

"Society and Future" Programme

Final report - Research summary

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TITLE: **"The impact of individuals, organizations and institutions on the length of careers"**

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The purpose of this summary is to disseminate the research findings via the Internet.

Summary

The ageing population presents a challenge for many European countries. A major concern of this ageing is the growing dependency ratio resulting in a larger number of pensioners in respect of the number of active individuals on the labour market. An increase in the level of employment could help balance this ratio again.

Today 67.6% of 20-64 year olds are employed in Belgium. The current European average is somewhat higher, i.e. at 68.6%. For 2020 Europe has set itself an employment rate target of 75%. The Belgian Federal Government is aiming for 73.2% by that date ([Theunissen, Herremans, & Sels, 2011](#)). So we still need to take a big leap if we are to achieve our objectives. For the most part this increase in activity must be realised by raising employment among the over 55s ([Sels, Herremans, & Vanderbiesen, 2011](#)). For this age group, both Europe and Belgium have set themselves a 50% target for 2020. The Study Group on Ageing raises the bar even further and aims for an employment rate among the over 55s of more than 60% by 2030 in order to keep ageing affordable. This is much higher than the current 37.3%. The European average is currently at 46.7%. Therefore we are faced with a major challenge.

The sustainable raise in employment among the over 55s and over 50s is a major objective of policy makers. Raising employment of the over 50s to a higher level can be achieved in two ways. First, it is important for unemployed over 50s to return to work. Second, it is important that people remain in the labour market for longer and retire at a later age. The present study fits in with this and is intended to formulate recommendations based on research results for the Belgian policy makers regarding the re-employment of over 50s as well as the career length. An increase of the re-employment opportunities for the over 50s and an extension of the career can only be realised if all the parties on the labour market are committed to achieving these objectives. Individuals, employers and policy makers have an impact on the extent to which these objectives are achieved. As to date, most of the research on retirement and career length has focused on only one of the parties involved. In this study we focus on the three parties and we combine the results of a diagnosis at individual, organisational and institutional level. Furthermore, our findings are the resultant of a multidisciplinary cooperation between economists, psychologists and sociologists. In the final research report the subject matter is approached from highly different angles allowing different emphases and ensuring this research comprises a wide spectrum of conclusions. The report comprises seven chapters in which we subsequently zoom in on the labour market behaviour of individuals (chapters 1 and 2), the implications of ageing for

organisations and the end-of-career policy (chapters 3, 4 and 5), and the impact of the institutional context on the re-employment opportunities for over 50s on the one hand (chapter 6) and the exit from the labour market on the other hand (chapter 7). Below, we give a concise overview of each of these chapters and briefly explain the core ideas from the epilogue.

Chapter 1: The job search behaviour of jobseekers: differences according to age

In this chapter we study to what extent the job search behaviour of jobseekers differs according to age. Here we focus on two indicators, i.e. the search intensity and wage flexibility. We investigate to what extent these two indicators are influenced by the assessment of the opportunities on the labour market (i.e. perceived employability) and by the importance jobseekers attach to work (for intrinsic and extrinsic reasons, i.e. work involvement and financial necessity). We examine to what extent these relationships differ for jobseekers of different ages. The model was tested via path analysis on a random test of 240 Belgian jobseekers who were about to start an outplacement programme in 2011. The study revealed a number of surprising results. The results show that older jobseekers display greater seeking intensity and wage flexibility the higher they assess their employability on the labour market. For younger jobseekers the reverse relation applied. Young people, who believe their opportunities are higher, will seek less intensively and will be less flexible regarding wages. Age does not play a role in the other relationships: irrespectively of their age jobseekers who consider work to be important will search more intensively, and jobseekers in higher financial need will be less flexible in respect of wages. The results dispel the stereotype notion that older unemployed wait passively until their pension and have very high wage demands. Their assessment of their employability on the labour market is determining their search behaviour.

Chapter 2: Influence of individual determinants and partner characteristics on the exit decision of over 50s in Europe

Ageing of the professionally active population in combination with rising life expectancy creates insecurity about the sustainability of public pension schemes in Europe. The (early) retirement decision of over 50s is determined by a whole series of factors at individual, household, organisational and institutional level. In this chapter the focus lies on the personal determinants and partner characteristics that may lead to the decision to exit the labour market (prematurely). The data used originate from the ECHP, the European Community Household Panel that contains longitudinal data from 1994 to 2001 from 15

European countries.

The results show that partner characteristics influence the decision to retire. Furthermore, the results show that traditional role patterns play a major role in this decision. The results support the patriarchal dominance hypothesis (Henkens, [1999](#)). In general we can state that women are influenced more than men by the age gap between partners, the man's level of education, the objective health of the male partner and other partner characteristics. As only respondents aged 50 and above were selected and the data set was limited to the period from 1994 to 2001, a great majority of our male partners lives within a breadwinner model in which the retirement decision of the man is more influential than that of the female partner in the timing of the retirement of couples. Our results also fit in with the life course theory because the lives of men and women are interlinked and partner characteristics clearly influence the individual retirement decision. Moreover, the gender perspective and the care perspective are clearly present in the group of females belonging to two-income households, who will retire earlier if their partner indicates he is in poor objective health. Within this group of couples women will retire earlier because of the care tasks. Our results also confirm the traditional role patterns based on the breadwinner and health care provider relation, in which the partner with the highest income has the most power and the highest status (usually the male partner) and in which the satisfaction of the retirement for the other partner (usually the female partner) is often greatly reduced ([Tichenor, 1999](#)). Women will therefore retire earlier under pressure of their partner, whereas men are less influenced by their wife's decision to retire.

Chapter 3: The role of the organisation and the adopted human resource (HR) policy as a crucial element in the (re)employment of 50-plus employees

The organisational context also has an influence on the end-of-career decision. In this chapter we detail why and how organisations implement 'age-conscious HR management'. To get a better picture we performed case study research in ten organisations considered to take a leading role in the field of age-conscious HRM. We not only highlight these initiatives from the employer's perspective but also determine how existing initiatives are experienced by the employees. The results show that today the basic motivation for installing HR-policies targeted to 50-plus employees is still of a highly curative nature: Organisations faced with an age pyramid with a strong concentration in the higher age categories, resort to age-conscious HR-policies out of necessity. Many existing measures focus exclusively on the group of older employees, through training courses on the one hand and the adaptation of the labour conditions on the other hand. More attention should go to hiring older workers, to

offering career prospects, and to maintaining a sound balance between work and private life. Within the cases respondents did mention, however, that an age-conscious HR-policy could and should have multiple forms; a sustainable policy focused on young people as well as on the more senior, that is not only reactive or curatively driven, but which can also be deployed proactively. The focus being on maintaining and increasing the employability of all employees in order to extend the career length. In other words the challenge will be to abandon specifically applied measures that only focus on one aspect of age-conscious HRM and to adopt a more holistic HR strategy towards employees, based on a career perspective. Although individual, customised HR initiatives can offer an easier and quicker answer to specific concerns and organisational problems, their impact, result and success will often be limited to solving a problem for which the measure was introduced, without tackling its causes preventively in the long term. The following chapter looks into this impact and into the relation between HR practices and the end-of-career decision.

Chapter 4: The influence of HRM on end-of-career intentions: The mediating role of engagement and employability

In this chapter we determine to what extent there is a connection between employees' experiences of age-conscious HR-policies and their perceived employability, engagement, and end-of-career decision. The results show that investing in age-conscious HRM works. First and foremost it appears that the perception of an HR policy that invests in all employees (a so-called "high performance work system" or HPWS) increases the perceived employability and the engagement of older employees and that these factors in turn reduce the need for an early exit from the labour market. Indeed, these results cast new light on how organisations can influence the end-of-career decision of their employees via an inclusive HR-policy that takes into account age differences but goes further than a limited focus on more traditional, individual HR initiatives (the so-called 'relief-measures'). The findings entail a number of implications for organisations wishing to develop an end-of-career policy for their employees. They give a more detailed insight into the major role the overall HR-policy can play in the end-of-career process. Organisations that actively invest in the development and implementation of a policy that takes age into account without being limited to curative measures can increase the perceived employability and engagement of their employees as well as the intention to work longer.

Chapter 5: Age and work productivity: an analysis at organisational level in various sectors

In this chapter we examine the relationship between the average age of the workforce and work productivity at organisational level. We base our findings on a longitudinal random test of 1190 Belgian businesses, originating from the Datawarehouse Labour Market and Social Security (Datawarehouse Arbeidsmarkt en Sociale Bescherming), supplemented with data concerning the financial business performances from Belfirst. The results point towards an inverted U-shaped relation, with an optimum average age of 38. This concave relation is confirmed in all sectorial analyses. However, the optimum average age does vary: from 32 in the IT sector to 41 in the textile, mechanical engineering and transport sector. We did not find any empirical proof at population level for the relation between the diversity in age structure and work productivity. However, at sectorial level there are some significant relations: a negative relation in the transport sector, a positive relation in the services for transport and an inverted U-shaped relation in services to businesses. The findings highlight the major challenges faced by organisations. Depending on the sector various policy emphases will be required. Ageing is a fact and the workforce in organisations will gradually become older. This need not necessarily be problematic. It is important that organisations attempt to attenuate the negative effects of an older workforce or even avoid them completely. This can be done by devoting attention to the work organisation, personnel planning and/or an age-conscious HR-policies. The relevant emphases vary from one sector to the next. The level of our analyses is too aggregated to submit a ready-made solution for organisations. Although new insights and major trends emerge from the analyses, each sector is characterised by a great heterogeneity of organisations, and each organisation is in turn characterised by a major heterogeneity in jobs and tasks. As these last factors appear to be important moderators in the process, there is no miracle solution and customised work must be delivered.

In the last two chapters of the report we examine the impact of the institutional context on the re-employment opportunities of 50-plus employees on the one hand (chapter 6) and the exit from the labour market on the other hand (chapter 7). We support a modern life course analysis that supposes a systematic relationship between institutional conditions at national level and specific life courses at individual level ([Hofäcker, 2010](#)). By means of multilevel analyses we determine to what extent certain institutions influence individual re-employment opportunities and the exit age.

Chapter 6: Re-employment opportunities for the over 50s: An institutional comparison

This chapter studies the impact of the generosity of benefits, employment protection, activating labour market policy and the wage gap according to age on individual re-employment opportunities for the over 50s and other age groups. We do so by means of multilevel analyses on individual data from the Labour Force Survey (LFS) supplemented with institutional data from the OECD and Eurostat. The results of the multilevel analyses demonstrate that the re-employment opportunities for the over 50s are lower in regimes with high employment protection and a large wage gap. Over 50s who are no longer employed in this type of regime, are confronted by high thresholds to find work again. Highly protected employees can thus become outsiders that are difficult to integrate. We also see that an activating labour market policy works. More specifically, in respect of employment stimuli and public mediation. For over 50s these forms of activation can remove thresholds. They can make over 50s cheaper (employment stimuli) and support them in entering the labour market in an efficient and competent manner (public mediation). The results related to training and education are less promising. Over 50s in regimes that spend more on training and education as a part of their activating labour market policy, have lower re-employment opportunities than over 50s in countries where few investments are made in this respect. The results related to the generosity of benefits are less distinct and unambiguous than expected. In regimes with high unemployment benefits, the work opportunities for unemployed over 50s are lower. However, the work opportunities of the other age groups are higher for higher benefits. The results related to the generosity of the benefits show that a higher implicit tax on prolonged work increases the work opportunities for 35-49 year olds. This is probably due to the fact that appealing regimes of early retirement can stimulate people to work so they can benefit later from the generous regime. Why this implicit tax on prolonged work also has a positive effect on the re-employment opportunities for over 50s is less obvious and warrants further research. Although the generosity of the benefit regimes is often put forward as the major reason for the low labour market participation of over 50s ([Hofäcker, 2010](#)), our results show that cuts in these benefits is neither the only nor the suitable manner of helping 50-plus individuals return to work. The work opportunities for the over 50s can be increased with a combination of a strong activating labour market policy and measures that affect certain thresholds, e.g. the high wage gap and the gap between insider-outsiders. The results from the cluster analysis also point in this direction. The number of over 50s who return to work is the highest in the social democratic cluster. This cluster has a *public-based maintenance regime* in which high unemployment benefits are accompanied by major investments in an activating labour market policy. This regime slows down the exit from the labour market while simultaneously stimulating a return to work. A

second regime that scores points in the field of re-employment of over 50s is the liberal regime. In this regime over 50s remain employable because of the low wage gap and the limited protection of insiders. Because of the limited social security this type of regime entails the risk of people becoming employed in poorly paid and low-quality jobs out of necessity, the so-called *working poor*.

Chapter 7: The influence of individual and institutional push and pull factors on the timing of retirement

Within Europe there are major differences between the exit ratios and the average retirement age in different countries. This leads us to assume that in addition to individual characteristics institutional characteristics also influence the timing of retirement. In this chapter the focus is on personal determinants and institutional factors that determine the retirement timing and on the one hand push over 50s out of the labour market while making retirement appealing on the other hand. To this end we used data originating from SHARE, the Survey of Health, Ageing and Retirement in Europe that comprises longitudinal data from 2004/05 to 2006/07 from 11 European countries. The results show that financial security and wanting to spend time with their family motivated over 50s to retire, whereas poor mental health pushes them out of the labour market. Furthermore, the institutional context makes retirement appealing because of the pension expenditure and the expected pension wealth. The objective of this chapter was to determine whether (a) push or pull factors have a more dominant influence on the decision to retire of over 50s in Europe and whether (b) this dominance differs between the individual and institutional level.

The analyses show, in accordance with the individual level, that the institutional context does not push over 50s out of the labour market but that it makes retirement appealing because of financial stimuli like high pension expenditure and the generosity of pension prosperity. Moreover, this study also demonstrates that the family context has a major influence on the decision to exit from the labour market. Returning to our research query we can conclude that pull factors dominate at both an individual and an institutional level.

Epilogue: Improving sustainable employability for the over 50s. An economic necessity, not a 'charity effort'

In the *Epilogue* we have combined the findings from the various studies and have formulated some clear outlines for the Belgian policy makers.

By 2020 the federal government aims to have 50% of the over 55s at work. At present this

percentage is merely 37.3. There is a genuine risk that the 50% mark will not be achieved in 2020. The new governmental agreement does introduce a policy change. However, it is not yet clear how the new political will might influence the final outcome. It is quite obvious that the new policy measures are very necessary. Indeed, the Study Group on Ageing calculated that if we intend to maintain the additional budgetary cost of ageing within acceptable (i.e. affordable) limits, we must achieve a 62% employment rate among over 50s by 2030. In order to achieve this high level we will need larger carrots and occasionally harder sticks. And a government bold enough to use them.

In the coming years we must make the fundamental change from an *early exit* to a *delayed exit* or *active ageing* culture. This change can only be achieved with the maximum commitment of all the actors involved: government, employers, employees, jobseekers, active and (not yet) non-actives. Most of these actors are involved in the diagnosis. Policy implications are formulated and measures are suggested in respect of each one of these actors in the epilogue.

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