

Pathways to retirement: The influence of employer policy and practice on retirement decisions

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Introduction

This report forms part of an evidence base to support the review of the Default Retirement Age (DRA) by the Department for Work and Pensions (DWP) and the Department for Business Innovation and Skills (BIS)¹. It explores the attitudes and experiences of individuals in relation to the effect of the employer on their retirement decisions. This explores a range of retirement experiences, including the 'right to request' to continue working beyond DRA, and describes the implications of different pathways on attitudes to retirement.

The National Centre for Social Research (NatCen) conducted 51 qualitative depth interviews with people aged between 61 and 72. Participants were purposively selected to generate a sample with experience of a range of employer approaches and retirement outcomes.

Key findings

- Ownership of the retirement decision by the individual led to desirable outcomes and mitigated the effects of undesirable outcomes.

¹ Other relevant research published in conjunction to this report include; Metcalf, H. and Meadows, P. (2010). *Second Survey of Employers Policies Practices and Preferences relating to Age*. DWP and BIS joint research report, BIS Employment Relations Research Series No 110, ISBN no 978-0-85605-756-4. Thomas, A. and Pascall-Calitz, J. (2010). *Default Retirement Age: Employer qualitative research*. DWP Research Report No. 672. Wood, A., Robertson, M. and Wintersgill, D. (2010). *A comparative review of international approaches to mandatory retirement*. DWP Research Report No. 674. Sykes, W., Coleman, N., and Groom C. (2010) *Review of the Default Retirement Age: Summary of the stakeholder evidence*. DWP Research Report No. 675.

- Clear, structured, consistent retirement policies enabled ownership of the decision; chaotic, inconsistent policy led to 'imposed' retirement decisions and perceptions of discrimination.
- Relevant information and negotiation over working options allowed active and informed decision making; otherwise individuals were ill-equipped to make informed decisions and less motivated to extend their working life.
- A supportive approach that followed guidelines on the right to request enabled collaborative decision making; an unsupportive approach, was open to perceptions of age discrimination.
- Employer policy had an impact on the 'right to request' working beyond DRA. Accepted requests enabled phased transitions to retirement and improved job satisfaction and motivation; declined requests generated perceptions that the process can hide a policy of age discrimination.
- The impact of the employer on retirement decision making was mediated by a range of other influences, which could be the overriding factor, including working relationships, expectations of retirement and personal or financial circumstances.

Summary of research

This research explored the retirement experiences of three key groups. Those who retired before 65 were either offered 'early retirement' or voluntary redundancy or experienced compulsory redundancy. Those with experiences of the right to request were distinguished by two key dimensions: whether it was instigated by the employer or the individual; and whether there followed a formal or informal process. Those with experiences of other employer approaches are distinguished by whether and how the issue of retirement was raised: either by the employer, by the individual, or not directly raised by either.

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Experiences of retiring before 65

In this study, individuals retiring before 65 either took early retirement or were made redundant. The experiences of different processes influenced attitudes towards retirement outcomes, though the employer was not the only factor affecting retirement decision making.

The retirement process

Where retirement was raised by the employer it varied in terms of formality and how it was communicated. Individuals felt employers raised the issue of retirement in response to their high salary relative to other employees, a need to reduce the workforce or company relocation. Where individuals raised the issue of retirement this was either to pre-empt a resignation or to discuss retirement options and flexible working. Once raised, processes included consideration by the individual and negotiation with the employer before a final decision was made about retirement and the terms on which it would take place.

Attitudes towards the retirement process were most clearly affected by an individuals' knowledge and the flexibility of the process. Positive attitudes were characterised by better understanding in advance of what the retirement process might entail, the offer of flexible working options and involvement in the decision making process. Where the process was unanticipated, rigid and employer-led, redundancy or retirement felt imposed and difficult to adjust to.

Role of the employer in the decision to retire before 65

The influence of the employer was most obvious in cases of redundancy. Compulsory and voluntary redundancy led to premature retirement affecting self-esteem and motivation to work. A more subtle role was played where early retirement was offered. Where retirement was largely the individual's choice, a lack of support or engagement from the employer could mean this choice was constrained or uninformed. Employers could offer early retirement or redundancy to effect retirement below DRA where it benefits the business.

Interaction of other factors affecting the decision to retire

Employment-related factors separate from the process itself also affected retirement decisions. Organisational change, a lack of training and support and poor working relationships influenced the retirement decision. Personal factors such as finance, health and family considerations were also influential. Finances were a critical factor where there was a financial incentive for redundancy or where working was not necessary for financial stability.

Experiences of the 'right to request'

The approach of the employer to the 'right to request' influenced individuals' decision making and retirement outcomes. This was influenced by individuals' knowledge of the process, their expectations about its outcome and personal and contextual factors. Three employer approaches to implementing the right to request process were identified:

- Employer instigated, formal: right to request offered by the employer through a structured and documented process.
- Employer instigated, informal: right to request offered by the employer through a casual and undocumented process.
- Individual instigated, formal approaches: the individual requests to continue working having been issued with a formal retirement date; a structured and documented process is then followed.

Knowledge and expectations

Individuals were uninformed about the right to request where they had no experience of colleagues retiring or the employer had provided no information about the policy. Others were aware of colleagues working beyond normal retirement age but were not aware of the process for doing so. Fully informed individuals had either received formal communication from their employer about the right to request or had found information themselves.

The process

The right to request process was instigated by formal letter from the employer 2-12 months

before the retirement date, or verbally as early as six months and as late as days before the retirement date; individuals instigated the process 3-15 months before the retirement date either by a formal memo or discussion with a line manager. The structure of the process differed depending on how it was instigated. Formal, employer instigated approaches involved individuals filling in forms or attending meetings. Employers either provided a number of options for the individual to continue working or negotiated options with the individual. Informal, employer instigated approaches involved a single or series of conversations. Employers in this instance either offered a single option or limited negotiation. Individual instigated processes were characterised by confusion and changing structure but a serious and formal tone; participants felt that options were limited.

During the process, support and guidance was only provided by the employer as part of formal employer instigated approaches; external support from advocacy groups, independent financial advisors and friends and family was sought and accessed across all approaches. Each employer approach led to a different set of outcomes: employer instigated formal approaches led to individuals not making a request, and requests accepted and declined; informal approaches did not decline any requests; individual instigated approaches did not result in any accepted requests.

Attitudes towards the right to request process

In general, there was support for the idea of being able to work beyond DRA but concern that the onus is on the individual to request but the employer to decide.

Attitudes towards the process were influenced not only by how the process was experienced, but also whether an expected and desirable outcome was reached. Positive experiences were characterised by clear and supportive communication, a structured and consistent process and negotiation with the employer over options to continue working. Poor communication, unreasonable time frames to make decisions and a lack of guidance on options available limited the capacity to make an informed choice. Where individuals felt the

employer was not supportive of their request, notably in individual instigated processes; there was concern that the process was used to remove people from their post without justification.

Employment-related factors affecting decision making during the right to request process

Lack of employer encouragement or flexibility, declined colleague requests and a sense that the right to request was not genuine all influenced decisions not to make a request. Others were encouraged to make a request by employer flexibility and good working relationships. Making a request was also a response to a financial need to work or a fear of retiring, which prevailed over concerns about the process or employment conditions. Factors such as financial stability, an expectation to retire and health concerns influenced the decision not to request.

Where a request was made, the employer policy and practice was the overriding factor determining the outcome. The flexibility of the employer, their engagement in the process and the general positive attitudes towards workers were seen as contributing to requests being accepted; individuals also noted their own good performance and willingness to compromise as influential. Reasons relating to financial constraints and business restructuring were given for requests being declined. Other explanations related to performance and there was a perception that in some cases age was the deciding factor.

The impact of right to request outcomes

The impact of the outcome of the decision was influenced by experiences of the process and mediated by whether it was desirable and matched the individual's expectations. Adversarial processes resulted in reduced motivation to work when requests were accepted. Declined requests were more easily accepted where procedure was followed and communication was supportive. Finally, personal circumstances could potentially mitigate negative effects of a declined request where an individual was financially stable and

enjoyed more time with their family, but also exacerbate them where a declined request left individuals struggling financially, lonely and with reduced confidence to search for other work.

Experiences of other employer approaches to retirement

Other employer approaches to retirement were distinguished by three key dimensions: whether retirement was raised by the individual, the employer or not at all; whether it was a formal process; and the scope for negotiation over working options. Knowledge of employer policy, drawn from observing colleagues or official communication, was limited and affected how retirement was raised as well as attitudes towards the process.

The retirement process

Other employer approaches were more diverse than those following a right to request approach. Where retirement was raised by the employer it took the form of all-staff communication or one-to-one discussion with a supervisor. Alternatively, individuals chose to raise the issue of retirement as they had made a clear decision to retire or continue working, or they required more information about their options. Reasons for not raising retirement included anxiety and uncertainty, particularly where there was a desire to continue working and little knowledge of employer policy. Experiences of negotiation over retirement options ranged from none at all to extensive discussion; negotiation was more apparent where retirement was raised by the individual and good working relationships were present. Three outcomes were identified across all other employer approaches: continue as before; continue with a different role or different hours; and, retirement.

There was general satisfaction with other employer approaches, although concern over impersonal communication, limited options or where it was felt procedure was not correctly followed.

Role of other employer approaches in retirement decisions making

The impact of the employer was most visible in how retirement was raised, which influenced knowledge and expectations of employer policy, the level of discussion over retirement

options, and the decision to retire itself. Where retirement was not raised, due to ignorance or concern about the implications of raising it, individuals felt they could have made more informed decisions had there been some discussion with the employer. In cases where the employer raised the issue, the extent of discussion and negotiation over retirement options had a direct impact on the extent to which individuals made a decision and the nature of the decision made.

Interaction of other factors affecting the decision to retire

A combination of factors contributed to the decision to continue to work, including the options available to do so, a financial imperative to work, a desire to remain 'occupied', feeling valued at work and enjoying the job. The decision to retire was influenced by employer constraints on continuing to work, having the financial capacity to retire, the retirement plans of spouses or partners, ill health and difficult relationships with managers or problems with the role. Financial concerns appear to override other factors as those still working may have otherwise been encouraged to retire for any of the other reasons above if they could have afforded to do so. Equally, where people were financially stable and retired, they suggested that they would have continued to tolerate difficult working relationships had they needed the money.

The full report of these research findings is published by the Department for Work and Pensions (ISBN 978 1 84712 792 1. Research Report 673. July 2010).

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

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