

Early exit and motivation to work after 62

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Introduction

Early retirement in Norway

When the National Insurance Scheme was implemented in Norway in 1967, the eligibility age for old age pension remained 70 years, as it was in the former flat rate universal old age pension. From 1973 eligibility age was set to 67 years, although incentives for workers to remain employed up to 70, a higher pension when retirement was postponed and an option for gradual retirement and partial pension between 67 and 70, were added.

Exit pathways have been limited to old age pension from the age of 67, disability pension, having jobs with lower pensionable age (police, nurses etc), unemployment benefits or social assistance. There has never been a comprehensive, public early retirement scheme in Norway. The Labour Unions have advocated such schemes and even a general pensionable age of 60 – without any success, neither with liberal/conservative governments nor with social democratic governments. However, the social democratic government agreed in 1988 to contribute financially to the Negotiated Early Pension Scheme (AFP) effective from 1989. This came about through peak-level collective bargaining between the social partners. Gradually the eligibility age within the AFP has been reduced from 66 years in 1989 to 62 years in 1998. AFP covers about 50 per cent of employees in private sector and the whole public sector. Overall about 60 per cent of the labour force are covered by AFP.

The majority of the early retired are on disability pension, but recently the AFP have replaced disability pension as the most common early exit pathway among the 62–66 years olds. Employment rates for men 60-66 years has decreased from 72% in 1980 to 52% in 1994. After a temporary increase in 1996 it has stabilised around 53%. For women 60-66 employment rates have been stable around 40% since 1980 (Figure 1).

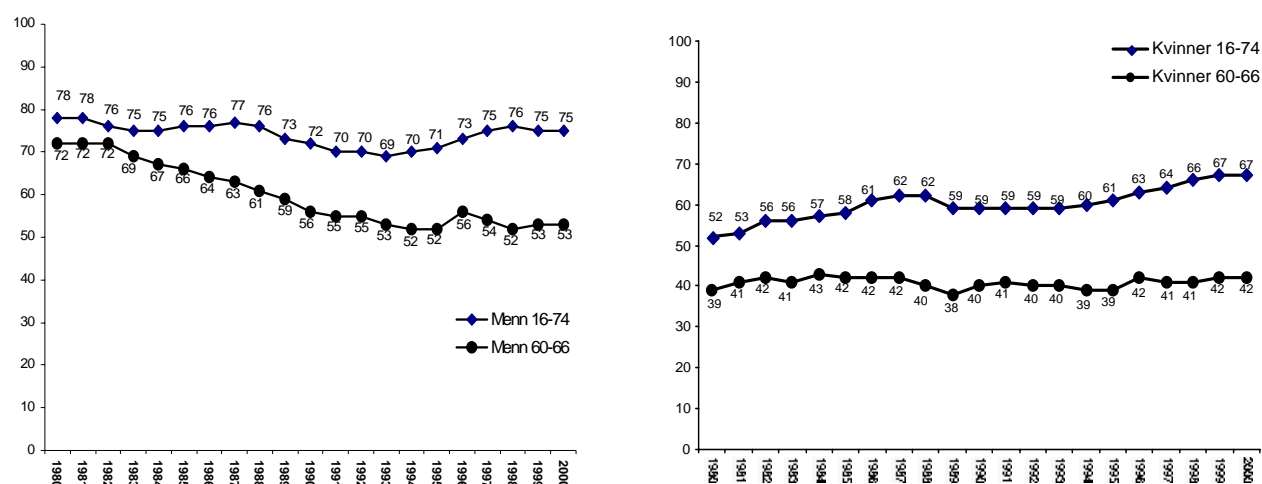


Figure 1. Employment rates males (menn), and females (kvinner) 16-74 years and 60-66 years 1980 – 2000. Source: Statistics Norway. Labour Force Surveys

Thus the employment rates show no effect of the earlier availability of early pension (AFP), even if about 50% of those eligible take early pension. This is influenced by the fact that new cohorts of 60 years olds have higher employment rates when entering their 60-ies. Such cohort effects may hide effects of earlier availability of AFP. Following the cohorts born 1935 to 1937 longitudinally over the 62 years eligibility age for AFP (Figure 2) we find a significant decrease in employment at the age AFP becomes available. Figure 2 also shows that new cohorts of 60-61 year olds have higher employment rate than older cohorts and that employment rates are stable the year before eligibility for AFP. This may be interpreted as a 'waiting effect' of AFP, that workers hold on to work in order to get AFP. This may partly explain the not visible effect on the employment rates of 60-66 years old of increased take-up of early pension at 62. For the near future effects of possible normative changes establishing 62 years as the normal retirement age, is important to survey.

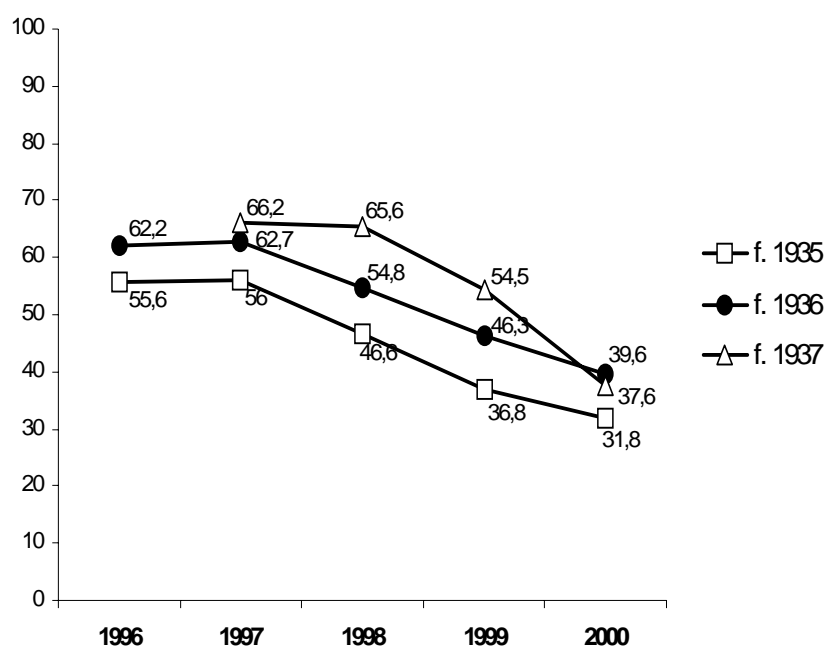


Figure 2. Employment rates for the cohorts born 1935,1936 and 1937 from 1996 to 2000
Source: Statistics Norway. Labour Force Surveys

Norway shares the early exit trends over the last decades with most OECD countries (Blöndal & Scarpetta 1998). Even if employment rates in the older age groups are among the highest compared to other countries (Table 1), early exit trends are of great concern. The reasons for this concern are the same as internationally:

- Demographic changes with ageing of the labour force and impending lack of labour
- Increasing costs of public pensions and loss of tax income due to early exit, endangering the future funding of the welfare state.

Table 1. Employment rates in the age group 55-64 years in selected OECD countries 1999. Percentage.

	Men		Women
Iceland	93.2	Iceland	78.8
Mexico	81.7	Switzerland	62.2
Japan	79.5	Norway	61.1
Switzerland	78.9	Sweden	61.0
Norway	73.6	United States	50.1
Sweden	67.1	Japan	48.2
United States	66.1	Denmark	47.8
Denmark	59.9	United Kingdom	39.8
United Kingdom	59.4	Finland	38.4
Netherlands	48.8	France	29.6
Germany	48.0	Mexico	29.4
Austria	41.6	Germany	28.9
Italy	40.8	Netherlands	21.1
Finland	40.1	Austria	17.6
France	38.9	Italy	15.0
Belgium	35.1	Belgium	14.8
Hungary	29.7	Hungary	11.3

Source: OECD Employment Outlook, June 2000

Thus there is an increasing awareness of the need of older workers to remain in the labour force, and the government has launched a plan for a National Action for Senior Personnel Policy (2001 – 2005). Actions to reverse the early exit trends are consistent with recent changes in policy in many countries (Taylor 2001). Often such changes focus on restrictions in early exit pension plans, which was introduced in the 1970-ies and 80-ies to combat unemployment.

The main objective of the Norwegian plan is to support developments in work environment and personnel policies to attract workers and companies to prolong the working career.

Thus the focus is on push factors in working life, and amendments to pension schemes is left aside, since this is subject to substantial political controversies. To reach full effect of the effort a close co-operation between all the relevant partners on national, regional and company level is crucial. There is a general agreement on improving options for prolonged working career by improvements in working conditions, while restrictions in pension rules will hit workers that is worn out or for other reasons need to retire early. Thus in preparing the plan, the working group has looked for positive measures to combat early exit, rather than restrictions.

Research on causes for early retirement

Causes of early exit are often grouped as push-, pull-, and jump- factors. These concepts were

used by Gambetta (1987) in analyses of factors predicting entry into the labour force and choice of education. Push out the labour force includes expulsion factors in the labour market, working conditions and work environments. Pull denotes the attraction of pension arrangements (Kohli & Rein 1991). In addition to attraction to a favourable pension, attraction to retirement as such, to leisure, family life, voluntary work, and hobbies etc. is labelled jump factors. In "jump" there is a high degree of active choice of retirement, and not merely adaptation to economic incentives in the pension system. This implies that jump factors are less available for intervention than pull factors.

This paper shall focus on push factors, which is consistent with priorities in the Norwegian action plan. The research literature gives support to both push, pull and jump as having effects on early exit. The relative strength of the contributions of the three groups of factors is not established. Few studies have covered the full range of factors. One such study, from the Netherlands, found push factors to be stronger, followed by jump, while pull factors were weaker (Henkens 1998). The relative strength is of course dependent upon the actual labour market situation, pension system and cultural values in the site of the study.

Method

Data were collected in 1999 by questionnaire to a representative sample of Norwegian municipality workers (age: 20-67, N=903), having an optional pensionable age of 62 (Mykletun et al. 2000). Since the optional pensionable age was gradually lowered from 66 years in 1989 to 62 years in 1998, those above 63 had higher optional pensionable age. The questions about early exit are therefore put without reference to 62 years:

- When approaching the time when you may quit work and take an early pension, would you then like to continue working if wage- and working conditions were suitable?

1. Very much, 2. Would consider it, 3. Unsure, too early to tell, 4. Very unlikely, 5. Definitely not

- What would you emphasize when considering continuing working beyond the optional pensionable age?
(Scale: 0= not important, 7= very important)

Higher wages

Longer holidays

Shorter working hours, with same wage

Part time work combined with partial pension

To decide what task to work with

To be appreciated and encouraged by supervisors and co-workers

Opportunities to learn new things

To mentor and teach younger co-workers

Less heavy work

Less mentally demanding work

To decide on working hours (flexible working hours)

Results

Only 14 % of the sample would very much like to continue after 62, while 32% would consider it. The rest was uncertain (31%) or would most probably not (14%) or definitely not (9%) continue (Table 2-4).

Table 2. Motivation to continue working in men and women. Percentage. N

	Men	Women	Total
1. Very much like to continue	13.9	14.2	14.1
2. Would consider it	31.3	31.9	31.7
3. Unsure, too early to tell	26.5	31.9	30.5
4. Very unlikely	17.4	13.4	14.4
5. Definitely not	10.9	8.7	9.3
Sum	100.0	100.1	100.0
N	230	656	886

Table 3. Motivation to continue working in different age groups. Percentage. N

Males	20-29	30-39	40-49	50-59	60-69	Total
1. Very much	27.3	13.7	3.2	12.8	37.0	13.9
2. Would consider it	9.1	21.6	33.3	41.0	25.9	31.3
Sum positive	36.4	35.3	36.5	53.8	62.9	45.2
3. Unsure, too early to tell	63.6	33.3	28.6	18.0	18.5	26.5
4. Very unlikely	0	21.6	22.2	15.4	11.1	17.4
5. Definitely not	0	9.8	12.7	12.8	7.4	10.9
Sum negative	0	31.4	34.9	28.2	18.5	28.3
Sum	100.0	100.0	100.0	100.0	99.9	100.0
N	11	51	63	78	27	230

Table 4. Motivation to continue working in different age groups. Percentage. N

Females	20-29	30-39	40-49	50-59	60-69	Total
1. Very much	22.0	11.0	11.0	15.4	23.9	14.2
2. Would consider it	30.0	28.3	33.8	31.8	37.0	31.9
Sum positive	52.0	39.3	44.8	47.2	60.9	46.1
3. Unsure, too early to tell	44.0	43.5	31.4	24.8	17.4	31.9
4. Very unlikely	4.0	10.3	13.4	19.2	6.5	13.4
5. Definitely not	0	6.9	10.5	8.9	15.2	8.7
Sum negative	4.0	17.2	23.9	28.1	21.7	22.1
Sum	100.0	100.0	100.1	100.1	100.0	99.9
N	50	145	201	214	46	656

Gender differences in motivation for work beyond optional age for early exit are small and insignificant. However, the motivation for work varies according to age (Figure 3, appendix). Middle aged are less inclined to work, and the oldest group are more strongly motivated for work. The age effect may be caused by selection, as those above 60 not motivated for work may already have left work (and the sample). It may also be a cohort effect with stronger work ethics in the older group, and stronger leisure values and more prominent jump factors in the middle aged. The stronger motivation for work in the youngest group (20-29 years) justifies some doubt about the cohort hypothesis. At least it requires further elaboration, which is outside the scope of this paper. A third hypothesis is that the age effect may result from a basically ambivalent attitude towards retirement. The closer to "the moment of truth", when retirement is impending, the attraction forces of retirement is, in the case of

ambivalence, surpassed by the aversion for retirement (Solem 1989). This sample is too small to split up on single year cohorts approaching "the moment of truth", and the ambivalence hypothesis is untestable.

What could motivate workers to prolong working career beyond the age of 62?

Multiple logistic regression analyses are done with five groups of factors. Adaptations of working conditions turned out to be the strongest predictors of motivation to continue work (R^2 45+: .16) (Mykletun et al. 2000). The other groups were:

-Demography: Age, gender, education, size of the municipality (R^2 45+: .04)

-Type of work: Profession, branch, part time/full time, leader/ subordinate position (R^2 45+: .06)

-Attitudes towards ageing workers, and knowledge of retirement options. (R^2 45+: .11)

-Health, work ability and job satisfaction. (R^2 45+: .02)

Adaptations of working conditions include: - what factors are emphasised when considering to continue working, - perceived age discrimination, - career options, - training, -senior policy.

In this paper we shall focus on factors that are emphasised when considering continuing working (table 6-8).

Table 6. Importance of factors to consider work after age of optional early exit. Mean (0=not important. 7=very important). N=765-796.

Would emphasis	Mean (95% confidence interval)
Longer holidays	5.7 (5.5-5.8)
Shorter working hours	4.9 (4.8-5.1)
Opportunities to learn new things	4.5 (4.4-4.7)
To be appreciated and encouraged	4.4 (4.3-4.6)
Flexible working hours	4.4 (4.2-4.5)
Higher wages	4.4 (4.3-4.6)
Part time work and partial pension	4.2 (4.0-4.4)
To decide what task to work with	4.1 (4.0-4.3)
Less heavy work	4.0 (3.8-4.2)
To mentor younger co-workers	3.9 (3.8-4.1)
Less mentally demanding work	3.7 (3.6-3.9)

Table 7. Importance of factors to consider work after age of optional early exit. Mean (0=not important. 7=very important). Gender.

Would emphasis	Men (N=205-212)	Women (N=554-584)	Total (N=765-796)
Longer holidays	5.2	5.8	5.7*
Shorter working hours	4.6	5.0	4.9
Opportunities to learn new things	4.0	4.7	4.5*
To be appreciated and encouraged	3.9	4.6	4.4*
Flexible working hours	4.5	4.3	4.4
Higher wages	4.0	4.5	4.4
Part time work and partial pension	4.2	4.2	4.2
To decide what task to work with	4.2	4.1	4.1
Less heavy work	3.5	4.2	4.0*
To mentor younger co-workers	4.2	3.8	3.9*
Less mentally demanding work	3.7	3.7	3.7

*) $p < .05$ for gender difference

Table 8. Importance of factors to consider work after age of optional early exit among workers that a) would very much like to continue, b) would consider it or are doubtful, and c) most probably would quit work at the earliest optional occasion. Mean (0=not important. 7=very important). N.

	Would continue N=111-116	Doubtful N=482-501	Would quit N=163-175	Total N=765-796
Longer holidays	5.3*	5.7	5.9*	5.7 (5.5-5.8)
Shorter working hours	4.7*	4.9	5.0	4.9 (4.8-5.1)
Opportunities to learn new things	4.7	4.7	3.8*	4.5 (4.4-4.7)
To be appreciated and encouraged	4.5	4.5	4.0*	4.4 (4.3-4.6)
Flexible working hours	4.4	4.4	4.4	4.4 (4.2-4.5)
Higher wages	4.4	4.6	4.4	4.4 (4.3-4.6)
Part time work and partial pension	3.9*	4.4	4.1	4.2 (4.0-4.4)
To decide what task to work with	4.4*	4.2	3.8*	4.1 (4.0-4.3)
Less heavy work	4.1	4.0	3.9	4.0 (3.8-4.2)
To mentor younger co-workers	4.3*	4.0	3.4*	3.9 (3.8-4.1)
Less mentally demanding work	3.4*	3.9	3.6	3.7 (3.6-3.9)

*) $p < .05$ for difference from total mean

The most important are longer holidays and shorter working hours – more leisure and less work. This sample seems to be motivated to continue working if they at the same time also have more time off. More flexible working hours is also attractive and point in the same direction. However a formal arrangement with part time work and partial pension is less attractive – and seldom used. This may be explained by a recent restriction in the gradual pension system available in the AFP early pension. This option was more popular a couple of years ago when the terms were very favourable and in some cases gave a higher amount in combined pension and wage than full time wage.

Opportunities to learn new things and to be appreciated and encouraged by supervisors and fellow workers are also among the important factors, while less heavy work and particularly less mentally demanding work are the least important factors. If continuing work, ordinary work and being a full and appreciated member of the workforce seems to be preferred. Special amendments to ease burdens may reduce status, which is less attractive. This alludes to the importance of social-psychological working environment to prevent early exit, which is also shown in representative samples of Norwegian workers (Solem & Mykletun 1996,1997, Solem 1998).

The association between what factors are emphasised and the motivation to continue working may add to the understanding of what prevents early exit. Longer holidays, shorter working hours, partial pension and having less mentally demanding work, are less motivating for those who would very much like to continue working. They are more motivated by influence over own tasks and by a mentor role. Those who would most probably quit are more motivated by longer holidays and less motivated by opportunities for learning, by appreciation and encouragement, by influence over own tasks and a mentor role. Thus, those motivated for a prolonged working career seems to more internally motivated by work itself.

The policy consequences of this are not obvious. But at all levels of motivation for work, more leisure is an important factor. Some of those most reluctant to prolong working might be enticed to continue by longer holidays, but those more attracted to work would more often

react to better options for learning and more appreciation of their performance. This also is relevant for those doubtful about prolonged working. This doubtful group contains the majority of possible recruits for labour force participation beyond 62 years of age. Thus together with more leisure, improved social-psychological working environments probably are the more promising measures to increase employment among the 62+. To ease the burdens of work by special arrangement and protected jobs seems less promising. If older workers are motivated for work it will for the majority have to be 'real' work with ordinary demands – but fewer hours.

Conclusion

Workers intending to continue beyond 62 seem more internally motivated by work itself. Possibilities of learning and receiving support and recognition from the employer are strong motivating factors. A majority of about 2/3 were indecisive about work after 62, which indicates a potential for effects of interventions.

References

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Appendix

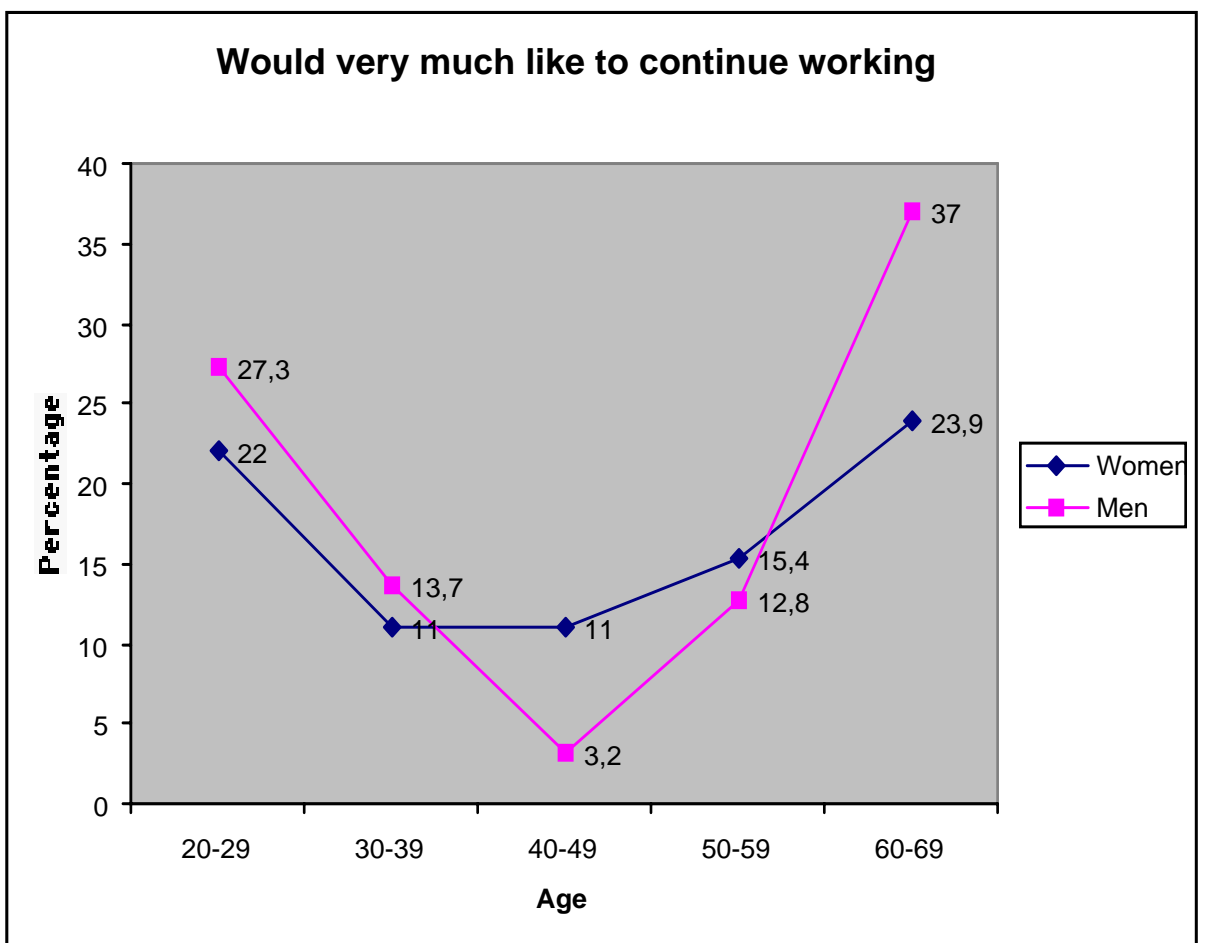


Figure 3. Graphics based upon table 3 and 4.