RETIREMENT RECONSIDERED

A REVIEW

BY

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(RECEIVED FOR PUBLICATION AUGUST 31, 1961)

Prompted by the recent study of retirement attitudes and practices by the Acton Society Trust the available studies in the field of retirement are reconsidered. It is suggested that there is now sufficient material to make possible some firm conclusions and some definitive researches.

Retirement is a many-sided topic. Does it speed deterioration in the way which is sometimes suggested? What are the effects on the nation's economy of men leaving the labour force at pensionable age? How do people provide financially for their retirement? Can pension schemes be made to fit the varying requirements of firms and employees involved in them? These and subsidiary questions deriving from them are all interrelated, not simply because they have the phenomenon of retirement in common, but more intimately. Consider, for example, the question of the effects of retirement—the retirement-impact hypothesis as McMahan and Ford (1955) call it. Opinion as to the nature of these effects has altered from time to time. The debates on the pension proposals in the early part of this century give examples of the view that it is better for men to carry on working as long as they can. P.E.P. (1935) on the other hand called for an early retirement age, and spoke of the "beneficial and desired leisure" to be found in retirement. More recently, as is well known, the National Advisory Committee on the Employment of Older Men and Women (1953) said that "there is support for the view that the emotional content of work . . . may hold at bay the effect of ageing . . .". It is tempting to account for these cyclical swings of belief by reference to the economic circumstances of the times at which the statements were made. In both 1909, and in 1953, the issue was broadly one of social services versus defence and all available manpower was needed, whereas in 1935 P.E.P. were writing of a time when there was an embarrassment of labour, and younger workers were considered to have higher priority for the few available jobs. This thesis needs to be more fully documented before it can be sustained, but it might

repay further study. At all events it does indicate the interrelationships suggested, and certainly in recent years the notion that retirement may have harmful effects has been introduced into discussions of the age structure of the labour force, the cost of pensions and so on.

These thoughts are prompted by a recent publication*, the chief contribution of which is that it does convey the impression of the range and connectedness of the various aspects of retirement. It is clear that the recent interest in the problems of retirement, and indeed of ageing generally, stems from the concern which there has been about the changing age structure of Britain. By now these facts are so well known that they need little restatement here. As far as retirement is concerned, it can be briefly said that if one accepts the proportion of men between the ages of 15 and 64, and women between 15 and 59 as a measure of the probable size of the working population at any given time, then this "working population" varies from 62% of the total population in 1911, through 64% in 1951 to about 60% in 1978. On the other hand, the proportion of "elderly" people in the population (meaning men aged 65 and over, and women aged 60 and over) has risen from 7% in 1911 to 14% in 1951, and the most recent estimate (Government Actuary, 1960) indicates that by 1978, 17.4% of the population will be in this category, after which the fraction will tend to fall. In general these facts are not in dispute, and a faithful account of them is given in the Acton Society study. But there is room for some difference in their interpretation. In the

*The Acton Society Trust 1960—*Retirement—A Study of Current Attitudes and Practices*. Pp. 66., price 5s.

first place, as pointed out in the study, there are several variables which could influence the situation, possibly at short notice, such as a sudden change in the retirement age or in the school leaving age, or, more gradually, in the readiness of married women to carry on working. In the second place, however, some authorities (*e.g.* Committee on the Economic and Financial Problems of the Provision for Old Age, 1954) take the view that the figures outline a situation in which the "producers" will be increasingly hard put to it to support their dependants, and especially their elderly dependants. The Acton Society appear to follow this line. On this view, it is necessary to increase the size of the labour force by persuading people to remain at work longer. Thus, not only will they be able to contribute to productivity, but their pensions will not be payable, and hence the pension bill will be cut down. There are, however, other interpretations which are not mentioned in the Acton Society study, notably those of the Institute of Actuaries and the Faculty of Actuaries in Scotland (1954) and Hopkin (1953). Of these two papers, that of Hopkin is based on a straightforward demographic analysis, while that of the Institute of Actuaries undertakes a more sophisticated financial approach. The magnitude of the burden estimated by the latter is larger than that estimated by the former, but the conclusions of both reports are very similar. They agree in suggesting that a national annual increase in productivity of rather more than 1.5%, maintained over a period of years, would be sufficient to cope with the expected pension bill and still allow a rise in the standard of living. The present writer does not feel qualified to argue this case, but the need for a clearer and more objective assessment of the situation in regard to the ageing of the population, as well as an informative discussion of such an assessment has been supplied by Professor Titmuss (1958). The latter source is not mentioned at all by the Acton Society.

Even if all the people who now retire but who could continue at work after retirement age were to remain, the resultant increase in the labour force would be small, probably of the order of 1 to 1.5%. This estimate assumes that of the men retiring at 65, approximately 30% could stay on, this 30% corresponding to those shown in the report of an inquiry by the Ministry of Pensions and National Insurance (1954) as being retired or discharged by their employers. Although an extended discussion of this assumption is not possible here, it does accord with a similar assumption made on some American data (Mathiasen, 1953).

These discussions of broad categories conceal a problem of definition which the Acton Society do not touch upon—namely, what is implied by retirement?

It is very easy to talk as though the dividing line between the "working" and "retired" categories were easy to draw but this is by no means the case. Quite apart from the possibility of men working part time, if men are asked to classify themselves as "working" or "retired", some may be unable to do so (Emerson, 1958). This may occur in cases when a man leaves his job, usually because of a fixed retirement age, but wants to continue in some employment. He is unable to find any work and ceases to look for it, but is prepared to wait for something suitable to turn up. Sometimes the conditions which would render a job suitable to the man are very hard to meet, and it is possible that in such a case the man is unconsciously setting his requirements too high for that very reason.

Further distinctions are important when research upon retirement is carried out, and these distinctions have often not been observed. While there is a hard core of people who are "retired" on any definition, others may be found in different categories depending on the hypothesis to be tested. Thus, if the hypothesis is that the "rhythm and routine" of work is important, then subjects carrying on voluntary work should be included in the "working" category, but if it is believed that paid employment is important in maintaining self-respect (Fried, 1949), then these subjects should be included in the retired category. Similarly, what is to be done with men who, having retired from their usual job, take up new full-time employment? On the "rhythm and routine of work" hypothesis, they should be regarded as carrying on work, but if the loss of contact with workmates and the need to carry on in familiar surroundings are considered important, then they should appear in the retired group. These distinctions are blurred in many investigations of attitudes to retirement and its effects.

Again, on the face of it, it seems that retirement and its effects ought to vary a good deal with social status. Retirement must seem a very different thing to the man retiring with a golden handshake than to the man retiring with only his National Retirement Pension. Unfortunately, we know very little about the former as compared with the latter. A recent booklet* views the prospect of retirement for the *élite* with an equanimity quite different from the apprehensions voiced in regard to retirement at lower levels. Here, the older director is advised to ask himself the question "Would it be better for the organization if this job were done by a younger man", and to "... retire while there is still enjoyment in you".

*Institute of Directors (1960)—*The Older Director—His Limitations and Advantages*. London.

It is on the topic of the effects of retirement and description of the retirement situation that the Acton Society's monograph is weakest. Attitudes to retirement are discussed in a short chapter in which it is pointed out that there is little information about them in this country. Attention is drawn to the report by the Ministry of Pensions and National Insurance (op. cit.), to a study by Cowan (1960), and one by Pearson (1957). In Dr. Cowan's investigation, 89% of 500 subjects (some working, some retired) said they considered compulsory retirement to be "detrimental to the mind of the older man". In Mrs. Pearson's investigation, on the other hand, the reasons given for wanting to carry on working, or for wishing to return to work after retirement, derived largely from economic hardship. It would not be difficult to reconcile these two different sets of results, since Dr. Cowan's subjects were people who had attended his Consultative Health Centre and hence may represent people rather more worried about their health than a random sample of the population. But, apart from this, it may be argued that in restricting themselves to the British literature, the authors of the monograph have unnecessarily limited their scope, for a great deal of work on these problems has been carried out in America. Can cross-cultural differences be so large that this work is irrelevant? On reading the published reports the impression conveyed is that the problems are very much the same.

There are at least 38 investigations and these include both British and American sources where retirement impact has been discussed in relation to empirical results. It is by no means the case, however, that the results of these investigations are unequivocal. If only those are considered which have examined the retirement-impact hypothesis as a central point of interest, there are 16 studies, seven of them indicating a detrimental effect of retirement (Fried, 1949; Sheldon, 1948; Granick, 1950; Blake, 1952; Townsend, 1955, 1957; Taietz, Streib, and Barron, 1956), one (Streib, 1956) indicating a qualified effect, and eight indicating no detrimental effect (McMahan and Ford, 1955; Pearson, 1957; Granick, 1952; Hoyt, 1953; Payne, 1953; Himler, 1955; Thompson and Streib, 1958; Emerson, 1959).

Part of the apparent inconsistency of these findings may be explained by the different relations examined. Some studies have been concerned with the more severe supposed effects of retirement, while others have been concerned simply with feelings of discontent. Part again is probably due to the different samples investigated since these ranged from groups of high socio-economic status to groups of indigent aged. A further and major part is almost certainly

explained by variations, and often shortcomings, in the experimental methods used. Again the importance of defining rigorously the hypothesis to be tested should be underlined, for on reading some of the reports it seems likely that the detrimental effects reported spring not so much from cessation of work as such, but from the accompanying financial problems. These two possibilities are very different; the first may only be remedied by the provision of further work, which may be difficult to find, but the second may be remedied more easily by increasing pensions or providing them where none exist. The results obtained by Streib (1956) in one of the simplest, yet one of the best of the researches mentioned above, are worth quoting here. He found that work status and socio-economic status "affect the morale of the aged independently and to about an equal extent. When the two factors are found in combination they result in the most devastating effect, for over two out of three among those persons who are both poor and retired have low morale . . . the common notion that retirement leads to low morale is not supported by these data, for other factors can overcome the impact of being retired". More recently, these conclusions have been elaborated in the results obtained in the Cornell Study of Occupational Retirement, in which 1,260 men have been followed up over several years (Thompson and Streib, 1958). These results suggest that retirement is not detrimental to health, whether this be measured by self-rating or objectively by medical examination. Rather, the men who retired showed an improvement in health. As the authors point out, part of the latter effect may be due to the retirement of men unfit to carry on working. Nor does it follow that retirement does not have detrimental effects in some cases. But in general these results must be taken as contradicting the retirement-impact hypothesis. Rather more important influences on the retirement situation than the loss of work as such appear to be economic deprivation, and pre-retirement attitude to retirement. A further interesting paper in this series (Thompson, 1958) carries the analysis of pre-retirement attitude a stage further. Here it was found that the two most important factors in adjustment to retirement were an accurate preconception of retirement and a favourable attitude to it before retiring. Planning for retirement was found to be of less importance, presumably because, without an accurate idea of what his situation will be, a man may make unrealistic plans.

These results are American, but while the British results are thin indeed by comparison they do follow along the same lines. Moreover, if Havighurst and Albrecht (1953) are correct in their opinion that workers in Britain and France have a more

favourable attitude towards retirement than American workers, the effects of retirement should be less than those found at Cornell.

One point which seems to emerge from reading these studies is the importance of the attitudes to retirement prevalent among the society at large. It seems possible that if emphasis is placed upon the importance of supporting oneself and one's dependants rather than relying upon income which is not immediately earned, then people who retire may experience guilt and inferiority feelings. But if social attitudes are permissive about not working, men who retire are likely to be able to adjust without too much tension. On this point the report of The Pilgrim Trust (1938) and the investigation of Friedmann and Havighurst (1954) may be compared. Moreover, it seems likely that many men fear retirement before they actually reach it, and this must colour their attitude afterwards (Emerson, 1958; Townsend, 1957). Again, these fears may be reinforced by the publicity given to the supposed effects of retirement.

These considerations are intimately concerned with the topic of retirement pensions as they affect the employee. The Acton Society report the results of an investigation carried out by them into company policies and practices in relation to retirement schemes. Just over half of the 55 companies had flexible retirement ages, and whether or not a company fell into that category seemed to be unrelated to the type of industry or the length of time during which the scheme had been in operation. Perhaps the most interesting part of this material is the comments which are made by the authors. For example, firm number two has a fixed retirement age but we are told that "there have been exceptions but very few". In firm number 27, people may stay on beyond retirement age "in exceptional circumstances". One would like to know more about this. What are the exceptional circumstances, who makes the decisions, and how rigidly are the retirement schemes adhered to from time to time? An article in the *Ministry of Labour Gazette* (1949), giving information on ages of retirement in a sample of firms, pointed out that at that time, some 12 to 15% of the schemes were in abeyance. It seems to be important to have this kind of information when discussing retirement schemes, since no doubt many employers who on paper have a rigorous scheme in fact adjust it to meet variations in the supply of labour and similar local conditions. In the Acton Society investigation, in firm seven, we presumably have an example of this, for we are told, "Before recent redundancies employees were not retired until either (a) they were no longer effective or (b) they wished to retire".

Another aspect of this on which information would be welcome is in how many cases men know beforehand how much their company pension will be. Clearly this is an important element in planning one's retirement. In some cases cited by Emerson (op. cit.) the degree of foreknowledge varied greatly. Some men who qualified for a fixed proportion of their salary knew exactly what they would get, some could work it out at least approximately because the amount received was ascertainable according to a known formula, but some did not know until a few weeks before retirement. In a few cases of a small sample, where a small addition to the retirement pension would have been sufficient to determine a man to retire, and where it was known that in other cases a firm had awarded a small *ex gratia* pension on retirement, some uncertainty existed in the minds of the men concerned. If they could have been certain that they would get a pension from the firm, they would have retired. No doubt this will cease to be a problem with the spread of industrial pension schemes, and if schemes of education for retirement are introduced.

The aims of the Acton Society study are admittedly modest. The conclusions drawn "are tentative and are offered more in the hope of stimulating thought and of indicating possibilities than of providing a policy blue-print". To the extent that the interrelatedness of the various aspects of retirement is clearly shown, a useful service is performed. But it is the opinion of the present writer that there is no lack of thought on the matter of retirement, and there has also been a good deal of research done. The trouble is that so much of this research has been on a very small scale and carried out on a shoe-string. Probably most people would agree that in the long run retirement is a thing we are going to have more of. The issues involved are sufficiently important to warrant financing some really well-designed large-scale researches. The example of the Cornell Study of Retirement (Thompson and Streib, 1958) comes to mind, and a really good study which would disentangle the effects of loss of work from the effects of loss of income using a suitable experimental design is sorely needed. But there are also other possibilities. For example, it is regarded by many as desirable that retirement schemes should be flexible, but this raises certain problems, for a greater onus is put upon the employee of deciding when he should retire. What determines his decision? Richardson (1953) has shown that what he calls a "trigger-factor" may be operative in the decision of an older worker to move from heavy to lighter work. By "trigger-factor" he means "a minor injury or illness from which recovery has been both rapid and complete", but which nevertheless in some way provided a point

at which a man could reassess his job situation. There was also evidence of the influence of work-mates, family, or medical adviser in reaching a decision. In the field of retirement, the operation of these factors has been noticed in some cases by the present writer. It therefore seems worth while to investigate these and other attendant influences by a really thorough operational study of actual retirement schemes. Again, we are told by the Acton Society that "systematic attempts to assess people's fitness to continue at work were surprisingly rare". This seems to be a topic which would repay more attention, and especially the relation between the individual's "fitness" and the "fitness" of a job for him.

To adapt a somewhat hackneyed phrase, all conclusions are tentative, but some are more tentative than others. Surely the time for tentative conclusions, in the Acton Society's sense, is now past? Surely we could now press forward to conclusions on these topics, which are tentative only in the sense that all research results are tentative, but which at the same time afford a systematic view of the field?

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