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Transitions and Old Age Potential

By Jürgen Deller⁺

It is only recently that the broader German public and labour market actors have become more aware of the challenges of demographic change. The phenomenon of work and other activities in retirement have also become topics of discussion. In recent years, a growing number of authors have started to use already available data to analyse the extent and character of this phenomenon in Germany (cf. Deller & Pundt, in press). The topic has also received wider attention at a European level (e.g. Eurofound, 2012), reflecting the growing interest in the intentions and behaviours of retiring cohorts regarding work and other activities.

The German Federal Institute for Population Research, in a joint endeavour with researchers from universities, including this author, has studied the work and informal activities of 55 to 70-year-old Germans in a representative study called Transitions and Old Age Potential (TOP) (see: http://www.bib-demografie.de/EN/Research/FB3_Ageing/FS31_Ageing/Projects/1_top.html). TOP aims to shed light on the types of transition into retirement, the influence these transitions have on activities in retirement and who continues work in retirement. Besides paid work, TOP is also interested in involvement in civil society or within the family and other aspects.

This article mainly presents select TOP results published by Cihlar, Mergenthaler, and Micheel (2014). It describes results of TOP's phone survey of 5,002 randomly selected—and thus representative—women and men between the ages of 55 and 70 years conducted between January and March 2013. Comprehensive results will be published by the TOP team in about a year. The questionnaire was designed to be cross-sectional. More waves are planned in intervals of every two to three years to expand the basic survey into a longitudinal panel study allowing for causal inferences. This will help to learn more about the correlations between intentions and behaviour in relation to continued activities over time. It will also educate us about individual reasons for continued activities. Expected results will be relevant on three levels, individuals, organisations, and politics.

Meaning of work

The importance that people attach to their work per se can vary considerably. The importance attached to work after retirement has several dimensions (Maxin & Deller, 2010). TOP results underline that work represents meaning and contact with others as well as personal satisfaction. Independently of whether the respondents are retired or not, work means first of all having a meaningful job (around 80 per cent), being in contact with others (approx. 75 per cent) and experiencing personal satisfaction (more than 70 per cent). For more than half (over 60 per cent) of 55 to 70-year-olds, work also allows for generativity, namely for passing knowledge on to the next generation or sharing one's skills with younger people. For individuals who are not receiving retirement benefits, work means earning money (68 per cent). This consideration is not as strong among retirees, who attach less importance to the money-making aspect of work (52 per cent). More than half of the sample rated receiving respect and appreciation as well training and teaching younger people as important. Only two of three respondents expressed the opinion that work means meeting the expectations of others. Work for this age group especially means self-realisation and self-determination. The interests of third parties are less strongly perceived, regardless of retirement status.

⁺ Leuphana University of Lüneburg, Germany and Silver Workers Research Institute, Berlin, Germany.

Employment and the transition to retirement

The employment phase of a person's existence comprises several decades. However, the importance of the aspects of employment mentioned above can change in importance over the life course. One might expect that financial aspects may play a more prominent role in the earlier years, while other aspects may become more salient in the later years of life. Personal development may gain importance. Especially at the threshold between employment and retirement, the priorities in terms of life planning and life design may change.

Employed retirees—a (still) small group

Based on official statistics, the number of people of retirement age work in paid employment is increasing steadily (cf. Eurofound, 2012). In Germany, according to the Federal Statistical Office, almost 830,000 people in employment in 2012 were aged 65 years or older. In 1991, however, the number of such persons was around 320,000 or less than half. Based on official labour market and micro census data, other authors estimate up to 1.3 million the number of working retirees in Germany (Deller, 2013).

The TOP study shows that around 23 per cent of 60 to 70-year-old retirees work in paid jobs. Men are far more likely to be employed (29 per cent) than women (just under 18 per cent). However, little is known about the motives, desires or possible constraints regarding paid work. These knowledge gaps are to be closed with the TOP study. The following analysis compares individuals who continue or have resumed working in retirement with non-working retirees who have withdrawn completely from the labour force.

Is it the "poor" who continue to work?

An important reason to continue working in retirement is to avoid poverty in old age. The so-called poverty threshold is defined as 60 per cent of a household's average monthly net equivalent income. In the TOP study, where the average monthly net equivalent income of all respondents is €1,500, the poverty threshold is €900.

The income distributions within the groups under consideration are quite similar: They are dominated by the middle-income groups. About four out of ten retirees (41 per cent of economically active retirees and 40 per cent of the non-working retirees) can be found in the income class "€900 to less than €1,500", while four out of ten retirees (26 per cent, both working and non-working) have an income of "€1,500 to less than €2,000". The shares of the "€2,000 and more" income group is 18 per cent of the economically active and 16 per cent of the non-working retirees. In this sample, 15 per cent (employed) and 18 per cent (non-working) retirees are below the poverty threshold. Cihlar et al. (2014) point out that the last-mentioned shares call for necessary socio-political action.

At the same time, the first somewhat surprising result that low income does not exert a particularly striking effect on taking up employment in retirement is a core result of the TOP analysis. However, considering the question of the assessment of the financial position, the picture changes a bit. In the group of employed retirees the proportion of those who measure their income situation as good or very good in the income category "€900 to less than €1,500" is significantly lower than in the non-working group. The motive to obtain a higher income thus is prevalent.

Do the healthy work longer?

Health together with the income situation plays an essential role in the decision to work in retirement, since health status is an enabler for individuals to work. Therefore, the assumption was that retirees who have good subjective health are more likely to hold a paid job. In fact, comparing the two groups shows significant differences that support this hypothesis. The proportion of economically active retirees indicating rather good or very good health is 88 per cent; the proportion with rather poor or very poor health is 12 per cent. In the group of non-working retirees, 76 per cent rate their current health as fairly good or very good, while 24 per cent consider their health to be rather poor or very poor.

Fun at work as the most important reason for working in retirement

Working retirees were presented several reasons for their activities. The most important groups were, first, personal reasons and interpersonal motives (fun at work, social contacts, wanting to stay mentally fit, personal development or training and having a regular daily routine), followed by aspects of reciprocity in social exchange (the feeling of being needed, earning money, receiving recognition and appreciation, transfer of knowledge and experience). It turns out that having fun at work (95 per cent) comes first, followed by social contacts and staying mentally fit (both 90 per cent). After some gap, three aspects can be found in midfield: the feeling of being needed (77 per cent), making money, and recognition and appreciation (both 73 per cent). These motives are followed by the generativity motive to pass on knowledge and experience (67 per cent), personal development and training (54 per cent), and a regular daily routine (51 per cent).

How much do retirees work?

What is the extent to which working retirees pursue their professional activities? Nearly three-quarters (73 per cent) work up to 15 hours per week. About one employed retiree in five (21 per cent) works between 15 and 35 hours per week. On the maximum side of the scale, almost 6 per cent work 35 hours per week or more, which is full time. In-depth analysis shows that the majority of individuals—about one third—work 5–10 hours per week. Almost a quarter of respondents work less than 5 hours, while one-sixth work 10–15 hours a week.

Informal work in civil society and family

Older people are very active in informal work in civil society and the family as well. While men are more involved in clubs, associations and neighbourly help, women, besides their activity in clubs, are active in church and increasingly provide care and support services at home. However, outside of home, caring for children or the elderly is rather rare. Overall, respondents experience a high level of recognition for their commitment. Only caregivers caring for the sick and disabled rarely feel appreciation for their activity. Similarly to the case of paid work in retirement, reasons for these activities are fun and contact with other people. This positive perception may also be the reason why about half of the active 55 to 70-year-olds can imagine expanding their commitment. Barriers for a continuation of voluntary work are, however, poor health and too little time.

The results of the TOP study show that individuals in Germany between 55 and 70 years today make a significant contribution to the economy and society. However, they also reveal that there is still considerable potential lying dormant in this age group. Awakening and promoting these development opportunities for the benefit of individuals and society can be regarded as one of the priority tasks of the policy response to demographic change.

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