	1894	1894

The second and third columns of Table 2.2 show, respectively, the activity status of respondents with partners, and the status of the partners themselves, and are broadly similar. Nearly three-quarters (70 per cent) of those with a retired partner also claimed to be retired; this relationship strengthened with age, ranging from 31 per cent of respondents aged 55-59 to 93 per cent among 65-69 year olds. A third (34 per cent) of those with a partner who was sick or disabled also put themselves in this category (in this instance the sample size is too small to permit analysis by age). The relationship between the working status of respondents and their partners is explored in more detail later in this chapter.

As would be expected, respondents' current activity varied according to age. Men were more likely to be in work than women, overall and in each age group. However, the proportions in work (as employees or self-employed) declined with age; three-quarters of men and two-thirds of women aged 50-54 were in work, but this declined sharply by age 60-64 to only two-fifths of men and 16 per cent of women. By 65-69, very few were either employed or self-employed<sup>13</sup>. Conversely, the proportion describing themselves as retired increased sharply at state pension age, although somewhat fewer women were retired at their state pension age than men. By age 65-69, nearly nine in ten were retired, regardless of gender (Table 2.3).

There was a sudden drop after state pension age, for both men and women, in the proportion who considered themselves to be long-term sick or disabled (27 per cent to one per cent for men; 16 per cent to four per cent for women). This must represent a personal re-definition of status rather than any real improvement in health (it will be seen later in this section that health problems and disabilities became *more* prevalent with age). Reaching state pension age may give respondents who were long-term sick/disabled an alternative way to describe themselves (i.e. as retired). It may also be that the move from sickness-related benefits to retirement pension (and possibly Minimum Income Guarantee) that occurs at state pension age, also causes people to view their status differently.

The proportion of women looking after the home or family also declined with age; very few men saw this as their primary activity at any age.

<sup>13</sup> The proportions describing their current status as either employed or self-employed in this survey are likely to be lower than some other sources such as the Labour Force Survey. This survey was weighted to the proportions of men and women in work as measured by the Family Resources Survey, and it is generally recognised that the FRS shows lower economic activity rates than the LFS.

**Table 2.3** Current activity status, by age and gender

	<i>Column percentages</i>							
	Men				Women			
	50-54	55-59	60-64	65-69	50-54	55-59	60-64	65-69
Employed	64	50	33	6	62	44	14	3
Self-employed	12	12	8	3	4	4	2	2
Unemployed and available for work	2	4	4	*	3	2	0	0
Retired	5	13	26	90	5	13	73	87
Long-term sick/disabled	14	19	27	1	10	16	4	3
Looking after home/family	1	0	*	0	11	17	6	4
Voluntary work	0	*	*	0	*	*	0	*
Caring for a child/adult	1	1	1	*	3	1	1	1
Waiting to take up a paid job	1	*	0	0	*	0	0	0
Government training scheme	0	*	0	0	0	0	0	0
Full-time education	0	0	0	0	1	1	0	0
Other activity	1	0	*	0	0	1	0	1
<i>Base: All</i>	363	350	400	272	422	420	310	271

In addition to being asked their current status, respondents were also asked whether they had done any of these things in the *last month*. There was considerable overlap between the different activities; this can be seen in Table 2.4, which shows the activities of the most common current status groups. About a third of those whose main activity was employed, self-employed, unemployed or sick/disabled had combined this status with looking after the home/family in the last month, and around one in ten had combined it with caring for someone. Among those primarily looking after the home or family, the proportion also caring for someone was particularly high, at 24 per cent.

While very few employees were also working in a self-employed capacity, it was quite common for the self-employed to also engage in paid work (21 per cent). Paid employment or self-employment was rare in any of the other groups.

Almost no-one viewed their current activity as being voluntary work, but this belies the fact that around one in ten respondents did engage in such work. Those who reported that they were retired and those looking after the home/family were particularly likely to do so (15 per cent and 17 per cent respectively).

**Table 2.4 Activities in the last month, by current activity status**

*Multiple responses (percentages)*

	<b>Employed</b>	<b>Self-employed</b>	<b>Unemployed</b>	<b>Retired</b>	<b>Long-term sick/disabled</b>	<b>Looking after home/family</b>
Paid work	98	21	1	4	2	1
Self-employment	2	88	0	1	*	1
Education or training	6	5	3	4	2	3
Looking after the home or family	30	27	38	51	32	91
Voluntary work	6	8	5	15	5	17
Caring for someone (adult or child)	11	9	15	12	12	24
Other activity	4	4	10	5	4	5
None of these	1	1	40	35	56	8
<i>Base: All</i>	<i>891</i>	<i>139</i>	<i>58</i>	<i>948</i>	<i>593</i>	<i>118</i>

Overall, 47 per cent of respondents were either (a) currently working, either as an employee or as self-employed, or (b) had done so in the last month.<sup>14</sup> For the purposes of this report, this group is referred to as ‘those in work’, and is considered in more detail in Chapters 3 and 4.

Among those in work, men and women differed in the types of jobs they were doing. Table 2.5 shows the profile of men’s and women’s jobs using the Standard Occupational Classification (SOC 2000). For women, the largest single category was administrative and secretarial work, accounting for 23 per cent. At all ages, women were more likely than men to be doing administrative and secretarial work, and sales/customer services. For men, the largest single category was skilled trades, accounting for 21 per cent, and men of all ages were more likely than women to be engaged in both skilled trades and plant and machinery operation.

Among those aged under 60, women were more likely than men to be employed in personal service jobs and men were more likely to be managers or senior officials. The sample sizes in work after the age of 60 are small, but it appears that after that age, men and women were equally likely to be managers/senior officials or working in personal service occupations.

For both men and women, the proportion in elementary occupations increased sharply after age 60. There are several possible reasons for this. Perhaps those in such jobs were disproportionately likely to stay working in them; alternatively, respondents might have transferred into such jobs as they got older; or the difference could be a cohort effect, with those born later less likely to have entered these jobs in the first place. However the limited sample size makes it impossible to investigate this further.

<sup>14</sup> This is probably lower than some other sources. For example, we have compared this survey with the Labour Force Survey figures for the proportion of men and women in employment between the age of 55 and state pension age (Spring 2002). According to LFS, 62 per cent of men aged 55 to 64 were in employment, compared with 55 per cent identified in this survey; the figures for women aged 55 to 59 were 57 per cent and 51 per cent respectively. However, this survey was weighted to the proportions of men and women in work as measured by the Family Resources Survey, and it is generally recognised that the FRS shows lower economic activity rates than the LFS.

**Table 2.5 Occupation, by gender**

	<i>Column percentages</i>	
	<b>Men</b>	<b>Women</b>
SOC 2000 categories:		
Managers & senior officials	15	9
Professional occupations	12	13
Associate professional and technical	13	10
Administrative and secretarial	4	23
Skilled trades occupations	21	3
Personal service occupations	4	12
Sales & customer services	2	10
Process, plant & machine operatives	16	3
Elementary occupations	12	16
<i>Base: All working</i>	<i>534</i>	<i>562</i>

As well as age and gender, the likelihood of being in work was also associated with the respondent's household composition (Table 2.6). Those with a partner and dependants were much more likely to be working (75 per cent) than those with neither (37 per cent). The difference is most marked among those aged under 60; above that age, because the proportion in work is so much lower, the sample sizes become too small to draw reliable conclusions.

**Table 2.6 Any work in last month, by age and household composition**

	<i>Percentages within category</i>			
	<b>Has partner &amp; dependants</b>	<b>Has partner only</b>	<b>Has neither</b>	<b>Total</b>
<b>50-54 years</b>				
Worked in last month	78	75	63	72
<i>Base</i>	<i>130</i>	<i>409</i>	<i>216</i>	<i>785</i>
<b>55-59 years</b>				
Worked in last month	[70]	60	47	58
<i>Base</i>	<i>39</i>	<i>517</i>	<i>206</i>	<i>770</i>
<b>60-64 years</b>				
Worked in last month	[49]	33	27	32
<i>Base</i>	<i>13</i>	<i>465</i>	<i>231</i>	<i>710</i>
<b>65-69 years</b>				
Worked in last month	[0]	10	11	10
<i>Base</i>	<i>2</i>	<i>343</i>	<i>198</i>	<i>543</i>
<b>All</b>				
Worked in last month	75	47	37	47
<i>Base: All</i>	<i>184</i>	<i>1734</i>	<i>851</i>	<i>2808</i>

\* Those with dependants but no partner are not shown as a separate column, as the sample sizes are too small. However they are included in the total column.

Table 2.7 shows the association between a partner's working status and that of the respondent. In all age groups, people were much more likely to be in work if they also had a working partner.

**Table 2.7 Any work in last month, by age and working status of partner**

	<i>Percentages within category</i>			
	<b>Has working partner</b>	<b>Has non-working partner</b>	<b>Has no partner</b>	<b>Total</b>
<b>50-54 years</b>				
Worked in last month	84	47	62	72
<i>Base</i>	<i>401</i>	<i>131</i>	<i>245</i>	<i>785</i>
<b>55-59 years</b>				
Worked in last month	73	36	48	58
<i>Base</i>	<i>341</i>	<i>204</i>	<i>214</i>	<i>770</i>
<b>60-64 years</b>				
Worked in last month	57	20	27	32
<i>Base</i>	<i>153</i>	<i>318</i>	<i>232</i>	<i>710</i>
<b>65-69 years</b>				
Worked in last month	[32]	6	11	10
<i>Base: All</i>	<i>44</i>	<i>298</i>	<i>198</i>	<i>543</i>

This overlap is summarised in Table 2.8, based on everyone with a partner. In two-fifths of such cases *both* partners were working, in a quarter of cases only one of them was working, and for the remainder neither of them was working.

**Table 2.8 Respondents' and partners' working status**

	<i>Column percentages</i>
Both partners working	39
One partner working	25
Neither partner working	36
<i>Base: All living with a partner</i>	<i>1894</i>

### 2.1.3 Self-reported retirement status

So far, we have described the sample in terms of their economic activity status, and the association between being in work and other variables, principally age and gender. In a separate question, respondents were asked whether they were fully retired, semi-retired or not yet retired.

As shown in Table 2.9, two-fifths (41 per cent) of the sample described themselves 'fully retired', one in ten (nine per cent) as 'semi-retired', and 50 per cent as 'not yet retired'. Older people were progressively more likely to describe themselves as 'fully retired', and less likely to say that they were 'not yet retired'. This is true separately for men and women, with the largest changes occurring at their respective state pension ages (65 for men and 60 for women.) People in the middle age groups were more likely than the oldest and youngest respondents to describe themselves as 'semi-retired'.

**Table 2.9 Self-reported retirement status, by age**

	<i>Column percentages</i>								
	<b>Men</b>				<b>Women</b>				<b>Total</b>
	<b>50-54</b>	<b>55-59</b>	<b>60-64</b>	<b>65-69</b>	<b>50-54</b>	<b>55-59</b>	<b>60-64</b>	<b>65-69</b>	
Fully retired	8	20	39	87	14	27	78	91	41
Semi-retired	7	13	17	9	3	10	11	8	9
Not yet retired	85	68	43	4	83	63	12	2	50
<i>Base: All<sup>1</sup></i>	<i>363</i>	<i>350</i>	<i>400</i>	<i>272</i>	<i>421</i>	<i>416</i>	<i>310</i>	<i>271</i>	<i>2803</i>

<sup>1</sup> Five people did not answer the question, so the bases fall slightly short of the total sample

In the interview there were a small number of discrepancies between the answers to this question and people's economic activity status: a few respondents said they were 'fully retired', but also that they were currently working or had done some paid work in the last month. These people were grouped with the 'semi-retired' respondents for the remainder of the interview, and are treated as 'semi-retired' for analysis purposes. Further details of how the two questions relate to each other are covered in other chapters.

The fully retired are considered as a group in Chapter 5. The characteristics of the 261 semi-retired respondents are explored in more detail in Chapter 6. In particular, the research shows that people moved into semi-retirement at a relatively young age: for most, (88 per cent of men and 61 per cent of women) this was before state pension age, and the average age at which people moved into semi-retirement was 56.2.

### 2.1.4 Educational qualifications

Respondents were asked about their highest educational qualifications. A third (34 per cent) of respondents had obtained no formal qualifications (Table 2.10). A further quarter had reached O level/CSE or equivalent, and 10 per cent had reached A level. Just over one in ten had a degree-level qualification, and a similar number had achieved some other kind of higher education, below degree-level.

**Table 2.10 Highest educational qualification, by age and gender**

	<i>Column percentages</i>								
	<b>Men</b>				<b>Women</b>				<b>Total</b>
	<b>50-54</b>	<b>55-59</b>	<b>60-64</b>	<b>65-69</b>	<b>50-54</b>	<b>55-59</b>	<b>60-64</b>	<b>65-69</b>	
Degree* or equivalent	19	15	13	12	15	8	6	3	12
Higher Education below degree	9	9	9	6	18	12	9	16	11
A level or equivalent	17	12	13	11	11	8	6	3	10
O level/CSE or equivalent	26	29	26	25	21	25	20	16	24
Other qualification	9	9	9	8	7	11	8	10	9
No qualifications	20	25	31	38	28	36	51	52	34
<i>Base</i>	<i>363</i>	<i>350</i>	<i>400</i>	<i>272</i>	<i>422</i>	<i>420</i>	<i>310</i>	<i>271</i>	<i>2808</i>

\* Including higher degrees such as Phd., MSc

On average, men were better qualified than women. In every age-group they were more likely to have reached O level or A level, and to have obtained a degree; women were more likely than men to have reached a higher education qualification below degree-level, or to have no formal qualifications at all,

again in every age-group. Older people generally, whether men or women, were less likely to have progressed beyond O level, and more likely to have no formal qualifications.

This profile is very similar to that of the FRS, where 13 per cent of respondents in this age group had a degree and 37 per cent had no qualifications. The breakdown by age and gender shown here is also very similar to the FRS.

## 2.2 Health and disability

When asked about their health in general, almost two-thirds of the sample reported that their health was 'good' (35 per cent) or 'very good' (25 per cent), with younger people being more likely to report good health than older people (Table 2.11). However, 53 per cent reported some kind of health problem or disability, the proportion increasing with age for both men and women. One explanation for this is that health deteriorates with age, although it is also possible that there are differences in the standard of health between age-cohorts; however, longitudinal data would be needed to investigate this latter reason.

The FRS reports a slightly lower proportion of respondents with a long-standing illness or disability *among this age-group* (41 per cent)<sup>15</sup>. There are two possible explanations for this. Firstly, there were differences in the wording of the questions across the two surveys. The FRS question was worded as follows:

*'Do you have any long-standing physical illness, health problem or disability? By long-standing, I mean anything that has troubled you over a period of time or that is likely to affect you over a period of time? Please include problems that are due to old age.'*

The question used on this survey incorporated the Disability Discrimination Act classification of illness or disability and read as follows:

*'Do you have any health problems or disabilities, which you expect to last for more than a year? These may be continuous or effect you intermittently?'*

It is possible that the stipulation that the problem could be 'continuous or intermittent' which was not included in the FRS question may have accounted for the higher level recorded in this survey.

The second possible explanation might be the different contexts in which the questions were asked. In the FRS, the majority of the questions concern household finances; however, as part of this survey, respondents were specifically prompted as to the impact of health on their labour market participation and as such were alerted to the link between the two. This may have contributed to the higher proportion reporting a health problem.

More detail about the definition is included in Chapter 9.

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<sup>15</sup> FRS 2001/02 Weighted data.

**Table 2.11 Health status and disability, by age and gender**

	<i>Column percentages</i>								<b>Total</b>
	<b>Men</b>				<b>Women</b>				
	<b>50-54</b>	<b>55-59</b>	<b>60-64</b>	<b>65-69</b>	<b>50-54</b>	<b>55-59</b>	<b>60-64</b>	<b>65-69</b>	
Very good	28	27	20	23	31	25	23	21	25
Good	43	35	29	34	35	34	35	35	35
Fair	19	24	30	30	21	27	29	30	26
Bad	7	8	15	8	10	11	10	11	10
Very bad	3	6	6	4	3	4	3	4	4
Any health problems/disability	41	51	62	58	47	55	61	62	53
<i>Base</i>	<i>363</i>	<i>350</i>	<i>400</i>	<i>272</i>	<i>422</i>	<i>420</i>	<i>310</i>	<i>271</i>	<i>2808</i>

The impact of health on working status is considered further in Chapters 5 and 7. More detail on the types of health problems experienced by respondents, and in particular by those not working for health reasons, is covered in Chapter 9.

Among respondents of all ages, there was a link between their health status and that of their partners. Overall, 46 per cent of partners had a health problem or disability. However, among respondents with a health problem or disability, 56 per cent of their partners also had one, compared with only 34 per cent of partners in other cases.

### 2.2.1 People on Incapacity Benefit

As was detailed in Chapter 1, the Government is proposing initiatives to help those on Incapacity Benefit return to work. Overall, seven per cent of the sample was in receipt of Incapacity Benefit, the same proportion as found in this age group in the FRS<sup>16</sup>. Men were more likely than women to be receiving it (11 per cent compared with four per cent) and receipt was highest among men aged 60 to 64, at 20 per cent.

**Table 2.12 Receipt of Incapacity Benefit, by age and gender**

	<i>Percentages within category</i>								
	<b>Men</b>				<b>Women</b>				<b>Total</b>
	<b>50-54</b>	<b>55-59</b>	<b>60-64</b>	<b>65-69</b>	<b>50-54</b>	<b>55-59</b>	<b>60-64</b>	<b>65-69</b>	
Receives Incapacity Benefit	8	13	20	*	5	8	1	0	
<i>Base: All</i>	<i>363</i>	<i>350</i>	<i>400</i>	<i>272</i>	<i>422</i>	<i>420</i>	<i>310</i>	<i>271</i>	

Chapter 7 examines people's expectations of further employment, including reasons why respondents were not looking for work at present and their employment aspirations for the future, where analyses are presented separately for those in receipt of Incapacity Benefit.

<sup>16</sup> FRS 2001/02 Weighted data.

## 3 People currently in work

This chapter focuses on all those who were currently working. This includes people who described their current situation as employed or self-employed, as well as those who did not describe themselves in this way but who had worked (either as an employee or as self-employed) in the previous month. It should be noted that some respondents who had described themselves as 'semi-retired' are included in the analysis in this chapter because they were undertaking paid work. Full analysis of this subgroup can be found in Chapter 6.

The chapter begins by looking at the characteristics of those respondents who were working, in order to identify the main factors associated with being in work. The next sections cover the characteristics of people's work, measures of satisfaction related to work and changes to people's work. The chapter also covers flexible working arrangements, use of new technology, and access to training. The penultimate section looks at the pension arrangements of people in work, including both pensions they are currently accruing and deferred pensions from previous employers. Chapter 1 outlined the proposals included in the Government Green Paper aimed at extending working life. In the light of this, respondents in the sample who were above state pension age and were still working were of interest and are covered in the final section.

### 3.1 Characteristics of working people

Nearly half (47 per cent) of respondents were in work at the time of the study, with 40 per cent working as employees in their main or only job, and seven per cent being self-employed. Men were more likely than women to be working in either capacity.

The great majority of people in work had only one job, as shown in Table 3.1. Those who were self-employed (in their main job) were more likely than employees to have other jobs. Generally speaking, such people had only one additional job; the proportion of workers with a total of three or more jobs was very small (one per cent). For the rest of this chapter, people are described in terms of the characteristics of their only or main job, unless otherwise stated.

**Table 3.1** Number of jobs held

	<i>Column percentages</i>			
	<b>Employed: Men</b>	<b>Employed: Women</b>	<b>Employed: All</b>	<b>Self- employed: All</b>
Number of jobs:				
One	96	94	95	91
Two	3	4	4	7
Three or more	1	1	1	1
<i>Bases: All working</i>	<i>428</i>	<i>508</i>	<i>936</i>	<i>159</i>

For both men and women the proportion of people employed and self-employed decreased with age (Table 3.2), although the rate of decrease was much greater for the employed than the self-employed. As a result, the proportion of *all working people* who were self-employed actually increased with age. This is discussed further in Section 6.1.1.

The table shows that a small proportion of both men and women above state pension age remained in work – this group is considered further in Section 3.9.

**Table 3.2** Employment status, by age and gender

	<i>Row percentages</i>			
	<b>Working</b>	<b>Working as:</b>		<b>Base: All</b>
		<b>Employed</b>	<b>Self-employed</b>	
<b>All:</b>				
50 to 54	72	64	9	785
55 to 59	58	49	9	770
60 to 64	32	26	5	710
65 to 69	10	5	5	543
Total	47	40	7	2808
<b>Men:</b>				
50 to 54	78	65	13	363
55 to 59	65	52	14	350
60 to 64	44	35	9	400
65 to 69	13	7	6	272
Total	54	43	10	1385
<b>Women:</b>				
50 to 54	67	63	5	422
55 to 59	51	46	5	420
60 to 64	21	18	3	310
65 to 69	8	4	4	271
Total	40	36	4	1423

Whether respondents were in work was strongly associated with their highest qualification level. Respondents were more likely to be working if they had a degree (72 per cent) or an A level (61 per cent) and less likely if they had no qualifications (30 per cent) (Table 3.3).

**Table 3.3 Employment status, by highest educational qualification**

	Working as:			Base:
	Working	Employed	Self-employed	All
<i>Row percentages</i>				
Highest qualification:				
Degree or equivalent	72	58	14	302
HE below degree	52	46	6	310
A level or equivalent	61	51	10	269
O level/CSE or equivalent	52	43	9	641
Other qualification	42	37	4	259
No qualifications	30	26	4	1026
All	47	40	7	2808

There was also a strong relationship between a respondent's working status and that of his or her partner. Table 3.4 compares the proportion of *partners* who were working, separately among *respondents* who were working and those who were not, within gender and age groups. This shows that the partners of working respondents were far more likely to be working than those of non-working respondents in all gender and age categories. As an example, 92 per cent of the partners of working female respondents aged 50 to 54 were working, compared with 52 per cent of the partners of non-working female respondents aged 50 to 54. The association between respondents' and their partners' working status was also considered in Section 2.1.2.

**Table 3.4 Whether partner is working, by age, gender and working status of respondent**

Whether partner is working	Working respondents	Non-working respondents	Base: Those with a partner and...	
			Working	Not working
<i>Cell percentages</i>				
Male respondents, aged:				
50 to 54	82	50	192	69
55 to 59	81	33	142	118
60 to 64	62	24	69	225
65 to 69	[39]	13	23	182
Female respondents, aged:				
50 to 54	92	52	181	90
55 to 59	77	53	159	126
60 to 64	65	24	39	138
65 to 69	[56]	7	7	130

## 3.2 Characteristics of people's work

Table 3.5 shows the proportion of workers in each occupational category, using the Standard Occupational Classification (SOC 2000). The proportions in each occupation differed between employees and the self-employed. The latter were more likely to be working in skilled trades and associate professional and technical jobs than employees, and less likely to be working in administrative and secretarial jobs or in elementary occupations.

Among employees, there were big differences between men and women.<sup>17</sup> Men were more likely than women to work in skilled trade occupations, as process, plant and machine operatives, and as managers and senior officials. Women, on the other hand, were more likely than men to be working in administrative and secretarial occupations, in sales and customer services, and in personal service occupations.

**Table 3.5 Occupation by employment status**

	<i>Column percentages</i>			
	<b>Employed: Men</b>	<b>Employed: Women</b>	<b>Employed: All</b>	<b>Self- employed: All</b>
SOC 2000 categories				
Managers & senior officials	16	7	12	16
Professional occupations	12	13	13	11
Associate professional and technical	12	10	11	17
Administrative and secretarial	4	24	13	5
Skilled trades occupations	18	2	11	26
Personal service occupations	4	12	8	5
Sales & customer services	2	11	6	3
Process, plant & machine operatives	17	3	11	10
Elementary occupations	15	17	16	6
<i>Base: All working</i>	<i>428</i>	<i>508</i>	<i>936</i>	<i>159</i>

Table 3.6 shows the size of the establishments where people worked. A third of employees were working in small establishments (those with fewer than 25 people), a half in medium-sized establishments and a sixth in large establishments (500 people or more). There was a slight tendency for women to be working in smaller establishments than men. This is in marked contrast to the self-employed, where more than 60 per cent were working in small establishments.

**Table 3.6 Number of people working at workplace**

	<i>Column percentages</i>			
	<b>Employed: Men</b>	<b>Employed: Women</b>	<b>Employed: All</b>	<b>Self- employed: All</b>
Fewer than 25	30	37	34	62
25 to 499	53	48	51	29
500 or more	17	14	16	9
<i>Base: All working</i>	<i>428</i>	<i>508</i>	<i>936</i>	<i>159</i>

Table 3.7 shows the division between full-time and part-time work, separately for employees and the self-employed. Twenty-nine per cent of employees were working part-time, compared with 37 per cent of the self-employed. Among employees, there were large differences between men and women; for women there was a roughly equal split between full- and part-time workers, but only a small minority (13 per cent) of men were in part-time work.

<sup>17</sup> The self-employed column is not split by gender, as the base for women would be too small for meaningful interpretation.

**Table 3.7 Whether working full-time or part-time**

<i>Column percentages</i>				
	<b>Employed: Men</b>	<b>Employed: Women</b>	<b>Employed: All</b>	<b>Self- employed: All</b>
Current/main job:				
Full-time	87	52	71	63
Part-time	13	48	29	37
<i>Base: All working</i>	<i>428</i>	<i>508</i>	<i>936</i>	<i>159</i>

Considering the hours worked in **all** jobs (i.e. not just their main job), most working respondents (71 per cent) worked more than 30 hours per week in total, with 16 per cent working between 16 and 29 hours and 13 per cent working under 16 hours. As illustrated in Table 3.8, the full-time self-employed worked longer hours than full-time employees; however, the opposite was the case for part-timers – the self-employed worked fewer hours than the employees. Among employees, full-time men tended to work longer hours than full-time women, but for part-timers there was no appreciable difference.

**Table 3.8 Number of hours worked**

<i>Averages hours per cell</i>				
	<b>Employed: Men</b>	<b>Employed: Women</b>	<b>Employed: All</b>	<b>Self- employed: All</b>
Average number of hours worked:				
Full-time	44.6	39.8	43.0	46.4
Part-time	18.9	18.3	18.4	15.8
All	41.3	29.6	35.9	35.0
<i>Bases:</i>				
<i>Full-time</i>	<i>364</i>	<i>263</i>	<i>627</i>	<i>90</i>
<i>Part-time</i>	<i>58</i>	<i>232</i>	<i>290</i>	<i>63</i>
<i>All working</i>	<i>422</i>	<i>495</i>	<i>917</i>	<i>153</i>

### 3.3 Satisfaction with work

This section looks at three measures of satisfaction:

- people's overall satisfaction with their job;
- satisfaction with the sense of achievement from working; and
- satisfaction with the amount of pay.

The impact of satisfaction with work on people's retirement plans is considered in Chapter 4.

The majority of workers (80 per cent) stated that they were 'satisfied' or 'very satisfied' with their job overall (Table 3.9). Self-employed people tended to be more satisfied than employees – 90 per cent were 'satisfied' or 'very satisfied' compared with 78 per cent of employees.

**Table 3.9 Overall satisfaction with job**

	<i>Column percentages</i>		
	<b>Employed</b>	<b>Self-employed</b>	<b>All working</b>
Very satisfied	29	45	32
Satisfied	48	45	48
Neither satisfied nor dissatisfied	13	7	12
Dissatisfied	8	3	7
Very dissatisfied	2	0	2
<i>Base: All working</i>	936	159	1096

Self-employed workers were also more likely to be 'satisfied' or 'very satisfied' with the sense of achievement they got from their current job (91 per cent) compared with employees (76 per cent) (Table 3.10). There was relatively little variation in the average level of satisfaction between different types of occupation, except among people working in personal service occupations where the satisfaction level was higher than the average.

**Table 3.10 Satisfaction with sense of achievement from working**

	<i>Column percentages</i>		
	<b>Employed</b>	<b>Self-employed</b>	<b>All working</b>
Very satisfied	31	44	33
Satisfied	46	47	46
Neither satisfied nor dissatisfied	13	5	12
Dissatisfied	9	4	8
Very dissatisfied	2	*	2
<i>Base: All working</i>	936	159	1096

The proportions of employees who were 'dissatisfied' or 'very dissatisfied' with their job overall or with their sense of achievement were both relatively low – 10 per cent and 11 per cent respectively. However, the proportion who were 'dissatisfied' or 'very dissatisfied' with their pay was considerably higher at 34 per cent (Table 3.11). Only nine per cent of employees were 'very satisfied' with their pay – considerably lower than the proportions 'very satisfied' with their job overall (29 per cent) and their sense of achievement (31 per cent).

**Table 3.11 Satisfaction with amount of pay**

	<i>Column percentages</i>
Very satisfied	9
Satisfied	44
Neither satisfied nor dissatisfied	13
Dissatisfied	24
Very dissatisfied	10
<i>Base: All working as employees</i>	936

Although not asked in terms of satisfaction, working respondents were asked if they were happy with the number of hours they worked. Most reported that they were (65 per cent). However, about a third

(30 per cent) would have preferred to work fewer hours and five per cent would have preferred to work more hours. This varied with the number of hours currently being worked, as shown in Table 3.12. On balance, part-timers were in favour of working more, rather than fewer hours, while the balance among those already working full-time (over 30 hours a week) was very much towards wanting fewer hours.

**Table 3.12 Satisfaction with hours worked**

	<i>Column percentages</i>			
	<b>0-15 hours</b>	<b>16 to 29 hours</b>	<b>30 hours or more</b>	<b>All</b>
Would like more hours	11	11	3	5
Happy with current hours	85	77	58	65
Prefer fewer hours	4	12	39	30
<i>Base: All working</i>	<i>151</i>	<i>186</i>	<i>734</i>	<i>1096</i>

### 3.4 Changes to work

Respondents were asked whether there had been any changes in the last three years (a) to the number of hours they worked and (b) to their level of responsibility at work.

Table 3.13 shows the changes to the number of hours worked in the previous three years. The self-employed were more likely to have decreased the number of hours they worked (29 per cent) than increased them (15 per cent); while the opposite was the case for employees, who were marginally more likely to have increased their hours (22 per cent) than decreased them (19 per cent). The proportions for whom there was no change in the number of hours worked were similar for employees (59 per cent) and the self-employed (56 per cent).

**Table 3.13 Changes to working hours in last three years**

	<i>Column percentages</i>		
	<b>Employed</b>	<b>Self-employed</b>	<b>All working</b>
Hours have:			
Increased a lot	8	4	7
Increased slightly	15	11	14
Stayed the same	59	56	59
Decreased slightly	11	15	12
Decreased a lot	8	14	9
<i>Base: All working</i>	<i>936</i>	<i>159</i>	<i>1096</i>

Thirty-nine per cent of employed workers and 24 per cent of self-employed workers reported an *increase* in their responsibility at work in the previous three years (Table 3.14). For employees, the most widely reported increases in responsibility were being 'responsible for more tasks, projects or a larger area of work' (26 per cent), 'taking more decisions myself' (15 per cent) and 'work more independently of my manager' (13 per cent).

**Table 3.14** Increases in responsibility in last three years

	<i>Multiple responses (percentages)</i>		
	<b>Employed</b>	<b>Self-employed</b>	<b>All working</b>
I have started managing staff	5	1	4
I now manage more staff	7	3	6
I work more independently of my manager	13	2	11
I take more decisions myself	15	16	15
I am now responsible for more tasks etc.	26	12	24
Other	2	*	1
Any of the above responsibilities	39	24	36
<i>Base: All working</i>	<i>936</i>	<i>159</i>	<i>1096</i>

The proportion of respondents reporting *decreases* in responsibilities in the previous three years was much smaller (Table 3.15). Only 12 per cent of employees and 11 per cent of self-employed people reported a decrease in responsibilities, compared with 39 per cent and 24 per cent reporting an increase. In a quarter (26 per cent) of the cases where an employed person had reported a decrease in responsibility, the decrease had been solely initiated by their employer.

**Table 3.15** Decreases in responsibility in last three years

	<i>Multiple responses (percentages)</i>		
	<b>Employed</b>	<b>Self-employed</b>	<b>All working</b>
I have stopped managing any staff	5	2	5
I now manage fewer staff	2	4	2
I work less independently of my manager	1	3	2
I take fewer decisions myself	4	0	4
I am now responsible for fewer tasks etc	6	3	5
Other	1	1	1
Any of the above responsibilities	12	11	12
<i>Base: All working</i>	<i>936</i>	<i>159</i>	<i>1096</i>

Full-time workers were more likely to have increased their responsibilities (40 per cent compared with 27 per cent among part-time workers). Part-time workers were more likely to have decreased their responsibilities (14 per cent compared with 10 per cent among those working full-time).

### 3.5 Flexible working arrangements

The Government is introducing proposals aimed at reducing the 'cliff-edge' between work and retirement. Specifically, these include changing tax rules to allow people to continue working for their sponsoring employer whilst at the same time drawing their occupational pension. This might prevent people from stopping work altogether and allow them to take 'flexible retirement' such as reducing their hours or their responsibilities.

This section examines the extent to which a number of flexible working arrangements already exist for older workers, and the degree to which people had taken advantage of them. People were asked whether any of a specified list of flexible arrangements had been made available to them, and whether they had taken them up.

Overall, 46 per cent of employees and 55 per cent of self-employed workers had access to one or more of these forms of flexible working arrangement (Table 3.16). The types of arrangement most likely to be available were 'part-time work' (21 per cent), 'reduced hours' (13 per cent) and 'flexitime' (13 per cent). Compared with employees, a higher proportion of self-employed people were able to work reduced hours (21 per cent compared with 12 per cent) and to work from home (29 per cent compared with seven per cent).

**Table 3.16 Flexible working arrangements available**

	<i>Multiple responses (percentages)</i>		
	<b>Employed</b>	<b>Self-employed</b>	<b>All working</b>
Part-time work (less than 30 hours a week)	21	21	21
Reduced hours (but still work 30 or more hours a week)	12	21	13
Job sharing	7	4	6
Flexitime	13	13	13
Compressed hours (same hours per week over fewer days)	4	8	4
Annualised hours (work same hours but counted over the year rather than a week)	1	4	2
Term-time only work	4	5	4
Taking more unpaid leave	4	10	5
Working from home some or all of the time	7	29	11
Other	4	6	4
Any flexible working arrangement	46	55	47
<i>Base: All working</i>	<i>936</i>	<i>159</i>	<i>1096</i>

Table 3.17 shows the proportion who had taken up each form of flexible working arrangement *as a proportion of those to whom they were available*. Overall, just over half (53 per cent) of people had taken up one or more of the arrangements available to them. Although not shown in the table, this was higher among the self-employed at around three-quarters compared with around half of employees.<sup>18</sup> The flexible options most likely to be taken up were 'working from home' (50 per cent) and 'reduced hours' (57 per cent).<sup>19</sup>

<sup>18</sup> Table 3.17 does not include figures for the self-employed as the numbers of respondents with each individual types of flexible working arrangements available to them were too small.

<sup>19</sup> However, some care needs to be taken when interpreting these analyses, as they do not differentiate between cases where flexible options were only made available because they were specifically requested, and cases where they were generally available to all.

**Table 3.17 Take-up of flexible working arrangements**

	<i>Cell percentages</i>	
	<b>Employed</b>	<b>All working</b>
Part-time work (less than 30 hours a week)	33	34
Reduced hours (but still work 30 or more hours a week)	55	57
Job sharing	6	7
Flexitime	30	29
Term-time only work	[19]	20
Taking more unpaid leave	[5]	18
Working from home some or all of the time	41	50
Any flexible working arrangement	49	53
<i>Bases: All flexible working arrangements available*</i>		
Part-time work	212	248
Reduced hours	110	143
Job sharing	64	70
Flexitime	119	140
Term-time only work	46	55
Taking more unpaid leave	39	55
Working from home	68	116
Any flexible working arrangement	438	528

\* Arrangements with a base of less than 50 have not been included in the table

In terms of *all* working people (i.e. not just those to whom arrangements were available), a quarter had taken up a flexible working arrangement – 23 per cent of employees and 39 per cent of the self-employed.

Among employees, flexible working arrangements were most likely to have been available to people working in 'professional occupations' (58 per cent), 'administrative and secretarial' occupations (58 per cent), 'associate professional and technical' occupations (51 per cent) and 'sales and customer services' (52 per cent) (Table 3.18). They were least likely to have been available to 'skilled trades occupations' (29 per cent) and 'process, plant and machine operatives' (25 per cent).

Flexible working arrangements were also more widely available to those working in larger establishments (ranging from 51 per cent of employees in large establishments to 43 per cent for those in small ones). However, although a higher proportion were *offered* flexible working arrangements in the larger workplaces, the proportion *adopting* them was similar in all cases – 25 per cent in large establishments and 23 per cent in the remainder.

Of the different occupation categories, employees in 'administrative and secretarial' jobs were the most likely to have taken up a flexible working arrangement (30 per cent) and those in 'personal service occupations' the least likely (17 per cent).

**Table 3.18 Flexible working arrangements by occupation**

	<i>Cell percentages</i>		
	<b>Working arrangement available</b>	<b>Working arrangement taken up</b>	<b>Base: All employees</b>
SOC 2000 categories:			
Managers & senior officials	48	24	103
Professional occupations	58	25	126
Associate professional and technical	51	21	102
Administrative and secretarial	58	30	141
Skilled trades occupations	29	19	90
Personal service occupations	42	17	78
Sales & customer services	52	22	66
Process, plant & machine operatives	25	21	89
Elementary occupations	44	20	141

### 3.6 Use of new technology at work

Over half (57 per cent) of the people who were working had had to learn to use new technology for their work in the previous three years (Table 3.19). These included a computer (22 per cent), new software or a new technique using a computer (29 per cent), a new computerised system (21 per cent), new machinery (13 per cent) and a mobile phone (18 per cent). Of those who had to learn a new technology, nearly half (48 per cent) had had to learn more than one of the categories listed.

**Table 3.19 Learning new technologies**

	<i>Multiple responses (percentages)</i>		
	<b>Employed</b>	<b>Self-employed</b>	<b>All working</b>
A computer	22	22	22
New software etc.	31	20	29
Computerised system	22	10	21
Machinery	13	10	13
Mobile phone	16	27	18
Other	2	0	2
Any new technology	57	54	57
<i>Base: All working</i>	936	159	1096

The proportion of employees who were required to learn new technologies varied considerably between the different occupations (Table 3.20). People employed as 'managers and senior officials' (77 per cent) and 'administrative and secretarial' (74 per cent) were most likely to be required to learn new technologies, and those in 'elementary occupations' (33 per cent) the least likely.

**Table 3.20 New technologies by occupation**

<i>Cell percentages</i>		
	<b>Percentage</b>	<b>Base: All employees</b>
SOC 2000 categories:		
Managers & senior officials	77	103
Professional occupations	69	126
Associate professional and technical	69	102
Administrative and secretarial	74	141
Skilled trades occupations	51	90
Personal service occupations	44	78
Sales & customer services	58	66
Process, plant & machine operatives	42	89
Elementary occupations	33	141

The majority of workers who had to learn a new technology found it 'very easy' (19 per cent) or 'fairly easy' (43 per cent) (Table 3.21). However, 10 per cent found it 'fairly difficult' and three per cent 'very difficult'. Most employees (94 per cent) were given training to help them learn to use the new technology. However, self-employed people were much less likely to have undertaken such training (31 per cent).

**Table 3.21 Ease of learning new technologies**

<i>Column percentages</i>			
	<b>Employed</b>	<b>Self-employed</b>	<b>All working</b>
Very easy	19	20	19
Fairly easy	43	42	43
Some easy/some difficult	26	24	26
Fairly difficult	10	8	10
Very difficult	3	6	3
Any training undertaken	94	31	82
<i>Base: All working who had had to learn new technology</i>	<i>537</i>	<i>85</i>	<i>622</i>

### 3.7 Training

Employees were much more likely to have undertaken a training or education course related to employment in the previous three years (50 per cent), compared with the self-employed (27 per cent) (Table 3.22). This training was most likely to be for 'skills related to a specific job' (27 per cent) and/or 'learning new technology' (13 per cent).

**Table 3.22** Types of training undertaken

	<i>Multiple responses (percentages)</i>		
	<b>Employed</b>	<b>Self-employed</b>	<b>All working</b>
Learning new technology	14	7	13
Skills related to specific job	29	17	27
People management	7	4	7
Project management	4	2	4
Other	6	3	5
Any employment-related training	50	27	47
<i>Base: All working</i>	936	159	1096

Most employees reported that their employer had given them some degree of encouragement to learn more job-related skills, but 27 per cent said they had not received any such encouragement. The level of encouragement varied by age and gender (Table 3.23). On average those aged 50-54, whether men or women, received the most encouragement. The level of encouragement tailed off after that, but more rapidly for men than for women, such that women aged 55-59, on average, received more encouragement than men of the same age, but women aged 60 or over received the least encouragement of all. The Government's Code of Practice on Age Diversity in Employment includes standards for non-ageist approaches to training; however, it seems that there are still some differences in levels of encouragement given between different age groups. Of course, these differences might equally be explained by different underlying skill levels, necessitating different amounts of training to reach the same standard. This might be an area for further research.

The level of encouragement also varied between full- and part-time employees. A third of part-time employees were offered no encouragement to learn more job-related skills, compared with a quarter of full-time employees.

**Table 3.23** Encouragement to learn more job-related skills, by age and gender

	<i>Column percentages within gender</i>			
	<b>50-54</b>	<b>55-59</b>	<b>60-64</b>	<b>65-69</b>
<b>Men:</b>				
A great deal	24	11	17	[6]
A fair amount	34	31	24	[29]
A little	23	20	23	[18]
None	21	36	36	[47]
<b>Women:</b>				
A great deal	26	23	16	[*]
A fair amount	37	32	24	[5]
A little	20	15	12	[34]
None	17	29	45	[61]
<i>Bases: All employees</i>				
<i>Men</i>	203	140	70	15
<i>Women</i>	244	199	56	9

Table 3.24 shows the extent to which employees in different occupations were encouraged to learn more job-related skills<sup>20</sup>. There was considerable diversity here; the proportions were highest for managerial, professional, and personal service occupations, and lowest for skilled trades occupations and process, plant and machine operatives.

**Table 3.24 Encouragement to learn more job-related skills, by occupation**

	<i>Cell percentages</i>	
	<b>Percentage</b>	<b>Base: All employees</b>
SOC 2000 categories:		
Managers & senior officials	67	103
Professional occupations	71	126
Associate professional and technical	63	102
Administrative and secretarial	57	141
Skilled trades occupations	37	90
Personal service occupations	59	78
Sales & customer services	50	66
Process, plant & machine operatives	29	89
Elementary occupations	36	141

### 3.8 Membership of pension schemes

The questionnaire identified whether respondents were currently members of any private (i.e. non-state) pension scheme and, additionally, whether people had any deferred rights in schemes to which contributions were not currently being made, such as those from previous employment. The following tables are included to illustrate these two situations:

- Table 3.25 shows the proportions of those in work who were *current* members of a non-state pension scheme (i.e. they were contributing to an occupational or private pension, or were current members of a non-contributory scheme).
- Table 3.26 shows the total coverage of non-state pension schemes among those in work, where coverage is defined as including deferred rights in previous schemes, in addition to current scheme membership.

Both of these tables show breakdowns by age and gender. Table 3.25 is included mainly for reference, and detailed analysis will focus on Table 3.26.

- Table 3.27 compares (a) current membership and (b) the total cover of non-state pension schemes, separately for employees and the self-employed.

<sup>20</sup> As measured by the proportions receiving 'a great deal' or 'a fair amount' of encouragement.

**Table 3.25 Current private pensions, by age and gender**

	<i>Multiple responses (percentages)</i>										
	Men					Women					Total
	50-54	55-59	60-64	65-69	Total	50-54	55-59	60-64	65-69	Total	
Has any current pension (including non-contributory)	75	64	56	[7]	65	63	50	28	[0]	52	59
Contribute to private pension	71	62	51	[3]	61	60	48	25	[0]	50	56
Has non-contributory pension	5	3	5	[4]	4	4	2	3	[0]	3	4
Defined benefit	42	26	23	[4]	32	41	29	14	[0]	32	31
Defined contribution	13	11	17	[3]	13	10	9	6	[0]	9	11
Private personal pension	22	23	17	[3]	20	12	10	9	[0]	10	16
Group personal pension	0	1	0	[0]	*	1	1	0	[0]	1	1
Self-employed pension	1	4	1	[0]	2	*	*	0	[0]	*	1
Stakeholder pension	2	3	2	[0]	2	2	*	2	[0]	1	2
<i>Base: All working</i>	<i>241</i>	<i>176</i>	<i>87</i>	<i>30</i>	<i>534</i>	<i>262</i>	<i>220</i>	<i>64</i>	<i>16</i>	<i>562</i>	<i>1096</i>

The first row of Table 3.25 shows the proportion of those in work with any *current* pension i.e. the proportion who were *either* currently contributing to a private pension *or* who were a member of a non-contributory scheme. Overall, 59 per cent of working respondents had a current private pension. This figure rises to 70 per cent when deferred pensions are also taken into account, as shown in the first row of Table 3.26. More than a third (38 per cent) were covered by a defined benefit scheme, 18 per cent by a defined contribution scheme, and a quarter (24 per cent) by a personal private pension.

As detailed above, Table 3.26 shows *total private pension coverage*, which includes those with *either* a current pension *or* a deferred pension. Coverage was higher for men than for women overall, and was higher among those in younger age groups. There are several possible explanations for this, including: (a) possible differences in the prevalence of pension cover in different age cohorts, and (b) the likelihood that, in successive age-groups, larger numbers of people with private pensions were able to retire, thus reducing the incidence of private pensions among those who remained working.

There were also differences between different types of employees. Eighty-one per cent of those in professional occupations and 82 per cent of managers or senior officials were covered by a private pension scheme compared with only 46 per cent of those working in sales or customer services and 52 per cent of those in elementary occupations.

Among those with a degree or other higher education qualification, 78 per cent were covered by a private pension compared with only 56 per cent of those with no qualifications.

There was a substantial degree of overlap between those in professional and managerial occupations and those educated to degree level; among those professionals and managers who also had a degree (accounting for 24 per cent of those in work), private pension coverage rose to 81 per cent.

**Table 3.26 Private pension coverage and type, by age and gender**

	<i>Multiple responses (percentages)</i>										
	<b>Men</b>					<b>Women</b>					<b>Total</b>
	<b>50-54</b>	<b>55-59</b>	<b>60-64</b>	<b>65-69</b>	<b>Total</b>	<b>50-54</b>	<b>55-59</b>	<b>60-64</b>	<b>65-69</b>	<b>Total</b>	
Has any private pension	88	76	66	[22]	77	73	55	34	[0]	60	70
Employer – DB	49	34	28	[7]	39	47	34	15	[0]	38	38
Employer – DC	25	20	21	[6]	21	16	12	8	[0]	13	18
Personal private pension	34	32	24	[13]	31	19	13	11	[0]	15	24
Group personal pension	2	2	0	[0]	1	1	2	0	[0]	1	1
Self-employed pension	2	5	2	[0]	3	1	*	0	[0]	1	2
Stakeholder pension	2	3	2	[0]	2	2	1	2	[0]	1	2
<i>Base: All working</i>	<i>241</i>	<i>176</i>	<i>87</i>	<i>30</i>	<i>534</i>	<i>262</i>	<i>220</i>	<i>64</i>	<i>16</i>	<i>562</i>	<i>1096</i>

As can be seen in Table 3.27, employees were more likely than those self-employed to have a current private pension (64 per cent compared with 35 per cent). A quarter of the self-employed had a current private personal pension compared with 14 per cent of employees and nine per cent had a self-employed pension.

When deferred pension rights are also taken into account, 72 per cent of employees were covered by a private pension. Fifty-six per cent of the self-employed were also covered but, as only 35 per cent had a current scheme, the remainder were relying on other private pensions that they had ceased contributing to.

**Table 3.27 Current private pensions, by employment status**

	<i>Multiple responses (percentages)</i>			
	<b>Current membership</b>		<b>Total cover</b>	
	<b>Employees</b>	<b>Self-employed</b>	<b>Employees</b>	<b>Self-employed</b>
Any private pension (including non-contributory)	64	35	72	56
Defined benefit	38	0	44	7
Defined contribution	13	0	18	14
Private personal pension	14	26	23	31
Group personal pension	1	0	1	1
Self-employed pension	*	9	*	10
Stakeholder pension	2	1	2	1
<i>Base: All working</i>	<i>936</i>	<i>159</i>	<i>936</i>	<i>159</i>

Respondents' pension wealth and pensions knowledge are considered in more detail in Chapter 8.

### 3.9 Workers above state pension age

As was detailed in Chapter 1, the Government is introducing measures aimed at extending working life. These measures include allowing people to continue working for the sponsoring employer whilst at the same time drawing their occupational pension, introducing age legislation covering employment in 2006 and allowing more generous incentives for deferring a state retirement pension. The aim is to move to a point where state pension age is the age at which people *can* start drawing their state pension, not the point at which they necessarily *should*. There is therefore considerable interest in people who are working past state pension age (currently 65 for men and 60 for women).

Up to this point, this chapter has focused on the entire working population aged 50-69, whether or not they had worked beyond their state pension age. In practice, 13 per cent of men and 14 per cent of women above state pension age were still working (Table 3.28), and this section briefly describes some of the main characteristics of these people. The subject of retirement after state pension age is explored in more depth in Chapters 4 and 5.

Most of the women still working beyond their state pension age (75 per cent) were aged 60-64, which is below the state pension age for men. Twenty-three per cent of these worked at an organisation that had a fixed retirement age of 65 or more. Over a quarter (29 per cent) of people working above state pension age were self-employed, compared with 14 per cent below state pension age.

**Table 3.28 Proportions still working above state pension age**

	<i>Row percentages</i>			
	<b>Working</b>	<b>Working as:</b>		<b>Base:</b>
		<b>Employed</b>	<b>Self-employed</b>	<b>All</b>
<b>Men:</b>				
65 to 69	13	7	6	272
<b>Women:</b>				
60 to 64	21	18	3	310
65 to 69	8	4	4	271
All women above SPA	14	11	3	581
All above SPA	14	10	4	853

Table 3.29 shows the proportions of those above, and below, state pension age who were working in each of the SOC 2000 occupational categories. The most notable differences were that (i) relatively more workers above state pension age worked in 'elementary occupations' (28 per cent, compared with 13 per cent for those below state pension age), and (ii) relatively fewer workers above state pension age worked in 'skilled trade occupations' and as 'process, plant and machine operatives'.

**Table 3.29 Occupations of workers above/below state pension age**

	<i>Column percentages</i>	
	<b>Working above SPA</b>	<b>Working below SPA</b>
SOC 2000 categories:		
Managers & senior officials	13	12
Professional occupations	9	13
Associate professional and technical	14	12
Administrative and secretarial	13	12
Skilled trades occupations	7	14
Personal service occupations	7	8
Sales & customer services	6	5
Process, plant & machine operatives	4	11
Elementary occupations	28	13
<i>Bases: All working above state pension age</i>	<i>110</i>	<i>986</i>

### 3.10 Summary

This chapter focused on all those who were working (defined as currently working, or having done so in the last month), in order to investigate some of the factors associated with being in work, and to examine certain characteristics of the people and various aspects of their work.

About a half of the people in the study were working and, of those, around one in seven were self-employed. Those with better qualifications were more likely to be in work. For people with a spouse or partner, their own working status was strongly correlated with that of their partner. The proportions in work decreased with age. Self-employed people left the labour market at slower rate than employees, such that more than a quarter (29 per cent) of people working above state pension age were self-employed compared with one in seven below state pension age. (Section 3.1)

The Government has a range of policies aimed at extending working life, including moves towards equalising the state pension age for men and women at 65, starting in 2010. This study found that women were more likely than men to be working past their – currently lower – state pension age of 60. One in five women aged 60-64 were working (and one in eight men aged 65-69). Around a quarter (28 per cent) of those working beyond state pension age were doing so in elementary occupations. Twenty-nine per cent were self-employed. (Sections 3.1 and 3.9)

Among employees in this study, three-quarters had been offered at least some encouragement by their employers to undertake training in the last three years. However in the light of the Government's Code of Practice on Age Diversity in Employment, which includes standards for non-ageist approaches to training, it should be noted that the proportion being offered encouragement to undertake training declined with age. (Section 3.7)

Given the interest in encouraging flexible retirement and reducing the 'cliff-edge' between work and retirement, we examined the extent to which a number of flexible working arrangements already existed for older workers, and the degree to which people had taken advantage of them. It seems evident that self-employed people had more flexibility than employees. Over half of the self-employed had access to one or more forms of flexible working arrangement, compared with 46 per cent of employees; however, the difference in take-up rates was much higher, at around three-quarters for the self-employed compared with around half for employees. This is likely to be partly due

to differences between age groups (take-up of flexible working arrangements was higher among older age groups and the self-employed were, on average, older than employees). (Section 3.5)

There were some important differences in the incidence of private pension cover (those with either a current or a deferred pension) between employees and the self-employed, around an average figure of 70 per cent. Only 56 per cent of the self-employed had any form of private pension provision, compared with 72 per cent of employees. Moreover, *current* membership of any private pension scheme was much lower for the self-employed than for employees, meaning that more of them were solely reliant on deferred rights from a previous scheme or schemes to which contributions were no longer being made. (Section 3.8)



## 4 Retirement plans of those in work

Economic activity levels among older people have decreased over the past 30 years, although there has been an upturn in recent years (see Chapter 1). The Government now has a target to increase the employment rate among people aged 50 to state pension age and the recent Green Paper outlined a number of proposals aimed at extending working life<sup>21</sup>; these were detailed in Chapter 1. This chapter focuses on the retirement expectations of those still in work and, in particular, the age at which people expect to retire – and, therefore, exit the labour market. It therefore covers the same subgroup as the previous chapter – those in work. Actual retirement among those already retired is covered in Chapter 5.

The chapter starts by considering at what age people expect to retire and goes on to look at their reasons, their sources of income and, lastly, the nature of the retirement decision itself, in particular, whether it is a forced or voluntary decision.

### 4.1 Expectations of retirement age

This section looks at the age at which those in work plan to retire, in relation to actual age (Section 4.1.1) and to state pension ages (Section 4.1.2), currently 65 for men and 60 for women. In 2010, the state pension age for women will begin to move to be in line with that for men, although this will affect only a very small proportion of the age-group covered by this survey.

#### 4.1.1 Expected retirement age

Working respondents were asked at what age they expected to retire. Tables 4.1 and 4.2 show the planned retirement ages for men and women separately. Overall, three-quarters (77 per cent) of working respondents said they planned to retire before the age of 65, and the average planned retirement age was 62.8; only a small minority (eight per cent) intended to go on working past the age of 65. On average, women were planning to retire at a younger age than men, with an average intended retirement age of 61.7 compared with 63.6 among men.

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<sup>21</sup> Simplicity, security and choice: Working and saving for retirement, HM Treasury/DWP 2002.

The age at which people planned to retire was related to their age, with higher proportions of younger respondents planning to retire before 60 than their older counterparts. This may be because people's intentions change as they move towards retirement, or there may be differences in retirement plans between different cohorts. In part, it results from the samples of respondents in each age group only including those who are still working. By definition, therefore, those who had already retired at a younger age were excluded.

**Table 4.1 Expected retirement age, by age and gender (men)**

	Column percentages						
	Men					All respondents	
	50-54	55-59	60-64	65-69	Total	Total	Cumulative
50 to 54	2	0	0	[0]	1	1	1
55	6	0	0	[0]	3	4	5
56 to 59	10	5	0	[0]	6	6	11
60	23	19	0	[0]	17	26	37
61 to 64	5	8	16	[0]	8	9	45
65	39	45	56	[4]	42	31	77
66 to 69	1	1	2	[6]	1	1	78
70 or over	4	8	11	[48]	9	7	85
Don't know	10	13	14	[42]	13	15	100
Average	62.1	64.0	65.6	[71.4]	63.6	62.8	
<i>Base: All working</i>	241	176	87	30	534	1096	

**Table 4.2 Expected retirement age, by age and gender (women)**

	Column percentages						
	Women					All respondents	
	50-54	55-59	60-64	65-69	Total	Total	Cumulative
50 to 54	3	0	0	[0]	1	1	1
55	10	*	0	[0]	5	4	5
56 to 59	8	5	0	[0]	6	6	11
60	43	46	0	[0]	37	26	37
61 to 64	7	8	29	[0]	10	9	45
65	14	20	30	[7]	17	31	77
66 to 69	0	2	3	[2]	1	1	78
70 or over	2	3	12	[29]	5	7	85
Don't know	13	16	26	[61]	17	15	100
Average	60.2	61.9	66.2	[78.4]	61.7	62.8	
<i>Base: All working</i>	262	220	64	16	562	1096	

#### 4.1.2 Early and late retirement

This section examines whether people were planning to retire early (defined as *before* state pension age) or late (defined as *after* state pension age). Table 4.3 shows the proportions of respondents who were planning to retire before, at, or after the current state pension ages of 65 for men and 60 for women. Overall, 25 per cent were expecting to retire before their state pension age, with a similar proportion (20 per cent) expecting to retire after it. Two-fifths (40 per cent) were expecting to retire at state pension age.

Women were much more likely than men to be expecting to carry on working past their current – lower – state pension age (33 per cent, compared with 10 per cent for men). This is an important finding, given that state pension age is due to start increasing for women from 2010 onwards, to bring it into line with that of men, as it indicates that many of the women included in this research were already attuned to the notion of working beyond their current state pension age. Conversely, men were much more likely than women to be expecting to retire *before* their state pension age (34 per cent compared with 13 per cent).

**Table 4.3 Whether expect to retire before, at, or after state pension age**

	<i>Row percentages</i>				
	<b>Before SPA</b>	<b>At SPA</b>	<b>After SPA</b>	<b>Don't know</b>	<b>Base*</b>
All	25	40	20	15	1096
Men	34	42	10	13	534
Women	13	37	33	17	562
Men 50-54	47	39	5	10	241
Men 55-59	32	45	10	13	176
Men 60-64	16	56	13	14	87
Men 65-69	[0]	[4]	[54]	[42]	30
Women 50-54	21	43	23	13	262
Women 55-59	6	46	32	16	220
Women 60-64	0	0	74	26	64
Women 65-69	[0]	[0]	[39]	[61]	16
Job type					
Sedentary	31	36	21	12	409
Standing	23	36	23	18	317
Physical	20	46	18	16	334
Heavy manual	[17]	[64]	[9]	[11]	31
Highest education					
Degree/other HE	37	33	18	12	341
Other non-degree	23	44	19	14	514
No qualifications	12	42	25	22	240
Job classification					
Managers/senior officials	35	31	20	14	130
Professionals	40	34	14	11	143
Associate professionals	36	32	18	14	130
Administrative/secretarial	17	41	29	12	151
Skilled trades	23	52	11	13	130
Personal service	8	49	25	18	87
Sales/customer services	15	37	32	17	71
Process/plant machinery	27	44	17	12	103
Elementary occupations	12	42	23	23	151
Employed	27	43	18	12	936
Self-employed	14	25	29	32	159
Has private pension (current or deferred)	31	44	15	10	749
Doesn't have private pension	11	32	31	25	347
Married/cohabiting	28	41	17	14	827
Single	14	36	31	19	268

\*Base: All working

The lower half of Table 4.3 shows how expectations of early or late retirement varied with a range of factors – job type, level of education, job classification, employment status, private pension provision, and marital status. Taking these individually, early retirement intentions were most prevalent among:

- those educated to degree-level;
- those in managerial, professional or associate professional occupations;
- those with some form of private pension provision (either current membership of a scheme, or a deferred entitlement from a previous scheme)<sup>22</sup>; and
- those in sedentary jobs.

People with a spouse or partner were more likely to be aiming for early retirement than single people, and employees were more likely to be doing so than the self-employed.

There was a considerable degree of overlap between some of these groups. Taken individually, 70 per cent had a current or deferred private pension, 31 per cent had a degree or equivalent, and 37 per cent were in managerial, professional or associate professional occupations. However, of all those in work, 19 per cent fell into all three of these categories. Among this group, the proportion who expected to retire before state pension age rose to 47 per cent compared with only a quarter of all those in work.

The majority of working respondents had said that they were satisfied with their job. However, those who were dissatisfied were more likely to be expecting to retire before state pension age (36 per cent compared with 23 per cent among those who were satisfied). There was little difference in retirement expectations between those in work with a long-term health problem and those without.

### 4.1.3 Employers' fixed retirement ages

As was noted at the start of this chapter, the Government Green Paper detailed a number of proposals aimed at extending working life, and in 2006 age legislation will be implemented which will make compulsory retirement ages unlawful except in those cases where employers can show they are objectively justified. It is possible that such fixed retirement ages cause people to stop working earlier than they might otherwise have done. Employees were asked whether their employer had a fixed retirement age and, if so, what that was. This is shown in Table 4.4. Overall, over half (58 per cent) worked for employers that had a fixed retirement age, for the vast majority, this age was either 60 (29 per cent) or 65 (67 per cent). For men who worked for an employer with a fixed retirement age, this was mostly (79 per cent) the same as men's state pension age of 65. For women however, fixed retirement ages were more evenly split between 65 (48 per cent) and their state pension age of 60 (46 per cent).

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<sup>22</sup> Although not shown in the table, those with a defined-benefit pension scheme were the most likely to be expecting to retire early (40 per cent) compared with 25 per cent of those with a defined-contribution scheme and 27 per cent among those with other types of private pension (mainly personal pensions).

**Table 4.4** Employers' fixed retirement ages

	<i>Column percentages</i>		
	<b>Men</b>	<b>Women</b>	<b>Total</b>
Employer has fixed retirement age	68	48	58
<i>Base: All employees</i>	428	508	936
Fixed retirement age:			
55	1	1	1
57	*	0	*
60	18	46	29
62	*	2	1
63	1	1	1
65	79	48	67
66 or over	1	1	1
Don't know	0	1	*
<i>Base: All employees with a fixed retirement age</i>	285	240	525

Table 4.5 shows whether those who worked for an employer with a fixed retirement age expected to retire at this age, before it, or after it. Overall, just under half expected to retire at the employer's fixed retirement age, with 36 per cent expecting to do so beforehand. Nine per cent expected to retire after the fixed retirement age, presumably meaning that they intended to switch jobs. Women were more likely to expect to retire before their employer's fixed retirement age than men (42 per cent compared with 32 per cent of men), probably related to the fact that a half of these women had a fixed retirement age that was higher than their state pension age.

**Table 4.5** Whether expect to retire before, at, or after employers' fixed retirement age

	<i>Column percentages</i>		
	<b>Men</b>	<b>Women</b>	<b>Total</b>
Retire below fixed age	32	42	36
Retire at fixed age	53	43	49
Retire above fixed age	10	6	9
Don't know	5	9	6
<i>Base: All employees with a fixed retirement age</i>	285	240	525

It is also possible to investigate the impact of employers' fixed retirement ages on early retirement. For instance it is important to know what proportion of those expecting to retire *before* state pension age were doing so *at* their employer's fixed retirement age.

Among employees who were expecting to retire *before* state pension age, only a relatively small proportion (11 per cent) were expecting to retire at their employer's fixed retirement age (Table 4.6). As a proportion of all who were working, therefore, it can be shown that only two per cent were expecting to retire at an employer's fixed age that was lower than state pension age. All of this group were men (because hardly any employers had a fixed retirement age that was lower than women's state pension age of 60).

This at first suggests that employers' fixed retirement ages exert very little constraint on people in terms of making them retire earlier than they would have wished. However, it remains possible that the approach of a fixed retirement age may still act as an indirect constraint; for example, people may weigh up the number of years they perceive they have left in work and, taken in conjunction with other factors such as the cost of seeking employment beyond that point, or their spouse's retirement plans, may opt for early retirement rather than aim to continue working.

As Table 4.6. shows, of those employees expecting to retire *at* state pension age, half (52 per cent) were also expecting to do so at their employer's fixed retirement age – in other words, for these people the state pension age and their employer's fixed retirement age coincided. Of those employees who expected to retire *after* state pension age, 54 per cent worked for an employer that did not have a fixed retirement age, suggesting that the absence of a fixed retirement age may be linked to working beyond state pension age.

**Table 4.6 Expected retirement age: relationship between state pension age and employers' fixed retirement ages**

	<i>Column percentages</i>		
	<b>Expect to retire before SPA</b>	<b>Expect to retire at SPA</b>	<b>Expect to retire after SPA</b>
Expected retirement age:			
Retire below fixed age	58	10	7
Retire at fixed age	11	52	20
Retire above fixed age	3	4	15
No fixed age	27	28	54
Don't know	2	7	5
<i>Base: All employees</i>	<i>230</i>	<i>393</i>	<i>197</i>

Looking at the figures the other way around, among those who worked for an employer that did not have a fixed retirement age, 27 per cent were planning to retire after state pension age, compared with 13 per cent of those who worked for an employer with a fixed retirement age (figures not shown in table). This suggests that the impact of fixed retirement ages was more about preventing people retiring late than about forcing them to retire early.

#### 4.1.4 Expectations among those already semi-retired

A small proportion of those in work described themselves as semi-retired. For this group, the questions on expected retirement age referred to full-retirement. Around a third of them (34 per cent) did not know at what age they expected to retire fully, showing that, for this group, there was much less certainty as to when they will finally stop working. Over a quarter (28 per cent) were expecting to retire after state pension age, with only 17 per cent expecting to retire before state pension age. Men were more likely than women to be expecting to retire fully before state pension age.

**Table 4.7** Expected retirement age of the semi-retired

	<i>Column percentages</i>		
	<b>Men</b>	<b>Women</b>	<b>Total</b>
Expect to retire before SPA	29	2	17
Expect to retire at SPA	25	15	21
Expect to retire after SPA	16	44	28
Don't know	30	39	34
<i>Base: All semi-retired who were working</i>	<i>80</i>	<i>72</i>	<i>152</i>

The semi-retired are dealt with more extensively in Chapter 6.

## 4.2 Reasons for early or late retirement

### 4.2.1 Reasons for expected early retirement

It is likely that some people are 'pushed' into early retirement, for example, due to ill-health or caring responsibilities, whereas others are 'pulled' toward early retirement by the attractiveness of more leisure time. Those identified as expecting to retire before state pension age were asked what reasons contributed to their intention to retire early. As Table 4.8 shows, the most frequently mentioned reason was to enjoy life whilst still young and fit enough, mentioned by over four-fifths (83 per cent) of respondents. Around half (50 per cent) gave spending more time with a partner or family as a reason; this is consistent with the fact that married or cohabiting respondents were more likely to retire before state pension age, as was shown in the previous section. Nearly half (45 per cent) said they could afford to, and 27 per cent said they were offered financial terms to retire early. Smaller proportions of respondents gave more 'negative' reasons for their intention to retire early, with 17 per cent saying their job was too stressful, 12 per cent saying work was too demanding, 10 per cent saying they were fed up with their job and 10 per cent giving ill-health as a reason. Women were slightly more likely to mention spending time with partner/family, and to retire at the same time as a partner, whilst men were slightly more likely to say they had been offered financial terms.

This shows that, among those who were working, the 'pull' factors were clearly more important than the 'push' factors in determining the decision to retire early.

**Table 4.8** Reasons for expected early retirement, by gender

	<i>Multiple responses (percentages)</i>		
	<b>Men</b>	<b>Women</b>	<b>Total</b>
Enjoy life while still young and fit enough	80	92	83
Spend more time with partner/family	46	65	50
Could/can afford to retire	45	46	45
Offered financial terms to retire early or take voluntary redundancy	32	10	27
To retire at the same time as husband/wife/partner	20	32	22
My job is too stressful	15	26	17
Work is too demanding in other ways	9	20	12
Fed up with my job and wanted a change	10	12	11
Ill-health	8	17	10
To spend more time doing voluntary work	8	15	10
Work is too physically demanding	9	10	9
My skills are not valued	7	8	7
Dislike job	8	3	7
Made redundant/dismissed/had no choice	8	4	7
Want to work part-time and couldn't in career	3	6	4
To care for an adult	1	9	3
Ill-health of relative/friend	1	6	2
Couldn't find another job	3	0	2
There are no opportunities for promotion or progression	3	0	2
To provide childcare	*	2	1
To retire at different time as husband/wife/partner	0	4	1
Because of new technology or machinery being used at work	1	2	1
Some other reason	8	10	9
<i>Base: All expecting to retire before SPA</i>	<i>185</i>	<i>67</i>	<i>252</i>

#### 4.2.2 Reasons for expected late retirement

Given the interest in extending working life, the reasons for expected late retirement are particularly relevant (Table 4.9). Of those who reported that they expected to retire after state pension age, half said that this was in order to improve their financial position and 43 per cent said this was because they enjoyed working. Around a third said to keep fit and active, while a quarter said it was because they could not afford to retire any earlier. These, together with the remaining answers, suggest a mixture of voluntary reasons and others related to people's financial circumstances.

**Table 4.9** Reasons for expected late retirement, by gender

<i>Multiple responses (percentages)</i>			
	<b>Men</b>	<b>Women</b>	<b>Total</b>
To improve my financial position	40	54	50
Enjoy my job/working	46	42	43
To keep fit and active	46	30	35
Could not afford to retire earlier	28	23	24
To improve my pension	6	23	18
Didn't know what to do after stopping work	13	10	11
To retire at the same time as my husband/wife/partner	3	12	10
Persuaded by my employer to stay on	3	6	5
To care for an adult	5	3	3
To provide childcare	2	0	*
Because of new technology being used at work	0	1	*
To retire at a different time as my husband/wife/partner	2	0	*
Some other reason	1	4	4
<i>Base: All expecting to retire after SPA</i>	<i>57</i>	<i>188</i>	<i>245</i>

### 4.2.3 Reasons for expecting to retire at state pension age

Of those currently working, 40 per cent said that they expected to retire at state pension age and of this group, over half, (57 per cent), said it was because they always expected to do so and 39 per cent said it was because that represented the first opportunity to draw a state retirement pension. Around a sixth (16 per cent) mentioned both of these reasons. Men were slightly more likely than women to give these two reasons.

This suggests that there are two main elements to the expectation of retiring at state pension age. The first is associated with the fact that state pension age is a set *age*, defined by the Government, and therefore there is a culture of expectation of retiring at that particular age. The second is related to the arrival, at this set age, of an additional or alternative source of income, thus giving people the financial means to stop working.

**Table 4.10** Reasons why expect to retire at state pension age, by gender

<i>Multiple responses (percentages)</i>			
	<b>Men</b>	<b>Women</b>	<b>Total</b>
It is the first opportunity to draw a state retirement pension	42	35	39
I always expected to	60	53	57
I couldn't get another job after that age	8	4	6
I could afford to retire then	27	29	28
Other	6	13	9
<i>Base: All who expect to retire at SPA</i>	<i>220</i>	<i>210</i>	<i>430</i>

### 4.3 Income and sources of income

Table 4.11 shows the mean weekly income levels for those expecting to retire at different stages. The income figures represent total current income for the respondents' Benefit Unit adjusted for household size (equivalised income)<sup>23</sup>. Overall, those in work had an average weekly income of £343, 83 per cent of which came from earnings. Those expecting to retire early had a higher income of £391, whilst those expecting to retire at state pension age had a lower income of only £315. This suggests that those expecting to retire early were more likely to have had the financial resources to enable them to do this. As was noted earlier, 45 per cent of those expecting to retire early said that this was because they could afford to do so.

In Section 4.1, we identified a group with high qualification levels, with private pensions and working as managers, professionals or associate professionals, who were more likely to be expecting to retire early. This group also had a higher average income - of £491 - which further serves to highlight the relationship between these factors and retirement age.

**Table 4.11 Income and income levels**

	<i>Column percentages</i>			
	<b>Early retirers</b>	<b>Expect to retire at SPA</b>	<b>Late retirers</b>	<b>Total</b>
Mean weekly benefit unit income	£391	£315	£344	£343
Percentage from earnings	88	87	77	83
Percentage from benefits (excl. state pension)	2	4	4	3
Percentage from state pension	1	1	9	4
Percentage from private pension	6	4	5	6
Percentage from other	3	4	5	4
<i>Base: All working</i>	251	429	245	1094

### 4.4 The retirement decision

This section considers the nature of the retirement decision itself. Those who were not yet retired (i.e. those who were working but not describing themselves as semi-retired) were asked if they had thought about the decision of when to retire. Table 4.12 shows responses to this question among all those in work. The totals of those working above state pension age are not shown separately as the sample sizes are too small, but they are included in the 'total' columns. Around a quarter had definitely decided when they would retire, whereas 22 per cent had said they had not even thought about it. Retirement expectations became more definite the closer to state pension age respondents were, with higher proportions of men and women in older age groups saying they had definitely decided. However, even among those closest to state pension age, a significant minority had not even thought about it (15 per cent of men aged 60-64 and 19 per cent of women aged 55-59).

<sup>23</sup> Equivalising income takes into account differing consumption needs of different household members (for example children versus adults) and also allows for some economies of scale in household consumption (i.e. the idea that two adults do not need twice as much as one adult to be as well off). The equivalence scale used here is the OECD equivalence scale.

**Table 4.12 Whether have thought about retirement, by age and gender**

	<i>Column percentages</i>							
	<b>Men</b>				<b>Women</b>			<b>Total</b>
	<b>50-54</b>	<b>55-59</b>	<b>60-64</b>	<b>Total</b>	<b>50-54</b>	<b>55-59</b>	<b>Total</b>	
Definitely decided	21	29	39	26	21	31	25	26
Have thought about it but are not really sure	51	44	40	47	50	43	47	47
Have not even thought about it	23	24	15	22	26	19	23	22
Have thought about it and do not plan to retire*	5	3	6	5	3	7	6	5
<i>Base: All not yet retired</i>	<i>225</i>	<i>153</i>	<i>65</i>	<i>453</i>	<i>258</i>	<i>194</i>	<i>489</i>	<i>942</i>

\* This option was not read out to respondents

#### 4.4.1 Forced or voluntary retirement

Respondents who had thought about when to retire were asked whether the decision was something they were being forced into, or something they wanted to do. The results are shown in Table 4.13. Again, those working above state pension age are not shown as separate subgroups due to small sample sizes, however, they are included as part of the total columns. For most working respondents (81 per cent), retirement was something they wanted to do as opposed to something they felt they were being forced into. This is consistent with the findings presented earlier in this section, which showed that the main reasons given for planning to retire either early or late were voluntary ones.

There was little difference between men and women or between respondents in different age-groups.

**Table 4.13 Whether retirement is forced or voluntary, by age and gender**

	<i>Column percentages</i>							
	<b>Men</b>				<b>Women</b>			<b>Total</b>
	<b>50-54</b>	<b>55-59</b>	<b>60-64</b>	<b>Total</b>	<b>50-54</b>	<b>55-59</b>	<b>Total</b>	
Want to do	83	81	77	80	85	81	82	81
Forced into	11	11	12	12	8	8	8	10
Part want, part forced	6	6	8	6	5	9	7	6
<i>Base: All who have thought about when to retire</i>	<i>188</i>	<i>134</i>	<i>72</i>	<i>415</i>	<i>193</i>	<i>178</i>	<i>429</i>	<i>844</i>

Those intending to retire before state pension age were more likely than others to say that they wanted to retire (Table 4.14). However, even among those expecting to retire after state pension age, just under three-quarters said that this was something that they wanted to do. This supports the findings for reasons given for planned late retirement where the top three reasons given were all voluntary.

**Table 4.14** Whether retirement is forced or voluntary, by when people plan to retire

	<i>Column percentages</i>			
	<b>Retire before SPA</b>	<b>Retire at SPA</b>	<b>Retire after SPA</b>	<b>Total</b>
Want to do	89	84	71	81
Forced into	6	9	16	10
Part want, part forced	5	6	8	6
Don't know	1	1	5	2
<i>Base: All who have thought about when to retire</i>	<i>241</i>	<i>348</i>	<i>177</i>	<i>844</i>

Among the 16 per cent of those intending to retire after state pension age who said they felt they had been forced into late retirement, half of them said they planned to retire late because they could not afford to retire any earlier.<sup>24</sup>

## 4.5 Plans for gradual retirement

This section concerns all those who were working and did not already class themselves as semi-retired. Nearly a third (31 per cent) of this group said that they planned to retire gradually, that is, by gradually reducing the amount of hours they worked. There was little difference between the various subgroups, except that the self-employed were much more likely to be planning to retire gradually: 65 per cent of the self-employed were planning to do so, compared with only 25 per cent of employees. These differences are probably because self-employment offers more scope for this kind of flexibility than employment. This interpretation is supported by the fact that self-employed respondents (whatever their retirement status) were more likely than employees to have taken advantage of a range of flexible working options in the last three years (for example, reduced hours, taking unpaid leave, and working from home – see Section 3.6).

Among those planning to retire gradually, well over half (58 per cent) of men intended to start before their state pension age of 65 (Table 4.15). For women the figure – in relation to a state pension age of 60 – was much lower (36 per cent). For both men and women, a further quarter (24 per cent) expected to start reducing their hours *at* their current state pension age. A substantial minority of the women (23 per cent) were not planning to do so until after their state pension age.

<sup>24</sup> However, these results must be treated with caution as the sample size was small, n=29.

**Table 4.15** Age at which plan to start retiring gradually

	<i>Column percentages</i>		
	<b>Men</b>	<b>Women</b>	<b>Total</b>
50 or lower	1	2	2
51 to 54	3	9	5
55	4	9	6
56 to 59	13	16	14
60	19	25	22
61 to 64	18	13	16
65	23	7	16
66 or over	3	3	3
Don't know	14	16	15
<i>Base: All working and not semi-retired who plan to retire gradually</i>	142	145	287

Those planning to retire gradually were asked why this was. Thirty-four per cent of men and 44 per cent of women gave the same reason, variously expressed as to ease the transition into retirement, to avoid giving up work suddenly, to get used to retirement or because they were not ready to retire fully.

## 4.6 Summary

This chapter covered all those who were working – the same group as Chapter 3 – and focused on the age at which they intend to retire. This is mainly analysed in relation to state pension age: thus 'early retirement' is defined as retirement *before* state pension age, and 'late retirement' as retirement *after* state pension age. People's intentions, in terms of early and late retirement, are important in the context of the move to bring women's state pension age into line with that of men, and of initiatives to extend working life more generally.

Overall, 40 per cent expected to retire at their current state pension age, with broadly similar proportions expecting to retire earlier (25 per cent) and later (20 per cent).<sup>25</sup> Men were much more likely than women to be expecting to retire early: a third expected to retire before their state pension age of 65, whereas only 13 per cent of women were expecting to retire before their state pension age of 60. Given that women's state pension age is due to rise to 65, it is important to note that one-third of working women approaching their current state pension age were expecting to work beyond it. (Sections 4.1.1 and 4.1.2)

Expectations of early retirement were particularly prevalent among (i) people with degrees, (ii) people in managerial, professional or associate professional occupations, and (iii) those with private pensions. There is considerable overlap between these groups. Of all those in work, 19 per cent had all three characteristics and, among such people, the proportion expecting to retire early rose to 47 per cent. People expecting to retire early also had higher-than-average incomes. (Sections 4.1.2 and 4.3)

<sup>25</sup> The remaining 15 per cent did not yet know when they expected to retire.

Expectations of early retirement were also more widespread among those with a spouse or partner than among single people. Their partners also tended to be working, 'wanting to spend more time with family' was a widely-cited reason for wanting to retire early, and couples tended to take joint decisions about when to retire. (Sections 2.1.2, 4.2.1 and 7.3.2)

Among the self-employed there was more uncertainty about retirement, with a third not knowing when they might retire compared with 12 per cent of employees; the remainder were more likely to be expecting to retire *after* state pension age. These same points also apply to the semi-retired, in relation to full retirement. (Sections 4.1.2 and 4.1.4)

In the light of proposals to make employers' fixed retirement ages unlawful, this chapter also investigated the relationship between fixed retirement ages and state pension age. Only a small proportion (11 per cent) of employees who were expecting to retire 'early' (in relation to state pension age) were expecting to do so at their employer's fixed retirement age. However, 27 per cent of employees who reported *no* fixed retirement age, expected to work *beyond* state pension age, compared with only 13 per cent of those *with* a fixed retirement age. This suggests that employers' fixed retirement ages were hindering people from working beyond state pension age rather than having a significant impact before this age. (Section 4.1.3)

This chapter also looked at the notion of 'gradual retirement' – defined here as gradually reducing working hours prior to retiring. A third of those in work (excluding those who reported they were semi-retired) were planning to retire gradually – with self-employed people much more likely to be planning to do so than employees. Men were more likely than women to be planning to start retiring gradually prior to state pension age but this is largely due to differences in state pension age, as significant proportions of women intended to begin retiring gradually between the ages of 60 and 65.

## 5 The fully retired

The analysis presented in this chapter is based on the sample of respondents who described themselves as fully retired. By considering this group and looking back at their transition to retirement, we can begin to develop an understanding of what factors influenced their exit from the labour market.

The chapter starts by looking at how retirement status varied by age and gender. It then moves on to consider at what age respondents had retired, and the relationship with state pension age and employers' fixed retirement ages. The next section describes the reasons respondents gave for retiring before, at or after state pension age. The following section investigates the retirement decision itself and what kinds of issues were considered when planning when to retire. The final sections look at income in retirement and satisfaction with retirement.

As was shown in Chapter 2, Section 2.2, 41 per cent of respondents described themselves as 'fully retired'. Table 5.1 shows that this self-reported retirement status was clearly related to age, with both older men and older women progressively more likely to describe themselves in this way.

**Table 5.1 Self-reported retirement status, by age within gender**

	<i>Column percentages</i>								
	Men				Women				Total
	50-54	55-59	60-64	65-69	50-54	55-59	60-64	65-69	
Fully retired	8	20	39	87	14	27	78	91	41
Semi-retired	7	13	17	9	3	10	11	8	9
Not yet retired	85	68	43	5	83	63	12	2	50
<i>Base: All answering</i>	<i>363</i>	<i>350</i>	<i>400</i>	<i>272</i>	<i>421</i>	<i>416</i>	<i>310</i>	<i>271</i>	<i>2803</i>

It is clear however, that full retirement was not exclusive to the older age groups, with eight per cent of men and 14 per cent of women in the 50 to 54 age group describing themselves as fully retired. In fact, 34 per cent of the fully retired were below state pension age. This chapter considers the 41 per cent of respondents **who described themselves as fully retired**, regardless of their age or of their activity status. Thus, this is a sample of people whose self-assessed retirement status is 'fully retired'. This differs from the sample of retired people in other surveys<sup>26</sup>, where retirement is treated as the

<sup>26</sup> Such as the GHS.

residual after excluding those working, seeking work or other non-retirement reasons for not working. So, for example, the sample of fully retired in this survey includes those who described their main activity status as long-term sick or disabled but, when specifically asked about their retirement status, said they were fully retired<sup>27</sup>.

## 5.1 Retirement age

This section focuses on the age at which those already fully retired considered themselves to have retired. This is presented firstly in terms of actual age (Section 5.1.1) and secondly in relation to state pension age (Section 5.1.2). State pension age is currently 65 for men and 60 for women; in 2010, women's state pension age will begin to move to be in line with that for men.

### 5.1.1 Retirement age

Tables 5.2 and 5.3 show retirement ages for men and women separately. The retirement age for all respondents (men and women) is included in both tables, for reference. In total, around a quarter had retired before the age of 55, and 72 per cent had done so by the age of 60. It is important to note that the sample consisted solely of people between the ages of 50 and 69. It is, therefore, likely that it included nearly all of those retiring before state pension age, but not all those retiring after state pension age (because those aged 70 or over were excluded). Hence the proportion of those who retired before state pension age in this sample is likely to be higher than if data had been collected from a sample of 'all retired people'.

Women were more likely to have retired by the age of 60 than men (80 per cent compared with 60 per cent). This is likely to be due to the difference in state pension ages, currently 60 for women and 65 for men. As would be expected, men and women in the younger age groups were more likely to have retired at younger ages than their older counterparts.

**Table 5.2 Retirement age – men**

						<i>Column percentages</i>	
	<b>50-54</b>	<b>55-59</b>	<b>Men</b>		<b>Total</b>	<b>All respondents</b>	
			<b>60-64</b>	<b>65-69</b>		<b>Total</b>	<b>Cumulative</b>
54 or less	96	59	19	7	25	27	27
55	(0)	17	12	4	8	6	34
56 to 59	(0)	11	24	18	17	16	49
60	(0)	0	23	9	11	23	72
61 to 64	(0)	0	17	20	15	12	83
65	(0)	0	0	35	18	10	93
66 to 69	(0)	0	0	5	3	1	94
Don't know	(4)	13	6	1	4	6	100
<i>Base: All fully retired</i>	<i>(46)</i>	<i>101</i>	<i>208</i>	<i>240</i>	<i>595</i>	<i>1263</i>	

<sup>27</sup> See Chapter 2, Section 2.1.3, for a full explanation of the question used.

Table 5.3 Retirement age – women

						<i>Column percentages</i>	
	<b>Women</b>					<b>All respondents</b>	
	<b>50-54</b>	<b>55-59</b>	<b>60-64</b>	<b>65-69</b>	<b>Total</b>	<b>Total</b>	<b>Cumulative</b>
54 or less	83	56	20	14	29	27	27
55	0	12	7	2	5	6	34
56 to 59	0	17	17	15	15	16	49
60	0	0	43	38	31	23	72
61 to 64	0	0	10	14	9	12	83
65	0	0	0	10	4	10	93
66 to 69	0	0	0	1	*	1	94
Don't know	17	15	2	6	7	6	100
<i>Base: All fully retired</i>	<i>71</i>	<i>105</i>	<i>241</i>	<i>251</i>	<i>668</i>	<i>1263</i>	

### 5.1.2 Early and late retirement

This section examines whether people had retired early (defined as *before* state pension age) or late (defined as *after* state pension age). The upper half of Table 5.4 shows the proportion of respondents who retired before, at, or after state pension age, in total and separately for men and women in different age groups. Overall, the majority (59 per cent) had retired before state pension age, with around a quarter (26 per cent) having done so at state pension age; only nine per cent had retired after state pension age. More men than women had retired before state pension age (75 per cent compared with 49 per cent).

In order to compare men and women and control for the difference in state pension age, it is of most interest to consider men and women at the same distance from state pension age (i.e. men aged 65-69 and women aged 60-64). Among the men, 59 per cent had retired before state pension age. However, among the women, only 45 per cent had done so.

These differences are consistent with the pattern noted among those currently in work, where the proportion of women expecting to retire before state pension age was smaller than for men. They are also consistent with results from the two Retirement Surveys<sup>28</sup>, which also reported that the proportion of women retiring early was lower than for men.<sup>29</sup>

The proportion of working people *expecting* to retire early was much lower than the proportion of retired people who had actually done so. The reasons for this are not clear, but could include some combination of (a) people being forced unexpectedly into early retirement, and (b) a genuine difference in retirement expectations among the cohort of working people now approaching state pension age. It seems unlikely that the possible over-statement of early retirement rates due to the survey's age cut-off at 70, referred to in Section 5.1.1, could account for the whole difference.

<sup>28</sup> Disney, R. Grundy, E. & Johnson, P. (1997), *The Dynamics of Retirement: Analyses of the Retirement Survey*, DWP Research Report No. 72.

<sup>29</sup> The Retirement Surveys also reported lower overall proportions of men and women retiring early but this may be due, at least in part, to differences in sample definition.

**Table 5.4** Whether retired before, at, or after state pension age

	<i>Row percentages</i>				
	<b>Before SPA</b>	<b>At SPA</b>	<b>After SPA</b>	<b>Don't know</b>	<b>Base*</b>
All	59	26	9	6	1263
Men	75	18	3	4	595
Women	49	31	14	7	668
Men 50-54	[96]	[0]	[0]	[4]	46
Men 55-59	87	0	0	13	101
Men 60-64	94	0	0	6	208
Men 65-69	59	35	5	1	240
Women 50-54	83	0	0	17	71
Women 55-59	85	0	0	15	105
Women 60-64	45	43	10	2	241
Women 65-69	31	38	25	6	251
Highest education					
Degree/Other HE	64	22	7	7	210
Other non-degree	65	21	10	4	466
No qualifications	53	30	9	7	587
Receives private pension income					
Yes	63	24	9	3	652
No	55	27	9	9	611
Marital status					
Married/cohabiting	63	23	8	6	829
Single	49	34	11	6	434
Has health problem					
Yes	63	22	8	7	942
No	52	33	12	4	317

\*Base: All fully retired

The lower half of Table 5.4 shows how 'early' and 'late' retirement (in relation to state pension age) varied with a number of factors – level of education, private pension income, marital status, and health and disability status. Taking these individually, the likelihood of having retired before state pension age was highest among:

- those with any educational qualifications;
- people in receipt of any private pension income;
- those with a spouse or partner; and
- people with a health problem or disability.

In Chapter 4 we showed the association between occupation, private pension provision and qualifications, and how they related to expectations of early retirement. We can carry out a similar exercise for the retired, although it is restricted to those for whom we have occupational details.<sup>30</sup> A

<sup>30</sup> Questions on their most recent occupation were only asked of those who had been in work since the age of 50, or since 1997, so we do not have occupational details for the sample of retired people as a whole.

subgroup was identified who were in receipt of private pension income, had a degree, and had been employed as managers, professionals or associate professionals. Among this group, the proportion who had retired before state pension age rose to 72 per cent, compared with 59 per cent of the retired sample as a whole.

### 5.1.3 Employers' fixed retirement ages

As was noted at the start of this chapter, the recent Government Green Paper detailed a number of proposals aimed at extending working life. In particular, it proposed legislation in which compulsory retirement ages would be made unlawful except in those cases where employers can show they are objectively justified. It is possible that such fixed retirement ages cause people to stop working earlier than they might otherwise have done.

Around three-quarters (73 per cent) of the retired had been in paid employment immediately before retiring and most of these had worked as employees.<sup>31</sup> This group was asked whether their employer had had a fixed retirement age and, if so, what this was. As is shown in Table 5.5, over half (59 per cent) had been working for employers that had a fixed retirement age. Men were more likely to have had a fixed retirement age than women (69 per cent compared with 52 per cent).

Most fixed retirement ages had been at either 60 (37 per cent) or 65 (56 per cent). For three-quarters of men who had previously worked for an employer with a fixed retirement age, it had been the same as their state pension age of 65. However, for women, it was more evenly divided between 65 (36 per cent) and women's state pension age of 60 (58 per cent). This shows a broadly similar pattern to the fixed retirement ages of those currently in work (Section 4.1.3), although for retired women the proportion with a fixed retirement age of 60 was higher.

**Table 5.5 Employers' fixed retirement ages**

	<i>Column percentages</i>		
	<b>Men</b>	<b>Women</b>	<b>Total</b>
Employer had fixed retirement age	69	52	59
<i>Base: All who were working as employees immediately before retiring</i>	400	389	789
Fixed retirement age:			
50	*	0	*
55	3	2	3
60	17	58	37
62	2	*	1
63	1	1	1
64	1	*	*
65	75	36	56
66 or over	2	1	1
Don't know	0	2	1
<i>Base: All working as employees before retiring who had a fixed retirement age</i>	266	208	474

<sup>31</sup> Those who were not working immediately prior to retirement are considered in Section 7.2.4.

Table 5.6 shows whether those with a fixed retirement age had retired at that age, before it, or after it. Overall, one in five (19 per cent) had retired at the fixed retirement age, but three-quarters (74 per cent) had done so beforehand, with little difference between men and women. This is a much higher figure than we found among current employees, where only 36 per cent were expecting to retire ahead of their employer's fixed retirement age. As discussed earlier in relation to state pension age, this may reflect some combination of (a) people being forced unexpectedly into early retirement, and (b) a genuine difference in retirement expectations among the cohort of working people now approaching retirement.

**Table 5.6 Whether retired before, at, or after employers' fixed retirement age**

	<i>Column percentages</i>		
	<b>Before SPA</b>	<b>At SPA</b>	<b>After SPA</b>
Retired below fixed age	76	72	74
Retired at fixed age	20	19	19
Retired above fixed age	2	3	2
Don't know	2	6	4
<i>Base: All working as employees before retiring who had a fixed retirement age</i>	266	208	474

It is important to understand the impact that fixed retirement ages may have on retirement and, in particular, whether (a) people were being forced into 'early' retirement – i.e. before state pension age – by their employers' fixed retirement ages, or (b) were being prevented from working beyond state pension age when they might otherwise have done so.

As is shown in Table 5.7, among ex-employees who had retired *before* state pension age, only two per cent had done so at their employer's fixed retirement age. This at first suggests that employers' fixed retirement ages exerted very little constraint on people in terms of making them retire earlier than the state pension age (in much the same way as was found in Chapter 4 when looking at the retirement plans of current employees). However, as was also noted in Chapter 4, it remains possible that the approach of a fixed retirement age may still act as an indirect constraint; for example, people may weigh up the number of years they perceive they have left in work and, taken in conjunction with other factors such as the cost of seeking employment beyond that point, or their spouse's retirement plans, may opt for early retirement rather than aim to continue working.

**Table 5.7 Relationship between state pension age and employers' fixed retirement ages**

	<i>Column percentages</i>		
	<b>Before SPA</b>	<b>At SPA</b>	<b>After SPA</b>
Retired below fixed age	63	15	17
Retired at fixed age	2	35	15
Retired above fixed age	1	1	6
No fixed age	30	45	60
Don't know	3	4	2
<i>Base: All who were working as employees immediately before retiring</i>	<i>515</i>	<i>163</i>	<i>76</i>

Among ex-employees who had retired *at* state pension age, 35 per cent had also done so at their employer's fixed retirement age: thus, for these people the state pension age and their employer's fixed retirement age had coincided. Among ex-employees who had retired 'late' – i.e. after state pension age – 60 per cent had worked for employers that had no fixed retirement age, which suggests that the absence of a fixed retirement age may be linked to working beyond state pension age. In fact looking at the data the other way around, of those who had worked for an employer who did not have a fixed retirement age, 18 per cent had retired after state pension age, compared with only seven per cent among those who had worked for employers that had had a fixed retirement age (figures not shown in table). This supports the findings in Chapter 4 and suggests that the impact of employers' fixed retirement ages was more about preventing people retiring 'late' (that is, after state pension age) than about forcing them to retire 'early' (that is, before state pension age).

## 5.2 Reasons for retirement

### 5.2.1 Reasons for having retired early

It is likely that some people are 'pushed' into early retirement, for example, due to ill-health or caring responsibilities, whereas others are 'pulled' toward early retirement by the attractiveness of more leisure time. All those identified as retiring early (i.e. before state pension age) were asked to give reasons why this was, chosen from a list of options (see Table 5.8). It is clear that early retirement was due to a mix of both 'push' and 'pull' factors. As was noted in the previous section, early retirement was linked to the presence of a health problem and nearly half (49 per cent) of those who had retired early had done so because of their ill-health.<sup>32</sup> This is consistent with the findings noted in the previous chapter – where the majority of those not working were not looking for work for health reasons – and further illustrates the impact of health on the labour market participation of older people. Men were more likely than women to mention ill-health (53 per cent compared with 44 per cent). Nearly a quarter (23 per cent) mentioned wanting to enjoy life whilst still young and fit enough, whilst 18 per cent said that they could afford to retire. Eighteen per cent had also been made redundant and this was higher among men (22 per cent) than among women (14 per cent).

<sup>32</sup> The retirement surveys reported that 30 per cent of early retirement was due to ill-health but also noted that this had increased across the two waves of the survey.

**Table 5.8** Reasons for early retirement

	<i>Multiple responses (percentages)</i>		
	<b>Men</b>	<b>Women</b>	<b>Total</b>
Ill-health	53	44	49
Enjoy life while still young and fit enough	26	19	23
Offered financial terms to retire early or take voluntary redundancy	27	8	18
Could/can afford to retire	21	14	18
Made redundant/dismissed/had no choice	22	14	18
Spend more time with partner/family	13	19	16
Work is too physically demanding	11	16	14
Ill-health of relative/friend	4	13	8
My job is too stressful	8	8	8
To retire at the same time as husband/wife/partner	3	10	6
To care for an adult	3	7	5
Work is too demanding in other ways	5	3	4
To provide childcare	1	6	3
Fed up with my job and wanted a change	2	4	3
Couldn't find another job	3	2	3
My skills are not valued	2	2	2
Dislike job	1	2	2
To spend more time doing voluntary work	1	2	1
Because of new technology or machinery being used at work	1	1	1
There are no opportunities for promotion or progression	1	1	1
Want to work part-time and couldn't in career	0	1	*
To retire at different time as husband/wife/partner	0	1	*
To retire at state pension age	*	0	*
Some other reason	9	11	10
<i>Base: All who retired before SPA</i>	<i>464</i>	<i>330</i>	<i>794</i>

59 per cent gave more than one reason.

It was noted earlier that those in receipt of private pension income were more likely to have retired early. Among those who had done so, only 42 per cent mentioned ill-health as a reason (compared with 49 per cent of early retirees as a whole) and 32 per cent mentioned wanting to enjoy life whilst they were still young and fit enough (compared with 23 per cent). A quarter (25 per cent) said that they had retired early because they could afford to (compared with 18 per cent).

Table 5.9 shows the top six reasons given by early retirees as a whole, and shows how these reasons differed among men and women who had retired at different ages. This shows that for both men and women, the younger they had retired, the more likely ill-health was to be a reason. In particular, among men who had retired at 54 or less, 69 per cent said that ill-health was a reason for their early retirement. One explanation might be that early retirement for reasons other than ill-health (such as having sufficient financial resources) may become increasingly easy – and hence prevalent – as state pension age approaches, whereas ill-health might occur at any time.

**Table 5.9** Reasons for early retirement, by age of retirement

	<i>Multiple responses (percentages)</i>				
	<b>Retirement age</b>				
	<b>54 or less</b>	<b>Men 55-59</b>	<b>60-64</b>	<b>Women 54 or less</b>	<b>55-59</b>
Ill-health	69	52	39	49	38
Enjoy life while still young and fit enough	15	27	37	12	30
Offered financial terms to retire early or take voluntary redundancy	8	11	8	4	4
Could/can afford to retire	17	23	24	15	12
Made redundant/dismissed/had no choice	8	7	8	9	5
Spend more time with partner/family	11	13	15	19	18
<i>Base: All who retired below SPA</i>	<i>166</i>	<i>158</i>	<i>140</i>	<i>208</i>	<i>122</i>

Table 5.10 shows the relationship between retirement age and (a) long-term illness or disability, and (b) income from a private pension. The lower a person's retirement age, the more likely they were to have an illness or disability and, broadly speaking, the less likely they were to have an income from a private pension. This tends to suggest that, the earlier the retirement, the more it is driven by considerations of health rather than money.

**Table 5.10** Retirement age, illness and private pensions

	<i>Cell percentages</i>		
	<b>Retirement age</b>		
	<b>54 or less</b>	<b>55-59</b>	<b>60-64</b>
Long-term illness or disability	76	71	61
Income from private pension	46	63	56
<i>Base: All fully retired</i>	<i>374</i>	<i>280</i>	<i>404</i>

### 5.2.2 Reasons for having retired late

Given the interest in extending working life following the recent Government Green Paper, it is of interest to examine why people who had carried on working past state pension age had done so. However, the sample of respondents who had retired late (i.e. after state pension age) was quite small (92), so it is only possible to consider this group as a whole (Table 5.11). Over a third (37 per cent) had retired late because they enjoyed their job, while 22 per cent had done so to improve their financial position. These, together with the remaining answers, suggest a mixture of voluntary reasons and others more concerned to address people's financial circumstances, along the same lines as found in Chapter 4.

**Table 5.11 Reasons for late retirement**

<i>Multiple responses (percentages)</i>	
	<b>Total</b>
Enjoy my job/working	37
To improve my financial position	22
To keep fit and active	13
To retire at the same time as my husband/wife /partner	8
Could not afford to retire earlier	7
To improve my pension	5
To retire at a different time from my husband/wife /partner	3
Didn't know what to do after stopping work	2
Persuaded by my employer to stay on	1
To provide childcare	1
Some other reason	11
None of these	23
<i>Base: All who retired after SPA</i>	92

### 5.2.3 Reasons for having retired at state pension age

Just over a quarter (26 per cent) of retired respondents had retired at state pension age. A half (49 per cent) said it was because it represented the first opportunity to draw a state retirement pension, and a similar number (48 per cent) said it was because they had always expected to. Men were slightly more likely than women to give these two reasons.

This is a very similar pattern of answers to those given by those people in work who were expecting to retire at state pension age, as shown in Chapter 4. It supports the suggestion made in that chapter, that there are two main elements associated with retirement at state pension age. The first is that it is a set *age*, defined by the Government, and therefore there is a culture of expectation of retiring at that particular age. The second is related to the arrival, at this set age, of an additional or alternative source of income, thus giving people the financial means to stop working.

**Table 5.12 Reasons for retiring at state pension age**

<i>Multiple responses (percentages)</i>			
	<b>Men</b>	<b>Women</b>	<b>Total</b>
It is the first opportunity to draw a state retirement pension	57	45	49
I always expected to	56	45	48
I couldn't get another job after that age	11	7	8
I could afford to retire then	11	15	14
Other	6	16	13
<i>Base: All who retired at state pension age</i>	88	209	297

### 5.2.4 Those who were not working before retirement

Of all those who considered themselves to be fully retired, around a quarter (27 per cent) were not in employment prior to retiring. Of this group, three-quarters were women, just under half had previously been long-term sick or disabled, and 30 per cent had been looking after the home or family.

There were some significant gender differences; just under three-quarters (73 per cent) of the men had previously been long-term sick or disabled, whereas 48 per cent of the women had been looking after the home or family or caring for an adult or child and 39 per cent had been long-term sick or disabled.

## 5.3 The retirement decision

### 5.3.1 Forced and voluntary retirement

In order to understand the nature of the decision to retire and how easy or difficult it might be for changes in policy to influence such decisions, it is of interest to know to what extent the decision is forced upon people or is made of their own free choice. A question was asked to ascertain whether retirement was forced or something respondents wanted to do (see Table 5.13). Overall, a half (50 per cent) of those who were fully retired said that retiring was something they had wanted to do. However, 39 per cent said that they were forced into it. A higher proportion of men (47 per cent) than women (33 per cent) said they had been forced to retire.

**Table 5.13 Whether retirement was forced or voluntary**

	Column percentages								Total
	Men				Women				
	Before SPA	At SPA	After SPA	Total	Before SPA	At SPA	After SPA	Total	
Wanted to do	40	62	[63]	43	48	63	71	55	50
Forced into	50	31	[27]	47	40	27	20	33	39
Part wanted, part forced	10	6	[10]	9	11	8	6	9	9
<i>Base: All fully retired</i>	<i>464</i>	<i>88</i>	<i>11</i>	<i>595</i>	<i>330</i>	<i>209</i>	<i>81</i>	<i>668</i>	<i>1263</i>

The younger people were when they retired, the more likely they were to report that the decision had been forced. In particular, among those who had retired *before* state pension age, a half (50 per cent) of men said the decision had been forced, compared with 40 per cent for women. Among those people (predominantly women) who had retired *after* state pension age, 70 per cent said it was something they had wanted to do, which is consistent with the mainly voluntary reasons given for late retirement.

Among those who were forced into retirement before state pension age, around three-quarters (74 per cent) gave ill-health as a reason for their early retirement, while 30 per cent said they had been made redundant. Among those who had voluntarily retired early, the most frequently stated reasons were to enjoy life whilst still young and fit enough (44 per cent), and being able to afford to (35 per cent), with only 24 per cent giving ill-health as a reason.

Table 5.14 shows the profile of early retirers, distinguishing between forced and voluntary retirement. (Those for whom retirement was part forced and part voluntary are not shown separately, but are included in the total column). Relative to those who had retired voluntarily, those forced into early retirement were much more likely to have a health problem, and to have no formal qualifications, and were much less likely to have an income from a private pension.

**Table 5.14** Characteristics of early retirees

	<i>Column and cell percentages</i>		
	<b>Forced</b>	<b>Voluntary</b>	<b>All</b>
Men	57	46	51
Women	43	54	49
Single	24	19	22
Married/cohabiting	76	81	78
Receives private pension income	42	73	58
Respondent receives IB	27	3	15
No qualifications	51	30	40
Has health problem	86	57	72
<i>Base: All who retired before SPA</i>	437	277	794

### 5.3.2 Issues considered

Those who were not forced into retirement were asked what issues they had considered when deciding when to retire. Just under a third (31 per cent) considered the immediate financial implications and a similar proportion the longer-term financial implications. A third (34 per cent) also mentioned that they considered their own health. Men were much more likely to mention the financial implications than women. Women were more likely than men to consider when their partner was planning to retire.

**Table 5.15** Issues considered when decided when to retire

	<i>Multiple responses (percentages)</i>		
	<b>Men</b>	<b>Women</b>	<b>Total</b>
Immediate financial implications	49	21	31
Longer-term financial implications	52	19	31
Your own health	40	31	34
Your partner's health	12	13	13
The health of another relative	4	8	7
What you would do instead	10	7	8
When your partner is/was planning to retire	8	17	14
Other	1	3	3
None of these	15	25	22
<i>Base: All fully retired and decision not forced</i>	254	411	665

Those in receipt of private pension income, and people with higher qualifications, were more likely to consider both the immediate and longer-term financial implications. Those with both a private pension income *and* a degree – a group accounting for around 13 per cent of the retired sample – were particularly likely to do so, with 48 per cent considering the immediate financial implications and 55 per cent considering the long-term implications.

Table 5.16 shows the extent to which people involved their partners in the decision on when to retire. Nearly two-thirds (64 per cent) of those with a partner had made the decision jointly, men being slightly more likely to say the decision was made jointly than women (68 per cent compared with 61 per cent).

**Table 5.16 Whether retirement decision was sole or joint**

	<i>Column percentages</i>		
	<b>Men</b>	<b>Women</b>	<b>Total</b>
Purely on your own	30	37	35
Jointly with a partner	68	61	64
<i>Base: All fully retired people with partners, and decision not forced</i>	202	247	449

## 5.4 Income in retirement

Table 5.17 compares income levels<sup>33</sup> among those who retired early and those who retired late.

The average income among retired respondents was £206 per week, but there were large differences between early and late retirees and, among early retirees, between people whose retirement had been voluntary and those who had been forced to retire.

- Those who had retired voluntarily before state pension age had the largest average incomes – £256 – with private pension income as the largest single component, accounting for more than a third of the total.
- In contrast, those who had been forced to retire early had an average income £186, with state benefits (excluding the state pension) making up almost half of this (44 per cent).
- Those retiring at state pension age had an average income of £195, with more than half of this coming from the state pension.
- Late retirees had the lowest average incomes of all – £158 – and were heavily reliant on the state pension, which provided 61 per cent of this income.

This pattern is generally consistent with the reasons for early and late retirement discussed in the previous sections of this chapter.

**Table 5.17 Income and sources of income among early/late retirees**

	<i>Column percentages</i>					
	<b>Retired early</b>			<b>Retired at SPA</b>	<b>Retired late</b>	<b>Total</b>
	<b>Voluntary</b>	<b>Forced</b>	<b>Total</b>			
Mean weekly benefit unit income	£256	£186	£217	£195	£158	£206
Percentage from earnings	9	13	12	6	6	9
Percentage from benefits (excl. state pension)	11	44	27	15	9	23
Percentage from state pension	30	22	26	55	61	36
Percentage from private pension	36	16	26	18	20	23
Percentage from other	14	5	10	6	4	8
<i>Base: All fully retired</i>	275	432	786	293	91	1247

<sup>33</sup> This analysis uses equivalised income. Equivalising income takes into account differing consumption needs of different household members (for example children versus adults) and also allows for some economies of scale in household consumption (i.e. the idea that two adults do not need twice as much as one adult to be as well off). The equivalence scale used here is the OECD equivalence scale.

Respondents were asked how their income had changed in comparison with their pre-retirement income (Table 5.18). It is important to note that the question refers to what happened to *joint* income when the *respondent* retired; for some respondents, therefore, their partner may have remained working and so this element of joint income will have remained unchanged.

The sample divided into four virtually equal-sized groups saying, respectively, that their current income was:

- up to a third of;
- about a half of;
- two-thirds to three-quarters of; and
- the same or more than;

their previous income.

Those who had retired at state pension age were more likely than others to say their income had stayed the same, or even increased. People who had been forced into early retirement were most likely to have suffered the largest drop in income – almost one in three found that their income had dropped to a third of its previous level, or even less.

**Table 5.18 Change in joint income on retirement**

	<i>Column percentages</i>					
	Retired early			Retired at SPA	Retired late	Total
	Voluntary	Forced	Total			
Less than a quarter	7	12	9	5	5	7
About a quarter	3	9	6	4	10	6
About a third	10	10	10	7	15	10
About a half	23	21	23	22	27	23
About two-thirds	15	10	13	10	7	11
About three-quarters	15	11	13	11	9	12
About the same as previous income	18	13	16	27	11	18
More than previous income	4	6	4	8	3	5
Other	1	1	1	2	-	1
DK/Ref	5	7	6	4	13	7
<i>Base: All fully retired</i>	<i>277</i>	<i>437</i>	<i>794</i>	<i>297</i>	<i>92</i>	<i>1261</i>

For three-quarters (76 per cent) of respondents, the change in income was what they had expected it to be; among the remainder, a third had found that their income was higher than expected, but two-thirds had found it to be lower (see Table 5.19). The more people's income had reduced on retirement, the less likely they were to say this was expected. Those who had considered the short- or long-term financial implications of retirement, and people in receipt of a private pension, were more likely to say the change had been something they expected.

Among those who were in receipt of Incapacity Benefit, only 64 per cent said that their income had matched their expectations. Of the remainder, two-thirds said that their post-retirement income was lower than they had expected.

Table 5.19 again illustrates the disadvantaged position of people forced to retire early, with their post-retirement income failing to match their expectations in a much higher proportion of cases than for any of the other groups.

**Table 5.19 Whether post-retirement income matched expectations**

	<i>Column percentages</i>					
	<b>Retired early</b>			<b>Retired at SPA</b>	<b>Retired late</b>	<b>Total</b>
	<b>Voluntary</b>	<b>Forced</b>	<b>Total</b>			
Yes	87	66	76	77	76	76
No	10	26	19	18	13	18
Of whom:						
Much higher	1	*	1	1	2	1
Slightly higher	5	5	5	4	2	4
Slightly lower	1	7	5	6	2	5
Much lower	2	12	7	6	5	7
Don't know	1	2	1	1	2	1
Don't know/refused	2	7	5	5	11	6
<i>Base: All fully retired</i>	<i>277</i>	<i>437</i>	<i>794</i>	<i>297</i>	<i>92</i>	<i>1261</i>

Respondents were also asked whether they were financially better off, worse off or about the same, when compared (a) with what they had expected and (b) with the years just before they retired. The results are shown in Table 5.20. Forty-four per cent said that they were about as well off as they had expected, 17 per cent said they were better-off and two-fifths (38 per cent) said that they were worse off. Over half (56 per cent) said that they were worse off when compared with the years before they retired, reflecting the pattern noted earlier where people's incomes were more likely to have fallen than risen on retirement.

Those who had retired voluntarily before state pension age were financially the best placed in retirement. As we have seen, they had the highest average income; they were also less likely than any other group to have become worse off financially since retirement, and much less likely to be worse off than they had expected. Again, those forced into early retirement were the most likely – along with late retirees – to be worse off than before they retired. However they differ from the late retirees in that more of them were worse off than they had expected.

**Table 5.20 Whether financially better or worse off in retirement**

	<i>Column percentages</i>					
	<b>Retired early</b>			<b>Retired at SPA</b>	<b>Retired late</b>	<b>Total</b>
	<b>Voluntary</b>	<b>Forced</b>	<b>Total</b>			
<i>Overall, would you say you are financially better off, worse off or about the same in retirement compared to what you expected?</i>						
Better off	25	11	18	17	13	17
Worse off	20	56	39	34	41	38
About the same	53	32	42	48	46	44
<i>Overall, would you say you are financially better off, worse off or about the same in retirement compared to the years just before you retired?</i>						
Better off	20	9	14	16	7	14
Worse off	46	68	58	48	68	56
About the same	33	23	28	36	25	29
<i>Base: All fully retired</i>	<i>277</i>	<i>437</i>	<i>794</i>	<i>297</i>	<i>92</i>	<i>1263</i>

## 5.5 Satisfaction with retirement

People were asked how satisfying their retirement had turned out to be. Overall, almost half (46 per cent) said it had turned out to be very satisfying, while 15 per cent said that it had been not at all satisfying. As shown in Table 5.21, there were wide variations between those retiring in different circumstances. Those retiring voluntarily before state pension age were the most likely to be finding their retirement satisfying, followed by those who had retired late. However those forced to retire early were – by a large margin – finding their retirement the least satisfying.

**Table 5.21 Satisfaction in retirement**

	<i>Column percentages</i>					
	<b>Retired early</b>			<b>Retired at SPA</b>	<b>Retired late</b>	<b>Total</b>
	<b>Voluntary</b>	<b>Forced</b>	<b>Total</b>			
Very satisfying	74	20	47	46	50	46
Moderately satisfying	22	49	36	42	46	38
Not at all satisfying	4	30	17	12	4	15
<i>Base: All fully retired</i>	<i>277</i>	<i>437</i>	<i>794</i>	<i>297</i>	<i>92</i>	<i>1263</i>

## 5.6 Gradual retirement

Among those now fully retired, seven per cent said that they had retired gradually, that is, by gradually reducing the number of hours they worked (Table 5.22).

**Table 5.22 Whether retired gradually, by gender**

	<i>Column percentages</i>		
	<b>Men</b>	<b>Women</b>	<b>Total</b>
Yes	7	6	7
No	45	60	54
Forced to retire	47	33	39
<i>Base: All fully retired</i>	<i>595</i>	<i>668</i>	<i>1263</i>

This is much less than the 31 per cent of those in work who said that they *planned* to retire gradually, as seen in Chapter 4. This might be because gradual retirement is becoming more prevalent among successive cohorts of people. However, it may also be due to the fact that the proportion among those working is based on their reported future intentions, which may or may not be realised; in some cases, for instance, a retired person might have been forced into retirement – a situation which a person still working would not necessarily anticipate.

## 5.7 Summary

This chapter focused on those who described themselves as ‘fully retired’, looking back at when and why they retired to examine factors that influenced their exit from the labour market. This is mainly analysed in relation to state pension age: thus – as in Chapter 5 – ‘early retirement’ is defined as retirement *before* state pension age, and ‘late retirement’ as retirement *after* state pension age.

Among those who considered themselves to be fully retired, over half (59 per cent) had retired *before* state pension age, with a further 26 per cent having retired *at* state pension age. Men were much more likely than women to have retired early: three-quarters of men had retired before their state pension age of 65, whereas only a half of women had retired before their state pension age of 60. Given that women’s state pension age is due to rise to 65, it is important to note that 14 per cent of retired women in this study had retired after their current state pension age of 60. (Section 5.1.2)

In Chapter 4, which explored the retirement aspirations of those in work, there was an association between plans to retire early and occupation, private pension provision and qualifications. We found a similar association for retired people: among those with a degree, private pension income, and who had previously been employed as managers, professionals or associate professionals, the proportion retiring before state pension age rose to 72 per cent, compared with 59 per cent of the retired sample as a whole. (Section 5.1.2)

There were two main reasons given by those who had retired *at* state pension age when asked about why they had retired then, each was mentioned by around half of this group: (a) that it represented the first opportunity to draw a state pension, and (b) that it was what they had always expected to do. A similar pattern was observed in Chapter 4. It supports the suggestion made in that chapter, that there are two main elements associated with retirement at state pension age. The first is that it is a set *age*, defined by the Government, and therefore there is a cultural expectation of retiring at this age. The second is related to the arrival, at this set age, of an additional or alternative source of income, thus giving people the financial means to stop working. (Section 5.2.3)

In the context of proposals to make employers’ fixed retirement ages unlawful, the research found that among ex-employees who had retired before state pension age, only two per cent had done so at their employer’s fixed retirement age. The research thus provides no hard evidence that employers’

fixed retirement ages exerted a widespread influence on decisions to retire before state pension age, although it is possible that this happens in more subtle ways. However, there *is* evidence to suggest that employers' fixed retirement ages may have prevented some people from continuing in work *beyond* state pension age. Among ex-employees retiring late in relation to state pension age, 60 per cent had worked for an employer that did not have a fixed retirement age; looked at the other way around, 18 per cent of those whose employer did not have a fixed retirement age had retired after state pension age, compared with only seven per cent of those whose employer did have a fixed retirement age. This echoes the findings in Chapter 4, and suggests that the impact of fixed retirement ages was more about hindering people retiring 'late' (that is, after state pension age) than about forcing them to retire 'early' (that is, before state pension age). (Section 5.1.3)

Almost two in five people (39 per cent) felt that retirement had been forced upon them, ranging from nearly a half of those retiring early to only one in five of those retiring late. Those forced into early retirement were much more likely than others retiring early to suffer poor health, and to cite it as a reason for retiring (74 per cent compared with 24 per cent), while nearly a third said they had been made redundant. (Section 5.3.1)

Four groups – those forced to retire early, those retiring early on a voluntary basis, those retiring at state pension age, and those retiring late – were compared on a range of measures. On average, late retirees had the lowest post-retirement incomes of all, and voluntary early retirees had the highest. The late retirees and the forced early retirees had suffered the largest drops in post-retirement income, but for the latter group this had been less expected. Those retiring early on a voluntary basis were by far the most satisfied with their post-retirement situation, while those forced to retire early were by far the least satisfied. Late retirees were relatively satisfied with their post-retirement situation, despite their modest incomes. (Sections 5.4, 5.5)

This chapter also looked at the extent to which people had retired gradually, that is by gradually reducing their hours. Only seven per cent had actually done so – a much lower figure than the proportion of current workers planning to do so. This might be because gradual retirement is becoming more prevalent among successive cohorts of people, or – more probably – because people's expectations of retiring gradually are not always realised; for example, nearly two in five had been forced into retirement, a situation that they may not have anticipated. (Section 5.6)

## 6 Transitions towards retirement

The recent Green Paper<sup>34</sup> highlighted the need to tackle barriers to flexible retirement, for example to enable people to move from full-time to part-time work, or to less responsible positions, thus allowing them to make a more gradual transition from work to retirement. In particular, it was proposed that people should be allowed to continue working for an employer whilst at the same time drawing an occupational pension from that employer. Additionally, the Government proposes to introduce more generous increases in the state pension for people who defer taking it, in order to encourage people to work beyond state pension age.

In this context, this chapter focuses on the process of transition from work to retirement and, in particular, on the concept of 'semi-retirement'. In the course of their interview respondents were asked to classify themselves as 'not yet retired', 'semi-retired', or 'fully-retired' and the first part of the chapter examines the characteristics of all those who described themselves as semi-retired.

The last section of the chapter looks at an additional group who worked part-time or had recently reduced their hours, but who did not consider themselves to be semi-retired. Specifically, it looks at whether they are best considered along with the semi-retired, or whether they form a distinct group.

### 6.1 Characteristics of the semi-retired

As was shown in Section 2.2, nine per cent of the sample, or 261 respondents, described themselves as semi-retired<sup>35</sup>. As was noted in that section, the balance between the fully retired and those who were not retired varied markedly by age group; however, the proportions describing themselves as semi-retired were much less variable. This section looks in detail at the demographic, social, economic and occupational characteristics of the semi-retired. To put these in context, they will be compared where appropriate with the following two groups:

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<sup>34</sup> Simplicity, security and choice: Working and saving for retirement, HM Treasury/DWP 2002.

<sup>35</sup> A small number of respondents who classed themselves as fully retired, but who also said they were currently working or who had done some paid work in the last month, have been re-classified and are also included in the 'semi-retired' group.

- those who described themselves as 'not yet retired' and were still working, generally referred to here as 'working and not retired'; and
- those who considered themselves 'fully retired'.

### 6.1.1 Current activity status of the semi-retired

Table 6.1 shows respondents' current activity status. This was a separate question from the one on self-reported retirement status; for example, when given the choice between fully retired, semi-retired or not yet retired, a respondent might describe themselves as semi-retired. However, when asked about their current status, they might then say they were long-term sick or disabled. The ways in which semi-retired respondents described their current status were more diverse than for the fully retired, or for those who were still working and did not yet consider themselves to be retired. Whilst a third of the semi-retired described their current status as retired, another third described it as employed and one in eight as self-employed. One in seven described themselves as long-term sick or disabled.

Most semi-retired respondents (68 per cent) were either currently in work or had worked in the past month. This compares with less than one per cent of those who described themselves as fully retired (Table 6.1).

**Table 6.1 Current activity status, by self-reported retirement status**

	<i>Column percentages</i>			
	<b>Working and not retired</b>	<b>Semi- retired</b>	<b>Fully retired</b>	<b>Total</b>
Employed	87	32	0	38
Self-employed	13	13	0	6
Unemployed and available for work	*	4	*	2
Retired	0	32	77	34
Long-term sick or disabled	*	11	16	12
Looking after the home or family	*	4	6	5
Doing voluntary work	*	*	*	*
Caring for child/sick/disabled adult	*	2	1	1
Waiting to take up a paid job	*	0	0	*
On Government training/employment scheme	0	0	0	*
In full-time education	0	*	0	*
Other	*	2	*	*
Work in last month	100	68	*	47
No work in last month	0	32	100	53
<i>Base: All</i>	<i>942</i>	<i>261</i>	<i>1263</i>	<i>2808</i>

Table 6.1 also shows that, *of those in work* either as employees or self-employed, the semi-retired were much more likely to be self-employed than those who were not yet retired. This ties in with the findings in Chapter 3, where it was shown that the proportion of people working as employees declines with age much more rapidly than for self-employment. It suggests either that it is easier for the self-employed to continue into semi-retirement than it is for employees, or that some employees may switch into being self-employed as a way of semi-retiring. This particular survey cannot shed light on the relative importance of these factors, but other work has suggested that it is due to later

retirement among the self-employed, rather than the movement of employees into self-employment around state pension age.<sup>36</sup>

### 6.1.2 Age at which people became semi-retired

The average age at which respondents had become semi-retired was 56.5. There was no difference between men and women in this average (Table 6.2) although the distributions were slightly different. Two-thirds of the men had become semi-retired by the age of 60, and 88 per cent had done so by their state pension age of 65, whereas only 61 per cent of the women had become semi-retired by their state pension age of 60.

**Table 6.2 Age at which became semi-retired, by gender**

	<i>Column percentages</i>		
	<b>Men</b>	<b>Women</b>	<b>Total</b>
Under 50	8	7	8
50-54	26	30	28
55-59	33	23	29
60-64	20	30	25
65-69	10	6	8
Mean age	56.3	56.2	56.2
Don't know	3	4	3
<i>Base: All semi-retired</i>	<i>156</i>	<i>105</i>	<i>261</i>

### 6.1.3 Household characteristics

The semi-retired, and those who were working and not retired, were slightly more likely to have a partner (79 per cent and 81 per cent respectively) than those who were fully retired (73 per cent). They were also slightly less likely to be widowed than the fully retired (12 per cent). This is likely to be due to the differing age profile of the different groups.

Those who were working and not retired were more likely to have dependants (15 per cent) than the fully retired (two per cent), with the semi-retired in-between (seven per cent). This is likely to be due to the fact that those in work were, on average, younger and those fully retired older, than the semi-retired (see Section 2.1.3).

Among those who were living with a spouse or partner, there was an association between the respondent's retirement status and partner's activity status. The proportion of partners of semi-retired respondents who were working (either employed or self-employed) was lower (53 per cent) than that of partners of those working and not retired (78 per cent), but higher than for partners of the fully retired (20 per cent). Partners of fully retired respondents were the most likely to be retired themselves (59 per cent), compared with only 32 per cent of partners of the semi-retired and eight per cent of partners of those working and not retired. This effect is likely to be due, at least in part, to the correlation in age between respondents and partners.

<sup>36</sup> This is demonstrated in Characteristics of Older Workers (1998) – McKay, S & Middleton. S DFEE Research Report 45.

**Table 6.3 Partner's activity status, by respondent's retirement status**

	Respondent's retirement status			Total
	Working and not retired	Semi-retired	Fully retired	
<i>Column percentages</i>				
Partner's activity status:				
Employed	70	42	17	44
Self-employed	9	11	3	7
Unemployed and available for work	*	*	1	1
Retired	8	32	59	31
Long-term sick or disabled	4	5	11	8
Looking after the home or family	7	8	7	8
Doing voluntary work	*	0	*	*
Caring for child/sick/disabled adult	1	0	2	1
Full-time education	*	0	1	*
Other activity	*	1	*	*
<i>Base: All living with partner</i>	<i>694</i>	<i>186</i>	<i>819</i>	<i>1894</i>

#### 6.1.4 Education and occupation

Semi-retired respondents were similar to those working and not retired in terms of their educational attainments. Both groups were more likely to have a degree (19 per cent, 17 per cent) than the fully retired (six per cent). More than two-fifths (45 per cent) of those who were fully retired did not have any qualifications at all, compared with only around a quarter of the other two groups (Table 6.4). These differences remain even when age is controlled for.

**Table 6.4 Highest qualification, by retirement status**

	Respondent's retirement status			Total
	Working and not retired	Semi-retired	Fully retired	
<i>Column percentages</i>				
Degree or equivalent	17	19	6	12
Higher Education below degree	13	11	11	11
A level or equivalent	14	9	7	10
O level/CSE or equivalent	27	24	21	24
Other qualification	8	6	10	9
No qualifications	21	29	45	34
<i>Base: All</i>	<i>942</i>	<i>261</i>	<i>1263</i>	<i>2808</i>

The semi-retired differed from the fully retired in terms of their current (or recent) occupation (Table 6.5). They were more likely to be (or have been) in professional occupations (15 per cent) than the fully retired (eight per cent). The semi-retired were also less likely than the fully retired to be in administrative and secretarial occupations (nine per cent, 14 per cent).

It is important to note that the semi-retired who were working may not necessarily have been in their 'main line of work', that is they may have semi-retired to a different occupation from their main one. This is considered further in Section 6.5. It is, therefore, difficult to draw firm conclusions about any differences in occupation that exist.

**Table 6.5** Current or most recent job, by retirement status

	<i>Column percentages</i>			
	<b>Working and not retired</b>	<b>Semi- retired</b>	<b>Fully retired</b>	<b>Total</b>
SOC 2000 categories:				
Managers & senior officials	13	11	14	13
Professional occupations	12	15	8	11
Associate professional and technical	11	11	8	10
Administrative and secretarial	12	9	14	13
Skilled trades occupations	14	10	12	13
Personal service occupations	7	8	6	7
Sales & customer services	6	6	7	6
Process, plant & machine operatives	11	13	10	11
Elementary occupations	14	16	20	17
<i>Base: All working, or having worked since 1997 or the age of 50</i>	<i>942</i>	<i>235</i>	<i>855</i>	<i>2210</i>

### 6.1.5 Financial situation

About half (52 per cent) of semi-retired respondents felt that their decision to become semi-retired had left them worse off financially, a third (33 per cent) felt that there was no change in their financial situation and 16 per cent actually felt they were **better** off. The effect of retirement on the financial situation of the fully retired was very similar (Table 6.6).

The semi-retired, and those who were working and not retired, claimed to be managing on their money better than the fully retired did. More than a quarter of both groups said they were managing 'very well' compared with only 20 per cent of the fully retired. Another quarter were 'just getting by' whereas this was 37 per cent among the fully retired.

**Table 6.6** Financial situation, by retirement status

	<i>Column percentages</i>			
	<b>Working and not retired</b>	<b>Semi- retired</b>	<b>Fully retired</b>	<b>Total</b>
In (semi) retirement, are you financially...				
better off	-	16	14	14
worse off	-	52	56	55
about the same	-	33	29	30
How are you managing on your money at the moment?				
Very well	28	29	20	24
Quite well	46	39	39	40
Just getting by	24	27	37	32
Getting into difficulties	2	5	3	4
<i>Base: All</i>	<i>942</i>	<i>261</i>	<i>1263</i>	<i>2808</i>

Another important aspect of people's financial situation is the tenure of their home, and whether they have a mortgage. Table 6.7 illustrates people's tenure, broken down by retirement status and age-group and – for owner-occupiers – distinguishes between those with a mortgage and those owning their property outright.

In terms of owners versus renters, the fully retired were more likely to be renting than the semi-retired or those not yet retired. This is broadly true for all age-groups, albeit at different levels, with older people generally more likely to be renters than younger people. However, among owner-occupiers it was also true that the fully-retired, and in this instance also the semi-retired, were more likely than others to own their home outright, and – even though older homeowners are generally more likely to be outright owners – this is again broadly true across all age-groups.

This tends to suggest that the absence of a mortgage is the aspect of tenure most closely associated with retirement. The presence of mortgage repayments may, therefore, be an important reason to remain in work, or – to look at it from another perspective – paying off one's mortgage may provide an opportunity to take early retirement or move into semi-retirement. However, this survey did not explore the detailed dynamics of such situations, so it could equally be true that financial settlements associated with early retirement enabled people to pay off their mortgage. This is a potential area for further research.

**Table 6.7 Tenure, by retirement status and age**

	<i>Percentages within category*</i>			
	<b>Working and not retired</b>	<b>Semi- retired</b>	<b>Fully retired</b>	<b>Total</b>
<b>50-54 years</b>				
Own outright	22	[41]	45	26
Buying with mortgage	63	[41]	24	54
Renting	13	[16]	30	19
<i>Base</i>	<i>477</i>	<i>44</i>	<i>117</i>	<i>775</i>
<b>55-59 years</b>				
Own outright	36	61	53	42
Buying with mortgage	50	26	25	37
Renting	13	13	22	20
<i>Base</i>	<i>338</i>	<i>80</i>	<i>205</i>	<i>758</i>
<b>60-64 years</b>				
Own outright	46	62	58	55
Buying with mortgage	30	17	15	18
Renting	20	21	26	25
<i>Base</i>	<i>96</i>	<i>93</i>	<i>431</i>	<i>683</i>
<b>65-69 years</b>				
Own outright	[29]	[68]	60	60
Buying with mortgage	[14]	[9]	9	9
Renting	[50]	[21]	28	28
<i>Base</i>	<i>12</i>	<i>38</i>	<i>478</i>	<i>530</i>
<b>All ages</b>				
Own outright	29	59	57	43
Buying with mortgage	54	22	15	33
Renting	15	17	27	22
<i>Base: All</i>	<i>923</i>	<i>255</i>	<i>1231</i>	<i>2746</i>

\* Percentages may not add to 100% as some minor tenure categories are not shown. Base numbers may differ slightly from other tables, as a small number of people did not answer the question and are excluded.

### 6.1.6 Type of work

This section focuses on those semi-retired respondents who were currently in work, and examines the number and type of jobs being done. Most semi-retired respondents who were working were only doing one job (93 per cent), five per cent were doing two, and two per cent had three jobs. This was very similar to the number of jobs held by those who had not yet retired.

Respondents doing more than one job were asked about their main job. One very clear difference in the types of job being done by the semi-retired was that they were much more likely to be self-employed (30 per cent) than those who had not yet retired (13 per cent). Among those who were employees, semi- and non-retired respondents held very different contracts of employment (Table 6.8). Semi-retired employees were much less likely to have a permanent contract (55 per cent) than employees who reported that they were not retired (94 per cent). Rather, the semi-retired tended to be employed on a fixed-term (14 per cent) or temporary/casual basis (32 per cent).

**Table 6.8 Type of contract, by retirement status**

	<i>Column percentages</i>	
	<b>Not retired</b>	<b>Semi-retired</b>
Permanent	94	55
Fixed for at least two years	1	4
Fixed for more than one but less than two years	1	2
Fixed for one year or less	1	8
On a temporary or casual basis	3	32
<i>Base: All employees</i>	<i>828</i>	<i>107</i>

Among those currently in work, job satisfaction was higher among the semi-retired (45 per cent were very satisfied compared with 29 per cent of those not retired).

### 6.1.7 Hours worked

Most (89 per cent) semi-retired respondents in work were working part-time (in their main job). This is a very different profile from those who were working and not yet retired, of whom 79 per cent were working full-time. The semi-retired were also much less likely to work overtime in their (main) job, whether paid or unpaid; only 17 per cent ever did so, compared with 45 per cent of those not retired.

Reflecting this, on average, the semi-retired worked far fewer hours per week than the non-retired, as shown in Table 6.9, with means of 18 and 39 hours respectively. Nearly half of the semi-retired worked fewer than 16 hours per week, with 38 per cent working between 16 and 29 hours. In contrast, nearly three-fifths (59 per cent) of those who had not retired worked 30-48 hours, and 19 per cent worked 49 hours or more per week; such a long working week was rare among the semi-retired (one per cent).

**Table 6.9** Hours worked in main job, by retirement status

	<i>Column percentages</i>		
	<b>Not yet retired</b>	<b>Semi-retired</b>	<b>Total</b>
Hours per week:			
0-15	7	48	12
16-29	13	38	16
30-48	59	12	53
49 or more	19	1	17
Mean	39	18	36
<i>Base: All working</i>	<i>942</i>	<i>152</i>	<i>1096</i>

The semi-retired were more satisfied with the number of hours they were working; 78 per cent said they were happy with their current hours, nine per cent would have liked more hours and 13 per cent fewer hours compared with those who were not yet retired who were much more likely to say that they would like fewer hours (33 per cent). Satisfaction with working hours decreased as actual working hours increased.

Nearly half of the semi-retired respondents who were in work had reduced their hours within the last three years, 32 per cent by 'a lot' and 12 per cent 'slightly'. This was much less common among those who were not retired, with only five per cent decreasing their hours a lot and 12 per cent slightly. It was more common for the non-retired to have increased their hours (22 per cent), although some of the semi-retired had done this too (13 per cent).

The main reasons given by semi-retired respondents for reducing their hours suggest that, for most, this was a voluntary decision: 31 per cent said that they wanted to cut their hours prior to retiring, and 28 per cent mentioned wanting more time for themselves or to pursue other interests. Around a quarter (24 per cent) had reduced hours as a result of changing employer (although this may not have been voluntary) and 12 per cent said they did not need the money. Only four per cent were forced to reduce their hours by their employer, nine per cent by their deteriorating health and six per cent by increased family responsibilities (Table 6.10).

By contrast, among those who were not retired but had reduced their hours, over a quarter (26 per cent) said this was a decision taken by their employer, suggesting much less freedom of choice among this group. Very few said it was because they wanted to cut their hours before retiring (six per cent).

**Table 6.10** Reasons for reduced hours, by retirement status

	<i>Multiple responses (percentages)</i>	
	<b>Not yet retired</b>	<b>Semi-retired</b>
Wanted to cut hours prior to retiring	6	31
Want more time for myself	21	28
Changed employer	25	24
Don't need the money	4	12
Have decreased my responsibilities at work	7	9
Health has deteriorated	9	9
Family responsibilities have increased	5	6
Employer decreased my hours	26	4
Too old to work the hours I used to	5	4
Don't enjoy my work	2	4
Other reason	18	32
<i>Base: All semi-retired/not yet retired, in work and having decreased hours in last 3 years</i>	<i>152</i>	<i>68</i>

## 6.2 Reasons for semi-retirement

Respondents who were semi- or fully retired were asked whether retiring had been something they had wanted to do, or something they had been forced into. As shown in Table 6.11, for the semi-retired the decision had been voluntary in almost three-fifths of cases (57 per cent); however, nearly a third (31 per cent) felt it was something they had been forced into. For 11 per cent, it was a mixture of the two. The fully retired were slightly less likely to say it was what they had wanted to do (50 per cent) and more likely to feel that it was a decision they had been forced into (39 per cent).

**Table 6.11 Whether retirement was forced or voluntary, by retirement status**

	<i>Column percentages</i>	
	<b>Semi-retired</b>	<b>Fully retired</b>
Wanted	57	50
Forced into	31	39
Part wanted, part forced	11	9
<i>Base: All</i>	<i>261</i>	<i>1263</i>

For those who were semi-retired and working, the reasons given for retiring gradually are shown in Table 6.12. The most common reasons were that they saw it as a way of easing the transition from work to retirement (17 per cent), and that they wanted to carry on working or enjoyed their job (16 per cent). One in eight felt it would help to keep them fit and active and a similar proportion said that they wanted to keep involved in work and use their skills for the sense of achievement it gave them. One in ten were compelled to continue working due to financial pressures, and six per cent gave other financial reasons. Eight per cent were retiring gradually as they wanted more time for themselves or to do other things. Seven per cent mentioned health reasons. A range of other reasons were mentioned by up to four per cent, and a third gave a wide range of other specific reasons.

**Table 6.12 Reasons for retiring gradually among semi-retired respondents**

	<i>Multiple responses (percentages)</i>
Ease transition/get used to retirement/not stop work too suddenly	17
Wanted to carry on working/enjoy job	16
Keep fit and active	12
Keep involved/use skills/sense of achievement	10
Need the money/can't afford to stop totally	10
Have more time for myself/other activities	8
Health reasons	7
Other financial reasons	6
Job too demanding/avoid stress/getting too old	4
Don't want to carry on working full time/as many hours	3
Contract allowed early retirement/was possible	3
Can afford to	3
Spend more time with partner/family	3
Not enough work/lost previous job/can't get full-time work	2
Look after/care for family	1
Other answer	35
<i>Base: All semi-retired and in work</i>	<i>148</i>

### 6.3 Departures from main line of work

As well as reducing their hours of work, another route into semi-retirement is for people to retire from their main job and take up a different line of work. Overall, the current or most recent job of semi-retired respondents was less likely to be part of their 'main line of work' than for the fully retired or those not yet retired. Nearly a third (30 per cent) said it was not, compared with only eight per cent of those who had not retired and 17 per cent of the fully retired.

Comparing the semi-retired who were working with those who do not see themselves as retired (Table 6.13), shows that only four per cent of the latter group were currently working outside their normal line of work, compared with 32 per cent of the semi-retired. It seems clear, therefore, that semi-retirement is associated with a rate of departure from people's main line of work far in excess of the norm for the general working population.

**Table 6.13 Departures from main line of work, by retirement status**

	Semi-retired		Not yet retired	
	Not Working	working	Not Working	working
Current/most recent job:				
In main line of work	67	75	95	70
Not in main line of work	32	25	4	25
Not sure	1	0	1	5
<i>Base: All who have ever worked</i>	152	109	942	325

*Column percentages*

People's reasons for leaving their most recent job in their main line of work can broadly be classified into 'voluntary' and 'involuntary' reasons, along with other – more circumstantial – reasons. Among semi-retired respondents, voluntary and involuntary reasons were each mentioned, with about the same frequency. The most common voluntary reasons were being offered early retirement (30 per cent), and to enjoy life while they were still young and fit enough (27 per cent). The most common involuntary reasons were being dismissed or made redundant (26 per cent), ill-health (17 per cent) and reaching their employer's normal retirement age (12 per cent)<sup>37</sup>.

### 6.4 Other part-time workers

As was shown in Table 6.1, 68 per cent of the semi-retired had worked in the last month. Almost all of them worked part-time or had reduced their hours in recent years, which raises the question of why a larger group of people – also working part-time or with reduced hours – did *not* consider themselves to be semi-retired. The characteristics of these two groups are very different, as Table 6.14 shows. Part-timers and those with reduced hours who did not consider themselves retired were more likely to be female and younger than the semi-retired group. Almost all of the former group (92 per cent) were below state pension age and all saw their primary activity as work, whereas nearly a third of the semi-retired gave their current activity as retired when asked about their current activity status.

<sup>37</sup> This represented less than one per cent of the sample as a whole.

**Table 6.14** Characteristics of those working part-time/reduced hours, by retirement status

	<i>Column percentages</i>	
	<b>Not retired</b>	<b>Semi-retired</b>
<b>Age within gender</b>		
Men aged...		
50-54	16	9
55-59	11	16
60-64	7	18
65-69	1	13
Women aged...		
50-54	33	3
55-59	25	13
60-64	5	18
65-69	*	11
<b>Current activity</b> (selected categories - for full list see Table 6.1)		
Employed	84	47
Self-employed	14	19
Retired	0	29
<i>Base: All semi-retired/not yet retired, and working part-time or reduced hours in last 3 years</i>	<i>329</i>	<i>144</i>

The most likely explanation for this is that for those who described themselves as semi-retired, their status as part-time workers was relatively recent and represented a transitional stage between full-time work and full retirement. For part-timers who felt that they were not yet retired, their part-time status was a continuation of working arrangements that had existed for some time and therefore not part of a transition to retirement.

There is strong evidence for this hypothesis. Firstly, comparing the two groups, nearly half (44 per cent) of the semi-retired in work had reduced their hours over the last three years, whereas only 16 per cent of workers who did not consider themselves to be semi-retired had done so. Secondly, looking at people now working part-time, 44 per cent of semi-retired part-timers had reduced their hours recently, suggesting that part-time work was a relatively new arrangement for a large proportion of them; however, only 21 per cent of the part-timers who did not consider themselves to be semi-retired had reduced their hours. Thirdly, and reinforcing the previous point, non-retired part-timers were much more likely to have been in part-time work three years ago (76 per cent) than semi-retired part-timers (38 per cent).

Taken together, these findings support the hypothesis that the two groups are different, beyond simply how they chose to define their current state. For those who considered themselves to be semi-retired, part-time work was part of a transition from work to retirement. For the part-time workers, it was simply the working pattern they had chosen.

For these reasons, this chapter restricted its analysis of semi-retirement to those respondents who classified themselves in this way, rather than including everyone who was working part-time or had reduced their hours in recent years.

## 6.5 Summary

This chapter explored what, in the context of this research, has been labelled 'semi-retirement' – a transitional stage between work and full retirement. When asked whether they saw themselves as not yet retired, semi-retired or fully retired, nine per cent of the sample chose to describe themselves as semi-retired. Of this group, two-thirds were working and were more likely to be self-employed than other workers in this study, although the self-employed were still in a minority (30 per cent of semi-retired workers compared with 13 per cent of other workers). Semi-retired *employees* were much less likely than other employees to have a permanent contract (55 per cent compared with 94 per cent), tending to be employed on a fixed-term or temporary/casual basis instead. (Section 6.1.6)

Most semi-retired workers were working part-time (89 per cent), and worked less overtime. As a result, their average hours were much lower than for other workers (18 hours per week, compared with 39 for other workers). They expressed greater satisfaction with their hours, and with their jobs in general. (Sections 6.1.6 and 6.1.7)

Those who considered themselves to be semi-retired had generally moved into this prior to reaching state pension age. Two-thirds of semi-retired men had reported that they had become semi-retired by the age of 60, and 88 per cent by their state pension age of 65. Sixty-one per cent of semi-retired women had become so by their state pension age of 60. (Section 6.1.2)

For the majority, the move into semi-retirement had been voluntary, however, a third felt that it was something they had been forced into. For a third of this group, the move into semi-retirement was associated with a change of occupation; 32 per cent were currently working outside what they considered to be their normal line of work. (Sections 6.2 and 6.3)

## 7 Those below state pension age not in work

The decline in labour market participation of people aged over 50 was highlighted in Chapter 1. The implications of this decrease have been well documented and the Government is concerned with reversing the decline. The recent Green Paper<sup>38</sup>, therefore, highlighted the need to extend opportunities for older workers. One of the key proposals outlined in the paper was providing extra back-to-work help for those aged 50 or more. Within this, there are various initiatives:

- Introducing more intensive back-to-work help for people aged 50 or over.
- Extending the support available through New Deal 50 Plus.
- For people aged 50 to 59 who have been claiming Jobseekers Allowance for 18 months, piloting the idea of making their participation in New Deal 25 Plus Intensive Activity Period mandatory.
- Piloting work aimed at extending information available to the voluntary sector about back-to-work help.
- Piloting measures aimed at raising awareness in the business community of the benefits of employing older workers.

Given the range of proposals for increasing older people's participation in the labour market, this chapter concentrates on the labour market attachment of those who were not in work.

The interview included questions about whether people were looking for work, and the reasons why they were – or were not – doing so. It was felt inappropriate to ask these questions of non-working people over state pension age, if they did not expect to work again; only a very small proportion (three per cent) expected to do so, and the analysis in this chapter is therefore focused on those people *below state pension age* who were not working.

The chapter begins by comparing the characteristics of those who were not working with those who were. The next section looks at respondents' expectations of working in the future, and whether they would like to work again. A further section investigates the reasons why respondents were not looking for work, and develops a summary classification of why people were not looking for work,

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<sup>38</sup> Simplicity, security and choice: Working and saving for retirement, HM Treasury/DWP 2002.

which is then used throughout the remainder of the chapter. The next section looks at transitions from work, and considers the age at which respondents stopped working and why they did so.

The Green Paper proposed piloting measures to get people on Incapacity Benefit to return to work, and the Government also published a separate Green Paper on measures to help achieve this.<sup>39</sup> The last section of the chapter looks at what might make respondents look for work in the future, and what sort of work they would consider; this section presents data separately for those who were on Incapacity Benefit.

## 7.1 Characteristics of those not in employment

This section focuses on the 38 per cent of the sample below state pension age who were not working. Table 7.1 shows the proportions who were working – and not working – in different subgroups, and therefore shows the factors that were associated with being in or out of work. Among those below state pension age:

- the proportions not working were similar for men and women. However, it is worth noting that, on average, the men were likely to have been further away from state pension age than the women (because men in the sample could be up to 15 years away from state pension age, compared with 10 years for the women);
- employment status was understandably related to age, for both men and women, as the move from employment (whether enforced or by choice) is likely to increase as individuals approach pensionable age;
- respondents' working status was also associated with the presence or absence of a partner: those living alone were less likely to be working than those living with a partner, especially if there were also dependent children, or if the partners themselves were working. However this is, in part, also a function of age;
- those with fewer academic qualifications were less likely to be working;
- those with a health problem or disability were much less likely to be working (only 45 per cent were working, compared with 80 per cent of those without such problems).

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<sup>39</sup> Pathways to work – helping people into employment, HM Treasury/DWP 2002.

**Table 7.1 Whether in employment, by demographic characteristics**

	<i>Row percentages</i>		
	<b>Working</b>	<b>Not working</b>	<b>Base*</b>
Male	64	36	1113
Female	60	40	842
Age group (males)			
50-54 years	78	22	363
55-59 years	65	35	350
60-64 years	44	56	400
Age group (females)			
50-54 years	67	33	422
55-59 years	51	49	420
Household composition			
Lives alone	53	47	523
Lives with partner only	63	37	1211
Lives with partner and dependent children	75	25	182
Partner's employment status			
Partner is in employment	78	22	837
Partner is not in employment	37	63	534
Has no partner	53	47	561
Highest educational qualification			
Degree/other higher education	75	25	468
A-level or equivalent	72	28	215
O-level/CSE or equivalent, or below	64	36	661
No qualifications	45	55	610
Health problem			
Yes	45	55	1182
No	80	20	768

\* Base: All below SPA

These differences indicate that the population of those not working was far from homogeneous. As Table 7.2 shows, those who were not working were most likely to be long-term sick or disabled, with over two-fifths (43 per cent) describing themselves as currently having a long-term health problem or disability. A further 28 per cent described themselves as retired, while 19 per cent were looking after the home or caring. A few (eight per cent) were still in the labour market, looking or training for a job or waiting to start one. The remainder, just two per cent, were categorised as 'other not working' – doing voluntary work or in full-time education.

**Table 7.2 Current status of those not working**

	<i>Column percentages</i>
Long-term sick/disabled	43
Retired	28
Looking after home/caring	19
Unemployed/Government training/waiting to start job	8
Other non-working	2
<i>Base: All below SPA and not working</i>	<i>969</i>

While the above is helpful, exploring the reasons people gave for not working and not seeking working is more revealing. There are a variety of reasons why individuals might not be working, whether from choice or otherwise. People may choose not to work due to social and economic factors, such as being able to afford not to work; alternatively, poor health or labour market skills could lead to the decision being enforced. Section 7.3 considers why people were not in work in more detail, by looking at reasons why people might not be *looking* for work, and develops an alternative classification, which is then used throughout the remainder of the chapter. However, it is first necessary to consider whether people were expecting to work in the future, and whether or not they were looking for work, which is covered in the next section.

## 7.2 Expectations of future employment

All non-working respondents below state pension age were asked whether they considered themselves to be fully retired, semi-retired or not yet retired. Table 7.3 shows that over half (54 per cent) considered themselves to be fully retired. Just over one in ten (11 per cent) saw themselves as semi-retired, but over one-third (36 per cent) considered themselves not yet to be retired. By extension, it is this group of non-working individuals who would be most likely to re-enter employment sometime in the future.

Non-working men were more likely to consider themselves fully retired than women (57 per cent compared with 49 per cent). As would be expected, retirement status also varied with age, with those in the younger age categories more likely to classify themselves as not yet retired, and less likely to be fully retired. It is interesting to note that, comparing the cohort of men closest to state pension age (those aged 60-64) with the corresponding cohort of women (those aged 55-59), women were more likely to classify themselves as not yet retired.

**Table 7.3 Self-reported retirement status, by age within gender**

	Column percentages							
	Men				Women			Total
	50-54	55-59	60-64	Total	50-54	55-59	Total	
Fully retired	38	55	70	57	43	54	49	54
Semi-retired	11	14	12	13	7	9	8	11
Not yet retired	51	31	18	30	50	37	43	36
<i>Base: All below SPA and not working</i>	<i>122</i>	<i>174</i>	<i>313</i>	<i>609</i>	<i>159</i>	<i>196</i>	<i>355</i>	<i>964</i>

Around half (50 per cent) of those who described their current situation as long-term sick or disabled saw themselves as fully retired. Similarly, 42 per cent of those who were looking after the home or family described themselves as fully retired. This suggests that, for many in these groups, they were unlikely to return to work in the future.

People were also asked whether they expected to work again at some point in the future (see Table 7.4) and it was found that less than a quarter (23 per cent) of all those below state pension age who were not in employment expected to work again.

Expectations of future employment might be influenced partly by age, and partly by proximity to state pension age (holding other factors constant). When comparing men and women, it is important to note that the sample of women was, on average, closer to state pension age than the sample of men

(women could be up to ten years from SPA while men could be up to 15 years away). Comparing people of the same age, men were more likely than women to expect to work again; however, comparing people at the same 'distance' from SPA the reverse was true, i.e. women were more likely than men to expect to work again. This would suggest that both factors play a part, probably in conjunction with other factors not explored here.

**Table 7.4 Future employment expectations, by age within gender**

	<i>Column percentages</i>							
	<b>Men</b>				<b>Women</b>			<b>Total</b>
	<b>50-54</b>	<b>55-59</b>	<b>60-64</b>	<b>Total</b>	<b>50-54</b>	<b>55-59</b>	<b>Total</b>	
Expect to work again	40	23	9	21	37	14	24	23
Do not expect to work again	52	73	90	75	59	84	73	74
Don't know	8	4	1	4	5	2	2	3
<i>Base: All below SPA and not working</i>	<i>122</i>	<i>174</i>	<i>313</i>	<i>609</i>	<i>160</i>	<i>200</i>	<i>360</i>	<i>969</i>

Looking separately at people on Incapacity Benefit (not shown in the table), 13 per cent of them expected to work again, compared with a quarter of others not in work. Similarly, those with a health problem were also less likely to expect to work again (19 per cent compared with 32 per cent among those without health problems).

### 7.2.1 Job-seeking activity

Those below state pension age, who were not in employment, were asked whether they had taken any active steps to look for work in the last four weeks and those who had not looked for work were asked whether they would like to have a paid job at the moment, either full-time or part-time.

As Table 7.5 shows, only eight per cent stated that they had actively looked for work in the previous four weeks.<sup>40</sup> A further 28 per cent said that although they were not looking, they would like to work and nearly two-thirds (64 per cent) were not looking for work and did not want to work at present. The underlying reasons for this are explored in Section 7.3.

There was little difference between men and women in this respect but age was again clearly a factor, both in job search activity and in the desire for future employment. The highest proportions of those actively looking for work, and not looking but wanting work, were found in the lowest age group for both men and women.

**Table 7.5 Active job search, by gender**

	<i>Column percentages</i>							
	<b>Men</b>				<b>Women</b>			<b>Total</b>
	<b>50-54</b>	<b>55-59</b>	<b>60-64</b>	<b>Total</b>	<b>50-54</b>	<b>55-59</b>	<b>Total</b>	
Yes	14	11	4	9	12	3	7	8
No, but would like work	42	27	24	30	30	22	26	28
No and would not like work	44	60	71	61	57	74	67	64
<i>Base: All below SPA and not working</i>	<i>122</i>	<i>174</i>	<i>313</i>	<i>609</i>	<i>160</i>	<i>200</i>	<i>360</i>	<i>969</i>

<sup>40</sup> Most of this group (65 per cent) described themselves as unemployed.

Among those in receipt of Incapacity Benefit, three per cent were actively looking for work. However, a further 38 per cent said that they would like a job (even though they were not looking), which was higher than for the non-working sample as a whole.

It is worth noting that, of those who said that they would like to work, nearly two-thirds (64 per cent) did not expect to do so. Looking just at those on Incapacity Benefit, of the 38 per cent who said they wanted to work, the majority (74 per cent) did not expect to work again, thus 29 per cent had aspirations to work but no expectation of doing so. This is particularly relevant in the light of the focus on measures to help those on Incapacity Benefit back into work. Chapter 9 looks in more detail at health problems, including an analysis of the number of health problems that people reported. People on Incapacity Benefit had the largest number of health problems of any group in the survey; within this, those not expecting to work again had significantly more health problems than those seeking work or expecting to work again.

## 7.3 Reasons why people were not looking for work

Having considered the characteristics of those who were not in work and the likelihood of their returning to work, this section explores the reasons why people were not looking for work.

### 7.3.1 Reasons for not looking for work among those who would like to work

Section 7.2 showed that 28 per cent of those who were below state pension age and not in work, were not actively seeking work, but wanted a job. These individuals were asked what the main reason was for their not seeking work (see Table 7.6). Three of the top four reasons were health related, reported by almost three-quarters (73 per cent) of the group; over half (54 per cent) cited long-term sickness or injury, eight per cent mentioned temporary sickness or injury, and a further 11 per cent said that they believed their health problem would prevent them from getting a job. These findings suggest a group of individuals with aspirations to work but who were restricted in their ability to work by their health.

**Table 7.6 Main reason for not looking for work among those who would like to work**

	<i>Column percentages</i>
	<b>Total</b>
Unable to work because of long-term sickness/injury	54
Believe health problem/disability would prevent you getting a job	11
Looking after the family/home	9
Unable to work because temporarily sick/injured	8
Financially secure and don't need to work	2
Can't get a job that pays enough to make it financially worthwhile	2
Have stopped trying as I have tried in the past but could not find a job	2
Do not want a job	1
Studying full time	1
Believe no jobs were available	1
Retired	*
Some other reason	9

*Base: All below SPA and not working, who were not actively seeking work but would like to work in the future*

### 7.3.2 Reasons for not looking for work among those who did not want a job

Table 7.5 showed that almost two-thirds (64 per cent) of those below state pension age who were not working were not looking for work, and reported that they did not want a job at present. When this group was asked why they did not want to work (see Table 7.7), almost two-fifths (37 per cent) gave long-term health problems as the reason. Even though they had said they did not *want* to work, the fact that they were not looking for work was due to their health, suggesting a forced decision.

Earlier, Table 7.2 showed that, in terms of reported status, there were several sub-groups within the group below state pension age who were not in work; those who reported that their current status was long-term sick or disabled (43 per cent), those who considered themselves to be retired (28 per cent) and those who were looking after the home or caring. Table 7.7 looks at the main reason for not seeking work for these different groups. As would be expected, health problems predominated for those classified as long-term sick or disabled, with almost all (96 per cent) giving a health-related main reason. The reasons were more diverse for the other two groups, but around one in six (17 per cent) of the retired group were not looking for work for health reasons, indicating that people's stated activity status may mask the underlying reason why they are not looking for work. This suggests that exploring why people were not looking for work might lead to a better understanding of why people were not in work than simply focusing on their current activity status. This is developed further in the remainder of this section.

**Table 7.7 Main reason for not looking for work among those who would not like to work**

	<i>Column percentages</i>			
	Retired	Current activity		Total
		Sick	Home	
Unable to work because of long-term sickness/injury	11	81	7	37
Retired	44	1	6	18
Looking after the family/home	6	1	55	16
Financially secure and don't need to work	20	0	3	8
Do not want a job	10	0	12	6
Believe health problem/disability would prevent you getting a job	5	7	6	6
Unable to work because temporarily sick/injured	2	8	3	5
Not yet started looking for a job	1	0	2	1
Studying full-time	0	0	0	1
Have stopped trying as I have tried in the past but could not find a job	1	0	1	1
Can't get a job that pays enough to make it financially worthwhile	0	0	1	*
Believe there are no jobs available	1	0	0	*
Other reason	1	1	4	2
<i>Base: All below SPA and not working, who were not actively seeking work and would not like to work in the future</i>	186	314	80	594

### 7.3.3 Reasons for not looking for work - summary

The previous analysis has presented the reasons for not looking for work separately for (a) those who wanted to work and (b) those who did not. However, the same question was asked of both these two groups and their responses can therefore be added together to give a clearer picture of the non-working group as a whole. The list of reasons shown to respondents can also be summarised into some straightforward categories (for example by including all the health-related reasons as one category). Finally, by also considering the proportion who were actively seeking work, a very clear summary can be developed for the sample of respondents under state pension age who were not working. This is shown in Table 7.8.

This clearly demonstrates the impact of health on people's labour market participation. A half (50 per cent) of those of not working and below state pension age were not looking for work due to health reasons. Around a fifth (22 per cent) had retired or were financially secure and around one in eight (12 per cent) were looking after the home or family. It is therefore clear that, for a large proportion of this population, their status is not something they have chosen: by summing the proportion seeking work, those not looking because of their health, and those who couldn't find work or who have stopped trying, it can be demonstrated that 60 per cent of the sample were 'involuntarily out of work'.

There were differences between men and women and between different age groups. More than half of the men in each of the three age bands were not looking for work due to their health. Younger men were more likely to be actively seeking work (14 per cent of those aged 50 to 54), and among this age group around four-fifths were 'involuntarily out of work' as defined above. Older men were more likely to be retired or financially secure (30 per cent of those aged 60 to 64), although nearly two-thirds were still 'involuntarily out of work'.

Among the women, the proportion who were not looking for work for health reasons was lower than for men (40 per cent of women aged 50 to 59 compared with 58 per cent of men aged 50 to 64), and a higher proportion were not seeking work because they were looking after the home or family (24 per cent of women compared with only three per cent of men). As with men, younger women were more likely to be actively seeking work and older women were more likely to be retired or financially secure.

Among those on Incapacity Benefit, 91 per cent were not looking for work because of health reasons. This is important when considered in conjunction with the findings detailed in Section 7.2, where it was shown that there was a group of respondents on Incapacity Benefit who would like to work but who did not expect to do so in the future.

**Table 7.8 Labour market status – summary**

	<i>Column percentages</i>							
	<b>Men</b>				<b>Women</b>			<b>Total</b>
	<b>50-54</b>	<b>55-59</b>	<b>60-64</b>	<b>Total</b>	<b>50-54</b>	<b>55-59</b>	<b>Total</b>	
Actively seeking work	14	11	4	9	12	3	7	8
Not seeking work								
Health	63	58	55	58	41	40	40	50
Retired/financially secure/ don't want work	14	20	30	23	11	27	20	22
Looking after the home/family	2	4	3	3	27	21	24	12
Can't get work that pays enough/ stopped trying/none available	1	1	5	3	1	1	1	2
Other reason	5	5	2	4	6	7	6	5
<i>Base: All below SPA and not working</i>	<i>122</i>	<i>174</i>	<i>313</i>	<i>609</i>	<i>160</i>	<i>200</i>	<i>360</i>	<i>969</i>

This gives a much clearer indication of the reasons for inactivity than simply looking at activity status. As was shown in Section 7.1, 28 per cent of the non-working group gave their main activity status as retired. However, even though they said they were retired, a fifth (21 per cent) said they were not looking for work for health reasons.

Table 7.9 shows the profile of the three largest groups (i) the 50 per cent who were not looking for work for health reasons, (ii) the 22 per cent not looking because they were retired or financially secure and (iii) the 12 per cent who were not looking because they were looking after the home or family. Nearly two-thirds (64 per cent) of the first group were men. They were likely to be younger and more likely to be single than those who were retired or financially secure. Half of them were on Incapacity Benefit and only a third of them received a private pension income (compared with two-thirds of those retired or financially secure). They had fewer qualifications than the retired or financially secure, and a below-average weekly income.

**Table 7.9 Profile of those not working, by reason for not looking for work**

*Column and cell percentages*

	<b>Health reasons</b>	<b>Not looking for work Retired/ financially secure/don't want work</b>	<b>Looking after the home or family</b>	<b>All not working</b>
Men	64	57	13	55
Women	36	43	87	45
50-54	34	19	46	34
55-59	40	48	48	42
60-64 (men only)	27	33	6	24
Single	29	18	10	26
Married/cohabiting	71	82	90	74
Has working partner	26	34	47	30
Receives private pension income	31	65	16	36
Receives IB	49	4	1	27
No qualifications	47	22	46	41
Has health problem	98	50	39	73
Mean weekly benefit unit income	£163	£255	£260	£198
Percentage from earnings	17	21	40	21
Percentage from benefits (excl. state pension)	63	7	39	46
Percentage from state pension	3	5	3	4
Percentage from private pension	13	41	9	19
Percentage from other	4	26	9	10
<i>Base: All below SPA and not working</i>	<i>633</i>	<i>144</i>	<i>69</i>	<i>969</i>

The table also shows how the sources, as well as amounts, of income differed between the three groups.<sup>41</sup> Among those who were not working for health reasons, mean weekly equivalised income was £163, and 63 per cent of this income came from benefits. However, of those who were not working because they were retired or financially secure, mean weekly income was £255; this group received, on average, 41 per cent of its income from private pensions and a further quarter from 'other' sources (principally income from assets); relative to the other groups they derived very little income from state benefits.

Those not seeking work because they were looking after the home were predominantly women (87 per cent) and, on average, were significantly younger than the other two groups. They were more likely to have a working partner, and 40 per cent of their Benefit Unit income came from earnings. More than half (55 per cent) said that they were looking after or caring for someone else, twice the rate for those not working and below state pension age as a whole. For this group in particular, it would seem that their caring responsibility contributed to their decision not to look for work.

<sup>41</sup> It is important to note that these figures show Benefit Unit income i.e. they include income from a partner where applicable. This explains why a proportion of this sample who were below state pension age were in receipt of state retirement pension.

This section has identified the main reasons why those below state pension age were not looking for work and has highlighted that there were important differences between the three main groups, those not looking for work for health reasons, those not looking because they were retired or financially secure and those not looking because they were looking after the home and family. These groups are considered separately throughout the remainder of this chapter.

## 7.4 Transitions from employment

Very few (less than five per cent) of those not working and below state pension age had never had a paid job, so for the vast majority it was possible to assess the process of moving out of employment by exploring their reasons for leaving their most recent job. This section also looks at the age at which these individuals left their most recent job, and the nature of their previous occupation.

As Table 7.10 illustrates, ill-health was – overall – the most common reason people gave for leaving their most recent job, being mentioned in almost a half of all cases (46 per cent). Among those currently looking for work, redundancy was the most common reason, given by 40 per cent, while 23 per cent of this group mentioned ill-health. Unsurprisingly, among those not seeking work for health related reasons, ill-health was the most common reason for leaving their most recent job (76 per cent), while 14 per cent said that the work was too physically demanding (likely to be as a result of their health status). It is interesting to note that 13 per cent of this group left their last job through redundancy rather than ill-health; it would seem that, although they were made redundant from their *last* job, the main reason they were *now* not looking for work was ill-health.

Among those not seeking work because they were retired/financially secure, the reasons were quite different and demonstrate that this group had more choice in their decision. A third (33 per cent) had left to enjoy life while they were still young and fit enough, whilst 21 per cent were offered early retirement and 17 per cent had left to spend more time with their family.

**Table 7.10 Reasons for leaving last job, by labour market status**

	<i>Multiple responses (percentages)</i>				
	<b>Looking for work</b>	<b>Not looking for work</b>		<b>All not working</b>	
		<b>Health</b>	<b>Retired/ secure</b>	<b>Home/ family</b>	
Ill-health	23	76	16	6	46
Made redundant	40	13	13	7	16
To spend time with partner/family	9	4	17	37	11
Work too physically demanding	8	14	6	5	10
To enjoy life while still young	0	2	33	9	10
Offered early retirement	5	5	21	3	9
Job too stressful	8	10	9	8	9
Ill-health of relative or friend	0	4	6	14	6
Employer moved or closed down	4	4	7	6	5
Work was too demanding in other ways	4	4	6	1	4
I moved home	5	2	7	6	4
Offered voluntary redundancy	7	1	10	3	4
<i>Base All below SPA and not working, who had worked previously</i>	<i>59</i>	<i>615</i>	<i>144</i>	<i>60</i>	<i>939</i>

Note: Only the most popular reasons are given in the table. Hence some categories may add up to less than 100 per cent.

Another factor in the transition from employment was the type of job individuals had held, prior to stopping work. Where people had left their most recent job since the age of 50, or in the last five years, their job details were coded to the Standard Occupational Classification (SOC 2000) as shown in Table 7.11.

Among those who were retired or financially secure, 36 per cent had previously worked as managers and senior officials, or professionals. However, among those not seeking work for health reasons, only 18 per cent had previously worked in such occupations. In contrast, 43 per cent were previously working as process, plant or machinery operatives or in elementary occupations, compared with only 11 per cent of those who were retired/financially secure.

**Table 7.11 Occupation in most recent job**

	Not looking for work		Total
	Health	Retired/secure	
<i>Column percentages</i>			
SOC 2000 Category			
Managers and senior officials	10	25	13
Professional occupations	8	10	9
Associate professional and technical	11	11	8
Administrative and secretarial	5	15	11
Skilled trades occupations	15	15	14
Personal service occupations	5	4	7
Sales and customer services	4	8	7
Process, plant and machine operatives	22	4	15
Elementary occupations	21	8	16
<i>Base All below SPA and not working, who have worked since 1997 or the age of 50</i>	335	118	565

Table 7.12 shows the age at which people had left their most recent job. The overall average was 46, but with a wide distribution around this figure. The pattern was similar for those not seeking work for health reasons, where the age at which they had stopped work was spread fairly evenly across all of the age bands, with an average of 46.5.

For those who were not working because they had retired or were financially secure, this was a more recent phenomenon with 42 per cent having last worked between the ages of 50 and 54, with an average age of 50.7. Those not looking for work because they were looking after the home or family had been out of work for longer, having – on average – left their last job at an age of 34.5. It is likely that, for many of this group, they left their last job to start a family (as was shown earlier, 37 per cent had left to spend more time with a partner or family) and never returned to paid employment.

**Table 7.12 Age at which people stopped working**

	<b>Not looking for work</b>			<b>Total</b>
	<b>Health</b>	<b>Retired/ secure</b>	<b>Looking after home</b>	
Before age 45	27	15	44	25
45-49 years	22	10	9	18
50-54 years	24	42	26	29
55-59 years	18	23	3	18
60-64 years	5	10	1	6
Average	46.5	50.7	34.5	46.1
Never had a paid job	3	-	15	4
<i>Base All below SPA not working</i>	<i>616</i>	<i>131</i>	<i>69</i>	<i>936</i>

*Column percentages*

## 7.5 Continued inactivity and employment aspirations for the future

All those who were not looking for work were asked if there were any circumstances in which they would consider looking for paid work in the future (shown in Table 7.13).

Two in five (39 per cent) of all those not currently seeking work did not name any circumstances in which they would consider work in the future, which further demonstrates that, among this group, there was a significant proportion who were unlikely to return to the labour market. The importance of health is further demonstrated, in that 37 per cent said they would consider looking for work if their health improved.

As was highlighted in the introduction to this chapter, the Government is considering piloting measures to help recipients of Incapacity Benefit to return to work. Among those in receipt of Incapacity Benefit, 63 per cent said that they would look for work in the future if their health improved. However, a third (33 per cent) did not name any circumstances in which they would consider looking for work.

**Table 7.13 Reasons to consider looking for work in the future**

	<i>Multiple responses (percentages)</i>		
	<b>Not on IB</b>	<b>On IB</b>	<b>Total</b>
None of these	42	33	39
If my health improved	27	63	37
If my financial circumstances changed	21	3	16
If my family circumstances changed	14	1	10
If I could work from home	7	7	7
If I stopped receiving benefits	4	6	4
If I had more spare time	3	*	2
Other	1	1	1
<i>Base All below SPA and not working, and not seeking work</i>	<i>465</i>	<i>445</i>	<i>910</i>

People were then asked what type of work they would consider doing (see Tables 7.14, 7.15 and 7.16). The majority (52 per cent) would consider part-time (up to 30 hours per week) rather than full-time work (Table 7.14).

**Table 7.14 Type of work considered doing – hours**

	<i>Column percentages</i>		
	<b>Not on IB</b>	<b>On IB</b>	<b>Total</b>
Paid work 30 or more hours per week	29	37	31
Paid work up to 30 hours per week	55	45	52
Self-employment	10	11	11
Don't know	6	7	6
<i>Base: All who gave a reason why they might consider looking for work in the future</i>	275	294	569

They were also asked about the type of contract they would consider (see Table 7.15). Most (58 per cent) responded by saying they would consider either permanent or fixed-term/temporary work, the remainder being split roughly equally between preferring one type of contract over another. Those on Incapacity Benefit were more likely than others to say permanent work only.

**Table 7.15 Type of work considered doing – contract**

	<i>Column percentages</i>		
	<b>Not on IB</b>	<b>On IB</b>	<b>Total</b>
Permanent work only	16	25	19
Fixed-term or temporary work only	20	11	17
Either permanent or fixed-term/temporary work	59	55	58
Don't know	5	8	6
<i>Base: All who gave a reason why they might consider looking for work in the future</i>	275	294	569

They were also asked whether they would consider a similar job to that which they had had in the past (see Table 7.16). Respondents were fairly evenly spread between saying they would consider the same work, different work, or both.

**Table 7.16 Type of work considered doing – content**

	<i>Column percentages</i>		
	<b>Not on IB</b>	<b>On IB</b>	<b>Total</b>
The same work you have done in the past	33	35	34
Different some of work from what you have done in the past	30	34	31
Both	33	29	32
Don't know	3	3	3
<i>Base: All who gave a reason why they might consider looking for work in the future</i>	275	294	569

### 7.5.1 Awareness and participation in New Deal programmes

The questionnaire asked those who were of working age and not in work about awareness of, and participation in, New Deal 50 Plus and the New Deal for Disabled People. Almost two-fifths, (39 per cent) had heard of the New Deal 50 Plus and 28 per cent had heard of the New Deal for Disabled People. For both programmes, awareness was higher among men than women but participation rates were very low, only five per cent had been involved in the New Deal 50 Plus and one per cent in the New Deal for Disabled People. Among those on Incapacity Benefit, awareness was slightly higher (at 48 per cent and 41 per cent respectively) but in each case only two per cent were participating in the programmes.

**Table 7.17 Awareness and participation in New Deal programmes**

	<i>Cell percentages</i>							
	<b>Men</b>				<b>Women</b>			<b>Total</b>
	<b>50-54</b>	<b>55-59</b>	<b>60-64</b>	<b>Total</b>	<b>50-54</b>	<b>55-59</b>	<b>Total</b>	
Awareness of New Deal programmes:								
New Deal 50 Plus	51	51	40	46	32	28	30	39
New Deal for Disabled People	33	32	28	31	31	22	26	28
Participation in New Deal programmes:								
New Deal 50 Plus	5	7	7	6	6	2	4	5
New Deal for Disabled People	3	1	1	1	1	0	*	1
<i>Base All below SPA and not working</i>	<i>122</i>	<i>174</i>	<i>313</i>	<i>609</i>	<i>160</i>	<i>200</i>	<i>360</i>	<i>969</i>

## 7.6 Summary

This chapter focused on the 38 per cent of the sample *below state pension age* who were not working<sup>42</sup> at the time of interview. This group consisted disproportionately of people close to state pension age, as progressively more people move out of employment as they approach that age. It also consisted disproportionately of those with lower qualification levels and those with health problems; people with a spouse or partner were *less* likely to find themselves in this group. (Section 7.1)

Given the interest in re-engaging this population in the labour market, it is apparent that – for many – they do not expect to return to work again. Three-quarters said that they did not expect to work again, and nearly two-thirds (64 per cent) said that they were not looking for work and did not want work. These proportions increased with age. Women were more likely than men to expect to work again. (Section 7.2)

<sup>42</sup> This includes people who did not describe their current situation as employed or self-employed, and who had not worked (either as an employee or as self-employed) in the previous month.

It was shown that classifying respondents in terms of their stated *reason for lack of job search activity* as opposed to their stated *activity status* provided a clearer summary of this group as a whole. A typology was developed which grouped the sample into five main categories:

- 1 Those not looking for work because of health problems (50 per cent).
- 2 Those not looking because they were retired or because they said they were financially secure (22 per cent).
- 3 Those not seeking work because they were looking after the home or family (12 per cent).
- 4 Those actively seeking work (eight per cent).
- 5 Those who could not find work that paid enough, had given up trying to find work, or considered that there was none available (two per cent).

The remaining five per cent gave a range of reasons that were not readily classifiable into any single theme. By summing groups 1, 4 and 5, it could be inferred that 60 per cent of those not working were 'involuntarily out of work'. (Section 7.3.3)

The markedly different characteristics of the three largest groups – none of whom were actively seeking work – are summarised here.

- The largest group – those not seeking for work for health reasons – was predominantly male. They were more likely than the second group to have no qualifications; they were also younger, and more likely to be single. They had much lower levels of income and were heavily reliant on benefits. The ages at which they had last worked covered a wide spectrum, with an average of 46.5.
- The second largest group consisted of people who were who were retired, were financially secure or did not want work. They had clearly had more choice in their decision and had typically stopped work more recently, at an average age of 50.7. Men outnumbered women, but to a lesser extent than in the first group. They had above-average incomes, derived principally from private pensions and assets.
- The third largest group were not seeking work because they were looking after the home or family. They were predominantly women, were on average younger than the other two groups, had been away from the labour market for longer and had left their last job at an average age of 34.5. More than half were looking after or caring for someone else. Fifteen per cent had never had a paid job. Nearly all had a partner, half of whom were working. Their average income was similar to that of the second group but came from different sources, being predominantly derived from earnings and benefits in equal proportion. (Sections 7.3.3 and 7.4)

The Government is to pilot measures aimed at helping those on Incapacity Benefit back into work. Among this group 13 per cent expected to work again in the future, while 29 per cent said they would like to work but had no expectation of doing so. Almost all were not looking for work because of health reasons, but almost two-thirds said that they would consider looking for work if their health improved. Those not expecting to work again had significantly more health problems than those seeking work or expecting to work again. (Section 7.2, 7.3.3 and 7.5)

Two-fifths (39 per cent) of those below state pension age and not working were aware of the New Deal 50 Plus and 28 per cent were aware of the New Deal for Disabled People. However, much smaller numbers had actually participated in these schemes (five per cent and one per cent respectively), highlighting the potential for the extension of support available through New Deal 50 Plus proposed by the Government. (Section 7.5.1)

# 8 Income and assets

**James Banks and Zoë Oldfield, Institute for Fiscal Studies**

This chapter presents an analysis of the financial situation of older people. In previous chapters we have presented some analysis of incomes – for example, in Chapter 4 we showed how the incomes of workers varied according to expected retirement date and in Chapter 7 we showed how those who were not looking for work through ill-health had much less income than those who were retired or financially secure. In this chapter, we concentrate on the differences in income and assets across older people as whole.

## 8.1 Comparison with the Family Resources Survey

We start with a comparison of the income measure collected in this study<sup>43</sup> and income measured in the Family Resources Survey. The current survey did not attempt to collect information on income and assets in such detail as in the FRS.<sup>44</sup> Despite this, the results are very similar to those from the FRS, as can be seen in Table 8.1. This shows mean income levels (in nominal terms) for respondents in this study and respondents in the 50-69 year old age group of the FRS in 2001/02. For the purposes of this comparison, we use a Benefit Unit level (unequalised) income measure analysed at the individual level.

**Table 8.1 A comparison of mean incomes recorded in the Factors Affecting the Labour Market Participation of Older Workers Study and the FRS, £ per week (nominal), 2001/02**

Income Source	This study	Family Resources Survey
Employment Income	201	191
Self Employment Income	42	41
Benefit Income	38	34
State Pension Income	36	36
Private Pension Income	61	62
Other Income	31	26
Total Income	409	390

<sup>43</sup> Note that most of the information in this chapter was collected in two stages. In the first stage, respondents were asked to provide an exact amount of their income. For those who did not know, follow-up questions were used that enabled respondents to give an upper and lower bound for their income. As in all surveys, some missing values remain, and these – along with those who provided a bracketed estimate – were given an imputed value.

<sup>44</sup> Note that this income measure is not directly comparable with income as measured by the Households Below Average Income Series. The main differences are that we do not measure income net of Council Tax, and we do not measure various forms of income in kind, as these details were not collected in this survey.

Total income recorded in this study is, on average, slightly higher than was recorded in the FRS. In particular, this difference arises from higher employment income, higher benefit income and higher other income on average than recorded in the FRS. Differences in benefit income may be explained by increases in generosity in the benefit system between the date of fieldwork in the FRS and this study and differences in employment income could be explained by wage growth. Any remaining differences are relatively small.

In the remainder of this chapter, the income measure that we use is Benefit Unit income, adjusted for Benefit Unit size (equivalised), but analysed at the individual level<sup>45</sup> (i.e. there is one observation per individual<sup>46</sup>). As with the Department for Work and Pensions poverty and inequality statistics, this means that we are implicitly assuming that income is shared equally within Benefit Units<sup>47</sup>.

## 8.2 Income by age and education

For a broad overview, in Table 8.2 we start with an analysis of income by age band and highest educational qualification. We define three education groups – those who have degree or equivalent qualifications (referred to as ‘degree’ in Table 8.2 and subsequent tables), those who have other qualifications below degree-level (‘other’ in the tables) those who have no educational qualifications (‘none’ in the tables). The first column of the table, shows mean weekly equivalised total income and the remaining numbers show how that income is made up from the various components – employment income (including self employment income), benefit income (income assessed and health-related but excluding state pension), state pension income, private pension income and other income (including investment income).

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<sup>45</sup> Note that this means that someone below state pension age can be in receipt of state pension income if their (older) partner receives it and, similarly, those who are not working can be seen to be in receipt of earnings income.

<sup>46</sup> Note that the base sample size is 2,797. The remaining observations are excluded because of missing information that was vital to impute income.

<sup>47</sup> Even if income is not distributed equally across members of a Benefit Unit, all members of a family unit may benefit from goods or services that are bought by any one member of that family unit.

**Table 8.2 Mean total income and sources of income, by age and education**

Age and education	Total	Earnings	Benefits	State	Private	Other	Base
	income £, weekly	%	%	pension %	pension %	%	
Aged 50-54	314	74	16	1	5	4	772
Degree	421	81	7	1	6	5	228
Other	297	77	13	1	5	5	333
None	208	57	35	2	4	2	211
Aged 55-59	276	60	20	2	11	8	769
Degree	392	65	8	2	14	11	166
Other	273	65	15	2	11	8	352
None	200	49	36	2	8	5	251
Aged 60-65	236	28	20	24	19	8	706
Degree	334	31	10	13	34	11	122
Other	248	33	18	18	20	10	280
None	178	23	27	35	11	4	304
Aged 65-69	225	7	11	54	22	6	550
Degree	339	10	7	38	36	10	96
Other	242	7	9	51	25	8	200
None	165	6	15	62	14	4	254
Total	268	46	17	17	13	6	2797

Across the whole sample, average income was £268 per week. As would be expected, the older age groups have lower income on average than younger age groups, with the youngest age group receiving £314, on average, a week and the oldest age group receiving £225. This finding is fairly consistent across education groups. The sources of this income also vary considerably across age groups and education groups. In the youngest age group, for those with a degree or other non-degree qualification, by far the largest component of income is earnings (comprising 81 per cent of income). This contrasts with the group who have no qualifications who tend to rely much more heavily on benefits – on average 35 per cent of this group’s income is made up of benefits. A similar picture emerges for the 55-59 year olds, although as would be expected, for all education groups, earnings become a smaller component of income. For those individuals age 60 and above, private pension income becomes a large component of income but only for the more educated. Those who are less educated rely more heavily on benefits and the state pension. Those aged 65+ tend to get less from benefits. To some extent this will reflect the rules of the state benefit system (for example, those aged 65+ are unable to claim Incapacity Benefit) and the receipt of the state pension will, for some, reduce entitlements to income-assessed benefits.

Within age and education group, there will be much diversity in the labour market status of individuals and this will clearly be an important factor both in the level of income received and in the reliance on the various components of income. This issue is examined in the next section.

### 8.3 Income by labour market status

In previous chapters we have split our sample into groups according to labour market status. We now use these definitions to see how income varies according to the various situations that an individual can be in.

**Table 8.3 Levels and sources of income, by labour market status**

Status	Total	Earnings	Benefits	State	Private	Other	Base
	income £, weekly	%	%	pension %	pension %	%	
All ages	270	268	46	17	17	13	2797
Working	343	83	3	4	6	4	1094
semi retired	391	58	2	3	28	8	91
not retired	339	85	3	4	4	4	1003
Not working	201	13	29	30	20	8	1703
retired	205	9	23	37	22	8	1266
semi-retired	211	25	39	4	20	13	101
not retired	181	25	56	5	7	6	336
Below SPA	289	63	19	2	10	6	1936
Working	343	87	3	1	5	4	983
semi retired	391	58	2	3	28	8	91
not retired	339	89	3	1	3	3	892
Not working	197	21	46	4	19	10	953
retired	206	18	40	4	26	12	516
semi-retired	211	25	39	4	20	13	101
not retired	181	25	56	5	7	6	336
At or above SPA	224	12	13	49	20	7	861
Working	344	49	2	28	11	9	111
Retired	205	5	14	53	21	7	750

### 8.3.1 People in work

Table 8.3 shows that workers receive, on average, a total income of £343 per week. This level does not vary according to whether the individual is above or below state pension age. However, the source of this income varies considerably according to whether the worker is above or below state pension age. For workers below state pension age, on average, 87 per cent of income comes from earnings, whereas for those workers above state pension age, this figure is only 49 per cent. The difference is made up by state pension income and to some extent private pension income, which, for occupational pension income must, under the current rules, come from a pension from a previous employer.

For workers below state pension age, we can look separately at those who report themselves as semi-retired<sup>48</sup>, and not yet retired. There is a small difference between average income levels of these two groups, with the semi-retired receiving on average £391 a week and those who have not retired receiving somewhat less at £339. Again, we see large differences in the sources of this income. The semi-retired rely much less on their earnings and instead receive 28 per cent of their income from private pensions. This contrasts with those who report themselves as not retired, who receive 89 per cent of their income from employment and very little (on average just three per cent) from private pensions.

<sup>48</sup> We also have this information for those over state pension age, where there is approximately a 50/50 split between the semi-retired and not-retired workers. However, because of the limitations of sample size, we have not differentiated between them.

This will reflect, to some extent, the fact that the semi-retired are more likely to be working part-time (which is what we found in Chapter 6). Even within the group of workers and non-workers in this age group, there are differences in characteristics which reveal differences in income. In Chapter 3 (Working) for example, we show how income varies according to whether workers plan to retire early or late. This showed that those who plan to retire early have, on average, slightly higher incomes than those who plan to retire late. Similarly in Chapter 7 (Table 7.9) we found a large difference in average income levels between those who were not looking for work because they were retired or financially secure and those who were not looking for work because of ill-health.

### 8.3.2 People below state pension age and not working

Among those who are below state pension age and who are not working, there is very little difference between the average levels and sources of income received by the retired and the semi-retired. For both groups, benefits provide the largest single source of income. A significant percentage also comes from a private pension.

Those who are not working and who reported themselves as not retired are, on average, poorer than their retired and semi-retired counterparts (receiving on average £181 a week compared with around £210 a week) and are even more dependent on benefits, with 56 per cent of their income coming from benefits compared with around 40 per cent among the retired and semi-retired. However, the biggest difference between those who are retired (or semi-retired) and those who report themselves as not retired is the percentage of income which comes from private pensions – those who are not retired tend to receive much less than their retired counterparts from a private pension.

### 8.3.3 People at, or above, state pension age

For those who are above state pension age, we can differentiate between those who are working and those who are retired.<sup>49</sup> Looking at total equivalised income, those who are retired are, on average, poorer than their working counterparts. What is perhaps surprising is that if we exclude earnings from total equivalised income (numbers not shown in table), we find that, on average, the workers receive £189 a week while the retired receive £195 a week. This suggests that those who choose to work past state pension age are not necessarily doing so simply to enjoy a similar level of income to others in their age group. Instead, there seems to be other reasons why some people choose to continue to work past state pension age, either to boost their income levels above that of their contemporaries or for non-financial reasons.

## 8.4 Receipt of state benefits

In previous sections, we have gained some idea of the extent to which individuals of different ages and labour market status receive different proportions of their income from state benefits. In this section, we look in more detail at this issue and ask how many individuals receive more than a given percentage of their income from state benefits and how this varies across positions in the labour market. Table 8.4 shows levels of benefit income and the percentage of individuals who receive more than 50 per cent or more than 75 per cent of their income from the state. We use two alternative definitions of benefit income – one excluding state pension income and one including state pension

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<sup>49</sup> Among those non-workers above state pension age, there were a very small number who reported that they were not retired (five) or semi-retired (eight). For the purposes of this table, we do not identify these people separately. Instead we keep them with the non-workers and label this group “retired”.

income. For those below state pension age, the difference is negligible and is caused only by those Benefit Units where one partner is below state pension age and the other above it. For those above state pension age, we might be interested in the wider definition of benefit income (i.e. that including state pension income) if we are interested in the individuals' dependence on the state rather than private sources of income: for this we need to include state pension income even though it is not income assessed.

**Table 8.4 Levels of benefit income and percentage who receive more than 50% and 75% of their income from state benefits**

Status	Average benefit income £, weekly	Average benefit income		Average benefit and state pension income		Base	
		>50 %	>75 %	>50 %	>75 %		
All ages	38	15	11	75	33	25	2797
Working	13	1	0	26	3	1	1094
semi-retired	8	0	0	20	2	0	91
not retired	14	1	0	26	4	1	1003
Not working	61	28	21	119	59	47	1703
retired	49	21	14	122	60	46	1266
semi-retired	77	41	33	85	44	35	101
not retired	108	57	50	114	61	56	336
Below SPA	43	18	15	48	20	16	1936
Working	14	1	0	18	2	0	983
semi-retired	8	0	0	20	2	0	91
not retired	15	1	0	18	2	0	892
Not working	92	46	39	99	50	43	953
retired	84	40	32	90	43	37	516
semi-retired	77	41	33	85	44	35	101
not retired	108	57	50	114	61	56	336
At or above SPA	28	10	4	132	61	44	861
Working	5	1	1	102	18	7	111
Retired	32	11	5	137	68	50	750

Overall, 15 per cent of individuals age 50-69 receive more than 50 per cent of their income from benefits and 11 per cent receive more than 75 per cent from benefits. If we include state pension income as benefit income, the percentages are 33 and 25 respectively. Not surprisingly, those who are not in work are more likely to rely more heavily on state benefits – for those in work (excluding state pension income) almost nobody receives more than 50 per cent of their income from benefits; this is true of those aged below, and those aged at or above, the state pension age. For those who are not working and are below state pension age, a much higher percentage receive a large portion of their income from state benefits. This is particularly true of those who report themselves as not retired, with 50 per cent relying on (non state-pension) benefits for over 75 per cent of their income. Those who are semi-retired or retired are also more likely to receive a large portion of their income from state benefits, although to a slightly lesser extent.

For those who are at or above state pension age, we find that those who continue to work are less likely than their retired contemporaries to receive more than 50 or 75 per cent of their income from benefits even if we include state pension income.

## 8.5 Wealth

So far in this chapter we have looked at how income varies across individuals depending on their labour market status. Income is often used as a way to assess living standards but, particularly among this age group, there is potentially an important component of financial resources that remains unmeasured and that is the extent to which individuals have assets that they have accumulated throughout their life that they can draw on. Although we cannot measure the extent to which our sample are drawing on their assets (since we do not have panel data), we can look at their wealth in order to assess the potential resources that individuals have at their disposal if they choose to run them down. This is complicated, however, by the fact that we have a heterogeneous sample, particularly with respect to the stage of life that they are at. Younger individuals (particularly those who are still working) are likely to continue to accumulate assets, whereas those who are retired may have already begun to run their assets down.

The amount of wealth that people hold is particularly important for this age group because of the implications this has for resources in retirement. Once people stop working, the wealth that they have accumulated throughout their life will provide an important income stream throughout retirement. With working lives becoming shorter and longevity increasing, the adequacy of saving for retirement becomes an increasingly important issue.

The survey collected a wide range of data on wealth – information on savings, investments and debt was collected as well as information on physical assets (such as jewellery) and housing. The survey questions were designed carefully in order to minimise this misreporting by respondents.<sup>50</sup> Of particular importance is that some information on pension wealth was collected. This information was collected both via a variety of questions, some of which were very direct measures (such as the current value of a defined contribution pension) and others which were likely to give more of an indication of pension wealth (such as number of years of contributions). The more direct measures are likely to be subject to a large amount of error, with many respondents reporting that they don't know. This, however, can be informative in itself, and we include some analysis of pension knowledge based on respondents' reporting on these questions.

Those without a private pension and who have worked since 1978 are likely to have some entitlement to the State Earnings Related Pension. This may be an important source of wealth for these people. However, we do not have complete work histories for our respondents and so any calculation of entitlement to SERPS would be very approximate. In addition, any income from other benefits can be thought of as wealth for those who are entitled. Again, calculating this wealth would be very difficult. For this reason we only consider private wealth and not state pension wealth.

We start in Section 8.5.1 with a description of the distribution of wealth by age and education. We then look at how wealth varies across the sample according to labour market status. Finally we look at pension wealth and pension knowledge.

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<sup>50</sup> In addition to asking respondent to give an exact amount of various assets, the survey used follow-up questions which enabled those respondents who were unable to provide an exact amount, to provide an upper and lower bound for their wealth. Nevertheless, it is inevitable that some error will remain in data of this kind.

### 8.5.1 Financial wealth by age and education

Table 8.5 shows mean net financial wealth by age and education.<sup>51</sup> As with income, we look at tax unit wealth but analyse it at the individual level. Net financial wealth is defined as savings plus investments minus debt and these components are also shown in the table. Savings are defined as interest-bearing deposit accounts, investments are other savings products such as shares, unit trusts and PEPs but do not include pensions or housing (which we examine separately). Debt includes a wide range of products such as loans, overdrafts and mail order borrowing but does not include outstanding mortgages. It is well documented that the distribution of wealth is very unequal and so the table also reports figures on the 25th and 75th percentile of financial wealth along with the median.

**Table 8.5 Financial wealth, by age and education**

Age and education	Mean savings	Mean investments	Mean debt	Mean	25th percentile	Median	75th percentile
				net financial assets	net financial assets	net financial assets	net financial assets
Aged 50-54	15,648	23,746	2,942	36,452	500	11,400	38,000
Degree	28,879	31,829	3,152	57,557	5,500	23,000	55,012
Other	12,021	25,069	3,622	33,467	1,000	13,000	38,500
None	5,408	10,852	1,397	14,863	0	1,500	12,000
Aged 55-59	14,375	27,329	2,341	39,363	1,000	13,900	46,000
Degree	23,746	50,193	3,056	70,883	8,000	37,500	77,000
Other	14,714	26,377	2,552	38,540	2,400	15,000	46,000
None	7,183	12,521	1,507	18,197	0	2,000	20,000
Aged 60-65	14,753	15,039	1,160	28,633	471	7,300	32,000
Degree	30,499	30,855	1,043	60,311	5,220	30,000	67,000
Other	15,372	15,138	1,411	29,099	1,625	11,600	35,000
None	6,937	7,712	961	13,688	0	2,500	11,100
Aged 65-69	12,026	15,368	734	26,660	900	6,016	26,000
Degree	19,161	30,556	854	48,863	7,500	23,000	52,000
Other	15,121	19,460	1,269	33,312	1,200	8,000	37,000
None	6,613	5,867	252	12,228	236	3,120	9,808
Total	14,375	21,015	1,934	33,456	700	9,000	37,000

For the sample as a whole, the mean net financial wealth is £33,456. Due to the skewed nature of the distribution of wealth, this mean is dominated by individuals who hold very large amounts of wealth and does not necessarily represent a good measure of wealth held by the majority of people. For this reason, we also report median wealth, which is much lower at just over £9,000. The biggest component of financial wealth is investments with a mean level of £21,015, while the mean amount of debt held is relatively small at £1,934. The unequal nature of the distribution of wealth can be seen also by the 25<sup>th</sup> and 75<sup>th</sup> percentile points of net wealth. These show that 25 per cent of people hold

<sup>51</sup> Note that a direct comparison of wealth in this study and the FRS or the British Household Panel Study is not possible because life insurance policies are not included in the measure of wealth in these surveys and some 30 per cent of respondents report that they hold a life insurance policy. Also, the FRS records wealth in sufficient detail to make such a comparison for only a subset of households.

£700 or less in financial assets while 25 per cent hold more than £37,000. Some inequality is to be expected, since the accumulation of wealth is a dynamic process: the stock of wealth that we are measuring here is the result of past savings decisions, so inequality that is observed in the stock is the result of the accumulation of past inequality in savings decisions, which will, in part, reflect inequalities in lifetime incomes. However, the data reveal that there is a relatively large proportion of individuals with few liquid assets to draw on in an emergency.

Large differences can be seen across education groups. For the youngest age group, median net financial assets are £1,500 for the least educated group, compared with £23,000 for those individuals with a degree. For the least educated group in all age groups except the very oldest, at least 25 per cent of individuals hold no financial assets at all (and some will be in debt). Perhaps surprising is that debt also tends to be higher for the more educated groups. This may reflect credit constraints among the least educated group.

Younger individuals in the sample hold more financial assets than older individuals with a peak in the 55-59 year old age group. However we cannot interpret this as evidence that older individuals have begun to run down their assets since those who are currently aged 50-54 might choose to behave differently by the time that they reach older ages. Also younger generations will, on average, be better off at any age than their predecessors due to real economic growth.

### 8.5.2 Physical wealth by age and education

Financial wealth, although important, is only one part of an individual's portfolio of assets. Other ways in which individuals may choose to hold wealth is in housing (either as the primary home or a second property) or other physical assets such as valuable jewellery, or antiques. It is not straightforward to measure housing wealth because as well as having investment value, the primary home also has a consumption value. Even if someone owns their home outright, if they were to sell their home, they would have to pay for somewhere else to live. However, separating out the investment value and the consumption value of housing is a complex issue and we do not attempt to do this here. Instead we simply measure the current value of the house less any mortgage outstanding on the property. It should be borne in mind however that this represents an upper bound on housing wealth due to the consumption value of the house.

We measure separately the value of the primary home and other physical assets. Other physical assets include second properties (net of any outstanding mortgage). Note that in this sub-section, in calculating housing wealth, we exclude those owners, around 20 per cent, who did not know the net value of their house. As a result the means and percentile points will be biased downwards since, for those individuals who do not own their home, we know their housing wealth is zero and so we are including relatively more people with low wealth.

**Table 8.6 Net housing wealth and other physical assets, by age and education**

<b>Age and education</b>	<b>Percentage who own</b>	<b>Mean (net) housing</b>	<b>Mean other physical assets</b>	<b>Mean total physical assets</b>	<b>25th percentile total physical assets</b>	<b>Median total physical assets</b>	<b>75th percentile total physical assets</b>
Aged 50-54	80	88,967	13,478	101,108	15,000	71,500	130,000
Degree	88	118,865	23,949	142,231	60,000	100,000	170,000
Other	82	89,008	12,066	99,039	20,000	70,000	130,000
None	65	49,344	2,639	50,914	0	25,000	80,000
Aged 55-59	79	94,675	20,793	116,660	115	74,000	150,000
Degree	93	164,668	38,437	205,950	70,000	150,000	255,000
Other	84	90,922	22,626	115,723	20,000	75,000	142,000
None	61	51,748	5,410	56,036	0	25,000	90,000
Aged 60-65	74	88,183	8,242	96,318	0	70,000	140,000
Degree	88	136,301	11,498	150,742	70,000	120,000	200,000
Other	82	99,200	7,758	104,177	12,000	80,000	153,750
None	59	56,351	7,240	64,940	0	19,000	90,000
Aged 65-69	71	85,806	4,292	89,455	0	60,000	130,000
Degree	91	162,374	10,548	174,315	80,000	140,000	202,500
Other	78	98,147	6,204	102,474	0	70,000	150,000
None	57	48,919	195	49,096	0	140	88,000
Total	76	89,629	12,336	101,717	0	70,000	140,000

Table 8.6 shows (primary) housing wealth and other physical assets by age and education. We also show the percentage of individuals who are home owners. The first point to note is that overall, physical assets dwarf financial wealth holding – the mean value of total physical assets is £101,717 and the median value of physical assets is £70,000 (compared with around £33,000 and £9,000 for mean and median financial assets). Younger, more educated, individuals hold more physical assets than older and less educated individuals. This is a similar pattern to that observed with financial assets. Home ownership rates are much lower in the least educated groups than for more educated individuals and this partly explains why physical holdings of wealth are much lower for these people across all age groups.

## 8.6 Non-pension wealth by labour market status

So far we have shown that there is a large amount of variation in holding of wealth across age and education groups. As with income though, within each age and education group we observe people of different labour market statuses, and it is important that we control for these effects. A young individual who has retired is likely to have a different stock of wealth than someone of a similar age who has not retired, for two reasons. Firstly, differences in wealth might contribute to the retirement decision, so that those with higher wealth retire earlier. Secondly, those who have retired may have run down some of their wealth and so leading to a lower stock. In Table 8.7 we look at total (non-pension) wealth – as defined by the sum of financial and physical assets – by labour market status. Pension wealth will also be particularly important for this group, and we go on to look at that in the next section.

**Table 8.7 Total (non-pension) wealth, by labour market status**

<b>Status</b>	<b>Percentage with positive total wealth</b>	<b>Mean total wealth</b>	<b>Median total wealth</b>	<b>Percentage of wealth held in financial assets</b>
All ages	91	135,100	89,000	37
Working	96	157,064	111,000	33
Semi-retired	96	301,658	217,400	31
Not retired	96	144,116	105,900	33
Not working	86	114,358	65,000	42
Retired	89	121,677	75,200	42
Semi-retired	82	112,119	44,000	48
Not retired	72	82,194	4,000	40
Below SPA	90	143,953	94,800	35
Working	96	156,238	111,000	31
Semi-retired	96	301,658	217,400	31
Not retired	96	141,771	105,500	31
Not working	81	122,000	55,000	42
Retired	86	150,768	94,000	42
Semi-retired	82	112,119	44,000	48
Not retired	72	82,194	4,000	40
At or above SPA	92	115,572	73,500	43
Working	96	165,246	110,000	47
Retired	91	107,303	71,000	42

Over all ages and labour market statuses, mean total wealth is £135,100 and median total wealth is £89,000 and over 90 per cent of individuals have positive wealth.

### 8.6.1 Those below state pension age

For those below state pension age, some interesting differences in wealth are revealed between those who are working but semi-retired, and those who are working and not retired. In Table 8.3 we found that these two groups had quite similar incomes (although the sources of that income were different). However, Table 8.7 reveals that the wealth holdings of these two groups are very different, with those who are semi-retired holding more than twice as much wealth at the median than those who are not retired.

Some of this difference may be accounted for by a transfer of wealth – via a lump sum payment – from a private pension to financial wealth (or to physical wealth if used to pay off a mortgage), since we found in Table 8.3 that the semi-retired were much more likely to receive income from a private pension than those who had not retired. However, such a large difference is unlikely to be due purely to lump sum payments.

The least wealthy group by far is those who are below state pension age, are not working and describe themselves as not retired. The median holding of total wealth is only £4,000, and 28 per cent of this group do not hold any physical or financial wealth. For those who are not working, we find differences in wealth between those who are retired and those who are semi-retired, despite that fact that we found no difference in current income for these two groups.

Retired individuals below state pension age are more than twice as wealthy at the median as non-workers who report themselves as semi-retired. Again, this difference might be explained to some extent by lump sum pension payments, but this is unlikely to explain all the difference since the proportion of income coming from private pensions (found in Table 8.3) was not so different across the two groups.

### 8.6.2 Those at, or above, state pension age

For those who are at, or above, state pension age, we find quite large differences in wealth between those who are still working and those who are not. For those who continue to work, median holding of wealth is £110,000 whereas for those who are retired, median holding is £71,000. So in addition to those individuals who continue to work past state pension age having higher current income (which is what we found in Table 8.3), on average they also hold a larger amount of wealth. Again, this suggests that those who continue to work are not doing so simply to achieve the same financial status as their contemporaries.

## 8.7 Pensions

The final component of wealth that we need to consider is pension wealth. The survey collected a wide range of information on private pensions and in principle it is possible to calculate private pension wealth. However, those who do not have a private pension and have worked since 1978 will have some entitlement to SERPS, and this may be an important component of wealth for these people. Given the information in this survey, calculating accrued wealth held in SERPS among those aged below the state pension age is difficult to do with any reasonable degree of accuracy. In addition, we would have a very restricted sample of individuals from whom to calculate private pension wealth, since we can only do this for those who do not report 'don't know' to the relevant questions.

For these reasons, we instead present here some indicators of pension wealth, such as expected replacement rates and number of years of contributions to a private pension.<sup>52</sup> Both of these should be highly correlated with actual state and private pension wealth, particularly as we are considering older individuals.

As suggested in the introduction to this chapter, the number of respondents reporting that they do not know the answer to various questions about private pensions is interesting in itself. If individuals do not know their own pension wealth it will be difficult for them to plan ahead for their retirement. However, it is probably the case that, once someone begins to think about their retirement, they may find out how well off they are likely to be when they do decide to retire. We begin with an analysis of pension knowledge, and then go on to look at some indicators of pension wealth across different groups.

### 8.7.1 Pension knowledge

In Table 8.8 we show the percentage of respondents who do not know the answer to various questions relating to their private pensions that they are currently contributing to. The first half of the table refers to workers only and since we might expect pension knowledge to be related to the retirement decision, the second half of the table relates to workers who have already thought about when to retire. Among all workers, 46 per cent are contributing to an occupational pension and 20 per cent are contributing to a private pension other than an occupational pension.

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<sup>52</sup> In this section we look only at individual responses to pension questions since we did not ask respondents about their partners' private pensions.

Workers who have thought about when to retire are slightly more likely to have an occupational pension. What is perhaps surprising is that there is little difference in pension knowledge for workers who have thought about when to retire compared with those who have not.

Among those respondents who are currently contributing to either an occupational pension or another private pension, the majority know how much they themselves are contributing (only 17 per cent of workers with an occupational pension and 12 per cent of those with another private pension do not know how much they are contributing). However, for those with an occupational pension, nearly half (45 per cent) do not know how much their employer contributes (this includes people who do not know if their employer is contributing at all). This number is much lower for those with other types of private pension (four per cent) but to a large extent this is due to more respondents reporting that their employer does not contribute at all.<sup>53</sup> The majority of people (64 per cent) do not know how much income they expect to receive from their employer pension if they retired at the normal retirement age for that pension scheme and the majority (77 per cent) of those with other types of private pensions do not know the current value of that pension. Note that most people, however, do know how many years they have been contributing to their pension scheme and this is the indicator of pension wealth that we now turn to gain some idea of how much pension wealth individuals have accumulated.

**Table 8.8 Knowledge about current pensions for workers**

	<i>Cell percentages</i>	
	<b>Percentage</b>	<b>Base</b>
<b>All Workers</b>		
Percentage contributing to an occupational pension	46	1,094
Of whom: do not know		
Amount contributed by respondent	17	495
Amount contributed by employer	45	495
Years contributed to scheme	1	495
Expected income if retired at NRA	64	495
DB/DC scheme	7	495
Fraction added per year (DB only)	44	347
Current value of pension (DC only)	19	113
Percentage contributing to other private pension	20	1,094
Of whom: do not know		
Amount contributed by respondent	12	205
Amount contributed by employer	4	205
Years contributed to scheme	2	205
Current value of pension	77	205
<b>Workers who have thought about retirement</b>		
Percentage contributing to an occupational pension	71	778
Of whom: do not know		
Amount contributed by respondent	56	778
Amount contributed by employer	16	431
Years contributed to scheme	47	431
Expected income if retired at NRA	0	431
DB/DC scheme	62	431
Fraction added per year (DB only)	7	431
Current value of pension (DC only)	42	310
Percentage contributing to other private pension	16	89
Of whom: do not know		
Amount contributed by respondent	21	778
Amount contributed by employer	12	161
years contributed to scheme	4	161
Current value of pension	2	161
	73	161

<sup>53</sup> Only 14 per cent of respondents with other types of private pension report that their employer contributes compared with 93 per cent of respondents with employer pensions.

### 8.7.2 Indicators of pension wealth

In the next tables we look at indicators of pension wealth. The two indicators that we have selected are (a) years of contributions for those which a private pension (either past or current) and (b) expected replacement rates.

Table 8.9 shows:

- The percentage of individuals who currently either contribute to or draw a private pension.<sup>54</sup>
- Membership of current private pensions (i.e. ones people are currently contributing to) and also the percentage of individuals who have private pensions that they have contributed to in the past but are not currently drawing. Because individuals can have both current pensions and past pension, we also report the percentage who have *either* a current or a past pension that they are not drawing.
- For those with either a current or a past pension that they are not drawing, we report the percentage of individuals who have contributed to their pension for more than 10 years or more than 20 years (note for those with more than one pension, we take the one that they have contributed to for the longest time).
- Because individuals in our sample are of different ages, we also report a hypothetical number which is the number of years that the respondent could potentially have contributed to their pension if they continued to contribute to their pension from now until they reach state pension age. This can be thought of as an upper bound on number of years of contributions.

**Table 8.9 Private pension status and years of contributions for current private pensions**

Status	Percentage with private pension or private pension income	Percentage with undrawn private pensions			Years contributed		Potential years contributed	
		Current	Past	Any	% >10	% >20	% >10	% >20
Below SPA	67	30	19	40	74	35	94	66
Working	83	64	31	75	75	35	94	66
Semi-retired	89	25	20	38	53	36	84	56
Not retired	83	67	32	78	76	35	95	66
Not working	50	5	17	22	67	28	89	53
Retired	58	3	13	16	69	38	87	50
Semi-retired	65	12	25	35	59	25	95	52
Not retired	35	7	20	26	69	20	88	56
At or above SPA	61	4	4	7				
Working	61	16	8	23	68	47	-	-
Not Working	59	1	3	4	-	-	-	-

<sup>54</sup> As in other tables in this sub-section, we look at private pension income and membership at the individual level.

### Those working, below state pension age

Among workers below state pension age, 83 per cent are either a member of a private pension scheme (past or present) or are drawing private pension income. Nearly two-thirds, (64 per cent) are currently contributing to a private pension and 31 per cent have contributed to a different pension in the past. In total, 75 per cent have either a current or a past pension that they are not drawing.

The semi-retired who are working are much less likely to have either a current or an undrawn past pension than those who are not retired (38 per cent have a pension compared with 75 per cent for the not retired). However, this is because many of them are already drawing their pension and if we include this group, 89 per cent have (or will have) access to private pension income.

### Those not working, below state pension age

A surprising number (five per cent) of individuals who are not working reported that they are currently contributing to a private pension (some even reported that they are contributing to an occupational pension). There is no clear reason for this and it may just reflect lack of understanding about pensions among respondents. Alternatively, although the survey asked only about the respondent's own pension, people could be mistakenly reporting about a scheme that their partner is contributing to and from which they expect to share wealth. For those who are not working, however, far fewer have private pension wealth than those who are working (50 per cent versus 83 per cent). This number is particularly low (35 per cent) among those who report themselves to be not working and not retired.

### Those at, or above, state pension age

Private pension coverage among those who are at, or above, state pension age and who continue to work is comparable to those who do not work, at 61 per cent and 59 per cent respectively.

### Years of contribution to a private pension

Among those with a private pension who are working and who are below state pension age, three-quarters have already contributed for more than 10 years; if we add on any years that they may continue to contribute, this number increases to 94 per cent.

Among the semi-retired workers, a smaller proportion have contributed for more than 10 years than those workers who are not retired, but a similar proportion have contributed for more than 20 years. If we add on any potential years that an individual may continue to contribute for, on average, semi-retired workers have the potential to build up fewer years of contributions than workers who are not yet retired.

Those who are not working and are below state pension age (and who have private pensions) have tended to contribute for fewer years than those currently working. Although the years of contributions increase if any potential years in which they may contribute in future are added on, given that these respondents are not currently working, this number is likely to be an even less realistic upper bound on years of contributions than for those currently working.

Twenty-three per cent of individuals who continue to work past state pension age are still contributing to a private pension (or choosing not to draw a past pension), and for those who do, the majority have accumulated more than 10 years and around half have contributed for more than 20 years.

### 8.7.3 Expected replacement ratios

Finally, for those who are working, we look at what they expect the sum of their own and their partner's total income to be when they retire, compared with now. The extent to which these expected replacement rates are a good guide to what will actually happen is not known, but individuals' own perception of their replacement rates is important as it is this information that individuals will use to make decisions about retirement. In Table 8.10 we take workers with and without private pensions and compare their expected replacement rates.

**Table 8.10 Expected replacement rates for workers**

Status	Row percentages					
	Less than or equal to 1/4	1/3	1/2	2/3	3/4	Same or higher
All working	13	13	32	17	13	12
Without private pension	15	11	26	14	18	16
Semi-retired	8	10	37	18	14	13
Not retired	16	11	24	13	19	17
With private pension	12	15	35	18	10	10
Semi-retired	7	10	29	5	8	41
Not retired	12	15	35	19	10	9

Among all those who are working, 13 per cent expect their income in retirement to be a quarter or less of what it is currently and another 13 per cent expect it to be less than a third. Most commonly, people expect their incomes to halve in retirement (32 per cent). A further 17 per cent expect their retirement income to be two-thirds of their current income, and 25 per cent expect it to be three-quarters or more.

Interestingly, those without a private pension are more likely than those with a private pension to expect their income to be three-quarters or higher, and less likely to expect their incomes to halve. This may reflect unrealistic expectations, or it may reflect lower current incomes for those without private pensions. Table 8.11 suggests that this might indeed be the case. The table shows mean income and some percentile points for those workers with and without private pensions. Those without private pensions are poorer at each percentile point and at the mean.

**Table 8.11 Current total income for workers with and without private pension schemes**

Status	Mean	25th	Median	75th
All working	343	205	287	402
Without private pension	300	172	240	341
Semi-retired	362	153	254	352
Not retired	287	174	238	332
With private pension	362	224	314	432
Semi-retired	439	204	315	572
Not retired	359	225	314	431

For those with very low incomes, the basic state pension and the availability of income-assessed benefits such as the Minimum Income Guarantee may be comparable to their current income.

## 8.8 Summary

This chapter examined people's income and assets, looking at assets in greater depth than elsewhere in the report, and concentrating in particular on differences across individuals who differed in their attachment to the labour market.

Among those who were working below state pension age, there were interesting differences between those who classed themselves as semi-retired and those who did not. Although the semi-retired and those who were not retired did not differ too much in terms of their levels of current income, the semi-retired had around twice as much total (non-pension) wealth than those who were not retired. More than 80 per cent of both groups have a private pension that they are currently drawing or will be able to draw in the future. (Sections 8.3.1, 8.6.1 and 8.7.2)

Non-workers below state pension age were very diverse in terms of their income and assets. On average, those who classed themselves as retired (or semi-retired) were only slightly better off than the non-retired in terms of their current income; however the sources of that income were very different, with the non-retired tending to rely more on state benefits and the retired tending to rely more on private pension income. The retired group also had far greater wealth, on average, than their non-retired counterparts. Private pension coverage among the non-retired group was also much lower. (Sections 8.3.2, 8.6.1 and 8.7.2)

For those above pension age, among the few who continued to work, we did not find any evidence to suggest that they were doing so to achieve a comparable income to those who were not working. They tended to be better off in terms of current income than their retired contemporaries and had higher total wealth on average, and comparable pension coverage. (Sections 8.3.3, 8.6.2 and 8.7.2)



## 9 Health and caring

Previous chapters have identified health as a key determinant of labour market participation among older workers. This chapter looks at the health of the sample overall, the specific types of health problems they experienced and looks in more detail at the relationship between health problems and whether people were in work.

### 9.1 Health and disability

#### 9.1.1 Levels of health problems and disabilities

As was shown in Chapter 2, the majority of the sample described their health as either 'good' (35 per cent) or 'very good' (25 per cent). Only 14 per cent reported their health was 'bad' (10 per cent) or 'very bad' (four per cent). However, more than half (53 per cent) of the sample reported that they had a long-term health problem or disability.<sup>55</sup> There were no significant differences between men and women (Table 9.1).

**Table 9.1 Health status and disability, by gender**

	<i>Column percentages</i>		
	<b>Men</b>	<b>Women</b>	<b>All</b>
Very good (5)	25	25	25
Good (4)	36	35	35
Fair (3)	26	26	26
Bad (2)	9	11	10
Very bad (1)	5	3	4
Mean score	3.7	3.7	3.7
Any health problem/disability	52	55	53
<i>Base: All</i>	1385	1423	2808

<sup>55</sup> This was measured using the question, 'Do you have any health problems or disabilities which you expect to last for more than a year? These may be continuous or affect you intermittently.' This question was previously used in the 'Disabled for Life?' study (Grewal *et al*, 2002).

Younger people were more likely to describe their health as 'good' or 'very good' than older people, however, the proportion reporting their health to be 'bad' or 'very bad' did not increase greatly with age (Table 9.2). Using a summary scoring system (ranging from 5 for 'very good' through to 1 for 'very bad') we can see that, on average, people's view of their general health did not decline significantly with age. This is despite the fact that the incidence of reported health problems or disabilities *did* increase with age – from 44 per cent of people aged 50-54 to 61 per cent of those aged 60-69. This tends to suggest that – to some extent – older people take increasing health problems for granted, and assess their general state of health in this context.

**Table 9.2 Health status and disability, by age group**

	<i>Column percentages</i>			
	<b>50-54</b>	<b>55-59</b>	<b>60-64</b>	<b>65-69</b>
Very good (5)	29	26	22	22
Good (4)	39	34	32	34
Fair (3)	20	25	29	30
Bad (2)	9	9	13	10
Very bad (1)	3	5	4	4
Mean score	3.8	3.7	3.6	3.6
Any health problem/disability	44	53	61	60
<i>Base: All</i>	<i>785</i>	<i>770</i>	<i>710</i>	<i>543</i>

How respondents described their current health status varied greatly between those who were working, the fully retired, and those claiming Incapacity Benefit (Table 9.3), with mean scores ranging from 4.1 down to 2.4. This pattern was repeated in the reporting of health problems and disabilities, with 37 per cent of working people, 68 per cent of fully retired people and 99 per cent of those claiming Incapacity Benefit reporting that they had a health problem or disability.

**Table 9.3 Health status and disability, by activity status and whether on benefit**

	<i>Column percentages</i>		
	<b>Working</b>	<b>Fully retired</b>	<b>Claiming IB</b>
Very good (5)	34	18	1
Good (4)	44	29	5
Fair (3)	19	31	39
Bad (2)	2	14	37
Very bad (1)	0	7	17
Mean score	4.1	3.2	2.4
Any health problem/disability	37	68	99
<i>Base: All</i>	<i>1096</i>	<i>1263</i>	<i>469</i>

### 9.1.2 Types of current health problems and disabilities

Table 9.4 examines the different types of health problems and disabilities that were reported. Note that respondents listed **all** the health problems or disabilities from which they suffered – i.e. they were not limited to a single health problem or disability.

The main types of health problems reported were: problems with the heart, blood pressure or blood circulation (23 per cent); chest or breathing problems (11 per cent); and problems or disability (including arthritis and rheumatism) associated with either the arms or hands (17 per cent), legs or feet (21 per cent), or back or neck (21 per cent). There appeared to be little difference between the proportion of men and women reporting each of the health problems or disabilities listed, except for problems or disability associated with either the arms or hands (14 per cent for men and 20 per cent for women) and problems or disability associated with the back or neck (18 per cent for men and 24 per cent for women).

**Table 9.4** Types of health problems, by gender

	<i>Multiple responses (percentages)</i>		
	<b>Men</b>	<b>Women</b>	<b>Total</b>
Any health problem/disability	52	55	53
Problems or disabilities connected with the arms or hands <sup>1</sup>	14	20	17
Problems or disabilities connected with the legs or feet <sup>1</sup>	20	23	21
Problems or disabilities connected with the back or neck <sup>1</sup>	18	24	21
Difficulty in seeing	6	5	5
Difficulty in hearing	7	4	6
A speech impediment	1	1	1
Severe disfigurement	0	0	0
Skin conditions, allergies	4	5	5
Chest or breathing problems (e.g. asthma, bronchitis)	11	12	11
Heart, blood pressure or blood circulation problems	24	23	23
Stomach, liver, kidney or digestive problems	8	7	7
Diabetes	5	5	5
Depression, bad nerves or anxiety	7	8	8
Epilepsy	1	1	1
Specific learning difficulties	0	0	0
Severe learning difficulties	0	0	0
Mental illness or suffer from phobia, panics or other nervous disorders	3	3	3
Other	6	8	7
<i>Base: All</i>	<i>1385</i>	<i>1423</i>	<i>2808</i>

<sup>1</sup> Including arthritis and rheumatism

The prevalence of some (although not all) of the types of health problems and disabilities listed increased with age (Table 9.5). The greatest relative increase was observed for problems with the heart, blood pressure or blood circulation – from 13 per cent for people aged 50-54 to 30 per cent for those aged 60-69. Large relative increases were also seen for chest or breathing problems, difficulties in hearing, and problems or disabilities associated with the arms or hands, legs or feet, and back or neck.

**Table 9.5** Types of health problems, by age group

	<i>Multiple responses (percentages)</i>			
	<b>50-54</b>	<b>55-59</b>	<b>60-64</b>	<b>65-69</b>
Any health problem/disability	44	53	61	60
Problems or disabilities connected with the arms or hands <sup>1</sup>	13	19	20	20
Problems or disabilities connected with the legs or feet <sup>1</sup>	17	22	25	24
Problems or disabilities connected with the back or neck <sup>1</sup>	17	22	25	23
Difficulty in seeing	4	6	5	6
Difficulty in hearing	3	5	8	7
A speech impediment	1	1	1	2
Severe disfigurement	0	0	0	0
Skin conditions, allergies	5	5	4	4
Chest or breathing problems (e.g. asthma, bronchitis)	8	11	13	15
Heart, blood pressure or blood circulation problems	13	24	31	28
Stomach, liver, kidney or digestive problems	6	7	8	9
Diabetes	4	4	7	6
Depression, bad nerves or anxiety	8	10	7	5
Epilepsy	1	1	1	1
Specific learning difficulties	0	0	1	0
Severe learning difficulties	0	*	0	*
Mental illness or suffer from phobia, panics or other nervous disorders	3	3	2	1
Other	6	8	8	7
<i>Base: All</i>	<i>785</i>	<i>770</i>	<i>710</i>	<i>543</i>

<sup>1</sup> Including arthritis and rheumatism

Table 9.6 summarises the number of these health problems and disabilities reported by people of different ages, separately for men and women. Overall the incidence of health problems reported was broadly similar for men and women, although there were some differences between them at certain ages – in particular, women younger than 60 were more likely to report health problems than men. As one might expect, the average number of health problems and disabilities among the sample as a whole increased with age; however, this is largely because a higher *proportion* of older people reported problems, while – among those with problems – the average number of problems did not vary greatly with age.

**Table 9.6** Number of health problems, by age group and gender

	<i>Column percentages</i>				
	<b>50-54</b>	<b>55-59</b>	<b>60-64</b>	<b>65-69</b>	<b>All</b>
<b>Men:</b>					
No health problems	59	49	38	42	48
One health problem	18	20	21	22	20
Two health problems	8	10	13	12	11
Three health problems	6	8	9	9	8
Four health problems	5	5	8	7	6
Five or more health problems	5	8	11	8	8
Mean no. of problems *	2.4	2.7	2.8	2.6	2.6
<b>Women:</b>					
No health problems	53	45	39	38	45
One health problem	19	17	21	20	19
Two health problems	7	11	15	14	12
Three health problems	10	10	10	10	10
Four health problems	4	4	7	8	6
Five or more health problems	6	12	8	9	9
Mean no. of problems *	2.6	3.0	2.6	2.7	2.7
<i>Base: All</i>					
<i>Men</i>	363	350	400	272	1385
<i>Women</i>	422	420	310	271	1423

\* The mean number of problems is based only on those *with* one or more problems.

As described above, the proportion of respondents with health problems or disabilities varied between people who were working, the fully retired, and those claiming Incapacity Benefit (see Section 9.1.1). Table 9.7 expands on this by showing the proportion with different types of health problems or disabilities for each group. As one would expect, the proportion is highest for each type of health problem for the group claiming IB, with those working showing the lowest proportions.

**Table 9.7** Types of health problems, by activity status and whether on Incapacity Benefit

	<i>Multiple responses (percentages)</i>		
	<b>Working</b>	<b>Fully retired</b>	<b>Claiming IB</b>
Any health problem/disability	37	68	99
Problems or disabilities connected with the arms or hands <sup>1</sup>	8	25	44
Problems or disabilities connected with the legs or feet <sup>1</sup>	10	31	55
Problems or disabilities connected with the back or neck <sup>1</sup>	10	30	53
Difficulty in seeing	2	8	14
Difficulty in hearing	2	9	17
A speech impediment	0	1	4
Severe disfigurement	0	0	1
Skin conditions, allergies	3	7	13
Chest or breathing problems (e.g. asthma, bronchitis)	5	18	32
Heart, blood pressure or blood circulation problems	14	32	50
Stomach, liver, kidney or digestive problems	4	10	18
Diabetes	3	7	9
Depression, bad nerves or anxiety	2	10	30
Epilepsy	0	2	3
Specific learning difficulties	*	0	1
Severe learning difficulties	*	0	0
Mental illness or suffer from phobia, panics or other nervous disorders	1	3	14
Other	4	9	18
<i>Base: All</i>	<i>1096</i>	<i>1263</i>	<i>469</i>

<sup>1</sup> Including arthritis and rheumatism

### 9.1.3 Impact of health problems on ability to work

The previous sections looked at the extent of health problems, and the characteristics of those with health problems in the population of interest. We will now examine how these health problems and disabilities impacted on people's ability to work. It is not possible to isolate *which* individual health problems were most likely to cause people to leave work, as many respondents had more than one health problem. However, analysis can be undertaken to provide some useful indications.

Of those who had reported a health problem or disability, 37 per cent had been forced to retire or leave a job because of it (Table 9.8). (This is equivalent to 20 per cent of **all** respondents.) A higher proportion of men (43 per cent) than women (32 per cent) with a health problem reported this.

**Table 9.8 Health problems and retirement/reduced hours**

	<i>Column percentages</i>		
	<b>Men</b>	<b>Women</b>	<b>Total</b>
Retire or leave a job	43	32	37
Reduce hours	4	4	4
<i>Base: All with health problem</i>	<i>863</i>	<i>862</i>	<i>1725</i>

An alternative measure of the impact of health problems and disabilities is the proportion of respondents who were not looking for work because of their health problem (a measure developed in Chapter 7). Of those below the state pension age with a health problem or disability, 41 per cent of men and 32 per cent of women were not looking for work due to their health. (This is equivalent to 21 per cent of all men of working age and 16 per cent of all women of working age.) There was a high level of correlation between these two measures of the impact of health problems and disabilities on work: of those who were not working and were not looking for work because of a health problem, 81 per cent had been forced to leave a job because of their health.

Table 9.9 shows, for each reported health problem, the proportion of people who had retired or left a job because of a health problem. Care needs to be taken when interpreting this table, as we do not know **which** particular health problem(s) was responsible for them leaving work or retiring, and the majority of respondents with a health problem reported more than one type<sup>56</sup> (65 per cent). It is not possible, therefore, to analyse the proportions that left work or retired because of **each specific** health problem or disability. However, it is worth noting the higher rates for psychological health problems – ‘depression, bad nerves or anxiety’ (63 per cent) and ‘mental illness etc’ (63 per cent), compared with physical health problems.

In the light of this it would be interesting to analyse those with psychological health problems further. However, only a minority of people reported such problems and, among these, the vast majority (91 per cent) also reported a physical problem, so it is not possible to isolate the effect of psychological problems.

<sup>56</sup> Respondents reporting more than one health problem is also the cause of the apparent contradiction that the proportions that had left a job or retired due to a health problem are higher for the each individual health problem (except ‘Diabetes’) than for ‘all health problems’ (Table 9.9). This is observed because the proportion that had left a job or retired due to a health problem increased with the number of health problems reported (see Table 9.11).

**Table 9.9 Proportion leaving work because of a health problem**

	<i>Row percentages</i>	
	<b>Retired or left work due to health problem</b>	<b>Base: All with health problem</b>
Any health problem/disability	37	1725
Problems or disabilities connected with the arms or hands <sup>1</sup>	48	624
Problems or disabilities connected with the legs or feet <sup>1</sup>	49	762
Problems or disabilities connected with the back or neck <sup>1</sup>	51	748
Difficulty in seeing	51	195
Difficulty in hearing	46	208
Skin conditions, allergies	45	159
Chest or breathing problems (e.g. asthma, bronchitis)	55	416
Heart, blood pressure or blood circulation problems	43	763
Stomach, liver, kidney or digestive problems	51	264
Diabetes	36	164
Depression, bad nerves or anxiety	63	305
Mental illness or suffer from phobia, panics or other nervous disorders	63	114

<sup>1</sup> Including arthritis and rheumatism

Note: Health problems for which there was a base of less than 50 have not been included in this table

The likelihood of having left a job or retiring also increased with the *number* of health problems reported, from 22 per cent for those with one health problem or disability to 68 per cent for those with five or more. Table 9.10 summarises this relationship, along with a number of other measures related to labour market participation:

- Among all respondents, (a) the percentage in work, (b) the percentage fully retired, and (c) the percentage receiving Incapacity Benefit.
- Among those below state pension age, the percentage not working and not looking for work.

Overall, 47 per cent of people were in work. However this ranged from 63 per cent of people with no reported health problems down to only 10 per cent of those with five or more health problems. The same pattern also occurs in reverse for people saying they were fully retired. People's working status and the incidence of health problems are, of course, both related to age, but these differences are much greater than can be explained by age alone, indicating a strong independent relationship between people's working status and their health.

There is also a strong correlation between the number of health problems and the likelihood of being on Incapacity Benefit. Looked at another way, those on Incapacity Benefit had the highest number of health problems of any group in the survey – an average of 3.8 compared with 1.4 for people in the survey as a whole.

The comparison between the number of health problems and whether people below state pension age were actively seeking work is particularly relevant, because it compares *current* health problems with a measure of *current* labour market activity. Among those below state pension age, only 17 per cent of those with no health problems were not working and not looking for work, rising to 84 per cent of those with the most health problems.

In summary, whichever individual measure is chosen, there is a clear relationship between the number of health problems and detachment from the labour market. However, we should take care when

interpreting these results, as it is not necessarily the *number* of health problems, as such, that results in an inability to work; it could equally be that, because some people have more problems, the probability of their having a *specific* problem which causes an inability to work is greater. It seems likely that our observed results are a combination of these two factors, but this is an area which would merit further investigation.

**Table 9.10 Number of health problems and measures of labour market participation**

<i>Cell percentages</i>							
	Number of reported health problems						Total
	None	One	Two	Three	Four	Five+	
<b>All respondents</b>							
Working	63	47	38	27	14	10	47
Fully retired	28	42	49	52	67	67	41
Claiming Incapacity Benefit	0	5	9	17	24	27	7
<i>Base: All respondents</i>	<i>1083</i>	<i>531</i>	<i>332</i>	<i>308</i>	<i>222</i>	<i>332</i>	<i>2808</i>
<b>Among those with health problems</b>							
Left a job or retired early	n/a	22	27	46	53	68	n/a
<i>Base: All with health problems</i>		<i>531</i>	<i>332</i>	<i>308</i>	<i>222</i>	<i>332</i>	
<b>Among those below State Pension Age</b>							
Not working, and not looking for work	17	34	42	58	72	84	34
<i>Base: All below SPA</i>	<i>773</i>	<i>359</i>	<i>213</i>	<i>214</i>	<i>153</i>	<i>243</i>	<i>1995</i>

#### 9.1.4 Impact of health problems in different occupations

As described above, 37 per cent of respondents who reported a health problem or disability had to leave work or retire because of their health. It is difficult to estimate the impact of this in particular industry and occupational categories on the basis of the information collected in this survey, for a number of reasons. As part of the transition towards retirement, some people may have moved out of their main line of work in their current or most recent job, so an analysis of health states in relation to these jobs may not give an accurate picture. Further, people were asked whether they had ever had to retire or leave a job because of health problems, so there is no certainty that this will refer to their most recent job. Lastly, people were only asked about their most recent job if they had worked since 1997 or since the age of 50, so the sample of most-recent jobs may not be a representative cross-section.

Within these limitations, however, we can make comparisons which may provide some useful pointers. From the data available, comparisons which seem most relevant are:

- among those in work, the relative proportions of people with a reported health problem, between occupational categories; and
- for those not working, the relative proportions saying they had had to retire or leave a job for health reasons, between occupational categories for their most recent job (where these details are available).

Similar comparisons can, in principle, be made between SIC (Standard Industrial Classification) categories, but the sample sizes for many of the categories are too small to be reliable, so no meaningful comparisons can be made.

Table 9.11 shows these comparisons for occupation, in terms of SOC 2000 categories.

**Table 9.11 Effect of health problems, by occupation**

	Not working		Base	Working		Base
	Forced to retire	Not forced to retire		Health problems	No health problems	
1 Managers and senior officials	23	77	138	33	67	130
2 Professional occupations	30	70	89	26	74	143
3 Associate professional and technical	32	68	87	40	60	129
4 Administrative and secretarial	20	80	127	42	58	150
5 Skilled trades occupations	43	57	156	38	62	129
6 Personal service occupations	37	63	69	47	53	87
7 Sales and customer services	21	79	73	44	56	71
8 Process, plant and machine operatives	46	54	153	31	69	103
9 Elementary occupations	34	66	222	41	59	151
All with SOC code	32	68	1114	37	63	1093

*Row percentages*

Looking at those in work, the occupations with the highest proportion of people with health problems – in relation to an average of 37 per cent – were personal service occupations (47 per cent) and sales and customer services (44 per cent). The lowest were professional occupations and process, plant and machiner operatives. The proportion with health problems might be considered a proxy measure of the extent to which people with such problems are able to work in each occupation, but there is no very obvious pattern to the results.

Similarly, for those not working, we can look at the proportion of people forced to retire or leave a job through ill-health, in relation to their most recent occupation. If this is also a measure of the extent to which people with health problems are able to work in each occupation, then we should expect some consistency between the two sets of results. However, this is only partially true: administrative and secretarial jobs, and sales and customer services are consistently more 'favourable' to those with health problems in both cases, while the category of process, plant and machine operatives is consistently less 'favourable'. However, other categories are less consistent and in some cases contradictory.

We therefore conclude that, with the limitations outlined at the start of this section, this survey provides insufficient evidence to draw any firm conclusions about the impact of health problems on people's employability in different occupations, and that this is, therefore, a potential area for further research.

### 9.1.5 Characteristics of those with health problems who remained in work

As was shown in Section 9.1.1, a lower proportion of people in work reported that they had a health problem or disability (37 per cent), compared with people who were fully retired (68 per cent) or receiving Incapacity Benefit (99 per cent). This section describes the age and gender characteristics of those people *with* health problems or disabilities who remained in work, compared with those who did *not* have health problems.<sup>57</sup> The extent to which people with health problems were employed in different occupations were shown in the previous section (Table 9.11).

Those with no health problem were more likely to be in work than those with a health problem (Table 9.12). For example, among those aged 50-54, 56 per cent of those with a health problem were in work compared with 86 per cent of those without. This was the case separately for men and women in each age group.

Among those with no health problem or disability, the proportions who were working were consistently higher for men than women, in each age group. However, this was not so much the case for those **with** a health problem or disability; here, the proportions in work were quite similar for all men and women up to the age of 60. For both men and women, the proportion in work tails off most sharply at their respective state pension ages, but at roughly the same rate irrespective of health problems. The exception to this is for the oldest age-band of women with health problems; very few women aged 65-69 with health problems were still working (four per cent), compared with 14 per cent of other women of the same age. This is a much more marked reduction in the employment rate than observed for men at the same age.

**Table 9.12 Proportion of people in work, with and without health problems**

<i>Cell percentages</i>				
	<b>Health problem or disability</b>	<b>No health problem or disability</b>	<b>Base: All with health problem or disability</b>	<b>Base: All without health problem or disability</b>
<b>Men:</b>				
50 to 54	55	94	181	182
55 to 59	44	87	218	132
60 to 64	33	62	300	100
65 to 69	10	17	164	108
<b>Women:</b>				
50 to 54	56	77	229	193
55 to 59	38	67	254	166
60 to 64	16	27	203	107
65 to 69	4	14	176	95
<b>All:</b>				
50 to 54	56	86	410	375
55 to 59	41	77	472	298
60 to 64	24	44	503	207
65 to 69	7	15	340	203

<sup>57</sup> Note that these analyses do not consider the severity of the health problem or disability and hence care should be taken when interpreting the results.

### 9.1.6 Health problems of partners

Seventy-six per cent of respondents reported that they currently had a partner. Of those partners, it was reported that 46 per cent of them had a health problem or disability. Thus, overall, 35 per cent of people had a partner with a health problem or disability. Here, we look briefly at the effect of such problems on the respondent's ability to work.

For respondents whose partner had a health problem or disability, 16 per cent were forced to leave a job or retire because of it (Table 9.13). (This is equivalent to about five per cent of all respondents.) The proportion was higher for female respondents (22 per cent) than male respondents (11 per cent), possibly for economic reasons if the male respondents were more likely to be the principal earners. The likelihood that a respondent retired or left a job because of a partner's health problem was higher if the respondent had a health problem him or herself (18 per cent compared with 12 per cent) (Table not shown).

**Table 9.13 Whether partner's health problem affected own job**

	<i>Column percentages</i>		
	<b>Men</b>	<b>Women</b>	<b>Total</b>
Retire or leave a job	11	21	16
Reduce hours	3	2	2
<i>Base: All that reported partner had health problem or disability</i>	<i>314</i>	<i>255</i>	<i>569</i>

## 9.2 Caring

Twenty-three per cent of respondents overall – a quarter of women and a fifth of men – reported that they looked after, or gave help to, someone who was sick, had a long-term physical or mental disability or was elderly (Table 9.14). The proportion of carers was highest for women in the middle age groups (50-59).

**Table 9.14 Whether respondent currently cared for anyone, by gender and age group**

	<i>Cell percentages</i>		
	<b>Men</b>	<b>Women</b>	<b>Total</b>
50 to 54 years	20	30	25
55 to 59 years	21	32	27
60 to 64 years	29	22	21
65 to 69 years	15	18	16
All ages	19	26	23
<i>Base: All</i>			
<i>50 to 54 years</i>	<i>363</i>	<i>422</i>	<i>785</i>
<i>55 to 59 years</i>	<i>350</i>	<i>420</i>	<i>770</i>
<i>60 to 64 years</i>	<i>400</i>	<i>310</i>	<i>710</i>
<i>65 to 69 years</i>	<i>272</i>	<i>271</i>	<i>543</i>
<i>All</i>	<i>1385</i>	<i>1423</i>	<i>2808</i>

Most carers (91 per cent) were only looking after one person, although nine per cent were looking after two (Table 9.15). Forty-nine per cent were looking after either a parent (38 per cent) or parent-in-law (13 per cent), and 25 per cent a spouse or partner.

**Table 9.15** Number and relationship of those cared for

	Multiple responses (Percentages)
Relationship to carer:	
Spouse or partner	25
Own or adopted or step-child	12
Parent	38
Parent-in-law	13
Other relative	12
Other	8
	Column percentages
Number of people cared for:	
One	91
Two	9
Three or more	0
<i>Base: All carers</i>	<i>629</i>

People who had a spouse or a partner were more likely to be caring for someone than those who were single. This is perhaps not surprising, given that a large minority of carers (25 per cent) were looking after a spouse or partner. In Section 9.1.6 we showed that 35 per cent of people had a partner with a health problem; taking this in conjunction with number of people caring for a spouse or partner, it can be inferred that the majority (71 per cent) of partners with a health problem were being cared for by their spouse.

The likelihood of being a carer was similar for women regardless of their own health status – 27 per cent for those with health problems compared with 25 per cent without. However, for men there was a slightly larger difference (21 per cent compared with 17 per cent).

One in five of those currently caring for someone reported that this had impacted on their work in one of the ways listed in Table 9.16. This figure rises to 24 per cent when those who *had previously been* a carer are included. This equates to about 10 per cent of the sample as a whole. Thirteen per cent of current carers reported that it had been an influence on their decision to retire when they did, and nine per cent had actually changed their retirement plans.

**Table 9.16 The impact of caring on working**

	<i>Multiple responses (percentages)</i>	
	<b>Current caring</b>	<b>Current or previous caring</b>
Influenced decision to retire	13	14
Changed retirement plans (either retired early or later than planned)	9	10
Lost or gave up a job or became unemployed	9	10
Changed job for one less well-paid	3	3
Had difficulty getting job	7	7
Lost pay because had to take time off or work shorter hours	7	9
Any impact	21	24
<i>Base: All carers (current/previous)</i>	<i>629</i>	<i>1175</i>

Forty-six per cent of carers were currently working, 37 per cent were fully retired and six per cent were claiming Incapacity Benefit (Table 9.17). These figures are very similar to those for the sample as a whole, with the exception of retirement, where slightly fewer carers were fully retired (37 per cent compared with 41 per cent). More male carers were working (51 per cent) than female carers (42 per cent), but again this is very similar to the proportions in the sample as a whole.

**Table 9.17 Proportion of carers working, fully retired and claiming Incapacity Benefit**

	<i>Cell percentages</i>		
	<b>Men</b>	<b>Women</b>	<b>Total</b>
Working	51	42	46
Fully retired	32	40	37
Claiming Incapacity Benefit	9	4	6
<i>Base: All carers</i>	<i>266</i>	<i>363</i>	<i>629</i>

### 9.3 Summary

Previous chapters identified health as a key determinant of labour market participation. This chapter looked at the health of the sample overall, the specific types of health problems they experienced, and the relationship between health problems and whether people were in work.

The majority of people in this study (60 per cent) described their general health as either 'good' or 'very good'. People's view of their general health did not decline significantly with age, despite an increasing incidence of reported health problems and disabilities. This tends to suggest that older people take increasing health problems for granted, and assess their general state of health in this context. (Section 9.1.1)

The average number of health problems and disabilities among the sample as a whole increased with age. However, this was largely because higher proportions of older people reported problems; among those with problems, the average number of problems did not vary greatly with age. (Section 9.1.2)

There were larger differences between working and retired people, both in how they described their general health and in the proportions reporting health problems and disabilities, than can be explained by differences in age. Recipients of Incapacity Benefit were the most likely of all to report a poor state of general health. (Section 9.1.1)

The most widely-reported problems were heart, blood pressure or circulation problems (23 per cent), and problems or disabilities connected with the back or neck (21 per cent), legs or feet (21 per cent) and arms or hands (17 per cent). Psychological problems were less widely reported: eight per cent reported suffering from depression, bad nerves or anxiety, and three per cent reported suffering from mental illness or other nervous disorders. For each type of problem, the proportion was highest among recipients of Incapacity Benefit, and lowest among people in work. (Section 9.1.2)

Over a third (37 per cent) of people reporting a health problem said they had, at some stage, been forced to retire or leave a job because of such problems. People with psychological problems (depression, bad nerves or anxiety, and mental illness or other nervous disorders) were more likely to report this (63 per cent). However, the majority of people reported more than one health problem, and most people with a psychological problem also reported physical problems, so we cannot be clear about which particular problems were most likely to cause people to leave work. (Section 9.1.3)

However, the likelihood of having retired or left a job increased with the *number* of health problems reported. Other measures of labour market attachment were also directly correlated with the number of health problems: the likelihood of being in work, being fully retired, being in receipt of Incapacity Benefit, and – among those below state pension age – of being out of work and not seeking work. (Section 9.1.3)

Overall, 35 per cent of people had a partner with health problems or disabilities. Sixteen per cent of these people had, at some stage, been forced to retire or leave a job because of their *partner's* health problem. The likelihood of this happening increased if the person and their partner both had health problems. (Section 9.1.6)

Overall, 23 per cent of respondents were currently caring for someone who was sick, disabled or elderly. A half were caring for a parent or parent-in-law, and a quarter were caring for a partner. Forty-six per cent of carers were currently working – in line with the figure for the sample as a whole – but around one in five carers reported that their caring role had had some impact on their ability to work. (Section 9.2)



# 10 Volunteering

The aim of this chapter is to examine briefly the extent and nature of any voluntary work carried out by respondents and to identify the groups that were most likely to be involved.

## 10.1 Characteristics of people who volunteered

Very few respondents (less than 0.5 per cent) reported that they did voluntary work as their main activity (see Chapter 2). However, 23 per cent of respondents reported that they had worked or helped out on a voluntary basis at least once in the previous year, at one or more of the following organisations: a school, a hospital, a prison, a charity, a voluntary organisation, a community group or a religious organisation. Around a half of these typically did voluntary work at least once a week.

**Table 10.1 How often people did voluntary work**

	<i>Column percentages</i>			
	<b>Not yet retired</b>	<b>Semi- retired</b>	<b>Fully retired</b>	<b>All</b>
Not in the last twelve months	78	64	78	77
At most, one to four times a year	5	7	3	4
About every other month	1	3	1	1
About once a month	3	7	2	3
A few times a month, but not every week	3	4	3	3
About once a week	5	7	6	6
A few times a week	5	8	5	5
Every day	1	0	1	1
<i>Base: All</i>	1263	261	1279	2808

Respondents were more likely to do voluntary work every week if their current or previous occupation was as a 'manager or senior official' (19 per cent), in a 'professional occupation' (21 per cent) or an 'associate professional or technical' occupation (19 per cent) (Table 10.2). Lower rates were reported for 'skilled trades occupations' (four per cent), 'sales and customer services' (seven per cent), 'process, plant and machine operatives' (four per cent) and 'elementary occupations' (six per cent). A similar pattern was observed for the proportions of people doing any voluntary work in the previous year.

**Table 10.2 Whether people did voluntary work, by SOC category**

	<i>Cell percentages</i>	
	<b>Any voluntary work in past year</b>	<b>Voluntary work every week</b>
Managers & senior officials	31	19
Professional occupations	41	21
Associate professional and technical	35	20
Administrative and secretarial	28	15
Skilled trades occupations	14	4
Personal service occupations	29	11
Sales & customer services	20	7
Process, plant & machine operatives	13	4
Elementary occupations	14	6
<i>Bases: All</i>		
<i>Managers &amp; senior officials</i>	<i>268</i>	<i>268</i>
<i>Professional occupations</i>	<i>232</i>	<i>232</i>
<i>Associate professional and technical</i>	<i>217</i>	<i>217</i>
<i>Administrative and secretarial</i>	<i>278</i>	<i>278</i>
<i>Skilled trades occupations</i>	<i>286</i>	<i>286</i>
<i>Personal service occupations</i>	<i>156</i>	<i>156</i>
<i>Sales &amp; customer services</i>	<i>144</i>	<i>144</i>
<i>Process, plant &amp; machine operatives</i>	<i>256</i>	<i>256</i>
<i>Elementary occupations</i>	<i>373</i>	<i>373</i>

## 10.2 Types of voluntary work and reasons for doing voluntary work

For 81 per cent of respondents, the voluntary work undertaken was 'not related to their current or a previous job' (Table 10.3). For only seven per cent of respondents that did some voluntary work, that work was 'all related to a current or previous job'.

**Table 10.3 Whether voluntary work was related to current or previous job, by activity status**

	<i>Column percentages</i>		
	<b>Working</b>	<b>Fully retired</b>	<b>All</b>
All related to a current or previous job	10	6	7
Some of it is related to a current or a previous job	11	11	10
Not related to a current or a previous job	78	82	81
<i>Base: All who did voluntary work in past year</i>	<i>280</i>	<i>244</i>	<i>608</i>

Table 10.4 shows the reasons people gave for doing voluntary work. Those who were working were more likely than the fully retired to say 'make use of my skills' (50 per cent) and to 'take part in the community' (63 per cent) than fully retired people (37 per cent and 54 per cent respectively). The fully retired were more likely to give 'remaining active' as a reason (50 per cent compared with 39 per cent among those working).

**Table 10.4** Reasons for getting involved in voluntary work

	<i>Multiple responses (percentages)</i>		
	<b>Working</b>	<b>Fully retired</b>	<b>All</b>
To meet people	44	36	40
To make use of my skills and abilities	50	37	45
To remain active	39	50	43
To take part in the community	63	54	59
To help people	70	66	69
Because no one else would do it if I didn't	18	16	18
<i>Base: All who did voluntary work in past year</i>	<i>280</i>	<i>244</i>	<i>608</i>

Men were more likely than women to include 'making use of my skills and abilities' as a reason for getting involved in voluntary work (51 per cent compared with 40 per cent) (Table 10.5). Men were also more likely to list 'to remain active' (47 per cent compared with 40 per cent). However, a higher proportion of women reported that they had got involved with voluntary work 'to help people' (72 per cent compared with 65 per cent).

**Table 10.5** Reasons for getting involved in voluntary work, by gender

	<i>Multiple responses (percentages)</i>		
	<b>Men</b>	<b>Women</b>	<b>All</b>
To meet people	42	39	40
To make use of my skills and abilities	51	40	45
To remain active	47	40	43
To take part in the community	60	58	59
To help people	65	72	69
Because no one else would do it if I didn't	21	15	18
<i>Base: All who did voluntary work in past year</i>	<i>274</i>	<i>334</i>	<i>608</i>

Single people (51 per cent) were more likely to state 'to meet people' as a reason for getting involved in voluntary work compared with married or cohabiting people (37 per cent) and also were more likely to include 'to help people' (74 per cent compared with 67 per cent of married/cohabiting people) (Table 10.6). Married and cohabiting people (61 per cent) were more likely to report 'to take part in the community' as a reason compared with single people (54 per cent).

**Table 10.6** Reasons for getting involved in voluntary work, by marital status

	<i>Multiple responses (percentages)</i>		
	<b>Single</b>	<b>Married or cohabiting</b>	<b>All</b>
To meet people	51	37	40
To make use of my skills and abilities	44	45	45
To remain active	45	42	43
To take part in the community	54	61	59
To help people	74	67	69
Because no one else would do it if I didn't	16	18	18
<i>Base: All that did voluntary work in past year</i>	<i>170</i>	<i>438</i>	<i>608</i>

### 10.3 Summary

The aim of this chapter was to examine briefly the extent and nature of any voluntary work carried out by respondents and to identify the groups that were most likely to be involved. About a quarter of respondents (23 per cent) had undertaken some voluntary work in the previous year, and around one in eight (12 per cent) did voluntary work every week. For the majority of volunteers (about four in five), the voluntary activity was not related to their current or previous job. However, regular volunteers were most likely to come from a professional or managerial background. Those in work were more likely to be involved in voluntary work in order to make use of their skills and to take part in the community, whereas the fully retired were more likely to be doing so in order to remain active.

# 11 Conclusions

This study has identified a number of issues that affect the labour market participation of different groups of older people. Chapters 2-7 examined the major groups concerned, while Chapters 8-10 looked at particular aspects across all groups. A number of consistent themes emerge which these conclusions draw together, highlighting what we see as the most important findings of the study. Where relevant, reference is made to proposals contained in the recent Government Pensions Green Paper<sup>58</sup>. We also make suggestions for areas of further investigation, which are drawn together in the final section.

## 11.1 State pension age

It is clear that many people regard state pension age as the 'natural' time to retire. Two-fifths of those working were expecting to retire at state pension age. There are two main elements to this expectation. First, state pension age is a set *age*, defined by the Government, and this has contributed to a cultural expectation of retiring at that particular age. Secondly, at this set age, an additional or alternative source of income becomes available, thus giving people the financial means to stop working. (Sections 4.2.3 and 5.2.3)

Policies aimed at changing retirement expectations and behaviour, such as more attractive terms for deferring the state pension, are therefore appropriate. However, if the Government wishes to change perceptions, there may also be a need to portray state pension age itself as a more flexible concept – as a date *from which* one *can begin* to draw a state pension, rather than the age *at which* one *does* draw a state pension.

There is further evidence from the sudden drop in the proportion of people who considered themselves to be long-term sick or disabled, after state pension age. This must represent a personal re-definition of status rather than any real improvement in health, with the attainment of state pension age – and the associated move from sickness-related benefits to retirement pension – giving people who were long-term sick/disabled an alternative way to describe themselves – i.e. as retired. (Section 2.1.2)

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<sup>58</sup> Simplicity, security and choice: Working and saving for retirement, HM Treasury/DWP 2002.

## 11.2 Employers' fixed retirement ages

In 2006, legislation is due to be introduced whereby employers' fixed retirement ages are likely to be made unlawful unless they can be objectively justified; thus people will be able to continue working should they wish, without being forced to retire. In most cases, employers' fixed retirement ages were either 60 or 65. For men they were predominantly 65, but for women they were more evenly spread between 60 and 65.

There is no hard evidence that employers' fixed retirement ages exert a widespread influence on decisions to retire *before* state pension age, although this may occur in more subtle ways meriting further investigation. However, there *is* evidence that employers' fixed retirement ages may prevent some people from continuing to work *beyond* state pension age. This was true when looking both at the retirement expectations of current employees, and at the reported retirement behaviour of those already retired. It suggests that the impact of fixed retirement ages is more about preventing people retiring late than about forcing them to retire early. (Sections 4.1.3 and 5.1.3)

Current proposals to make fixed retirement ages unlawful, therefore, seem appropriate as part of a package of measures to extend working life and facilitate flexible retirement, but any such package also needs to address the widespread view of state pension age itself as a 'fixed' age.

## 11.3 Alignment of state pension age for men and women

State pension age is currently 65 for men and 60 for women; however, from 2010 women's state pension age will start to increase, to move into line with that of men by 2020. There were clear differences between men and women in terms of their labour market participation. In any given five-year age-group, men were more likely to be in work than women; however, women were more likely than men:

- to be expecting to postpone retirement until after state pension age;
- still to be working after state pension age; or
- to have delayed their actual retirement until after state pension age.

Furthermore:

- among the semi-retired, women were more likely than men to say they had made the transition after state pension age; and
- among those who were not working, women were more likely than men to be expecting to return to work at some point in the future.

Thus, significant numbers of women already seem attuned to the notion of working beyond their current state pension age. (Sections 2.1.2, 3.1, 4.1.2, 5.1.2, 6.1.2 and 7.2)

## 11.4 Health

Health was a key determinant of whether people were working. Among those under state pension age, people were much less likely to be in work if they had a health problem. In fact, half of those under state pension age who were not working, were not looking for work on account of their health. This group had below-average incomes, above-average reliance on state benefits, and low levels of qualifications. (Sections 7.1 and 7.3.3)

Among those already retired, ill-health was the most frequently mentioned reason for early retirement – cited by half of all early retirees. Among those below state pension age and not working, an improvement in health was the most common circumstance in which people would consider looking for work again. (Sections 5.2.1 and 7.5)

It is clear then that for a large group of people in this age range, poor health is keeping them out of work. There is little prospect of their returning to the labour market, and various labour market initiatives can be expected to have a limited impact on them. Indeed, among all those below state pension age and not working, three-quarters did not expect to return to work in the future.

Most people with health problems had more than one such problem, and the number of problems was directly correlated with their degree of detachment from the labour market. However, this may simply be disguising the fact that people with more health problems stand a greater chance of having a *particular* problem which precipitates their inability to work – an issue which this research was not able to resolve. (Section 9.1.3)

## 11.5 Incapacity Benefit

A significant proportion of Incapacity Benefit recipients are over 50 and analysis of this group revealed that only three per cent were actively looking for work at the time of interview; a further 38 per cent said they would like to work, but most of these had no expectation of doing so. Nearly all (91 per cent) of those not seeking work said this was for reasons of ill-health. Those not expecting to work again had significantly more health problems than those seeking work or expecting to work again. (Sections 7.2.1, 7.3.3 and 7.5)

## 11.6 Voluntary and forced retirement

For some people, retirement was something they were forced into, whereas for others it was a path they had chosen. Among those still working, people did not generally expect retirement to be forced upon them; they were more likely to mention 'pull' factors such as wanting to enjoy life, spending more time with a partner or family, and being able to afford to retire. Among those already retired, there was a more even split between whether retirement had been forced or voluntary. (Sections 4.2.1 and 5.3.1)

A possible explanation is that those still working were not anticipating any occurrence that might force them to retire; for the retired, however, such occurrences will, in practice, have arisen for some people, and forced them to retire. Among those forced into *early* retirement, the main reason was ill-health, again illustrating its important influence on withdrawal from the labour market. Those forced into early retirement suffered large, often unexpected, drops in income and – of all those in retirement – were by far the least satisfied with their post-retirement situation. (Sections 5.4, 5.5)

## 11.7 Factors associated with early retirement

A number of factors are associated with people choosing to retire early; the most notable ones are private pensions, occupation and qualifications.

### 11.7.1 Private pensions

The presence of a private pension was clearly linked with early retirement. Those with a private pension (current or deferred) were more likely to be expecting to retire early and, similarly, those already retired with an income from a private pension were more likely to have retired early than those without. Of all retired people, those who had retired voluntarily before state pension age had the largest average incomes, with private pensions as the largest single component. (Sections 5.4, 4.1.2, 5.1.2)

### 11.7.2 Occupation

Retirement behaviour was also related to the type of occupation people were in. Those in managerial and professional occupations were more likely to be expecting to retire early. Similarly, those below state pension age and not working because they were retired or financially secure were more likely to have been working in such occupations previously. (Sections 4.1.2 and 7.4)

### 11.7.3 Qualifications

Those with higher qualification levels were more likely to be in work than those without. However, people with higher qualification levels were also better placed to opt for early retirement. On average, those under state pension age and not working because of health reasons had lower levels of qualification. (Sections 3.1, 4.1.2, 5.1.2 and 7.3.3)

There was a considerable degree of overlap between those in managerial or professional occupations, those with private pensions, and those qualified to degree level. All of these factors were associated with early retirement.

## 11.8 The presence of a partner

There was a correlation between the working status of respondents and their partners: if one was working, the other was also likely to be working. Furthermore, people were more likely to expect to retire – or had retired – before state pension age if they had a partner. One of the main reasons given for early retirement was wanting to spend more time with a partner or family. It would be in line with the Government's aim of encouraging flexible retirement, which avoids abrupt departure from the labour market, to find ways of enabling people to achieve such aspirations. This might, for example, be through more flexible working arrangements. (Sections 2.1.2, 3.1, 4.1.2, 5.1.2, 4.2.1, 5.2.1)

## 11.9 Looking after the home or family

The research also identified a group (predominantly female) who were not working because they were looking after the home or family. They were likely to have been away from the labour market for many years and nearly half had a working partner. Short of some significant change in their circumstances, these people currently seem unlikely to re-engage with the labour market, if only because of their lengthy absence from it. Around a half had caring responsibilities, which may have contributed to their decision not to look for work. They were less likely than the average to be suffering from health problems. (Sections 7.3.3)

## 11.10 Flexible retirement

The Green Paper stressed the importance of encouraging flexible retirement with the aim of reducing the 'cliff-edge' between work and retirement, and outlined a number of measures aimed at achieving this. The research identified three main, inter-related issues here: the position of the self-employed, the situation of people regarding themselves as 'semi-retired', and the extent of flexible working arrangements available to those approaching retirement.

### 11.10.1 The self-employed

Self-employed people left the labour market at a slower rate than employees; thus, while around one in seven working people overall were self-employed, more than a quarter (29 per cent) of those working beyond state pension age were self-employed. The self-employed were also expecting to retire later than employees, not to have a particular retirement age in mind and tended to be more satisfied with their jobs. (Sections 3.1, 3.9, 4.1.2 and 3.3)

### 11.10.2 The semi-retired

The research identified a group who described themselves as semi-retired who tended to work part-time, either as self-employed people who were reducing their commitments, or as employees, now more likely to be on temporary or short-term contracts than permanent ones – such changes in contractual terms providing another possible route into flexible retirement. (Sections 6.1.7, 6.1.6)

### 11.10.3 Flexible working arrangements

We examined the extent to which a number of flexible working arrangements already existed for older workers, and the degree to which people had taken advantage of them. The self-employed were more likely than employees to have access to flexible working arrangements, and to avail themselves of them: over half of the self-employed reported one or more forms of flexible working arrangement, compared with 46 per cent of employees; however, the difference in the use of such arrangements was much higher, at around three-quarters for the self-employed compared with around half for employees (Section 3.5). In addition, more self-employed people were planning to retire over a period of time by gradually reducing their hours of work. These findings suggest that, at present, self-employment appears to offer more opportunities for flexible retirement, and that the employed sector has some ground to make up in this respect. (Sections 3.5 and 4.5)

People generally embarked on the process of semi-retirement before state pension age. Policies aimed at encouraging flexible retirement need to take account of this finding if the net effect is to be an overall increase in the length of working life. (Section 6.1.2)

## 11.11 Age legislation and training

The Government's Code of Practice on Age Diversity in Employment included standards for non-ageist approaches to training. This survey supports the Green Paper's suggestion that whilst improvements had been made, more needed to be done. Although the majority (73 per cent) of employees were offered at least some encouragement by their employer to undertake training, the proportion decreased noticeably with age. (Section 3.7)

## 11.12 Summary of remaining gaps in knowledge/ suggestions for further research

This study has highlighted a number of issues where further research may be of benefit. They are summarised in this section.

Health was identified as a major factor associated with detachment from the labour market, although it was not possible to identify whether certain health problems exerted a greater influence than others. Nor was it possible to draw any firm conclusions as to whether different types of occupation were more strongly associated with labour market withdrawal due to health problems than others.

Given the focus in the Green Paper on those on Incapacity Benefit, further research might be targeted at this group, examining the nature of health problems experienced and the extent to which different types of employment have been considered as a means of returning to the labour market.

The research also highlighted the overlap between those in managerial or professional occupations, those with private pensions, and those qualified to degree-level, and that all of these factors were associated with early retirement. Further analysis could investigate the relative 'strength' of each of these factors in influencing early retirement. However, it is already clear that they help to identify a group of people in a position to opt for early retirement and with the financial means to do so, and it may be beyond the power of policy to exert much influence over them.

Employers' fixed retirement ages were not found to exert a widespread influence on decisions to retire before state pension age. However, it is possible that the approach of a fixed retirement age may act as an indirect constraint; for example, people may weigh up the number of years they perceive they have left in work and, taken in conjunction with other factors such as the cost of seeking employment beyond that point, or their spouse's retirement plans, may opt for early retirement rather than aim to continue working. Such subtle influences could be explored further by means of qualitative research.

Differences between rates of expected early and late retirement among those still working and actual retirement among those already retired were observed. This might be due either to a cohort effect whereby different age groups have different expectations of retirement age, or to the fact that expectations of staying on in work are not always realised because people may be forced into early retirement against their expectations. Indeed, it may be a combination of both. A similar, but related, issue is the differences in the rates of expected and actual *gradual* retirement. Longitudinal research could shed more light on these issues.

Among owner-occupiers, the fully-retired and also the semi-retired, were more likely than others to own their home outright. This suggests that the absence of a mortgage is the aspect of tenure most closely associated with retirement. The need to make mortgage repayments may therefore be an important reason to remain in work, or – to look at it from another perspective – paying off one's mortgage may provide an opportunity to take early retirement or move into semi-retirement. However, this survey did not explore the detailed dynamics of such situations, so it could be that financial settlements associated with early retirement enabled people to pay off their mortgage. These dynamics might usefully be explored in further research.

The report investigated the issue of moving out of a 'main line of work' as part of a transition from working to retirement. It was only possible to make tentative conclusions in this area and the dynamics of such movements might, therefore, also form the basis of further research.

Finally, in the light of the Government's Code of Practice on Age Diversity in Employment, which includes standards for non-ageist approaches to training, it was noted that the proportion being offered encouragement to undertake training declined with age. These differences might equally be explained by different underlying skill levels, necessitating different amounts of training to reach the same standard.