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**Working Paper**

## Between privilege and burden: Work past retirement age in Germany and the UK

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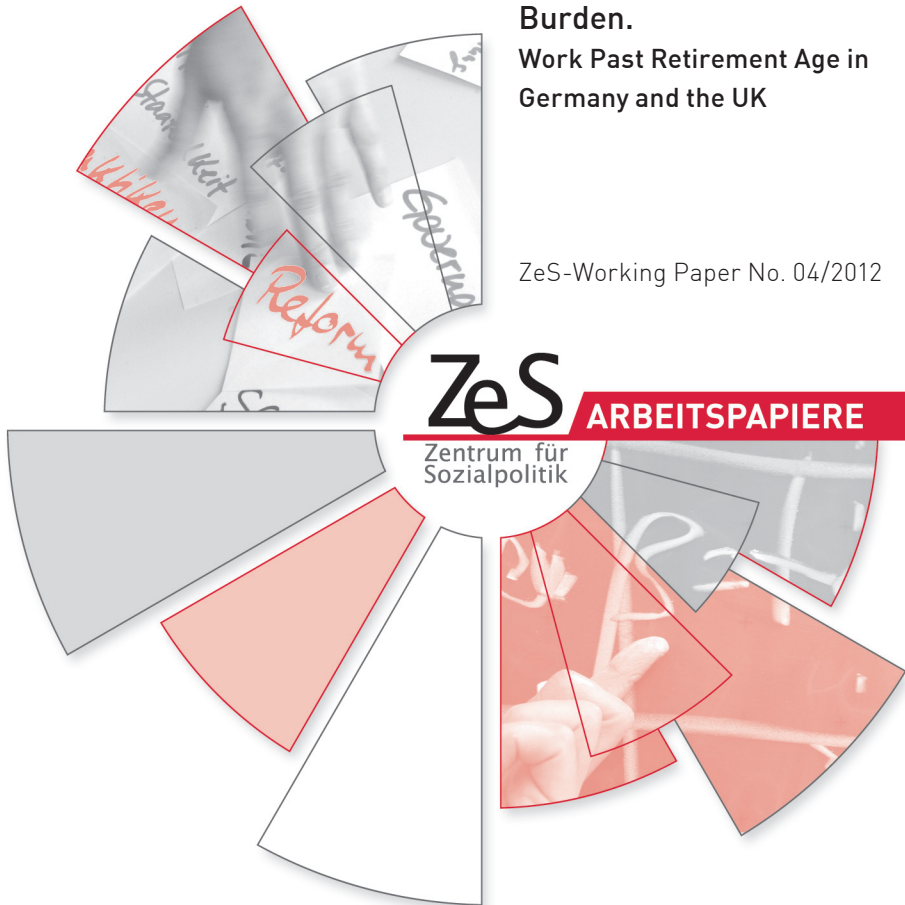
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Work Past Retirement Age in  
Germany and the UK

ZeS-Working Paper No. 04/2012





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### **Work Past Retirement Age in Germany and the UK**

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**ZeS**

Zentrum für  
Sozialpolitik

**ARBEITSPAPIERE**

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The paper investigates paid work beyond retirement age in Germany and the UK. This comprises a combination of work, payments from a pension (or several pensions) and old age which is counter to the assumed finality of retirement and the corresponding standardised passage from end of work into retirement and receipt of a pension. Paid work beyond retirement has not only become more frequent in the last decade, but is also part of heated policy debates on pension reform. The paper first gives a comprehensive literature review, presenting empirical results, conceptual differentiations and theoretical approaches to post-retirement work from previous studies. A heuristic model summarises the most important individual and structural influences on post-retirement work. Thereafter, the most important features of the pension systems and labour markets in Germany and in the UK are outlined. In terms of institutional settings, the countries represent opposing cases whose comparison helps to better understand the institutional factors shaping employment beyond retirement age. In the second half of the paper, data from the German Ageing Survey (DEAS) and the English Longitudinal Study of Ageing (ELSA) serve to empirically describe paid work beyond retirement age. In addition to the demographic and regional distribution of post-retirement work, particular attention is paid to the socio-economic status of people working past retirement, in comparison to those who do not work. Other important areas studied are non-paid activities of post-retirement workers, their health and living arrangements as well as their life satisfaction and subjective reasons for employment. On the one hand, the results of the empirical description confirm the privileged situation of many post-retirement workers who, for example, tend to be more highly educated and have better health than their non-working counterparts. On the other hand, some post-retirement workers work for financial reasons and in the low-paid service sector. There are some indications that the latter group, who experience post-retirement work more often as a burden, or at least in a more ambivalent way, is larger in the UK than in Germany, mainly for institutional and structural reasons.

Dieses Arbeitspapier beschäftigt sich mit Erwerbsarbeit jenseits der Rentengrenze in Deutschland und Großbritannien. Mit Erwerbsarbeit jenseits der Rentengrenze ist eine Kombination von bezahlter Arbeit, Rentenzahlungen und Alter gemeint, die im Kontrast steht zur Endgültigkeit des Ruhestands und dem entsprechenden standardisierten Übergang aus der Erwerbsarbeit in den Ruhestand und zum Empfang von Rentenzahlungen. Erwerbsarbeit jenseits der Rentengrenze ist in den letzten zehn Jahren nicht nur häufiger geworden; sie wird auch intensiv debattiert, etwa im Rahmen von Diskussionen zu Rentenreformen. Das Arbeitspapier gibt zunächst einen umfassenden Literaturüberblick, der bisherige empirische Ergebnisse, konzeptuelle Differenzierungen und theoretische Annäherungen an Erwerbsarbeit jenseits der Rentengrenze einschließt. Ein heuristisches Modell fasst die wichtigsten individuellen und strukturellen Einflüsse auf Arbeit jenseits der Rentengrenze zusammen. Anschließend werden sowohl die Rentensysteme als auch die Arbeitsmarktstrukturen Deutschlands und Großbritanniens in groben Zügen beschrieben. Was den institutionellen Rahmen angeht, repräsentieren die beiden Länder zwei gegensätzliche Fälle, deren Vergleich dazu beiträgt, die institutionellen Faktoren zu verstehen, welche Erwerbsarbeit jenseits der Rentengrenze prägen. In der zweiten Hälfte des Arbeitspapiers werden Daten des Deutschen Alters-Surveys (DEAS) und der English Longitudinal Study of Ageing dazu genutzt, Erwerbsarbeit jenseits der Rentengrenze empirisch zu beschreiben. Über die soziodemographischen Charakteristika von erwerbstätigen Rentnern und die regionale Verteilung dieser Form von Arbeit hinaus wird dem sozio-ökonomischen Status erwerbstätiger Rentner im Vergleich zu anderen Rentnern besondere Aufmerksamkeit gewidmet. Außerdem werden unbezahlte Aktivitäten erwerbstätiger Rentner, ihre Gesundheit und Lebensformen sowie ihre Lebenszufriedenheit und die subjektiven Gründe für ihre Arbeit beschrieben. Einerseits bestätigen die Ergebnisse der Beschreibung die eher privilegierte Situation erwerbstätiger Rentner, die beispielsweise eine bessere Bildung aufweisen und gesünder sind als nicht-erwerbstätige Rentner. Andererseits gibt es erwerbstätige Rentner, die aus finanziellen Gründen und im schlecht-bezahlten Dienstleistungssektor arbeiten. Einiges deutet darauf hin, dass die letztgenannte Gruppe, die ihre Arbeit häufiger als eine Bürde oder zumindest ambivalent erlebt, in Großbritannien größer ist als in Deutschland, und zwar vor allem aus institutionellen und strukturellen Gründen.

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# 1. Introduction

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“Retirement was yesterday, grafting until you drop is the modern fate of more and more pensioners”<sup>1</sup> („Ruhestand war gestern, malochen bis zum Tode heißt heute das Schicksal von immer mehr Rentnerinnen und Rentnern“) – was how a Member of the German Parliament from Die Linke Party (The Left), Matthias Birkwald, commented in a press release on the increasing number of people over the age of 65 working in so-called mini-jobs<sup>2</sup> (Birkwald 2011; see also Lambeck/Fraktion die Linke 2011; Die Zeit 2011; Focus 2011). The number had increased from 416,000 to 660,000 between 2000 and 2010. Together with the news that the numbers of pensioners claiming *Grundsicherung im Alter* (a means-tested benefit

for people over state pension age) had also increased, it was quickly concluded that more and more pensioners must work. These conclusions were quickly contested by the Federal Government Ministry in charge, the *Bundesministerium für Arbeit und Soziales* (Federal Ministry for Work and Social Affairs): conclusions based on the absolute numbers alone would not take into account the increase in the number of over 65 year olds in the last ten years, nor could they consider the reasons for their employment. Although old age poverty is indeed on the rise, these increases are – so far – small and still place German pensioners in a relatively good position compared to other European countries (Zaidi 2010).

Nonetheless, the indignant reaction of The Left’s Member of Parliament, and the rapid uptake by the press of this interpretation of the numbers show that a raw nerve had been hit in the public debate. The number of employed people of pension age has indeed been increasing, even after adjusting for population ageing. Furthermore, pension reforms have led to first (still moderate), decreases in real pensions paid out by the public pension insurance, with larger decreases foreseen for the future (Bundesministerium für Arbeit und Soziales 2011: 38). The relation of paid employment to retirement, and the temporal boundaries between these two life stages have become an increasingly disputed issue in welfare and labour market policies over the last 15 to 20 years. In Germany, paid employment beyond

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<sup>1</sup> The authors gratefully acknowledge support by the German Science Foundation (Deutsche Forschungsgemeinschaft) who funded the work underlying this paper in the framework of an Emmy Noether grant. We would like to thank Kate Bird for her outstanding language editing and further useful remarks on the paper, and Thorsten Walther for his meticulous help in editing the bibliography, and Sabine Steger for the final layout and editing. Kelly Ward and the ELSA team were very helpful in providing us with missing data ahead of their (very busy) schedule.

<sup>2</sup> In Germany, mini-jobs with a maximum income of €400 per month are exempt from any social insurance contributions (pension, health and unemployment insurance) for the employee; the employer pays a very small, flat-rate contribution to the social insurance funds and a low (flat-rate) amount of tax. These payments do not establish individual pension rights for the employee. However, it is possible to pay more contributions so that pension rights are acquired.

retirement age is a rather atypical combination of work, payments from a pension (or several pensions) and old age. This combination is counter to the assumed finality of retirement and the corresponding standardised passage from end of work into retirement and receipt of a pension. In many other European countries, paid employment among pensioners (or people of pension age) has also become more frequent in recent years. In the UK, the proportion of working pensioners has always been higher, which is why the phenomenon is perceived to be less exceptional, and is debated differently.

Although it is highly plausible to trace this increase (at least in part) back to the numerous recent changes in European pension systems, which were also partly influenced by European policies (such as the Lisbon strategy), other factors contribute to an explanation as well, such as improving health amongst retirees and increasing numbers of people in old age. Whether and to what extent German pensioners working in mini-jobs and the claimants of old age benefits are the same people is not clear. Put more generally, the economic necessity to work might only be one among many individual reasons to work.

Against the background of changing demographics and related welfare state reforms often justified with these trends, the study of paid employment beyond retirement age is sociologically and politically highly relevant. Arguably, the working pensioners of today are trendsetters for future developments. However, the details of this development are rather unclear: which groups of pensioners take

up or continue to work? Do they work for economic reasons, do they simply like their work or are they irreplaceable experts in their fields? How do they differ from other pensioners, and what exactly do they do in their jobs? As long as these and other questions have not been answered, a solid normative evaluation of the increase in work beyond retirement is problematic.

This working paper aims to answer some of these questions. We begin with a thorough discussion of the research on the subject so far. Second, we empirically examine the extent and significance of employment beyond retirement in Germany and the UK, providing a broad and descriptive overview of its incidence, the socio-economic status of workers, conditions and possible causes. The main focus will be on people working and receiving a pension who form the biggest group among people working beyond retirement age. By comparing the two welfare regimes of Germany and the UK, we can add to a better understanding of the role the institutional setting plays in the decision to take up or stay in work beyond retirement age, and thus to our understanding of the transition into old age as part of the two contrasting life course regimes.

The paper will proceed as follows: Section 2 sets out to review important empirical findings and theoretical approaches to work beyond retirement age, closing with some suggestions for differentiation and a heuristic model of important influences on post-retirement work. In Section 3, we will provide an overview of the institutional background necessary to understand the conditions of work beyond

retirement: pension systems and labour markets. Subsequently, in Section 4, we will describe the main data bases of our analyses, the German Ageing Survey and the English Longitudinal Study of Ageing. In Section 5, the empirical evidence on post-retirement work is presented: starting with general trends over time, its incidence and regional patterns, we proceed to describe its relationship to health and marital status, and, very centrally, to socio-economic status, i.e. the respondents' educational qualifications, (previ-

ous) occupational class and financial situation. Furthermore and partly drawing on additional data sources, tables on the characteristics of post-retirement jobs are presented, on other 'productive' activities and on life satisfaction. The empirical section closes with a closer examination of the reasons for post-retirement work. In the concluding Section 6, we discuss the evidence and draw some conclusions for the normative evaluation of post-retirement work.

## 2. Empirical and theoretical approaches to post-retirement work

### 2.1 EMPIRICAL FINDINGS OF PREVIOUS STUDIES

Although paid work beyond retirement age has gained empirical and political significance, the subject as such is not new. Consistent with its higher level of old age and post-retirement employment, it has been studied more widely in the UK (and in the US). In many respects, the results of studies on post-retirement workers are similar to those regarding older workers before the transition into retirement (Morris & Mallier 2003; Brussig & Wojtkowski 2007; Blossfeld et al. 2006) or those that do not make a distinction between the time before and after retirement age (see, for example, Blekesaune et al. 2008; Komp et al. 2010). Studies about the transition into retirement and differences in retirement age between different professions (for example, Radl 2012a; Brussig 2010a; Rinklake & Buchholz 2011; Schmelzer 2011) also provide important indications about what happens after retirement. In the following, we will not be able to differentiate the studies according to how precisely they define people working beyond retirement. In the majority of studies this is simply done using a defined age as retirement age and thus subsuming different subgroups under one category. It can be assumed that different subgroups (for example, those who defer pension receipt and those who are working pensioners in a strict sense) are similar in many re-

spects so that the relationships reported are relevant regardless of the exact approach to the subject.

Looking at how people working post retirement differ from those not working, there is one universal finding, regardless of country or observed period: post-retirement workers are of better health, and related to this finding, on average younger than other retirees (see for example Kohli & Künemund 1996: 88; Wagner & Wachtler 1996: 10-11; Crawford & Tetlow 2010: 23; Banks & Tetlow 2008: 40; Komp et al. 2010: 60-61).<sup>3</sup> This connection between work, health and work ability is even more pronounced for the desire to work beyond retirement age (Dittrich et al. 2011). More precisely, good (subjective) health is a necessary precondition for the desire to work beyond retirement, but in itself is not a sufficient reason (Gärtner 2010).

Other important differences between people working post retirement and their non-working counterparts are educational qualifications. Older German studies find that the educational qualifications of working pensioners tends to be higher

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<sup>3</sup> This relationship exists relatively independently of how health is measured: objective and subjective summarising measures as well as certain illnesses are all related to employment. Despite this very clear overall relationship, there are indications that "health subjectivities" can influence the outcome of similar ailments with regard to employment in old age (Brown & Vickerstaff 2011).

than those of other pensioners (Kohli & Künemund 1996: 87; Wachtler & Wagner 1997: 65; Baur et al. 1997: 17f). No newer German studies include information on the subject, except for some studies with very selective and non-representative samples (Deller et al. 2009; Deller & Maxin 2009a and 2009b, 2010) which tend to confirm the bias towards higher qualifications in post-retirement work. Higher employment rates before retirement (Brussig 2010b) can be seen as indirectly corroborating this relationship. The same applies to the examination of the desire to continue working beyond retirement or beyond retirement age, which is also more frequent among higher qualified people (Dorbritz & Micheel 2010). In the broader and also more current British and American literature, the positive link between post-retirement work and higher educational qualifications is confirmed clearly (Smeaton & McKay 2003: 25; Crawford & Tetlow 2010: 23; Banks & Tetlow 2008: 41; Lain 2011, 2012). Whereas most scholars interpret this finding as mainly caused by the better labour market opportunities, slightly different readings suggest that better educated people were not able to accumulate sufficient pension rights and therefore want to work longer (Komp et al. 2010), or that a later career start goes together with a later career end in general (Blekesaune et al. 2008, 29, 46). Whereas the latter view can complement the dominating view, the former seems less plausible, at least in such a generalising formulation. For even within their shorter careers, better educated people are usually able to accumulate more pension rights and wealth in general than others.

Older German studies report that household income and satisfaction with income are above average at least for men working beyond retirement age (Kohli & Künemund 1996: 88f), whereas the opposite is the case for women – although these findings relate to rather limited and local samples. More current German studies indicate that the tendency to work is high among retirees with small pensions from the public pension system compared to those with higher incomes from this source (Burkert & Hochfellner 2012), and the *desire* to work currently seems clearly connected to lower household income (Dittrich et al. 2011; Dorbritz & Micheel 2010). In British and American studies, it is usually rather wealth than old age income that is studied, with a positive relationship between high wealth (Crawford & Tetlow 2010: 23) or high savings and the probability of working in old age (Smeaton & McKay 2003: 24-25; for other European countries see Komp et al. 2010: 60-61). This positive link seems to be stronger for the UK than the US, once health is controlled for (Lain 2011: 504). However, owning a house with a mortgage that has not yet been paid off (as opposed to owning outright) positively influences the probability of working (Crawford & Tetlow 2010: 23; Smeaton & McKay 2003: 24-5), whereas the receipt of payments from an occupational pension lowers this probability.

In Germany, far more men than women work beyond retirement (Manning et al. 2007: 28), which also applies to all older studies mentioned. In the UK, slightly more women than men are in paid employment after retirement age, but

their (still) lower retirement age has to be considered here (Crawford & Tetlow 2010: 23; similarly for the US: Wang et al. 2008: 825).

Although older German studies indicate that German divorced women tend to work more often beyond retirement age because of financial necessity (and widowed women less often) (Kohli & Künemund 1996: 85), the results are again not clear cut. In the UK, a distinct positive influence of divorce on women's probability to work beyond retirement can be seen in some studies (Smeaton & McKay 2003: 25; Banks & Tetlow 2008: 40). Furthermore, people who have a partner who is also still working are more likely to work as well (Crawford & Tetlow 2010: 23; Banks & Tetlow 2008: 40; similarly for the US see for example Hayward et al. 1994), and a small positive effect has also been found for a partner with a limiting long-standing illness (Crawford & Tetlow 2010: 23).

Job characteristics, in particular the exact occupation and the occupational position, have been examined for both the pre-retirement job and the post-retirement employment itself, which, in some cases, is the same. In Germany, many self-employed people continue working beyond retirement age, probably some with and others without receiving a pension (Menning et al. 2007: 28; Wagner & Wachtler 1996: 11), and the self-employed form a considerable proportion of people working beyond retirement (Deller & Maxin 2009a and 2009b; Kohli et al. 1993: 64f). Additionally, family members helping in businesses are also an important group of post-retirement workers. However, it

would be important to differentiate the group of self-employed workers further, for example, distinguishing between business owners from own-account workers. Whereas German civil servants have a lower probability of working beyond retirement age, the 'free professions' such as doctors and lawyers are another typical group with high levels of post-retirement work (Menning et al. 2007: 28). So at one end of the range of possible retirement jobs there are well-qualified experts who continue to do what they used to do, often self-employed or as a freelancer. People working in agriculture are in some respects a similar case (Menning et al. 2007: 28), they often continue to help out on the farms owned by themselves and their families.

At the other end of a possible spectrum of post-retirement jobs, compared to the highly qualified occupations, are the "everyman's jobs"<sup>4</sup> (Kohli & Künemund 1996: 28) requiring little training, for example, low-level service jobs in the retail or security sectors. Current reports indicate that these are becoming more important and dominate the range of occupations pursued after retirement (Brusig 2010a). The precarious character of these jobs has already been underlined in older studies (see also Baur et al. 1997: 25, 42f) in which they are seen as part of a flexible labour reserve. These pensioners work part-time, sometimes for the same company as in their main career, serve as stand-ins during times of shortages, perform rather low-qualified tasks, and their

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<sup>4</sup> All citations from German literature have been translated by the authors of this paper.

jobs enjoy hardly any legal protection. However, it is not completely clear how prevalent these retirement jobs were and are in comparison to the better qualified ones – reliable quantitative information is scarce. There are indications that the general structure of post-retirement work is similar today: the majority of post-retirement work is part-time, and the major areas of employment are agriculture and services with a clear under-representation of post-retirement work in manufacturing (Menning et al. 2007; Brussig 2010a).

This somewhat bipartite picture can also be found in the UK, although, in the related literature, more attention is devoted to low-paid service jobs. Lain (2012) finds evidence that post-retirement workers are disproportionately recruited into low-paid part-time jobs requiring few qualifications. Similarly, Smeaton and McKay (2003: 33-34) show that in comparison to younger age groups, the over 65s are over-represented in personal service jobs and elementary occupations, as well as, on a very low level, jobs in agriculture. The reverse holds true for jobs in manufacturing or in construction, where the over 65s are underrepresented. Managers or senior officials very often just continue in their old job after retiring or after reaching retirement age (Smeaton & McKay 2003: 34-35). More generally, a positive evaluation of the pre-retirement job (with lower levels of work stress and higher levels of job satisfaction) seems to be positively connected to post-retirement work (for the US: Wang et al. 2008).

Although the focus of the literature is on individual factors, some important non-individual influences on post-

retirement work emerge as well. Little is known about the companies workers beyond retirement age are employed in, but there are indications that employees over retirement age work in small companies more often than the younger population (Smeaton & McKay 2003: 35). The main finding so far on regional patterns of post-retirement work is that there is clearly less post-retirement employment in East Germany (Künemund 2006: 298), which is probably closely related to the less favourable labour market situation there, with higher levels of unemployment. Commensurate with this explanation, a higher level of working retirees can be found in some areas of Southern England and London, as compared to the North (Crawford & Tetlow 2010: 23; Smeaton & McKay 2003: 25). Similar effects were found for changing unemployment rates in the US about 20 years ago (Hayward et al. 1994: 96).<sup>5</sup> Other structural and organisational influences, apart from the welfare system and welfare culture or “culture of retirement” (Flynn 2010) in general, might be the existence of compulsory retirement ages at company level (Hayward, Hardy & Liu 1994 do not find a significant effect) and attitudes of employers or managers towards older employees. The latter are, however, rarely examined in a systematic way (but see, for example, Flynn 2010 and

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<sup>5</sup> The authors of this study also include the inflation rate as an independent variable and it proves significant for the probability of re-entering the labour market post retirement. Inflation leads to a loss in the value of private pensions, and since old age income from private pensions is important in the US, this has an impact on the individual likelihood to take up work again.

Karpinska et al. 2011 for the Netherlands).

A number of German and British studies have examined the individual experience of and motives for post-retirement work, applying reconstructive qualitative methods to a limited number of cases. In most cases, non-material reasons figure more importantly than financial reasons on the whole, although these play a role for a minority which might be underrepresented in these studies. Non-material reasons for post-retirement work, such as individual fulfilment, the daily temporal structure provided by employment, the desire to transfer knowledge and experience, social contacts, and social appreciation are all important and provide working pensioners with continued social integration (Deller et al. 2009: 145f; Deller & Maxin 2009a and 2009b; Backes et al. 2011: 152ff; Wagner & Wachtler 1996: 11ff; Wachtler & Wagner 1997: 82ff). Work also produces a certain biographical continuity, even if the occupational role post retirement is new. For many pensioners (and those deferring pension receipt), in particular those in self-employment, work is a central part of their personal identity (Kohli et al. 1993: 82ff, 125ff). People under pension age mention additional motives for the desire to work post retirement, such as working in order to keep fit and active<sup>6</sup> or feeling too young to stop working (Dorbritz & Micheel 2010). For the UK, Barnes et al. (2004, see also Parry & Taylor 2005) underline the importance of a class-based work ethic which is the starting point of their typification of peo-

ple working beyond state retirement age. In their typology, they discern “workers” from “professionals and creatives” and from “entrepreneurs”, while admitting that there are some overlaps between categories. Most workers had discontinuous careers in low-paid jobs, as had many creatives. Whereas finances play an important role in employment beyond retirement for workers and the kind of job they do matters less, for the professionals and creatives their strong work-related identity and blurred boundaries between work and other activities were paramount. Freelancing and juggling work for different clients also were an important pattern for the professionals and creatives. Some of the workers were also “entrepreneurs”. Interviewees in this category had small businesses, in part only founded in the transition into retirement as a kind of second career, and they stressed their sense of independence. Despite the distinct work ethics of workers and professionals/creatives, both groups displayed a great variety of reasons for working, over and above the financial reasons that were more important for the workers. These reasons include everything that has already been mentioned, plus family-related reasons, such as wanting to retire at the same time as the partner, and reasons related to the workplace, such as the beneficial flexibility of an employer who allows working beyond retirement age and/or a reduction of the workload (see also Weckerle & Shultz 1999 for the US). All in all, the UK study again underlines the broad spectrum of paid work post retirement.

<sup>6</sup> Indeed, Skirbekk et al. (2010) find indications that later retirement is connected to lower mortality, at least in the Norwegian context.



## 2.2 A DIFFERENTIATION OF POST-RETIREMENT WORK AND PATHWAYS INTO IT

As has already become clear, ‘work beyond retirement age’ by no means implies a clear delineation of what we are actually looking at. Retirement is usually defined as the transition into a phase without paid work that marks the end of the working career and is connected to the receipt of an old age pension. Two important dimensions are combined here, namely work and pension receipt. A simple definition of retirement as characterised by the absence of paid work in combination with pension receipt, with the opposite being in paid work without pension receipt (and the transition being the simultaneous end of paid work and the beginning of pension receipt), has always been a simplification of the actual states and transitions. Nonetheless, this simplification has described a normative ideal embedded in the construction of welfare systems, in particular in the conservative welfare system of Germany.

Looking at the actual states and transitions lived by older people, the description becomes more complicated, and we can discern at least four different com-

binations (see Table 1).<sup>7</sup> Looking only at people of retirement age, the ‘normal’ state would be the one combining economic non-activity (in terms of paid work) with pension receipt. A person who is in paid work (defined very broadly in this paper, see Section 4) and does not receive a pension in spite of being over pension age is either deferring their pension, or does not have any pension entitlements at all. Those receiving a pension who are also in paid work can be called working pensioners or working retirees in a strict sense. And finally, there are people who do not work and who do not receive a pension based on their own employment record, for example, because they withdrew from the labour market at an early age, as many German women did.

Even though working pensioners and people deferring their pensions have a lot in common, it is important to differentiate between them, in particular because people deferring pension receipt more often just continue their main career job whereas pensioners, even when they continue to work in their old job, have a dif-

<sup>7</sup> Of course, this differentiation is still a simplification of matters because it leaves open what exactly the pension age is, and the kind(s) of pensions received.

Table 1: Combinations of work and pension receipt

|                 |     | Paid work                                 |                                                                              |
|-----------------|-----|-------------------------------------------|------------------------------------------------------------------------------|
|                 |     | yes                                       | no                                                                           |
| Pension receipt | yes | working pensioners                        | non-working pensioners<br>[‘normal’ state]                                   |
|                 | no  | with pension claims<br>(pension deferral) | without pension claims<br>people of retirement age<br>without pension claims |

ferent status than before retirement: the mix of income they receive has changed, and they have a different status, for example with respect to their contributions to the pension system. The focus of the arguments and the empirical findings presented in this paper will be on working pensioners in a strict sense because they form the biggest group, apart from the majority of economically non-active, i.e. non-working, pensioners. However, many of the ideas and influences presented will apply to people deferring pension receipt as well, and they will be included into most of the descriptive statistics presented. We will talk about post-retirement work whenever we want to make a more general argument, whereas working pensioners or working retirees only refer to working people receiving an old age pension.

In the relevant literature, even more blurry terms are often used, like “bridge employment” in the American literature (for example Wang et al. 2008; Weckerle & Shultz 1999), or, even more imprecisely, “silver work(ers)” (Deller et al. 2009; Deller & Maxin 2009a, 2010). These terms are charged with a number of (unexpressed) connotations and assumptions: bridge employment implies that working past retirement age is always transitional and a unidirectional process, whereas “silver work” implies a euphemistic normative evaluation of the phenomenon and can also refer to older workers in general. In spite of the graphic quality of the terms and the plausibility of the assumption that post-retirement work often has a ‘bridging’ character, we prefer the more neutral terms mentioned above because anything

else might hinder a theoretically open description.

Further important dimensions can be derived from the literature, which can serve to classify different types of post-retirement work. The two most important ones are whether the employer and the post-retirement occupation are the same as before retirement, or in other words, the pathway into post-retirement work. This can also relate to whether and how much time has elapsed between leaving the old job and starting a new one (with re-entry becoming less probably over time – see Hayward et al. 1994). Continuity of occupation, and sometimes of employer (called “career bridge employment” by Wang et al. 2008) seems to be typical for higher qualified occupations carried out after retirement or retirement age. However, staying with the same employer can also be connected to a different occupational activity. Badly-paid post-retirement jobs in the service sector requiring few qualifications are more often carried out by people who previously had a different occupation. It has to be concluded that “movers” (Smeaton & McKay 2003: 34) or “recruits” (Lain 2012: 86) as opposed to “stayers” or “continuers” have sometimes experienced downward career mobility (“occupational downgrading”, Lain 2011: 90) at the end of their working life, not only with regard to the qualifications required but also to payment and prestige. This indicates that, beyond retirement age, being recruited into a job requiring a high qualification is much less probable than being recruited into a low-paid part-time job (Lain 2012, see also Brüssig 2011 for Germany), pointing to the role of

age norms connected to (default) retirement age (Radl 2012b) and discriminatory practices towards older employees (Brauer & Clemens 2010). The existence of such mechanisms is also corroborated indirectly by the high proportion of self-employed and freelancers among post-retirement workers.

## 2.3 THEORETICAL APPROACHES AND A SUMMARISING HEURISTIC MODEL

The multiplicity and diversity of influences on paid work beyond retirement can be structured in different ways. Hayward, Hardy and Liu (1994: 84, see also Hardy 1991) describe work after retirement as the result of two selection processes: first, the “retirees’ self selection into employment” and then the selection of retirees wanting to work (or wanting to continue working) by the labour market. This distinction designates the two main areas of broader theoretical approaches to work beyond retirement: first, approaches focusing on the individual and his or her desire to work, and second, theories explaining what happens in the labour market. In the former area, often spelled out by scholars with a background in psychology, theories discussed include Atchley’s continuity theory of ageing (Atchley 1989) or role theory in general (see Kim & Feldman 2000, von Bonsdorff et al. 2009). Here, post-retirement work can be seen as an attempt to maintain a certain daily routine and work-related contacts, or to preserve the occupational role in order to avoid the disruption and the roleloss con-

nected to (full) retirement. In the theoretical approaches connected to the labour market, general models of supply and demand are usefully supplemented by models of occupational stratification or segmentation of the labour market and dual queuing in labour queues and job queues (Lain 2012: 80 – in referring to Reskin & Roos 1990). Acknowledging the importance of both theoretical foci, the individual and the labour market, we propose to integrate them in a broader life course frame (see Wang et al. 2008: 820; von Bonsdorff et al. 2009: 82). This frame permits the analysis of post-retirement work as the result of a long-term interaction between individual lives and the institutional framing that finds its expression (amongst others) in the socio-temporal schedules for typical life course transitions. At the same time, the interconnectedness of individual lives is taken into account as well, as is the level of individual subjective life course experience (see for example Kohli 1986a and 1986b). The individual decision to restart or to continue working after retirement is embedded in an individual’s life course and accumulated experience, as well as in the institutional setting, in particular the pension system and the labour market.

The empirical findings so far as well as the theoretical approaches mentioned can be summarised in a heuristic model of individual and social influences on post-retirement work (see Figure 1, p. 20).<sup>8</sup> In this model, individual influences have to

<sup>8</sup> The model does not claim to be complete. For reasons of simplification and readability, only the most important relationships between different influences are marked by an arrow.

be separated from higher level factors, at least analytically. On the *individual level*, different individual characteristics affect the individual desire to work (or to continue working) which might result in job seeking activities. First, people often work beyond retirement age for economic reasons. This not only includes the economic necessity to work in order to ease or avoid old age poverty. A whole range of economic reasons is possible and have been mostly corroborated by the research reported above: pensioners, for example, want to maintain their living standard even after the transition into retirement so that they can afford little extras like travel; some might also support their children or grandchildren, especially if they are still in education. Others are in principle well-off but still have a mortgage on their home they want to pay off quickly. Some scholars argue that the current generation of (British) pensioners differs from earlier ones in that they want more from their retirement (Gilleard & Higgs 2007; Higgs et al. 2009) – which might also be an explanation of their desire for greater financial resources. A pensioner's financial situation itself is the result of their past employment career because their main income will be from pensions which are determined by the jobs they have held and the old age provisions they were able to invest in (see for example Sefton et al. 2009; Goebel & Grabka 2011). Family careers play an important role as well, in particular with women giving up work or reducing their hours because of children (see Evandrou et al. 2009). Finally, past and current private living arrangements bear directly upon the financial situation,

for example, because being divorced is often connected with financial strain, or because the cost of living is cheaper in a shared household.

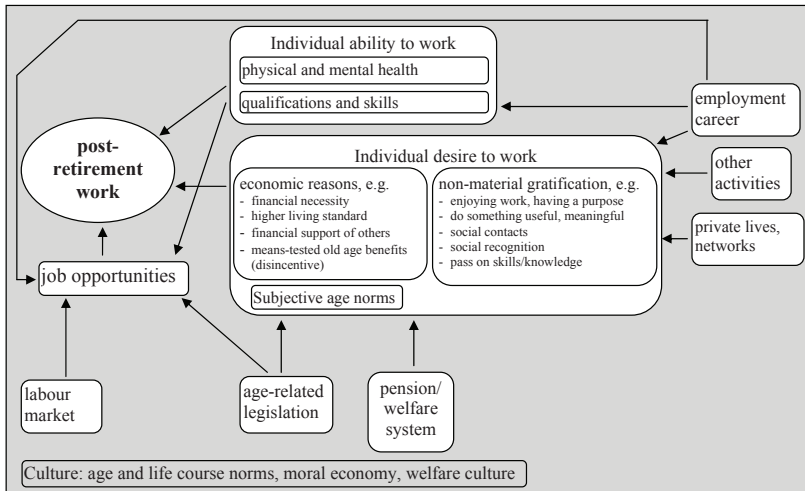
The second kind of factors affecting the individual desire to work are *non-material gratifications*: Some pensioners simply enjoy working because it gives them a purpose, it structures their daily life, and/or they experience their task as meaningful. Moreover, the social recognition experienced through work (and its payment) and the social contacts derived from work are important motives, as is the desire to stay fit and active. Finally, the desire to pass on professional knowledge is also found as a reason to continue working, although it is possibly connected more specifically to the kind of job done. Many of these reasons are intertwined with the central role of labour market participation in modern Western societies as probably the most important form of social integration.<sup>9</sup>

The expected or realised non-material gratifications of post retirement are also connected to individual employment histories, with higher non-material gratification in better paid jobs requiring higher qualifications, leading to a higher attachment to the labour market, a more pronounced occupational identity, stronger personal identification through work and a more positive attitude towards work in general. Yet this relationship can only be understood in terms of a general ten-

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<sup>9</sup> This is also reflected in the British "structured dependency" approach to retirement (see, for example, Townsend 1981, 2006; Phillipson 1982) which sees retirement as a kind of forced exclusion from the labour market.

Figure 1: Individual and social influences on post-retirement work



dency, with a broad spectrum of subjective experience possible in one and the same job or occupation. Private living arrangements and activities and engagement outside work bear on the desire for these non-material gratifications as well. Widowed or never married people may be more reliant on social contacts from work, while a working partner may influence the decision to stay in or take up work after retirement. Voluntary activities might be an alternative source of similar gratification.

A third and final area of individual motivation to work beyond retirement age are *subjective age norms*. Here, partners or the circle of friends may serve as role models for work or retirement so that one or the other can seem more attractive or normatively favourable.

However, the desire to work – be it for financial or other motives – is not enough to actually find or keep a job: the

pensioner must also be able to work and find an appropriate job. The *ability to work* comprises several elements, some more general and some more specific.<sup>10</sup> First, a certain level of physical and mental health is necessary to be able to work, and depending on the kind of job, a higher level of physical or mental fitness might be indispensable. Second, a person's qualifications and skills define the kind of work he or she is able to pursue. For certain jobs, very specific skills are necessary. And more generally, higher educational qualifications can be seen as certifying broad, transferable skills and knowledge. Apart from educational certificates, skills and knowledge accumulated during the main career persist beyond retirement age. Again, the earlier employment career

<sup>10</sup> For a more general concept of work ability, see Prümper and Richenhagen (2011) who apply Ilmarinen's work ability index (Ilmarinen & Tuomi 2004).

is crucial, also because past work strain, among other things, determines an individual's health in pension age.

All of these individual influences on post-retirement work (the desire to work for financial reasons or because of non-material gratifications, and the ability to work, resulting from individual health and qualifications) only operate in close interaction with organisational factors (in companies and other employers), institutional and structural factors. They define the *opportunities to work* that exist for pensioners, and the demand for work. On the organisational level, the work conditions and environment at the workplace play a crucial role, as do employers' attitudes towards older workers.<sup>11</sup> On the macro level, the current situation on the *labour market* (e.g. the level of unemployment) as well as its general structure are paramount. The demand for certain skills and the kind of work on offer interact closely not only with the individual ability to work but also with the individual desire to work. Typically, this interplay between the supply and demand of labour can be described as a matching process. Here, the connection between age and wages is important as well: if seniority wages are paid, as in Germany (but usually not in the UK), this renders older workers less attractive to employers (see OECD 2006: 67). *Pension systems*, their structure and legal regulations, for example with regard

to retirement age, as well as other components of welfare systems are as important as labour markets in their effect on work beyond retirement: they determine the financial situation of people in pension age and their wish to work. A special case, indicating that it is not only pension system that matters, is the role of meanstested benefit in old age (i.e. the British pension credit or the German *Grundsicherung im Alter*) (see Sefton et al. 2008). If an old person claims one of these, they may not earn anything without their benefits being cut (for details see Section 3.1). This relationship might curtail a potential correlation between low financial means and the probability to work. Finally, more general legislation, for example in the field of age discrimination, also affects employment beyond retirement age.

Labour markets, (age-related) legislation and in particular pension systems finally form part of a society's *moral economy* (see, for example, Kohli 1987; Mau 2003) and *general age and life course norms*. These cultural norms and underlying ideas, for example about justice between the generations, or more generally the *welfare culture* (see Pfau-Effinger 2005; Ullrich 2003), will also determine how post-retirement work will be perceived and judged. These norms are also related to the institutional level, i.e. to how post-retirement work is regulated, and to the organisational level, i.e. to how these regulations are applied to concrete cases, for example in companies (see Flynn 2010).

Looking at this heuristic model, it becomes clear that it is only a variation of a model summarising the influences on

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<sup>11</sup> These attitudes are particularly influenced by assumptions about the connection between productivity and age (see, for example, van Dalen et al. 2010; for the actual [attempts to measure the] connection between productivity and old age see Skirbekk [2008]).

labour market participation in general. Thinking about what the specificities of the conceptualisation above are, age norms (subjective and cultural), age legislation and the pension system are most important, apart from minor related differences such as the fact that health forms a higher potential barrier to work than earlier in life. The age boundary institutionalised in the pension system and in related legislation implies that people beyond pension age are not expected to work and do not need to work because their main status and source of income are pensions. This shifts the weight of many other factors in a way that implies that much stronger incentives together with other favourable conditions must be at work so that a pensioner will actually pursue paid employment. There are indications that two opposing mechanisms are at work on the individual conditions: economic motives

for paid work, which will be negatively connected to pension income, qualifications and income, on the one hand, and more attractive jobs as well as better job opportunities for those with better qualifications and better occupations (and thus often higher pension incomes), on the other hand. Whether this will result in a u-shaped distribution of paid work beyond retirement (in terms of individual material resources and qualifications) or whether one factor outweighs the other is one of the questions that has to be answered in the empirical part of this paper.

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## 3. The institutional setting: Pension systems and labour markets in Germany and the UK

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### 3.1 PENSION SYSTEMS

Old age security systems and labour markets, as well as further features of the welfare and economic systems, form the background that structures the decision and the opportunity to work beyond retirement age. Therefore, the broad lines of these systems have to be sketched (with a detailed description unfortunately being beyond the scope of this paper). The specific mix of public and private measures providing old age (income) security can best be described using the idea of the three pillars of a pension system (for example Immergut & Andersen 2007). The first pillar usually comprises pension schemes organised by the state and on a public level, which mostly have at least one mandatory element. Occupational pension schemes, the second pillar, are located on the company level. Pension schemes provided by the private insurance market form the third pillar of a pension system. This classification does not say anything about the mode in which a pension scheme is financed. However, almost all private and occupational pension schemes are nowadays funded while many public insurance schemes are financed on a pay-as-you-go basis.

In Germany, the contributory social insurance of the Bismarck system stands as the central first pillar in old age security, primarily designed to deliver earning replacements. Wage-based contribu-

tions to this pay-as-you-go scheme are compulsory for all employees above a low threshold of income (currently €400 per month).<sup>12</sup> The rate of contribution is the same for everyone (19.9 per cent of gross income in 2011, with an assessment ceiling of €5,500 for West and €4,800 for East Germany); half of it is paid by the employee and the other half by the employer. The pensions that are paid out follow the 'equivalence principle' of an insurance, which means the (absolutely) higher contributions of the well-paid lead to them receiving higher pensions, though with a cap. Longer contribution times as well as times that are (to a limited extent) considered as equivalent to contribution times also lead to higher pensions. The latter include times for raising children (and, to a limited extent, for care of other people) as well as the first year of unemployment, as long as there were previous contributions from a period of employment. The payment of a state pension is only possible from the age of 65 and if contribution times, times considered as equivalent to contribution times and further recognised non-income periods (longer unemploy-

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<sup>12</sup> The best information sources for current regulations in this field of constant reform are the internet sites of the official administrative bodies (Deutsche Rentenversicherung), of the British government ([www.direct.gov.uk](http://www.direct.gov.uk)) and the relevant departments and ministries (Bundesministerium für Arbeit und Soziales). For details see the internet resources at the end of this paper.



ment or illness) amount to at least five years. Earlier retirement is possible in some cases but leads to considerable reductions in the pension. Since the start of 2012, a stepwise increase in the retirement age to 67 is being implemented.

The self-employed may voluntarily join the state pension system under certain conditions. Additional publicly organised systems, similar to the main social insurance, exist for the agricultural sector, and for artists and journalists. Self-employed people working in liberal professions (such as doctors, lawyers, pharmacists and others) need to be members of occupational chambers which also have their own pension schemes – these usually provide their main income in old age (see, for example, Schmähl 2007: 320; Schulze & Jochem 2007: 672). Coverage of around 90 per cent of the employed population by the public social insurance is further complemented through specific tax-financed pension provisions for civil servants and judges (around 5 per cent of all pensioners in 2008, see Bundesministerium für Arbeit und Soziales 2008: 83). Derived pension rights for divorced spouses and for surviving partners or children exist in all of these systems.

Occupational pensions (second pillar), often provided in larger companies and better paid jobs, so far only play an additional, minor role in old age security: around 14 per cent of pensioners (almost a third among West German men) receive payments from an occupational pension, and 9 per cent from the additional pension for employees in public service. Payments are small in comparison to public pension income, and almost all of the re-

cipients also receive payments from the latter (see Bundesministerium für Arbeit und Soziales 2008: 83-87).

Additionally, private pension schemes (third pillar) have become somewhat more important in the last decade, mainly because contributions to schemes complying with a number of regulations ('Riester-Rente') qualify for tax rebates and have been generously subsidised since 2001. For the majority of current pensioners, except some self-employed, income from private old age provision plays a negligible role (see, for example, Bundesministerium für Arbeit und Soziales 2008: Annex, Table BC.1). People of pension age who have very low or no income from pensions can claim the meanstested Grundsicherung im Alter. This applied to slightly less than 2.5 per cent of the over 64 year olds at the end of 2009 (Statistisches Bundesamt 2011).

In the UK system of old age security, the three pillars of the system of old age security interact differently in comparison to Germany. The Beveridge system provides universal flatrate pensions in its first pillar (see, for example, Hinrichs & Lynch 2010; Schulze & Moran 2007), in the form of the Basic State Pension. Individual pension rights are accrued by paying National Insurance contributions which are compulsory for every kind of paid employment above a certain earnings threshold, including self-employment.<sup>13</sup> The full ba-

<sup>13</sup> If an employee has earnings above the lower earnings level of £5564 per year (tax year 2012/2013) and lower or at the level of the primary earnings threshold of around £7590, they do not have to pay National Insurance contributions, but get National Insurance Credits which also entitle them to the state pension

sic state pension (of slightly more than £107 per week in 2012/2013) can only be claimed after a certain number of qualifying years, which not only includes periods of contribution but also years spent raising children or caring for other dependents. For men, the number of necessary qualifying years has been lowered from 44 (for those born before 6th April 1945) to 30, for women it will be lowered from 39 years (for those born before 6th April 1950) to 30 as well. So provision is dependent on working years and not on the amount paid, and pensioners with some qualifying years will get lower payments from the basic state pension. Furthermore, derived pension rights exist under certain conditions for living partners (including divorced partners), as well as for surviving partners or other dependants.

The first pillar further consists of an earnings-related pension for salaried employees, known as the Additional State Pension which was called, under slightly changed regulations, State Second Pension (S2P) until very recently (and S2P itself replaced SERPS, the State Earnings-Related Pension, in 2002). Employees have the opportunity to leave the Additional State Pension (as they had with S2P and SERPS) by 'contracting out' into approved occupational pension schemes of the second pillar. These occupational pension schemes play a major role in old

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(and other benefits). Below the lower earnings threshold, however, no NI credits are obtained, unless other reasons for NI credits apply (like raising children) or voluntary contributions to National Insurance are made. Once people reach state pension age they do not have to pay National Insurance contributions anymore (even if they defer state pension receipt).

age provision in the UK (see Marschallek 2005: 419; OECD 2011: 143) – with considerably higher coverage in the public sector (Bridgen & Meyer 2007: 53). The shift in the last 15 to 20 years from defined benefits to defined contributions in these pension arrangements, with defined benefit schemes being closed for new employees, originated in financing problems of defined benefit schemes due to unexpectedly unfavourable conditions on the financial markets, changed regulations and demographic change (Munnell 2006: 369-380). This shift has led to considerably lower returns. One small exception are occupational pensions in the public sector. Only under the conservative-liberal coalition government (from 2010) have there been plans to rearrange these pensions, by raising the pension age and shifting from final salary schemes to average salary schemes. These plans have (as of late 2011 and early 2012) prompted intense resistance in the form of large strikes in the public sector. There is only a small number of public servants in a strict sense in the UK (less than half a million, compared to around 1.7 million in Germany). These public servants have their own occupational pension schemes, but no separate subsystem of old age provision as public servants in Germany have.

In addition to the state pension and occupational pensions, individuals can invest in personal or stakeholder pension schemes offered by the free insurance market. Pension funds within these schemes are usually managed and invested by investment firms, banks and insurance companies. The importance of the second and the third pillar of old age

provision makes the UK a prime example of “pension fund capitalism” (Clark 2000).

The means-tested pension credit can be claimed by pensioners with very low or no old age income.<sup>14</sup> Although rates of non-take-up are supposedly high (up to one third of those who are eligible), the proportion of recipients was around 23 per cent of all people of pension age in 2009 (in Great Britain without Northern Ireland).<sup>15</sup> Further means-tested benefits for pensioners receiving the pension credit are available, for example related to housing.

Whereas the UK pension system is based on (rather modest) universal benefits and its public first pillar “does not follow occupational lines” (Schulze & Moran 2007: 61), the German system of social insurance is (still) characterised by the prin-

ciple of status maintenance and income equivalence in old age. Nonetheless, not only is old age poverty more frequent in the UK (OECD 2011: 149; Zaidi 2010), but old age incomes in general are much more unequally distributed in the UK than in Germany (Zaidi et al. 2004; Brown & Prus 2003). An important reason for this, apart from a more unequal income distribution in early and middle adult life, is the greater importance of the second and the third pillar of the pension system: these pensions are much more common among people with higher incomes (Bridgen & Meyer 2007: 54).

In both countries, the retirement age for the time studied is 65, with the exception of British women whose retirement age is being increased from 60 to 65, a process which will be completed in 2018. The data used in this paper is from 2008/09 when the women’s retirement age of 60 was still in place. In both countries, increases in the legal retirement age (to 67 in Germany, and to 68 in the UK) have already been decided or, as in Germany, are already being implemented. A related change regards the Default Retirement Age in the UK, which was phased out by October 2011. This means that it is unlawful for employers to compulsorily retire a person at state pension age on age grounds alone: an objective justification for compulsory retirement is now necessary (see for example Department for Business Innovation and Skills 2011). In both countries it has recently become possible to defer the receipt of the public pension, a course of action that is rewarded by higher pension payments.

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<sup>14</sup> The pension credit consists of the guarantee credit and the savings credit which rewards people with savings for old age and aims at setting incentives for savings for everyone, even those who are prone to old age poverty. Furthermore, there is also the over 80s pension, a means-tested benefit for those over the age of 80.

<sup>15</sup> Source: own calculations with respondents aged 65 to 85 based on Department for Work and Pensions (2011b: 25) and population estimates (Office for National Statistics 2010). The proportion is only a rough estimate, because it relates the number of those in receipt of pension credit in May 2009 to the estimated population of pension age (women over 60, men over 65) in mid 2009. The Department for Work and Pensions (2011a: 39) estimates the proportion of those who would in theory be eligible for the pension credit to be between 40 and 45 per cent. If the claim made by Age UK (2011), that one in three of those who are eligible do not claim the benefit, the estimated proportion of 23 per cent receiving the benefit would be an underestimation.

Apart from the increases in retirement age, the pension reforms of the last 15 to 20 years have introduced a number of important changes in both countries which cannot be discussed in detail in this paper (for more details see, for example, Schulze & Moran 2007; Schulze & Jochem 2007; Taylor-Gooby 2005; Ginnet et al. 2009). In Germany, most routes into early retirement (apart from early retirement due to incapacity where the related benefits have been reduced) have been closed, with some of them, during the transition period, only permitted under acceptance of considerable reductions in the level of the pension paid out. In 2001, the financial rewards under the public social insurance pension for raising children were improved and the third pillar of pension provision has been strengthened by introducing non-mandatory private and capital-funded pension schemes which are regulated and subsidised by the state ('Riester-Rente'). In turn, the level of future public pensions paid out by the social insurance will be lowered considerably in general and by factoring population ageing into the pension formula. Further changes include a different mechanism for the indexation of pensions, and the stepwise introduction of taxation on pensions. In the UK, major changes beyond the ones already mentioned relate to the State Second Pension, which is now called Additional State Pension, the move to upgrading state pensions (and other benefits) in line with earnings and from 2012 onwards using the 'triple lock'.<sup>16</sup>

<sup>16</sup> The triple lock refers to the conservative-liberal coalition's promise that pensions and other benefits will be increased in line with

Moreover, the regulation of occupational pension schemes has changed, and they are now protected by the Pension Protection Fund introduced in 2005. The National Employment Saving Trust (NEST) was introduced in 2012, a trust-based and low-cost occupational pension scheme that also covers small employers who must offer their employees the opportunity to participate in the scheme. In both countries, further changes to the pension system are on the table, with the process being more advanced in the UK.<sup>17</sup>

Returning to the group that is in the focus of this paper, German social insurance allows pensioners over 65 to work and earn as much as they want without reducing their pensions. This does not, however, apply to people who receive a pension before the age of 65 (for example due to incapacity, unemployment or early retirement which will soon be abolished): these groups can only earn an additional €400 before their pensions are reduced. The situation in the United Kingdom is

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earnings, inflation (measured in the form of the Consumer Price Index instead of the Retail Price Index) or by 2.5 per cent – whichever is the highest. However, in autumn 2011 first doubts regarding the realisation of this promise arose as inflation (with a CPI of 5.2 per cent) was much higher than expected.

<sup>17</sup> In the UK, the proposed changes include a quicker increase in the retirement age to 68, an automatic link between pension age and average life expectancy and a changed means-tested pension in the UK [see Department for Work and Pensions 2011a]. In Germany, a kind of conditioned top-up for the state pension (especially geared towards women and low-income earners) has been proposed and a more flexible combinability of work and pension receipt in the transition to (early) retirement (see Bundesministerium für Arbeit und Soziales 2012).

similar: there are no restrictions on the amount of income after retirement age. By contrast, in both countries recipients of means-tested old age benefit (*Grundsicherung im Alter*/pension credit) can barely earn anything without their benefits being reduced: in Germany, they can only keep 30 per cent of their earnings up to a limit<sup>18</sup> of around €180 from which point onwards they lose their entitlement; in the UK earned income reduces pension credit payments by the same amount from the first pound onwards.

With universal flatrate benefits, means-tested assistance to a larger group of low-income clientele and a very well developed market for private provision in the UK, and the German system (still) oriented towards status maintenance and social insurance, the two pension systems are characteristic elements of their respective welfare states: the UK is usually referred to as a liberal or residual welfare state in Esping-Andersen's typology, whereas Germany is traditionally classified as a conservative welfare state (Esping-Andersen 1990). Although the classification of the two systems is not clear cut, because the UK is not the most liberal of the welfare states and has less liberal elements in its set-up (for example the health system, see, for example, Rubery 2010; Lain 2011: 494-5; Alber & Schölkopf 1996: 706), and Germany has recently moved in

a more liberal direction,<sup>19</sup> the contrast is very useful with regard to the subject of this paper.

## 3.2 LABOUR MARKETS

These (types of) welfare arrangements cannot be viewed in isolation from labour market structures – the two are interdependent. As a liberal employment regime (see Esping-Andersen 1999: 122), the UK labour market is characterised by weak and decentralised industrial relations with weak employment regulation and protection, resulting in a high degree of labour market flexibility.<sup>20</sup> Furthermore and commensurately, the UK has a highly developed service sector, in which low wages play an important role. The higher degree of flexibility not only refers to less regulation but also to the education system and the link between education, skills and the labour market. The lack of a strong vocational training system in the UK, in contrast to Germany, is accompanied by a more polarised skill structure with rather low skilled workers on the one hand, and

<sup>18</sup> This amount is only exemplary and applies to cases who are entitled to the full amount of *Grundsicherung im Alter* but do not get any extra amount (because of health needs for example). What can be earned extra is calculated according to the same strict formula that is used for general social benefits.

<sup>19</sup> One indicator of this is the fact that the future outcomes of both pension systems, measured in terms of old age poverty risks of people displaying similar occupational and employment profiles, show many similarities (Willert 2008, see also Bridgen & Meyer 2007; Riedmüller & Willert 2007).

<sup>20</sup> In the "Varieties of Capitalism" perspective (Hall & Soskice 2001), the UK is described as a liberal market economy whereas Germany is a typical example of a coordinated market economy depending on non-market arrangements between the different actors (companies, states, unions) regarding the interplay of industrial relations, the labour market and individual skills.

highly trained professionals on the other (see, for example, Gallie 2007: 13-16). In general, specific educational certificates determine careers and occupational tracks to a lesser extent and training at the workplace, complemented by flexible additional qualifications, is much more important in the UK than in Germany (for more detail see Kohlrausch 2009: 36, 40-84; Leuze 2011; Buchholz et al. 2006: 16). Accordingly, occupational mobility is higher in the UK than in Germany (Nisic & Trübswetter 2012; Schmelzer 2012; Buchholz et al. 2011).<sup>21</sup>

The German labour market, in contrast, is significantly stratified by occupation which is strongly related to educational credentials. These are obtained in an educational system marked by early and pronounced stratification and by a strong system of vocational training. Individual mobility between different kinds of jobs and career paths is low (Rinklake & Buchholz 2011; Buchholz et al. 2011). An associated effect is that very often seniority wages are paid, i.e. wages traditionally tend to increase throughout individual careers (which makes employers less inclined to employ or keep older employees, see OECD 2006: 67). Collective bargaining and the traditionally better standing of the unions, especially in the strong manufac-

turing sector, have lead to a high standard of labour protection and regulation, as well as higher labour costs, with the side effects of higher unemployment and a rather underdeveloped service sector. However, the German labour market has been subject to deregulatory measures in the last decade, real wages and rates of unemployment have decreased, unions have lost influence, and the low-wage sector has grown (see Fuchs & Schettkat 2003). All this has lead to growing cleavages in the German labour market (see, for example, Dingeldey 2010).

Finally and intertwined with the occupational structure, labour market participation in Germany has been and still is strongly determined by gender. Female labour market participation has recently reached the UK level, though the German increase is mostly due to the part-time employment of women.<sup>22</sup> However, following the model of the male main breadwinner fostered by the welfare arrangements of the conservative welfare state, the generation of (in particular West German) women currently of retirement age or about to reach retirement age mostly interrupted their careers for a long time or even gave them up completely when they had children. Although in Germany, as in the UK, raising children results in some additional entitlements in the public pension, West German women of this genera-

<sup>21</sup> See also the conceptual framework in Buchholz et al. 2006 [8]: with regard to the late careers of men and the adaptation of the workforce to accelerated structural change, they describe the UK as characterised rather by a logic of maintenance which allows older men to stay in the labour market, but only if they are job or employment mobile. In Germany, by contrast, a logic of employment exit has dominated the late careers of men.

<sup>22</sup> Source: Eurostat 2011, indicator lfsi\_emp\_a (1992-2010, employment rate and part-time employment as rate of all employment).

tion<sup>23</sup> have very low pension entitlements (see for example Flory 2011), which leads to higher old age poverty among older women who are divorced or widowed, in spite of the existence of derived pension rights for these groups. In the UK, there is a similar connection between gender, family trajectories, employment careers and pension income, but the resulting gender inequality in pension incomes is slightly smaller due to the fact that women's employment rates have been higher for a longer time in the UK (see Sefton et al. 2009; Evandrou et al. 2009; for divergent evidence showing a very similar gender pension gap in Germany and the UK see Flory 2011: 23).

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<sup>23</sup> In East Germany, the picture is different. In the GDR, the majority of women had very continuous careers with only few longer interruptions. Thus, the women who have retired in the last 20 years have much higher pensions from social insurance than West German women. However, the situation of future East German female (and male) pensioners looks rather bleak because of high rates of unemployment after reunification (see, for example, Geyer & Steiner 2010).

Based on these institutional settings, a number of assumptions regarding the subject of this paper can be posited. First, because of more unequally distributed old age income, there will be more pensioners in need of extra income in the UK. Second, the larger low-wage sector in the UK as well as its generally more flexible labour market make it easier for pensioners wanting to work to find a job, and the same probably holds true for those who want to continue in their jobs. And third, British women over retirement age are more likely to work than their German counterparts. While both German and British women are more prone to old age poverty, a considerable proportion of German women of this generation did not go back to work after having children which probably lowers both their desire and their likelihood to get a job.

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## 4. Data bases and definitions

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The following sections present a broad descriptive overview of the incidence, the individual conditions and the structures of paid work after retirement. The investigation is intentionally set up in a broad way, taking stock of the available information in order to also identify the areas where there is a lack of (micro) data or that require more indepth study.<sup>24</sup> The analyses will be based on two datasets in particular: the third wave of the German Ageing Survey (Deutscher Alters-Survey – DEAS) and the fourth wave of the English Longitudinal Study of Ageing (ELSA). These two datasets will, at some points, be complemented by calculations based on their earlier waves, as well as data compiled by the OECD, from the British Household Panel Survey and the German Socio-Economic Panel (SOEP).

The English Longitudinal Study of Ageing is a panel study of men and women who at baseline in 2002 were aged 50 or over and were living in households that had previously responded to the 1998, 1999 or 2001 Health Surveys for England (HSE). Wave 4 of ELSA was conducted in 2008/9 (and wave 5 in 2010/11). In both wave 4 and wave 3 (conducted in

2006/7) refreshment samples were added, again drawn from the HSE. ELSA covers a broad range of information with a special focus on questions regarding physical and psychological health, employment, retirement and pensions (for an overview of methods and results see Banks et al. 2010, see also <http://www.ifs.org.uk/elsa/>). The response rate for the main interview of wave 4 was around 74 per cent for the original sample, 78 per cent for the additional sample from wave 3 and 70 per cent for the refreshment added in the fourth wave – altogether 9592 direct interviews with core members<sup>25</sup> of the samples were conducted (Hussey et al. 2010). All descriptive percentages in this paper (but not the case numbers) have been weighted (with the weight `w4xwgt`) to compensate for basic non-response bias in the main interview (for more details see Nunn et al. 2010). This weight relates to the crosssection of wave 4. It should, however, be noted that this paper only studies a subpopulation of the ELSA sample.<sup>26</sup>

The German Ageing Survey is a panel study of Germany's older population, sampling respondents from the ages of

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<sup>24</sup> Both more multivariate in-depth analyses as well as further analyses based on BHPS and SOEP will be conducted and published within the next years as part of the work of the Emmy Noether research group on paid work beyond retirement in Germany and the UK (headed by the first author). A shorter German version of this working paper will appear as a journal article in late 2012/early 2013.

<sup>25</sup> Partners were interviewed as well but were not counted as core members of the sample.

<sup>26</sup> Since ELSA only samples the population of England, we will only speak of England in the following sections, unless other data are used. We assume that incidence and structure of paid employment beyond retirement is at least similar in England and the rest of the UK, though further study or discussion of possible small differences is beyond the scope of this paper.



40 to 85. Although it is not as broad and detailed as ELSA, in particular in the area of health, the German Ageing Survey covers a similar range of subjects (see Motel-Klingebiel et al. 2010). The first two waves were conducted in 1996 and 2002, the third in 2008 (and the fourth wave in 2011). Here, we will only use the data from the base sample from 2008 (around 6200 cases), i.e. the panel members who took part in the earlier waves will not be studied, mainly for technical reasons.<sup>27</sup> The base sample from 2008 has a response rate of around 36 per cent with whom interviews could be conducted (Engstler & Motel-Klingebiel 2010: 44). Of these respondents, 72 per cent completed an additional self-completion questionnaire. As for ELSA, all descriptive percentages in this paper (but not the case numbers) have been weighted (with the weight *intb08a7*) to compensate for basic non-response bias in the main interview (Engstler & Motel-Klingebiel 2010). Almost all questions or items have been translated using the English version of the German questionnaire, which was provided by the team from the German Ageing Survey.<sup>28</sup>

Despite their similarities in subjects and population covered, ELSA and DEAS are different in a number of respects. Three issues are relevant for the subsequent analyses: first, the differing age ranges covered by the two surveys (ELSA: 50 and older, DEAS: 40 to 85) are negli-

gible in our context because we only include respondents over legal retirement age (see below) to age 85. Second, DEAS unfortunately covers some aspects of the respondents' lives in much less detail than ELSA. Here, we have to limit our description to those aspects that are covered in both surveys and will refer to other survey data in one or two instances. Third, case numbers in the subsample we are interested in are, in part, rather small in DEAS. We nonetheless stick to a differentiated description of the combination of paid work and pension receipt; very low case numbers will be marked by parenthesis-ing the respective percentages.

Our main variable of interest is the combination of paid work and pension receipt for respondents of legal retirement age and older. The combination results in four different states: being in paid work and not receiving a pension, being in paid work and receiving a pension, neither being in paid work nor receiving a pension, and not being in paid work whilst receiving a pension – the last state corresponding to the classic idea of retirement still lived by the majority of pensioners.

We limit our observation to those of legal retirement age or above. Legal retirement age here refers to the age from which receipt of a first pillar (i.e. public) pension is possible. For the years of data collection (DEAS: 2008, ELSA: 2008/9) this is the age of 65 for German men and women, 65 for English men, and 60 for English women. In principle, state pension receipt is still possible at an earlier age in Germany, for example in case of incapacity and/or under the acceptance of (in part considerable) reductions in the

<sup>27</sup> There are no weights available to look at both populations at the same time.

<sup>28</sup> In one case [one item of the reasons for working in spite of retirement] we have slightly amended the translation, because, in our view, the translation was not correct.

amounts received. However, we have excluded these groups in order to not confound processes connected to the transition into retirement with what happens after the transition. The somewhat special situation of British women aged 60 to 64 will be taken into account where relevant.

Being in paid work is defined broadly as any work that is currently (at the point of the interview) done for pay and includes all forms of non-standard work such as part-time work (even if only a few hours per week), freelancing, self-employment etc., and also work off-the-books. Clearly, the more complicated dimension of our dependent variable is pension receipt. For ELSA, this dimension of our differentiation refers to the fact that someone receives a basic state pension which is taken as an indicator of his or her status as a pensioner.<sup>29</sup> Only a very small proportion of older people in the UK do not have any entitlements to the basic state pension, because (for example) they have spent their working lives

mostly abroad<sup>30</sup> or have had only very short employment careers.

For the German Ageing Survey, the information about receipt of any kind of old age pension based on an individual's own employment record is used. In the majority of cases, the first pillar state pension will be the main (and often the only) pension received, but the smaller proportions of people in pension schemes other than the public pension systems, in particular civil servants and the self-employed, will answer this question in the affirmative too. As in the UK, only very few people will not have any pension entitlements falling under this question; these are mostly women who had no or very short employment careers, people who have lived abroad, or insufficiently protected self-employed (often freelancers or owners of small businesses).

So whereas in ELSA the receipt of private pensions is not covered by the questions we base our variable on, these are included in the question for Germany. However, there are only very few particular groups in Germany whose pension entitlements will only be from private pensions, for example self-employed people (i.e. owner-managers of private companies, in particular larger ones) who do not work in the free professions or in a trade. Furthermore, in the UK, the great majority of people receiving some kind of occupa-

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<sup>29</sup> More precisely, this refers to the question whether someone currently receives payments from the basic state pension which are based on their own employment record. However, this question is only asked until the age of 74 because it is connected to a question about deliberate state pension deferral. For older respondents, the information about state pension receipt in the last year (which is part of the finance questions) is used, which is unproblematic because people usually do not stop receiving the state pension. For those with both kinds of information, there is a very small number of cases (around ten) with implausible contradictory data (receiving a state pension last year but not currently) which cannot be resolved; in these cases, priority is given to the current information.

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<sup>30</sup> Both DEAS and ELSA contain a small number of respondents of non-German nationality (DEAS) or of other ethnic backgrounds than white British respectively. These will be included in the main description. Separate analyses are not possible because of small case numbers (but for Germany see Burkert & Hochfellner 2012).

tional or private pension will also receive the basic state pension. In both countries, people who only defer the receipt of their pension are in the same group as those who do not have any pension entitlements at all. In ELSA, these two groups can be discerned up to a certain age. Unfortunately, this is not possible in the German Ageing Survey. However, the two groups without pension receipt under this definition (those who are in paid work and those who are not) are very small and all results can only be interpreted with caution. This is the reason why the discussion of the descriptive results is focussed on those who receive a pension.

On the whole, the dimension of pension receipt in our main dependent variable is more similar between the two countries than it looks at first glance – and an absolute comparable categorisation would not be possible due to the different regulations of both systems. In general, because of the less central role of the state pension, the definition of being a pensioner is more complicated in the UK than in Germany. The boundary between career and retirement is more blurred, i.e. consists of more steps and transition periods in the sense of differing onsets for pensions from different sources, for example.

## 5. Empirical evidence

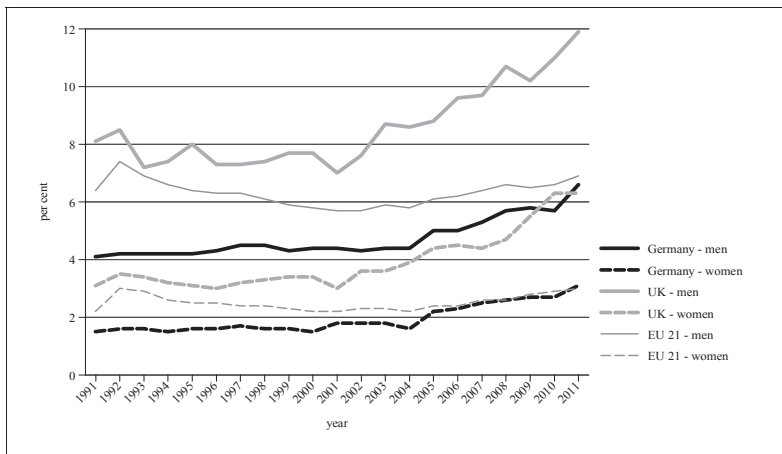
### 5.1 TRENDS OVER TIME

Since neither of the two main data sources we use provides information over a longer continuous time period, we use OECD data to gain a first impression of temporal trends in employment beyond retirement. Figure 2 displays the proportion of employed men and women in the age group 65 and older, regardless of pension receipt, over the last 20 years.

In both countries, clearly more men than women are in paid employment, with the British rates above the EU average and the German rates, roughly half as high as the British, mostly below the EU average. Since the beginning of the 2000s, rates have been increasing in both countries and for both genders, though

more steeply in the UK and for men. Whereas the UK rates continue to rise at the end of the first decade of the 2000s, the rate seems to flatten out in Germany, only to rise again in 2011 (and steeply in men). Since very old ages are included as well, the steady but not dramatic increase is, to a certain extent, explained by a steeper increase in the employment rate in the 65 to 74 age group (not shown – for cross-sectional differentiations, see below). Furthermore and with a broader historical horizon, it also has to be borne in mind that the employment rate of the age group 65 and over was much higher in the 1950s, 60s and 70s in both countries and then declined to a historical low around 1990 (see for example Jacobs et al. 1991).

**Figure 2: Employment rates among the population aged 65 and older, for the UK, Germany, and in the European Union (EU-21)**



Source: OECD Labour force statistics (based on German Microcensus and British Labour Force Survey) ([http://stats.oecd.org/Index.aspx?DataSetCode=LFS\\_SEXAGE\\_I\\_R](http://stats.oecd.org/Index.aspx?DataSetCode=LFS_SEXAGE_I_R)), own compilation

The reasons for these increases are not clear and cannot be discussed in detail here. There have not been any dramatic changes in the poverty rates of older people, for example: the rate in the UK has rather declined (Office for National Statistics 2011), whereas in Germany the level increased minimally, if at all. The increase is probably an indirect effect of prolonged working lives before the age of 65, in particular in Germany where most early retirement schemes have expired. Additionally, the first pensioners with slightly more discontinuous and insecure employment biographies (than their direct predecessor cohorts) entering retirement might play a role in this increase, on the one hand. On the other hand, improved health, changed attitudes towards age and retirement, and labour market factors probably contribute to this change as well, which thus has a different background to the high old age employment rates until the 1970s when many early-retirement routes did not exist yet.<sup>31</sup>

## 5.2 GENERAL INCIDENCE AND REGIONAL DIFFERENCES

Tables 2 and 3 (p. 37) show the general incidence of work beyond retirement age for Germany and England, differentiated by gender and age.<sup>32</sup> In general, in both

countries and for both genders the proportion of the population working beyond retirement age whilst receiving a pension declines with age, and country differences become much smaller from the age of 70 onwards. English women aged 60 to 64, who at the time of the observation were usually entitled to a state pension, stand out as showing a particularly high employment rate. It is only due to their comparably frequent employment that, on the whole, English women of pension age seem to work more often than their male counterparts, and in all the other age groups they actually work less often than the men.

The more unusual states of working without receiving a pension (as defined above) and of not working and not receiving a pension are only found among small minorities, with the exception of German women: among the oldest, almost 20 per cent do not receive a pension derived from their own contributions. Apart from English women in their early 60s, not receiving a pension and working is rather the exception. Among the under 70 year old English who do not receive a pension and work, around two thirds (more women than men) defer pension receipt, according to a question in ELSA (which was only asked to under 70 year olds). With their high employment rates before the age of 65, English women already anticipate the increase in retirement age, which has already started for younger cohorts. Only a negligible proportion (less than five per cent) of those respondents who are not employed in both countries say that they are looking for work or plan to take up work (not shown).

<sup>31</sup> The temporal trend across the different waves of ELSA and DEAS is similar.

<sup>32</sup> Although, contrary to ELSA and DEAS, the OECD statistics show the proportion of all working people from age 65, ELSA and DEAS give slightly higher proportions because they only include the population up to the age of 85.

Altogether, both the country differences and the higher share of English women in employment are relativised by examining the data differentiated by age. It is mainly English women from age 60 to 64 who work very frequently; for the older age groups the proportion of employed women is always below that of men, though the difference is slightly smaller than in Germany. And although more people in England work beyond retirement than in Germany, the differences are small from the age of 70 onwards. This also applies to women, who, in these age groups, had dissimilar typical employment careers in Germany and in England.

Tables 4 and 5 (p. 38) provide information on the regional distribution of employment beyond retirement age and

pension receipt in Germany. In the first of the two tables, the federal states have been summarised according to an east/west and a north/south dimension<sup>33</sup> and further differentiating the three city states of Hamburg, Bremen and Berlin. The second table summarises the East-West dimension and differentiates by gender. Both of these dimensions are important: the Eastern part of Germany covers the former German Democratic Republic; this

<sup>33</sup> West/North comprises Schleswig-Holstein and Lower Saxony; West/Middle comprises North Rhine-Westphalia, Hesse, Rhineland-Palatine and Saar; West/South comprises Bavaria and Baden-Württemberg; East/North comprises Mecklenburg-Vorpommern, Saxony-Anhalt, Brandenburg; East/South comprises Saxony and Thuringia; the city states are Hamburg, Bremen and Berlin.

**Table 2: Employment and pension receipt by age and gender (Germany), per cent**

| Age                     | Men   |        |        |        |       | Women |        |        |        |       | Total |
|-------------------------|-------|--------|--------|--------|-------|-------|--------|--------|--------|-------|-------|
|                         | 65-69 | 70-74  | 75-79  | 80-85  | All   | 65-69 | 70-74  | 75-79  | 80-85  | All   |       |
| no pension, working     | 1,80  | [0,52] | [0,98] | [0,00] | 1,03  | 1,31  | [0,28] | [0,00] | [0,54] | 0,59  | 0,79  |
| pension, working        | 13,00 | 9,13   | 4,70   | [1,28] | 8,87  | 7,92  | 5,46   | 2,16   | [1,62] | 4,92  | 6,72  |
| no pension, not working | 2,20  | 1,26   | [0,59] | 4,10   | 1,88  | 12,25 | 11,14  | 13,63  | 18,34  | 13,21 | 8,04  |
| pension, not working    | 83,00 | 89,08  | 93,74  | 94,62  | 88,23 | 78,52 | 83,12  | 84,21  | 79,50  | 81,28 | 84,45 |

Source: German Ageing Survey, Wave 3 (2008), own calculations with respondents aged 65 to 85, weighted. Unweighted n=2767 (1518 men, 1249 women); values in brackets indicate an unweighted n of below 5

**Table 3: Employment and state pension receipt by age and gender (England), per cent**

| Age                     | Men   |        |        |        |       | Women |        |        |        |        |       | Total |
|-------------------------|-------|--------|--------|--------|-------|-------|--------|--------|--------|--------|-------|-------|
|                         | 65-69 | 70-74  | 75-79  | 80-85  | All   | 60-64 | 65-69  | 70-74  | 75-79  | 80-85  | All   |       |
| no pension, working     | 2,73  | [0,00] | [0,25] | [0,24] | 1,01  | 8,59  | [0,08] | [0,00] | [0,00] | [0,00] | 2,49  | 1,93  |
| pension, working        | 20,95 | 9,90   | 4,04   | 2,88   | 11,20 | 28,41 | 14,55  | 5,30   | 1,82   | [0,37] | 12,70 | 12,14 |
| no pension, not working | 1,64  | [0,31] | 6,01   | 4,73   | 2,71  | 4,65  | 1,49   | 0,89   | 4,69   | 4,81   | 3,26  | 3,05  |
| pension, not working    | 74,67 | 89,79  | 89,70  | 92,15  | 85,07 | 58,35 | 83,88  | 93,81  | 93,50  | 94,81  | 81,55 | 82,87 |

Source: English Longitudinal Study of Ageing, Wave 4 (2008/09), own calculations with respondents aged 60 (w)/65(m) to 85, weighted. Unweighted n=5594 (2049 men, 3545 women); values in brackets indicate an unweighted n of below 5

**Table 4: Employment and pension receipt of people aged 65 to 85, differentiated by region, Germany, per cent**

|                         | West:<br>north | West:<br>middle | West:<br>south | City<br>states | East:<br>north | East:<br>south | All   |
|-------------------------|----------------|-----------------|----------------|----------------|----------------|----------------|-------|
| no pension, working     | [0,20]         | 1,14            | [0,72]         | [2,66]         | [0,49]         | [0,00]         | 0,79  |
| pension, working        | 5,68           | 5,72            | 8,36           | 12,12          | 3,42           | 7,97           | 6,72  |
| no pension, not working | 6,44           | 10,73           | 11,14          | [1,57]         | 1,11           | 2,81           | 8,04  |
| pension, not working    | 87,68          | 82,41           | 79,77          | 83,65          | 94,99          | 89,22          | 84,45 |

Source: German Ageing Survey, Wave 3 (2008), own calculations with respondents aged 65 to 85, weighted. Unweighted n=2767 (1518 men, 1249 women); values in brackets indicate an unweighted n of below 5

**Table 5: Employment and pension receipt of people aged 65 to 85, differentiated by gender and East/West Germany, per cent**

|                         | West Germany |       |       | East Germany |        |       |
|-------------------------|--------------|-------|-------|--------------|--------|-------|
|                         | men          | women | all   | men          | women  | all   |
| no pension, working     | 1,19         | 0,62  | 0,88  | [0,34]       | [0,47] | 0,41  |
| pension, working        | 8,97         | 5,28  | 6,97  | 8,46         | 3,49   | 5,69  |
| no pension, not working | 2,09         | 15,88 | 9,55  | [0,99]       | 2,55   | 1,86  |
| pension, not working    | 87,76        | 78,22 | 82,60 | 90,21        | 93,49  | 92,04 |

Source: German Ageing Survey, Wave 3(2008), own calculations with respondents aged 65 to 85, weighted. Unweighted n=2767 (1518 men, 1249 women); values in brackets indicate an unweighted n of below 5

area has not only struggled with much higher unemployment since reunification, but its female population also had a much higher employment rate for the duration of the GDR, resulting in higher old age incomes for women. West Germany, in particular, is also divided between the states in the South, which have been economically better off in the last decades, and the former industrial areas in the middle and the more rural areas in the North.

The rates of employed pensioners clearly follow the lines of this distinction and roughly correspond to the generally higher unemployment levels in the North and the East of Germany. Consequently, the proportion of men and women over 65 working and receiving a pension in these areas is lower than the average, and this particularly applies to the North-East. The city states form a special case: their general unemployment rates are rather

above average (though in Hamburg only minimally), nonetheless their inhabitants are more often in paid employment beyond retirement. This can be explained by the specific labour market structure, the above average educational qualifications of their inhabitants and different milieus of older people living in big cities. This is corroborated when looking at the respondents according to the number of inhabitants of their place of residence (no tables shown), but there are also slightly above average proportions of working pensioners in the countryside where they may be employed in the agricultural sector. Furthermore, there is some indication that the proportion of people who work and do not receive a pension is higher in the city states. Finally, the fact that older women in the West gave up their employment due to family reasons more often than the same generation in the East re-

sults in a much higher proportion of West German women who have no entitlement to their own contribution-based pension and usually do not work. However, employment levels of respondents receiving a pension are slightly higher in the West, probably because of the generally lower unemployment levels.

Table 6 shows the distribution of paid employment post retirement across different government office regions in England. A clear North-South divide is visible which corresponds to the economic situation and general unemployment levels: the proportion of working pensioners is distinctly above average in most of the South and the East of England, with the highest percentages in London and the East. In contrast, the rate of people working and receiving a pension is particularly low in the North, with only half of the average rate in the North East. The numbers of people not receiving a pension and working seem to follow a similar regional pattern.

### 5.3 HEALTH AND MARITAL STATUS

As described above, it is already known that people working beyond retirement age are, in general, of better health than those not working. This is confirmed by the tables 7 and 8 (p. 40), showing the different combinations of work and pension receipt differentiated by subjective health for the two countries. Very clearly and regardless of pension receipt, the proportion of those working is higher the better the respondents perceive their own health to be. This is also the case when differentiating by age group. This result does not change when objective indicators of health are used, such as the existence or number of chronic diseases or impairments, or physical functioning scores.

Unfortunately, the indicators of subjective health used in DEAS and ELSA are not exactly the same. The original variable has five categories in both countries, which have been summarised to four here. However, in ELSA, there is a dif-

**Table 6: Employment and pension receipt by government office region, England, per cent**

|                            | North<br>East | North<br>West | York-<br>shire/<br>The<br>Humber | East<br>Mid-<br>lands | West<br>Mid-<br>lands | East of<br>England | London | South<br>East | South<br>West | All   |
|----------------------------|---------------|---------------|----------------------------------|-----------------------|-----------------------|--------------------|--------|---------------|---------------|-------|
| no pension,<br>working     | [0,80]        | 1,90          | 2,01                             | 2,06                  | 1,93                  | 1,78               | 2,60   | 2,02          | 1,75          | 1,93  |
| pension,<br>working        | 6,78          | 9,52          | 12,74                            | 11,58                 | 11,20                 | 14,50              | 14,24  | 13,86         | 11,78         | 12,14 |
| no pension, not<br>working | 2,70          | 3,40          | 5,61                             | 3,20                  | 2,71                  | 2,28               | 2,99   | 2,14          | 2,90          | 3,05  |
| pension, not<br>working    | 89,72         | 85,18         | 79,64                            | 83,17                 | 84,16                 | 81,44              | 80,18  | 81,98         | 83,57         | 82,87 |

Source: English Longitudinal Study of Ageing, Wave 4 (2008/09), own calculations with respondents aged 60 (w)/65(m) to 85, weighted. Unweighted n=5593 (1 missing); values in brackets indicate an unweighted n of below 5



ferentiation between excellent and very good health, whereas the German questionnaire only had one category at the very positive end ("very good"). In turn, there are two categories at the negative end ("bad" and "very bad") in the German data, where there is only one in the English. Consequently we are not able to tell if the tendency of the German respondents to report a less good state of health than their English counterparts (see last row of tables) is a result of their actually worse health, which is not very plausible, of the design of the question (with more negative categories for Germany), or of cultural differences in reporting health, with a German tendency to health pessi-

mism.<sup>34</sup> Possibly all of these are at work at the same time.

<sup>34</sup> This tendency is perhaps already reflected in the design of the question. Admittedly, the table above also contains English women between 60 and 64 who are not included in the German sample. However, the general differences in the responses only become slightly smaller if English women aged 60 to 64 are excluded. The idea of cultural differences in reporting personal wellbeing is corroborated by the fact that when asked how old they feel the English respondents aged 65 to 85 report a lower age than the German respondents to the same question: the subjective age of the English respondents is three and a half years lower than that of the Germans [60.6 versus 64.2, all weighted averages].

**Table 7: Employment and pension receipt by self-reported general health, Germany, per cent**

|                                        | Self-reported general health |       |         |            | All    |
|----------------------------------------|------------------------------|-------|---------|------------|--------|
|                                        | very good                    | good  | average | (very) bad |        |
| no pension, working                    | [2,41]                       | 1,24  | [0,30]  | [0,30]     | 0,79   |
| pension, working                       | 17,42                        | 9,30  | 4,41    | 2,25       | 6,74   |
| no pension, not working                | 7,14                         | 7,20  | 8,74    | 8,84       | 8,06   |
| pension, not working                   | 73,03                        | 82,25 | 86,55   | 88,61      | 84,42  |
| row per cent<br>(overall distribution) | 5,65                         | 39,21 | 39,89   | 15,25      | 100,00 |

Source: German Ageing Survey, Wave 3(2008), own calculations with respondents aged 65 to 85, weighted. Unweighted n=2761; values in brackets indicate an unweighted n of below 5

**Table 8: Employment and pension receipt by self-reported general health, England, per cent**

|                                        | Self-reported general health |       |       |        | All    |
|----------------------------------------|------------------------------|-------|-------|--------|--------|
|                                        | excellent/<br>very good      | good  | fair  | poor   |        |
| no pension, working                    | 3,07                         | 1,79  | 1,21  | [0,15] | 1,97   |
| pension, working                       | 18,72                        | 12,04 | 5,87  | 2,99   | 12,22  |
| no pension, not working                | 2,46                         | 2,35  | 4,34  | 3,83   | 2,97   |
| pension, not working                   | 75,76                        | 83,83 | 88,58 | 93,04  | 82,84  |
| row per cent<br>(overall distribution) | 35,74                        | 32,59 | 22,97 | 8,70   | 100,00 |

Source: English Longitudinal Study of Ageing, Wave 4 (2008/09), own calculations with respondents aged 60 (w)/65(m) to 85, weighted. Unweighted n=5468; values in brackets indicate an unweighted n of below 5

Whereas the connection between good health and working is very clear, the influence of marital status on paid employment is less clear cut. Apart from different poverty risks for people in differing living arrangements, loneliness might be a driver for single respondents to stay in work.<sup>35</sup> Tables 9 and 10, showing employment after retirement differentiated by marital status, indicate a clear connection between being divorced or separated and being in paid employment after retirement. The incidence is highest for both German men and women, and for English women. This is probably for financial

<sup>35</sup> Note, however, that unmarried cohabitation or unmarried partners living apart are not taken into account here.

reasons, with divorced German women being particularly prone to (old age) poverty. However, the proportion for German men is elevated, too, maybe pointing to a higher poverty risk as well – which is possible considering the sharing of pension entitlements between divorced partners. The fact that there is no clear connection between work and having never married suggests that loneliness connected to marital status does not lead to higher engagement in paid work, but this conclusion can only be drawn with caution because there are not many single respondents, especially in the German sample. An alternative interpretation could be that loneliness leading to more engagement

**Table 9: Employment and pension receipt by marital status, Germany, per cent**

|                            | Men                         |                      |                             |         |       | Women                       |                      |                             |         |       |
|----------------------------|-----------------------------|----------------------|-----------------------------|---------|-------|-----------------------------|----------------------|-----------------------------|---------|-------|
|                            | single/<br>never<br>married | married/<br>civil p. | divorced/<br>separa-<br>ted | widowed | all   | single/<br>never<br>married | married/<br>civil p. | divorced/<br>separa-<br>ted | widowed | all   |
| no pension,<br>working     | [0,00]                      | 1,15                 | [1,71]                      | [0,00]  | 1,03  | [3,73]                      | [0,27]               | [2,06]                      | [0,29]  | 0,59  |
| pension,<br>working        | [12,92]                     | 8,78                 | 18,11                       | 3,88    | 8,89  | [1,84]                      | 4,72                 | 18,54                       | 2,88    | 4,94  |
| no pension,<br>not working | [2,85]                      | 2,03                 | [2,91]                      | [0,00]  | 1,88  | [2,72]                      | 14,95                | [2,01]                      | 13,67   | 12,95 |
| pension, not<br>working    | 84,23                       | 88,05                | 77,26                       | 96,12   | 88,20 | 91,72                       | 80,05                | 77,39                       | 83,16   | 81,52 |

Source: German Ageing Survey, Wave 3 (2008), own calculations with respondents aged 65 to 85, weighted. Unweighted n=2761 (6 missings); values in brackets indicate an unweighted n of below 5

**Table 10: Employment and pension receipt by marital status, England, per cent**

|                            | Men                         |                      |                             |         |       | Women                       |                      |                             |         |       |
|----------------------------|-----------------------------|----------------------|-----------------------------|---------|-------|-----------------------------|----------------------|-----------------------------|---------|-------|
|                            | single/<br>never<br>married | married/<br>civil p. | divorced/<br>separa-<br>ted | widowed | all   | single/<br>never<br>married | married/<br>civil p. | divorced/<br>separa-<br>ted | widowed | all   |
| no pension,<br>working     | [1,44]                      | 1,28                 | [0,00]                      | [0,00]  | 1,01  | 3,36                        | 3,39                 | 2,72                        | 0,48    | 2,49  |
| pension,<br>working        | 10,60                       | 12,08                | 14,97                       | 4,96    | 11,20 | 12,29                       | 14,70                | 18,85                       | 6,35    | 12,70 |
| no pension,<br>not working | [2,42]                      | 3,42                 | [0,69]                      | [0,24]  | 2,71  | [0,51]                      | 4,37                 | 1,54                        | 2,08    | 3,26  |
| pension, not<br>working    | 85,54                       | 83,21                | 84,34                       | 94,80   | 85,07 | 83,84                       | 77,55                | 76,89                       | 91,09   | 81,55 |

Source: English Longitudinal Study of Ageing, Wave 4 (2008/09), own calculations with respondents aged 60 (w)/65(m) to 85, weighted. Unweighted n=5594; values in brackets indicate an unweighted n of below 5

in work is experienced after a divorce (and differently by men and women) but not if one is used to living alone. Finally, the below average proportion of widowed pensioners in paid employment is probably mainly due to an age effect, with widowhood and not working both being positively related to age.

Another potential positive influence on older people's employment might be the employment status of the partner. Corresponding contingency tables (not shown) show that people with a (married or non-married) partner in employment are much more likely to be in employment even if they are of retirement age and receive a pension.

So far, there are only few differences between Germany and England regarding paid employment beyond retirement. The general incidence of paid employment is higher in England, and the gender difference in employment rates is smaller there. Regional patterns are similar in the sense that regionally lower unemployment seem to foster employment after retirement, and that respondents living in (some) big cities are more often still economically active. Marital status and partner's employment as well as health are similarly related to employment in both countries. The connection between work and being divorced is clearly stronger for German women than English women. This can probably be traced back to a higher poverty risk of divorced German women. In the next section, the role of socio-economic status and paid employment after retirement is examined more closely.

## 5.4 SOCIO-ECONOMIC STATUS: EDUCATION, (PREVIOUS) OCCUPATIONAL CLASS AND FINANCIAL SITUATION

As discussed above, there are strong reasons to assume that the (previous) occupational career and the resulting old age income, household income more generally and other dimensions of the respondents' socio-economic status influence employment beyond retirement age. Additionally, educational qualifications not only shape individual careers but also expectations towards self-fulfilment in the job.

In tables 11 and 12 (p. 43), a clear positive relationship between educational qualifications and work beyond retirement can be seen: both men and women in both countries are more likely to be in paid work in spite of receiving a pension if they have the highest educational qualification (or the second highest in the case of German women).

In Germany, however, it was necessary to differentiate the highest category of educational qualification in order to reveal this relationship (see OECD 1999: 84-85; 112 for the details of the classification). This indicates the importance of specialised occupational tracks: whereas ISCED levels 5A and 6 comprise academic education at universities and universities of applied sciences and arts (*Fachhochschulen*), most qualifications at level 5B include further training, for example at vocational academies, trade and technical schools and in the health sector. Vocational academies and technical schools main-

ly build on classical apprenticeships in the industrial sector or skilled trades, finish with Diplomas and ‘Master’ (Meister)/ technician degrees, and are much more often taken by men, whereas schools in the health sector award degrees to nurses or medical assistants which are more often taken by women. Table 11 shows quite clearly that these extended vocational tracks do not lead to above average employment after retirement for men (who are more likely to be in the industrial, technical or skilled trades sector), but increase the likelihood of paid employment after retirement for women (who more often work in the health and educational sectors). At the highest levels 5A and 6 (university degrees) the rate of employment beyond retirement is almost twice

the average for both men and women. At the other end of the range of qualifications, people with no or low qualifications are slightly less likely to be in paid work, although the difference to the classes of medium educational qualifications is not large. Consequently, if older Germans with lower qualifications are in greater financial need than others because they have lower life-time earnings this does not lead to higher employment after retirement.

In the UK, the relationship between education and post-retirement work is similar and even more clear cut: respondents with the highest educational qualifications are more likely to be in paid employment. Here it is not only the very well-educated who stand out positively, as

**Table 11: Employment and pension receipt by highest educational qualification (International Standard Classification of Education), Germany, per cent**

|                         | Men       |           |          |            |       | Women     |           |          |            |       |
|-------------------------|-----------|-----------|----------|------------|-------|-----------|-----------|----------|------------|-------|
|                         | ISCED 0-2 | ISCED 3-4 | ISCED 5B | ISCED 5A/6 | all   | ISCED 0-2 | ISCED 3-4 | ISCED 5B | ISCED 5A/6 | all   |
| no pension, working     | [0,00]    | [0,48]    | [2,01]   | 2,04       | 1,03  | [0,30]    | [0,47]    | [0,00]   | [2,66]     | 0,59  |
| pension, working        | 6,43      | 6,67      | 6,87     | 15,40      | 8,88  | 3,32      | 4,77      | 9,18     | 8,34       | 4,92  |
| no pension, not working | [2,72]    | 1,58      | [1,47]   | 2,51       | 1,88  | 22,42     | 9,08      | 7,20     | 7,40       | 13,17 |
| pension, not working    | 90,84     | 91,27     | 89,65    | 80,04      | 88,22 | 73,96     | 85,68     | 83,62    | 81,60      | 81,32 |

Source: German Ageing Survey, Wave 3 (2008), own calculations with respondents aged 65 to 85, weighted. Unweighted n=2765; values in brackets indicate an unweighted n of below 5

**Table 12: Employment and pension receipt by highest educational qualification (International Standard Classification of Education), England, per cent**

|                         | Men       |           |           |       | Women     |           |           |       |
|-------------------------|-----------|-----------|-----------|-------|-----------|-----------|-----------|-------|
|                         | ISCED 0-2 | ISCED 3-4 | ISCED 5-6 | all   | ISCED 0-2 | ISCED 3-4 | ISCED 5-6 | all   |
| no pension, working     | [0,58]    | 1,13      | 1,66      | 1,01  | 1,64      | 2,31      | 7,81      | 2,47  |
| pension, working        | 6,85      | 12,40     | 17,16     | 11,15 | 7,40      | 15,72     | 22,91     | 12,67 |
| no pension, not working | 3,21      | 2,42      | 2,56      | 2,72  | 3,87      | 2,84      | 2,60      | 3,27  |
| pension, not working    | 89,35     | 84,05     | 78,62     | 85,11 | 87,09     | 79,13     | 66,68     | 81,58 |

Source: English Longitudinal Study of Ageing, Wave 4 (2008/09), own calculations with respondents aged 60 (w)/65(m) to 85, weighted. Unweighted n=5580; values in brackets indicate an unweighted n of below 5

in Germany, but the least well-educated are also in paid work much less often, especially men – so what we find is an altogether more ‘linear’ relationship. Again it has to be borne in mind that even within the 65 to 85 year old age group, lower age is positively related to educational qualifications so that this relationship could also (partly) be based on age or health. Looking at education and paid employment and at the same time differentiating by age group, however, supports this result, although the relationship then appears less strong.

The same caution has to be applied when examining the next two tables (13 and 14, p. 45), illustrating the relationship between employment after retirement and occupational class. The tables show the occupational class of the last job before retirement for those already receiving a pension, regardless of their employment status; for the few who work and do not receive a pension, the class of the current job is shown, and for those not in work and not receiving a pension the class of the last job is shown. For Germany, occupational class is only available for the last job in the case of the post-retirement workers. For England, the information had to be partly derived from earlier waves of ELSA because occupational class is only available for the current job (regardless of pension receipt).<sup>36</sup>

<sup>36</sup> In these cases, the information was replaced by that for the last job before retirement age, which was either given by the respondent him/herself, or, if this was not available, was derived from the first year of state pension receipt. Therefore, the above data only approximate an exact reconstruction of what is shown for the German data. However, this is not too

For Germany, a classification similar to the British National Statistics Socio-economic Classification (NS-SeC) has been developed from the data, in accordance with the new European Socio-Economic Classification (see Harrison & Rose 2006). Both represent a further development of the Erikson-Goldthorpe-Porto-careiro Schema. Despite the very similar categorisation, the classifications are not completely identical, partly because of a somewhat imprecise derivation of the German variable.<sup>37</sup> For both countries, all missing or non-classifiable cases (for example of long-term unemployed or housewives) have been excluded.

In Germany, the members of two occupational classes are more likely to be in paid employment after retirement than all others: first, higher managers and professionals, and second, small employers and self-employed, which in both countries also encompass own-account workers without employees and farmers with their own farms. Small employers and own account workers also stand out in England

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problematic because in the majority of cases post-retirement occupational class is not different from that pre-retirement.

<sup>37</sup> For this derivation, which is based on the approach developed by Wirth and Fischer (2008) for the German Allbus data, the ISCO code of the occupation, a detailed variable on position in the job, and a variable on managerial duties were used. Since the latter was only available for a limited subsample of jobs and has a too narrow definition of the supervisory dimension relevant for the classification, more details of the variable on position in the job had to be used. The result seems at least satisfactory, although, for example in comparison to the distribution in Wirth and Fischer (2008), it seems to underestimate the incidence of supervisory occupations, due to the just mentioned issue.

**Table 13: Employment and pension receipt by class of job before retirement, Germany, per cent**

|                         | Large employers, higher managers/ professionals | Lower mgrs/professionals, higher supervisory/technicians | Inter-mediate occupations | Small employers and self-employed | Lower supervisors and technicians | Lower sales and service/ lower technical | Routine | Total |
|-------------------------|-------------------------------------------------|----------------------------------------------------------|---------------------------|-----------------------------------|-----------------------------------|------------------------------------------|---------|-------|
| no pension, working     | (1,40)                                          | (0,43)                                                   | (0,85)                    | 4,78                              | (0,83)                            | (0,00)                                   | (0,40)  | 0,83  |
| pension, working        | 17,36                                           | 7,07                                                     | 5,03                      | 16,44                             | 7,28                              | 3,19                                     | 3,99    | 7,06  |
| no pension, not working | 3,01                                            | 3,85                                                     | 3,24                      | 6,14                              | (2,61)                            | 5,59                                     | 6,08    | 4,51  |
| pension, not working    | 78,22                                           | 88,65                                                    | 90,87                     | 72,64                             | 89,29                             | 91,22                                    | 89,53   | 87,59 |

Source: German Ageing Survey, Wave 3 (2008), own calculations with respondents aged 65 to 85, weighted. Unweighted n=2642; values in brackets indicate an unweighted n of below 5

**Table 14: Employment and pension receipt by class of job before retirement, England, per cent**

|                         | higher professional and managerial, large employers | lower managerial and professional | inter-mediate | small employers and own account workers | lower supervisory and technical | semi-routine | routine | Total |
|-------------------------|-----------------------------------------------------|-----------------------------------|---------------|-----------------------------------------|---------------------------------|--------------|---------|-------|
| no pension, working     | 3,01                                                | 2,83                              | 1,99          | 3,04                                    | 1,69                            | 1,43         | 0,71    | 1,98  |
| pension, working        | 13,50                                               | 13,32                             | 11,42         | 19,22                                   | 6,93                            | 12,25        | 11,06   | 12,40 |
| no pension, not working | 1,51                                                | 3,13                              | 3,66          | 2,84                                    | 2,27                            | 2,86         | 3,37    | 2,95  |
| pension, not working    | 81,99                                               | 80,71                             | 82,92         | 74,91                                   | 89,10                           | 83,46        | 84,85   | 82,67 |

Source: English Longitudinal Study of Ageing, Wave 4 (2008/09), own calculations with respondents aged 60 (w)/65(m) to 85, weighted. Unweighted n= 5511 (never employed/long term unemployed and not classifiable excluded); values in brackets indicate an unweighted n of below 5

as showing a particularly high employment rate, whereas higher managers and professionals as well as lower managers and professionals are only slightly more often in paid employment than the average, if at all.

Looking at the percentages and the distribution across all classes, in Germany only the two lowest classes, in particular in lower positions, clearly have below average proportions of post-retirement workers. In contrast, the rates of routine workers in England are, if at all, only slightly below average, and the lower supervisory and technical class is the only

one in which clearly fewer people work beyond retirement.

This can be seen as an indication that financial necessity indeed plays a more important role for work after retirement in England. It may also be a result of the fact that there are more low-paid service jobs in England that can be continued beyond retirement. In contrast, the more clear separation of the different occupational classes in Germany underlines the importance of occupational tracks in the German system. To explain the high proportion of self-employed who continue to work, two different explanations can

be cited which probably both come into play: first, the self-employed more often receive only small pensions (or none, in particular in Germany where they are not legally obliged to contribute to the social insurance system). And second, the self-employed cannot simply be made redundant, for example when they reach retirement age. Furthermore, they are able to determine under which conditions they work and might be able to phase out work in a more flexible way.<sup>38</sup>

As the example of the self-employed illustrates, at least part of the relationship between post-retirement work and occupational class is mediated by financial resources. To obtain a more complete idea on how financial resources influence post-retirement work, this relationship must be studied directly. This, however, is challenging for two reasons: first, household income is not only a condition or potential reason for work, but its amount is of course also influenced by paid employment. Because of missing information, particularly in the German Ageing Survey, we were not able to calculate household income adjusted for income from work. Second, the information on income is incomplete in both surveys. To give a more complete picture, cases with missing data have been included in the following tables.

Tables 15 and 16 (p. 47) illustrate

the distribution of paid work and pension receipt for different household income quintiles (based on net equivalence household income), with 1 being the poorest quintile. The quintiles were generated only from weighted information given by the respondents of pension age or above (i.e. those aged 60/65 and older in England, and those older than 65 in Germany). Again, cases with missing income information have been included. These are, with around 14 per cent, more numerous in the German Ageing Survey than in ELSA (around 2 per cent), because for the latter many incomplete pieces of information have been imputed (see Oldfield 2010). Both tables show a principally similar relationship to paid employment beyond retirement: the richest in terms of household income are more likely to be in paid employment. This relationship is stronger and more linear for England, i.e. in Germany mainly the highest quintile has employment rates above average whereas in England there is a more gradual increase across quintiles. In both countries, the same tendency of the well-off to work more often can also be found for those working and not receiving a pension. In contrast, not receiving a pension and not working is more frequent among the poorest. The general relationship between work and income remains similar when differentiating between men and women (not shown).

The information on different sources of income in the German Ageing Survey was only collected in the printed drop-off of the main survey, which was not answered by many respondents, and this information can hardly be used further.

<sup>38</sup> Further information on the previous occupation that is comparable for both countries can only be derived with difficulty. With regard to sectors of employment in Germany, former industrial workers are slightly less likely to work while receiving a pension, whilst the corresponding rate for retail and services is slightly above average.

**Table 15: Employment and pension receipt by income quintile (net household per capital equivalence income), Germany, per cent**

|                         | 1      | 2      | 3      | 4     | 5      | missing | Total |
|-------------------------|--------|--------|--------|-------|--------|---------|-------|
| no pension, working     | [0,38] | [0,27] | [0,54] | 1,02  | [1,06] | 1,70    | 0,79  |
| pension, working        | 3,30   | 5,12   | 7,31   | 5,37  | 12,96  | 7,85    | 6,72  |
| no pension, not working | 13,71  | 6,50   | 6,88   | 4,98  | 5,24   | 11,36   | 8,04  |
| pension, not working    | 82,61  | 88,11  | 85,28  | 88,63 | 80,75  | 79,09   | 84,45 |

Source: German Ageing Survey, Wave 3 (2008), own calculations with respondents aged 65 to 85, weighted. Unweighted n=2767; values in brackets indicate an unweighted n of below 5

**Table 16: Employment and pension receipt by income quintile (net household per capital equivalence income), England, per cent**

|                         | 1     | 2     | 3     | 4     | 5     | missing | Total |
|-------------------------|-------|-------|-------|-------|-------|---------|-------|
| no pension, working     | 0,90  | 1,41  | 0,94  | 2,47  | 3,72  | 4,60    | 1,93  |
| pension, working        | 2,78  | 5,29  | 7,96  | 16,25 | 27,79 | 19,81   | 12,14 |
| no pension, not working | 6,30  | 2,35  | 1,72  | 2,50  | 2,44  | [2,60]  | 3,05  |
| pension, not working    | 90,01 | 90,95 | 89,39 | 78,78 | 66,06 | 72,99   | 82,87 |

Source: English Longitudinal Study of Ageing, Wave 4 (2008/09), own calculations with respondents aged 60 (w)/65(m) to 85, weighted and in part imputed. Unweighted n=5594; values in brackets indicate an unweighted n of below 5

Only for England is there enough information on different income sources so that income from job(s) can be deduced from other income resources (such as pensions). Corresponding attempts to calculate this (not shown) indicate that, without considering their income from work, the incomes of working retirees are already higher than those of their non-working counterparts. Moreover, the information on household wealth in both surveys indicates that wealth is similarly related to work beyond retirement as income, namely in a positive way, with an even steeper gradient, though the related information is again incomplete for Germany. Considering both income and wealth, again age and health effects should be taken into account. The seemingly positive correlation between household income and the likelihood to work will also be reinforced by the fact that people who receive means-

tested benefits (pension credit or *Grundsicherung im Alter*) have strict income limits beyond which their benefits are reduced or stopped.

Less endogenous measures of financial resources and demands are shown in the next sets of tables: tenure and household debts. People who own their own home but have not yet paid off the mortgage, are, in both countries, at least twice as likely to be in paid employment than the average for people beyond retirement age, regardless of pension receipt (tables 17 and 18, p. 48). In contrast, people who rent work less often. However, it has to be noted that the group with outstanding mortgages is small in both countries.

The next two tables (19 and 20, p. 48) reveal a strong positive connection between household debt and work beyond retirement. However, there is much missing data for this question in the German



**Table 17: Employment and pension receipt by tenure, Germany, per cent**

|                                     | Own outright | Own but mortgage | Rent  | Rent-free/others | Total  |
|-------------------------------------|--------------|------------------|-------|------------------|--------|
| no pension, working                 | 0,45         | 3,42             | 0,84  | [0,79]           | 0,79   |
| pension, working                    | 7,25         | 12,65            | 5,06  | 4,78             | 6,72   |
| no pension, not working             | 7,86         | 5,96             | 7,88  | 12,34            | 8,04   |
| pension, not working                | 84,44        | 77,98            | 86,22 | 82,10            | 84,45  |
| row per cent (overall distribution) | 54,79        | 6,32             | 32,21 | 6,68             | 100,00 |

Source: German Ageing Survey, Wave 3 (2008), own calculations with respondents aged 65 to 85, weighted. Unweighted n=2766; values in brackets indicate an unweighted n of below 5

**Table 18: Employment and pension receipt by tenure, England, per cent**

|                                     | Own outright | Own but mortgage | Rent  | Rent-free/others | Total  |
|-------------------------------------|--------------|------------------|-------|------------------|--------|
| no pension, working                 | 1,58         | 6,60             | 1,22  | [1,07]           | 1,91   |
| pension, working                    | 11,37        | 28,28            | 7,90  | 13,66            | 12,13  |
| no pension, not working             | 2,85         | 3,93             | 3,58  | [1,37]           | 3,05   |
| pension, not working                | 84,20        | 61,18            | 87,29 | 83,90            | 82,91  |
| row per cent (overall distribution) | 72,40        | 8,02             | 18,21 | 1,37             | 100,00 |

Source: English Longitudinal Study of Ageing, Wave 4 (2008/09), own calculations with respondents aged 60 (w)/65(m) to 85, weighted. Unweighted n=5569; values in brackets indicate an unweighted n of below 5

**Table 19: Employment and pension receipt by household debt, Germany, per cent**

|                                     | missing | 0-below<br>€ 500 | € 500-below<br>5000 | € 5000-below<br>25.000 | € 25.000<br>and more | Total  |
|-------------------------------------|---------|------------------|---------------------|------------------------|----------------------|--------|
| no pension, working                 | 1,03    | 0,55             | [1,78]              | [1,29]                 | [6,34]               | 0,79   |
| pension, working                    | 8,50    | 5,14             | 11,22               | 25,61                  | [4,60]               | 6,72   |
| no pension, not working             | 11,23   | 6,64             | [0,00]              | 12,02                  | [0,00]               | 8,04   |
| pension, not working                | 79,24   | 87,67            | 87,01               | 61,08                  | 89,06                | 84,45  |
| row per cent (overall distribution) | 31,93   | 63,54            | 1,70                | 1,99                   | 0,84                 | 100,00 |

Source: German Ageing Survey, Wave 3 (2008), own calculations with respondents aged 65 to 85, weighted. Unweighted n=2767; values in brackets indicate an unweighted n of below 5

**Table 20: Employment and pension receipt by household debt, England, per cent**

|                                     | missing | 0-below<br>€ 400 | € 400-below<br>4000 | € 4000-below<br>22.000 | € 22.000<br>and more | Total  |
|-------------------------------------|---------|------------------|---------------------|------------------------|----------------------|--------|
| no pension, working                 | 4,60    | 1,50             | 2,23                | 6,51                   | 11,11                | 1,93   |
| pension, working                    | 19,81   | 10,33            | 17,59               | 27,31                  | 40,02                | 12,14  |
| no pension, not working             | [2,60]  | 3,25             | 1,39                | 1,71                   | [9,28]               | 3,05   |
| pension, not working                | 72,99   | 84,92            | 78,79               | 64,47                  | 39,60                | 82,87  |
| row per cent (overall distribution) | 1,61    | 84,73            | 7,64                | 5,41                   | 0,61                 | 100,00 |

Source: English Longitudinal Study of Ageing, Wave 4 (2008/09), own calculations with respondents aged 60 (w)/65(m) to 85, weighted and in part imputed. Unweighted n=5594; values in brackets indicate an unweighted n of below 5

sample (because it was part of the printed drop-off), and the proportion of older people in household debt is rather low. In England, the positive linear relationship between household debt and likelihood to work is striking, again for both those not receiving a pension and those receiving a pension. Looking at debt and household income together (no tables) nonetheless shows that those who are most indebted often belong to higher income classes. So possibly high loans are more often taken out by those with good jobs and the prospect to continue working beyond retirement age.

Summarising the findings from this central chapter, there are more post-retirement workers among richer and better educated people from higher occupational or self-employed classes than among lower status groups. However, those who are indebted also work more often beyond retirement. The fact that two occupational classes clearly stand out in Germany points to the importance of educational tracks even at the end of individual careers. In England, despite the same tendency among professionals and the self-employed, post-retirement work is more evenly distributed across different occupational classes. This might also result from the labour market structures, with a larger low-wage service sector and lesser significance of occupational tracks, resulting in more mobility between occupational classes even in later life.

The relatively high rates of higher status groups in post-retirement work not only reflect their generally favourable situation, which is also related to their better health and younger age. Above

all, they benefit from a better position in the labour market because their skills are more in demand. Labour market opportunities are presumably more important in determining work beyond retirement than financial needs as such. In addition, financial needs have to be studied in a more differentiated way, discerning economic poverty from higher financial needs due to a certain lifestyle and debts taken on in a privileged context.

## 5.5 CHARACTERISTICS OF POST-RETIREMENT JOBS

In order to describe the conditions and reasons for work beyond retirement age more closely, more information on the job itself would be necessary. Unfortunately, the German data only cover one aspect of the respondents' paid work after retirement: working hours, and this only in a dichotomised way. Tables 21 and 22 (p. 50) show how post-retirement work is distributed across these two categories, once again differentiated by pension receipt.

In both countries, around three quarters of those who work in spite of receiving a pension work part-time, i.e. less than 30 hours per week, which approximates the reverse of the younger rest of the population. In Germany, the very small group of those who do not receive a pension and work although they are of retirement age has working hours similar to the younger respondents, with only around one fifth working part-time. In England, by contrast, there is much more part-time work amongst this group who, in part, is only deferring their pension receipt and seem

**Table 21: Hours of employment after retirement, Germany, per cent**

|                              | Under 30 hrs/week | 30 hrs and more/week |
|------------------------------|-------------------|----------------------|
| no pension, working          | [18,65]           | 81,35                |
| pension, working             | 76,52             | 23,48                |
| rest of sample<br>[40 to 65] | 20,53             | 79,47                |

Source: German Ageing Survey, Wave 3 (2008), own calculations with respondents aged 65 to 85, weighted. Unweighted n=195 (65+), 2407 (<65); values in brackets indicate an unweighted n of below 5

**Table 22: Hours of employment after retirement, England, per cent**

|                                 | Under 30 hrs/week | 30 hrs and more/week |
|---------------------------------|-------------------|----------------------|
| no pension, working             | 40,51             | 59,49                |
| pension, working                | 73,52             | 26,48                |
| rest of sample<br>[50 to 60/65] | 23,04             | 76,96                |

Source: English Longitudinal Study of Ageing, Wave 4 (2008/09), own calculations with respondents aged 60 (w)/65(m) to 85, weighted. Unweighted n=799 (60/65+); 2538 (-60/65) values in brackets indicate an unweighted n of below 5

**Table 23: The distribution of post-retirement employment across economic sectors, Germany and UK, per cent**

|                                    | Germany          |                              | UK               |                                 |
|------------------------------------|------------------|------------------------------|------------------|---------------------------------|
|                                    | pension, working | rest of sample<br>(under 65) | pension, working | rest of sample<br>(under 60/65) |
| agriculture, fishery               | 6,9              | 1,3                          | 2,6              | 1,8                             |
| mining                             | [0,0]            | 0,2                          | [0,2]            | 0,3                             |
| manufacturing                      | 14,4             | 22,1                         | 11,1             | 13,0                            |
| energy, water                      | [1,7]            | 0,8                          | [0,0]            | 0,7                             |
| construction                       | 5,4              | 5,4                          | 4,2              | 6,8                             |
| retail, wholesale                  | 18,0             | 13,2                         | 17,4             | 14,0                            |
| hotels, restaurants                | 4,2              | 3,2                          | 5,3              | 5,2                             |
| transport, communication           | 5,7              | 4,9                          | 4,3              | 5,4                             |
| banking, finance, insurance        | [0,2]            | 4,2                          | [0,7]            | 4,1                             |
| real estate, property and renting  | 5,5              | 0,8                          | 1,3              | 1,9                             |
| research and development, computer | 1,9              | 2,1                          | [0,6]            | 2,2                             |
| other business services            | 9,0              | 7,3                          | 10,1             | 9,1                             |
| public administration              | [2,6]            | 7,6                          | 5,0              | 7,8                             |
| education                          | 6,3              | 7,1                          | 12,2             | 9,2                             |
| health, social work                | 7,3              | 12,7                         | 13,3             | 11,8                            |
| other services                     | 9,6              | 5,0                          | 11,2             | 6,4                             |
| domestic services                  | [1,4]            | 2,1                          | [0,6]            | 0,3                             |

Source Germany: German Socio-economic Panel, Wave Z (2009), own calculations with respondents aged 65 to 85, weighted. Unweighted n=213 (65+)/11278 (under 65); values in brackets indicate an unweighted n of below 5

Source UK: British Household Panel Study, Wave R (2009), own calculations with respondents aged 60 (w)/65(m) to 85, weighted. Unweighted n=353 (60/65+)/8203 (under 60/65); values in brackets indicate an unweighted n of below 5

to phase out their employment in a more gradual way.

The next tables all draw on data from the German Socio-economic Panel (SOEP) and the British Household Panel Study, using a categorisation of employment and pension receipt identical to that we have used with DEAS and ELSA. The first table (Table 23, p. 50) shows how working pensioners are distributed across different economic sectors, compared to the younger rest of the sample. Those working and not receiving a pension have been excluded because case numbers in the single categories are too small.

In both Germany and the UK, jobs in agriculture, in retail and wholesale and in other services<sup>39</sup> are over-represented among retired workers in comparison to the rest of the population. Other sector where many retired people work are real estate/property/renting and other business services in Germany, and education as well as health and social work in the UK. In both countries, jobs in manufacturing are under-represented among retired pensioners, in particular in Germany. The same applies to banking/finance/insurance and public administration in both countries, and to education as well as health and social work in Germany, the latter being a clear contrast to the UK.

In table 24 (p. 52), the distribution of working pensioners across occupational classes is displayed, this time for both

those receiving a pension and those who do not.<sup>40</sup> To be able to evaluate the significance of the result, the distribution has to be compared to the one in the rest of the sample.

In Germany, jobs in the higher service class are clearly overrepresented among working pensioners (as among those working and not yet receiving a pension). Whereas self-employment with or without employees is over-represented as well (regardless of pension receipt), this does not seem to apply to self-employed farmers. The third class in which more pensioners than young people work are the semi- and unskilled jobs. Most other classes are

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<sup>40</sup> Note that this classification (following the Goldthorpe Schema) is slightly different from the one used above, and that this is the class of the current job, which in some cases will not be the same as in the main career. Based on the ELSA data, it is, at least for a small group, possible to compare the occupational class of the last job before retirement to that of the occupation after retirement and whilst receiving a pension. Again, retirement is either defined by a year given by the respondent, or as the first year of state pension receipt. As the data basis is small (around 400 cases) and probably very selective, and there are many uncertainties in the derivation, the results can only be seen as a first indication of what kind of mobility trajectories can be observed around retirement: the majority of people are in the same occupational class before and after retirement, and around 15 per cent display some kind of downward mobility (in the class schema shown above with seven categories). The most important destination classes, i.e. occupational classes where new jobs after retirement are taken up, are the small employers and own-account workers, lower supervisory and technical, and semi-routine jobs. So, if new occupations are taken up post-retirement, these tend to be in the lower half of the categorisation or in self-employment.

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<sup>39</sup> This includes sewage and waste disposal, activities of membership organisations (in religion or politics, for example), recreational, cultural and sporting activities (including the media) and other personal services (like dry cleaners and hairdressers).

**Table 24: The distribution of post-retirement employment across occupational classes (current job), Germany and UK, per cent**

|                                                                 | Germany          |                     |                           | UK               |                     |                               |
|-----------------------------------------------------------------|------------------|---------------------|---------------------------|------------------|---------------------|-------------------------------|
|                                                                 | pension, working | no pension, working | rest of sample (under 65) | pension, working | no pension, working | rest of sample (under 60/ 65) |
| <b>high service class</b>                                       | 14,0             | 23,8                | 12,3                      | 7,2              | 19,2                | 18,5                          |
| <b>low service class</b>                                        | 17,7             | 18,7                | 23,6                      | 23,0             | 22,1                | 25,7                          |
| <b>routine non-manual, higher (admin and commerce)</b>          | 2,4              | [0,0]               | 9,5                       | 13,6             | [10,0]              | 12,2                          |
| <b>routine non-manual, lower (services and sales)</b>           | 5,8              | [8,6]               | 12,3                      | 16,1             | [0,4]               | 9,0                           |
| <b>self-employed with employees</b>                             | 5,0              | [10,9]              | 2,5                       | 2,0              | [11,4]              | 1,5                           |
| <b>self-employed without employees</b>                          | 21,7             | 18,4                | 4,2                       | 6,6              | [8,3]               | 5,5                           |
| <b>self-employed farmer</b>                                     | [0,4]            | [0,0]               | 0,3                       | 1,7              | [0,0]               | 0,5                           |
| <b>skilled manual (incl. supervisory and lower technicians)</b> | 3,9              | [6,1]               | 15,0                      | 9,2              | 15,0                | 12,5                          |
| <b>semi-/unskilled manual</b>                                   | 27,3             | [10,3]              | 19,5                      | 19,5             | [13,6]              | 14,2                          |
| <b>farmer manual</b>                                            | 1,9              | [3,1]               | 1,1                       | [0,9]            | [0,0]               | 0,5                           |

Source Germany: German Socio-economic Panel, Wave Z (2009), own calculations with respondents aged 65 to 85, weighted. Unweighted n=266 (65+)/11531 (under 65); values in brackets indicate an unweighted n of below 5

Source UK: British Household Panel Study, Wave R (2009), own calculations with respondents aged 60 (w)/65(m) to 85, weighted. Unweighted n=343 (60/65+)/7066 (under 60/65); values in brackets indicate an unweighted n of below 5

clearly underrepresented among working retirees.

In the UK, higher service class jobs are less significant among post-retirement workers than in Germany: among working pensioners, they are underrepresented, which is not the case for those without a pension. Apart from the self-employed, particularly routine services/sales and semi- and unskilled manual jobs are more often carried out by retirees than the younger population. As in Germany, skilled manual jobs (including lower supervisory and technical) are underrepresented among working pensioners. So there are some differences between the two countries regarding post-retirement work: whereas important peaks of post-retirement employment are in self-employment and semi-/unskilled labour in both countries, post-retirement work is

more evenly distributed across the rest of the occupational classes in the UK, also including the middle category of routine services/sales. In Germany, there is instead another peak in the highest service occupations.

Information about the size of the employer (no tables), finally, shows a tendency of post-retirement work to be with small employers. In comparison to the younger population, large companies and institutions are clearly underrepresented as employers of working pensioners. Among those working beyond retirement age without pension receipt, similar tendencies can be seen for small companies, but there is no clear picture regarding large companies.

## 5.6 OTHER ACTIVITIES AND LIFE SATISFACTION

Paid employment after retirement is often discussed within the broader context of paid and unpaid 'productive' activities after retirement. Unpaid activities are sometimes seen as a functional equivalent to paid activities, for example with regard to the social integration of retirees, or are normatively loaded as a necessary contribution of particularly the 'young old' to society.

In both surveys, several questions cover these activities. In Germany, this is first a question on engagement in a function or office (*Ehrenamt*) in a club or organisation the respondent is a member of, and additionally a question on less organised volunteering (for example as a parent in school or helping neighbours)<sup>41</sup>; second, child-care of some kind (including grandchildren and children of relatives, but excluding their own children), and third, looking after or caring for other people of poor health on a private basis. In England, information on volunteering in clubs or organisations, looking after someone in the sense of active provision of care (including childcare) and unpaid help to others is covered in the interviews. Although we have constructed the single variables in similar ways, in particular with regard to the defining characteristic of temporal effort, the substantial definition of activities

is unfortunately different: looking after someone in ELSA is not limited to child-care (as the German variable) and also includes caring activities. In turn, the help/care variable in the German survey covers more than 'unpaid help' in the English data. Furthermore, respondents caring for their own children are covered by the ELSA variables but not in DEAS. However, at least a newly constructed variable combining the three activities should be comparable: all three variables together look at a similar range of activities, and the combining variable uses a similar, rather low threshold of unpaid activity, namely at least three hours per month (Germany) or once per month (England). Only the fact that respondents looking after their own children is included in ELSA but not in DEAS might lead to a small overestimation of unpaid activities in England.<sup>42</sup>

Looking at the variable summarising all three activities with a rather low threshold of three hours or once per month, people receiving a pension and working are the most engaged in Germany, where the

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<sup>41</sup> There is no information on the frequency of the activities covered by this additional question, but we have assumed that they are carried out more often than the (rather low) threshold of 3 hours per month.

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<sup>42</sup> There is information on who is cared for in ELSA, and in around 10 per cent of cases the respondent's own children are mentioned. However, around 3 per cent of respondents only mention caring for their own children and do not carry out any other unpaid activities. Since the people we look at are at least 65 years old, only some of them (probably men) will have small children, and the others might care for grown-up children who are ill or disabled. Since, consequently, this overestimation of unpaid activities in England is probably less than 3 per cent and we do not exactly know the nature of this care, we have not deducted those who care for their own children from the overall proportion of those caring for others.

few respondents without a pension and working are least active (Table 25). In contrast, in England (Table 26), respondents who are working but do not receive a pension are the most active, closely followed by those who are employed and in receipt of a pension. This difference in the level of unpaid activities might be an expression of the different socio-economic status of people of pension age who work and do not receive a pension in Germany and England. In Germany, many in this group do not have any pension entitlements, whereas members of the corresponding group in England often only defer pen-

sion receipt. However, the numbers are very small, especially in Germany. In general, activity levels are higher in England, which probably not only reflects differences in question wording, but also the more important role of civic engagement in the (more) liberal British welfare state. Finally, some of the differences between groups will also be due to different opportunities of engagement (in particular regarding childcare and care for others) connected to age differences.

Finally, in order to know how the lives of working and non-working people of retirement age and above differ, life sat-

**Table 25: Other activities (summarised) among people of retirement age and above, differentiated by work/pension receipt, per cent, Germany**

| Unpaid activity<br>at least 3 hrs/month<br>(volunteering or childcare<br>or looking after/caring for<br>other people) |       |       |
|-----------------------------------------------------------------------------------------------------------------------|-------|-------|
|                                                                                                                       | no    | yes   |
| no pension, working                                                                                                   | 73,96 | 26,04 |
| pension, working                                                                                                      | 52,29 | 47,71 |
| no pension, not working                                                                                               | 68,31 | 31,69 |
| pension, not working                                                                                                  | 67,11 | 32,89 |
| all                                                                                                                   | 66,27 | 33,73 |

Source: German Ageing Survey, Wave 3 (2008), own calculations with respondents aged 65 to 85, weighted. Unweighted n=2763; values in brackets indicate an unweighted n of below 5

**Table 26: Other activities (summarised) among people of retirement age and above, differentiated by work and pension receipt, per cent, England**

| Unpaid activity<br>at least once/month<br>(volunteering or looking<br>after someone or unpaid<br>help) |       |       |
|--------------------------------------------------------------------------------------------------------|-------|-------|
|                                                                                                        | no    | yes   |
| no pension, working                                                                                    | 41,86 | 58,14 |
| pension, working                                                                                       | 43,77 | 56,23 |
| no pension, not working                                                                                | 58,85 | 41,15 |
| pension, not working                                                                                   | 51,92 | 48,08 |
| all                                                                                                    | 50,93 | 49,07 |

Source: English Longitudinal Study of Ageing, Wave 4 (2008/09), own calculations with respondents aged 60 (w)/65(m) to 85, weighted. Unweighted n=5441 (65/60+) /4050 (-64/59); values in brackets indicate an unweighted n of below 5

isfaction can also offer give some clues. Both surveys measure life satisfaction following the five-item-scale proposed by Pavot and Diener.<sup>43</sup> However, in ELSA the potential answers comprise seven categories (strongly agree, agree, slightly agree, neither agree nor disagree, slightly disagree, disagree, strongly disagree), while it is only five in the German Ageing Survey (strongly agree, agree, neither agree nor disagree, disagree, strongly disagree). In order to make them comparable, we have summarised all five items in three categories ((strongly/slightly) disagree, neither nor, (slightly/strongly) agree), and constructed a summarising index<sup>44</sup> out of the five items by assigning a value from 0 ((strongly/slightly) disagree) to 2 ((strongly/slightly) agree) to each item. A higher value on the index indicates a higher life satisfaction. Unfortunately, this question was only asked in the drop-off of DEAS which is why case numbers are again small.

One of the items and the summarising index are shown above (Tables 27 and 28, p. 56). The majority of respondents in both countries is rather satisfied with their lives. Again, Germans working without pension receipt stand out because they more frequently see their lives, in particular the conditions of their life, more negatively than others – a further indication of

their unfavourable position.

Regarding the conditions of life, in both countries working pensioners are more satisfied than all others, although the difference to non-working pensioners (and in England to those working without pension receipt) is small. Moreover, in Germany the proportion of working retirees judging the conditions of their lives negatively is above average as well. Those who do not work and do not receive a pension also evaluate the conditions of their lives more negatively in both countries. Looking at the additive index of life satisfaction, non-working pensioners are more satisfied than their working counterparts in Germany. In England, the opposite is true, albeit the differences are small.

Examining life satisfaction and engagement in unpaid activities, the evidence again underlines the rather privileged situation of many working pensioners. If they are different from others at all, many of them seem to more engaged and more happy. Among the very small groups studied, those working and not receiving a pension seem to be in a particularly disadvantaged position in Germany.

## 5.7 REASONS FOR WORKING

So far, the relationship of post-retirement work to individual objective characteristics has been investigated. However, retirees can of course be asked directly why they work. Although there might always be contradictions in the objective conditions of work and the subjective reasons given, the reasons given by the pensioners themselves provide impor-

<sup>43</sup> The five items are as follows: "In most ways my life is close to my ideal", "the conditions of my life are excellent", "I am satisfied with my life", "so far, I have got the important things I want in life", "If I could live my life again I would change almost nothing".

<sup>44</sup> For both countries, the index has a Cronbach's alpha of around 0.8, i.e. is sufficiently reliable.



**Table 27: Life satisfaction among people of and above retirement age, differentiated by work/pension receipt, per cent, Germany**

|                         | "The conditions of my life are excellent" |                            |                  | Additive index life satisfaction (5 items, 0-10 points) |         |          |
|-------------------------|-------------------------------------------|----------------------------|------------------|---------------------------------------------------------|---------|----------|
|                         | (strongly) disagree                       | neither agree nor disagree | (strongly) agree | 0-4 pts                                                 | 5-7pts  | 8-10 pts |
| no pension, working     | 47,35                                     | [23,06]                    | [29,59]          | [23,36]                                                 | [26,55] | 50,08    |
| pension, working        | 17,96                                     | 16,78                      | 65,25            | 11,51                                                   | 23,33   | 65,16    |
| no pension, not working | 19,14                                     | 25,49                      | 55,38            | 11,70                                                   | 23,79   | 64,51    |
| pension, not working    | 14,14                                     | 22,31                      | 63,56            | 9,19                                                    | 19,16   | 71,64    |
| all                     | 14,92                                     | 22,19                      | 62,89            | 9,60                                                    | 19,78   | 70,63    |

Source: German Ageing Survey, Wave 3 (2008), own calculations with respondents aged 65 to 85, weighted. Unweighted n=1994/1977; values in brackets indicate an unweighted n of below 5

**Table 28: Life satisfaction among people of and above retirement age, differentiated by work/pension receipt, per cent, England**

|                         | "The conditions of my life are excellent" |                            |                            | Additive index life satisfaction (5 items, 0-10 points) |        |          |
|-------------------------|-------------------------------------------|----------------------------|----------------------------|---------------------------------------------------------|--------|----------|
|                         | (strongly/ slightly) disagree             | neither agree nor disagree | (strongly/ slightly) agree | 0-4 pts                                                 | 5-7pts | 8-10 pts |
| no pension, working     | 14,40                                     | 11,77                      | 73,83                      | 13,36                                                   | 13,11  | 73,53    |
| pension, working        | 12,54                                     | 12,37                      | 75,09                      | 13,47                                                   | 13,91  | 72,62    |
| no pension, not working | 23,98                                     | 9,42                       | 66,60                      | 18,46                                                   | 13,69  | 67,85    |
| pension, not working    | 17,82                                     | 11,59                      | 70,59                      | 15,48                                                   | 14,13  | 70,39    |
| all                     | 17,25                                     | 11,63                      | 71,11                      | 15,27                                                   | 14,07  | 70,67    |

Source: English Longitudinal Study of Ageing, Wave 4 (2008/09), own calculations with respondents aged 60 (w)/65(m) to 85, weighted. Unweighted n=4710/4642; values in brackets indicate an unweighted n of below 5

**Table 29: Reasons for working among working pensioners in Germany, per cent (more than one answer possible)**

|                                                             | Men pension, working | Women pension, working | All pension, working |
|-------------------------------------------------------------|----------------------|------------------------|----------------------|
| my current financial situation                              | 30,49                | 33,72                  | 31,78                |
| only financial situation (derived)                          | 6,96                 | 16,90                  | 10,92                |
| I enjoy working                                             | 81,78                | 58,28                  | 72,41                |
| contact to other people is important to me                  | 43,05                | 48,61                  | 45,27                |
| I want to continue doing something useful                   | 44,88                | 45,56                  | 45,15                |
| only positive (i.e. other than financial) reasons (derived) | 69,51                | 66,28                  | 68,22                |

Source: German Ageing Survey, Wave 3 (2008), own calculations with respondents aged 65 to 85, weighted. Unweighted n=179; values in brackets indicate an unweighted n of below 5

tant evidence on the experience of post-retirement work and whether it is more of a privilege, a burden or somewhere in-between. Information on respondents' life satisfaction, which is investigated in this section in connection to reasons for work, can add to a better understanding of why pensioners work during retirement.

In both data sets, respondents working beyond retirement (age) were asked directly why they work. Unfortunately, not only the answer categories are different, but the German respondents were able to give several answers, whereas the English could only give one (from a wider choice of answers). Furthermore, the question was only asked to those working and receiving a pension in Germany whereas all working people of and above pension age were included in England.

In Germany, roughly a third of retirees cited their financial situation as a motive for still being in employment (Table 29, p. 56). Slightly under three quarters say that they enjoy their work, and between 40 and 50 per cent name contacts to other people and having a challenge as reasons for still working. Looking at a combinations of reasons, the differences between men and women become stronger: whereas only 7 per cent of the men give their financial situation as the only reason for working, almost 17 per cent of women do so. Women also refer much less often to the enjoyment of work, but slightly more often to contacts to other people, and on the whole cite less often than men only positive reasons for still being employed.

Financial reasons are captured in a more detailed way in ELSA by distinguishing between the answer "could not afford

to retire earlier" and the desire to improve their financial situation, with the former relating to financial necessity or poverty in a stricter sense (Table 30, p. 58). With around one third of respondents relating to these reasons, they seem more important than in Germany, in particular when taking into account that German pensioners were allowed to mention several reasons. Correspondingly, the enjoyment of the job the job is slightly less important in England, but still a frequent reason. To keep fit and active is given by around 15 per cent as a motive for working, whereas being persuaded by the employer, not knowing what to do after stopping work and the desire to retire at the same time as the partner are only mentioned by very few people. As in Germany, financial reasons, more strictly not being able to afford an earlier retirement, is more important for English women than for men. And while women enjoy their jobs more often than men, men more often aim at keeping fit and active with their retirement job.

Finally, compared to working pensioners, financial reasons are more important for people who do not receive a pension (last column). Most other reasons are less important for those who work and do not receive a pension and among them are many who only defer their pension receipt. However, some of them have been persuaded by their employers to stay on or want to retire at the same time as their partner.

Although the different phrasing of the question does not allow a strong conclusion, financial reasons play a more important role in England. Only being able to chose one of seven answers, 33 per cent

**Table 30: Reasons for working among people working over retirement age in England, per cent (one answer possible)**

|                                            | Men<br>pension,<br>working | Women<br>pension,<br>working | All<br>pension,<br>working | All<br>no<br>pension,<br>working |
|--------------------------------------------|----------------------------|------------------------------|----------------------------|----------------------------------|
| could not afford to retire earlier         | 15,01                      | 19,57                        | 17,99                      | 24,61                            |
| to improve pension/financial position      | 15,63                      | 14,80                        | 15,09                      | 12,91                            |
| enjoyed job/working                        | 42,74                      | 45,01                        | 44,22                      | 35,30                            |
| to keep fit and active                     | 19,37                      | 12,66                        | 14,99                      | 6,99                             |
| didn't know what to do after stopping work | 3,55                       | 1,85                         | 2,44                       | 6,01                             |
| persuaded by employer to stay on           | [2,11]                     | 2,76                         | 2,53                       | 4,55                             |
| to retire at the same time as partner      | [1,59]                     | 2,44                         | 2,15                       | 5,74                             |
| don't know                                 | [0,00]                     | 0,91                         | 0,60                       | [3,88]                           |

Source: English Longitudinal Study of Ageing, Wave 4 (2008/09), own calculations with respondents aged 60 (w)/65(m) to 85, weighted. Unweighted n=857(739 pension/working, 119 no pension/working); values in brackets indicate an unweighted n of below 5

**Table 31: Reasons for working (more than one answer possible), differentiated by previous occupational class of pensioner, per cent, Germany**

|                                            | Large<br>employers,<br>higher<br>managers/<br>professionals | Lower<br>managers/<br>professionals,<br>higher<br>supervisory/technicians | Inter-<br>mediate<br>occupations | Small<br>employers<br>and self-<br>employed<br>(non-agric,<br>agric) | Lower<br>supervisors<br>and technicians | Lower<br>sales and<br>service/<br>lower<br>technical | Routine | All   |
|--------------------------------------------|-------------------------------------------------------------|---------------------------------------------------------------------------|----------------------------------|----------------------------------------------------------------------|-----------------------------------------|------------------------------------------------------|---------|-------|
| my current financial situation             | 9,88                                                        | 24,19                                                                     | [24,19]                          | 42,87                                                                | 55,83                                   | 73,46                                                | 9,88    | 32,03 |
| only financial situation (derived)         | [3,30]                                                      | [11,70]                                                                   | [24,19]                          | [14,58]                                                              | [0,00]                                  | [10,25]                                              | [15,23] | 11,01 |
| I enjoy working                            | 72,53                                                       | 72,09                                                                     | 55,13                            | 79,16                                                                | 93,54                                   | 76,70                                                | 61,58   | 72,20 |
| contact to other people is important to me | 45,98                                                       | 35,25                                                                     | 37,66                            | 46,41                                                                | 50,94                                   | 59,26                                                | 57,40   | 45,63 |
| I want to continue doing something useful  | 49,22                                                       | 38,15                                                                     | 30,91                            | 51,21                                                                | 68,75                                   | 46,96                                                | 41,97   | 45,51 |
| only non-financial reasons (derived)       | 90,12                                                       | 75,81                                                                     | 75,81                            | 57,13                                                                | 44,17                                   | 26,54                                                | 61,79   | 67,97 |

Source: German Ageing Survey, Wave 3 (2008), own calculations with respondents aged 65 to 85, weighted. Unweighted n=178; values in brackets indicate an unweighted n of below 5

chose some kind of financial reasons. In Germany, where people could give financial reasons and still name several other reasons at the same time, only 32 per cent mentioned their finances at all and only 11 per cent exclusively their finances.

Tables 31 and 32 show how the different reasons are distributed among different occupational classes, again using the

class of the last job before retirement. In Germany, financial reasons are particularly pronounced among small employers and the self-employed, but also among lower supervisors/technicians and lower sales/service/lower technical personnel (Table 31).

In England, a similar but slightly weaker relationship can be seen for the item

**Table 32: Reasons for working, differentiated by previous occupational class of pensioner, per cent, England**

|                                                                  | Higher professional and managerial, large employers | Lower managerial and professional | Intermediate | Small employers and own account workers | Lower supervisory and technical | Semi-routine | Routine | All   |
|------------------------------------------------------------------|-----------------------------------------------------|-----------------------------------|--------------|-----------------------------------------|---------------------------------|--------------|---------|-------|
| could not afford to retire earlier to improve financial position | (5,17)                                              | 18,45                             | 21,27        | 24,28                                   | 20,44                           | 17,89        | 11,73   | 17,75 |
|                                                                  | 17,50                                               | 11,68                             | 18,19        | 20,88                                   | 15,72                           | 9,92         | 16,04   | 15,10 |
| enjoyed working                                                  | 57,93                                               | 52,58                             | 39,65        | 39,00                                   | 43,61                           | 42,26        | 40,04   | 44,48 |
| to keep fit/active                                               | 13,88                                               | 10,58                             | 12,69        | 7,38                                    | 13,23                           | 17,73        | 29,09   | 15,01 |
| didn't know what to do else                                      | (2,04)                                              | (0,51)                            | (1,25)       | (3,63)                                  | (3,03)                          | 5,65         | (1,99)  | 2,62  |
| persuaded by employer                                            | (3,48)                                              | 3,56                              | (4,41)       | (1,78)                                  | (3,96)                          | (1,91)       | (1,12)  | 2,72  |
| same time as partner                                             | (0,00)                                              | (1,40)                            | (1,09)       | (2,26)                                  | (0,00)                          | (3,97)       | (0,00)  | 1,59  |
| don't know                                                       | (0,00)                                              | (1,23)                            | (1,45)       | (0,78)                                  | (0,00)                          | (0,68)       | (0,00)  | 0,72  |

Source: English Longitudinal Study of Ageing, Wave 4 (2008/09), own calculations with respondents aged 60 (w)/65(m) to 85, weighted. Unweighted n=618; values in brackets indicate an unweighted n of below 5

“could not afford to retire” for small employers and own-account workers as well as lower supervisory and technical, but not for the second lowest class (semi-routine). The desire to improve their financial situation is cited slightly more frequently by the highest occupational class, the intermediate class and again small employers and own account workers. There is also an almost linear relationship between enjoying work and (higher) occupational class, and the opposite is the case for the aim to keep fit and active. In Germany, differences in other reasons between the occupational classes are less pronounced or not evenly distributed (except for contact to other people which is more frequently cited among routine workers), which might be due to small case numbers and/or the fact that several answers were possible. Financial reasons for working are also clearly more often given by working pensioners who are divorced or separated, in particular in Germany (no tables shown). Nonetheless, only one fifth solely refer to financial reasons, and in England

as well, most reasons are well represented among all subgroups.

Finally, working pensioners with different reasons for working differ in their life satisfaction (Tables 33 and 34, p. 60). Those who work for financial reasons, regardless of what kind of financial reasons, are distinctively less satisfied with their lives than retirees citing other than financial reasons. Only the English who work because they did not know what else to do also have a below average life satisfaction. The reduction in life satisfaction of those working for financial reasons compared to the average satisfaction (last line of table) is much greater in England than in Germany. Probably there are more working pensioners in England than in Germany who are in an overall unfavourable life situation and suffer cumulative disadvantage. However, the difference to Germany is only a gradual one.

**Table 33: Life satisfaction of working pensioners, differentiated by reasons for work (several answers possible), per cent, Germany**

|                                                             | Additive index life satisfaction<br>(5 items, 0-10 points) |         |          |
|-------------------------------------------------------------|------------------------------------------------------------|---------|----------|
|                                                             | 0-4 pts                                                    | 5-7pts  | 8-10 pts |
| my current financial situation                              | 17,07                                                      | 29,01   | 53,91    |
| only financial situation (derived)                          | [16,04]                                                    | [30,61] | 53,35    |
| I enjoy working                                             | 10,21                                                      | 22,10   | 67,68    |
| contact to other people is important to me                  | 12,35                                                      | 17,88   | 69,77    |
| I want to continue doing something useful                   | 15,33                                                      | 19,95   | 64,71    |
| only positive (i.e. other than financial) reasons (derived) | 9,08                                                       | 20,84   | 70,08    |
| all                                                         | 11,51                                                      | 23,33   | 65,16    |

Source: German Ageing Survey, Wave 3 (2008), own calculations with respondents aged 65 to 85, weighted. Unweighted n=179; values in brackets indicate an unweighted n of below 5

**Table 34: Life satisfaction of working pensioners, differentiated by reasons for work, per cent, England**

|                                            | Additive index life satisfaction<br>(5 items, 0-10 points) |         |          |
|--------------------------------------------|------------------------------------------------------------|---------|----------|
|                                            | 0-4 pts                                                    | 5-7pts  | 8-10 pts |
| could not afford to retire earlier         | 22,32                                                      | 23,56   | 54,12    |
| to improve pension/financial position      | 20,46                                                      | 21,25   | 58,29    |
| enjoyed job/working                        | 9,59                                                       | 8,70    | 81,71    |
| to keep fit and active                     | 9,68                                                       | 12,19   | 78,13    |
| didn't know what to do after stopping work | [12,71]                                                    | [19,24] | 68,05    |
| persuaded by employer to stay on           | [12,44]                                                    | [0,00]  | 87,56    |
| to retire at the same time as partner      | [6,59]                                                     | [12,13] | 81,28    |
| don't know                                 | [0,00]                                                     | [19,38] | [80,62]  |
| all                                        | 13,47                                                      | 13,91   | 72,62    |

Source: English Longitudinal Study of Ageing, Wave 4 (2008/09), own calculations with respondents aged 60 (w)/65(m) to 85, weighted. Unweighted n=633; values in brackets indicate an unweighted n of below 5

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## 6. Discussion and Conclusion

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This paper has given an initial overview over who working pensioners are, what they do and why they work – and how Germany and England differ in these respects. The two opposing relationships between socio-economic status and work beyond retirement – better labour market opportunities, health and probably higher intrinsic motivation for those with high status, greater financial necessity because of insufficient old age income in the case of lower status groups – have both been confirmed by our results. On the one hand, pensioners with better education and higher occupational class in their previous career are more likely to work than others. On the other hand, pensioners in debt, with an open mortgage or divorced women (and men in Germany) also work more frequently beyond retirement age than others. Factoring in health disadvantages would probably also lead to an above average proportion of (former) routine workers being in paid employment beyond retirement, in particular in England. This result is in some respects similar to a u-shaped distribution of work beyond retirement. However, it is not only low and high status groups that have an increased likelihood of working, i.e. the bottom of the u does not touch zero: very importantly, it is the (lower) middle class of small self-employed (with and without employees) who also stand out with regard to paid employment after retirement. In this case, lower financial resources, in particular in Germany, are combined with a high degree of self-determination with

regard to their final withdrawal from the labour market. Thus, if at all there is a u-shaped distribution of post-retirement work, it relates rather to old age income than to qualifications, and it would probably be clearer if health and other factors were controlled for. Here, future studies using multivariate approaches and a more sophisticated measure of household income reduced by income from (post-retirement) work will yield more precise results.<sup>45</sup> Furthermore, our results underline that financial reasons are not limited to financial necessity or poverty: in different forms, they can appear in all classes, and are closely connected to lifestyle, the desire to maintain a certain standard of living and further circumstances of life. Finally, positive reasons for work beyond retirement, like the enjoyment of work or the contact to other people are very important drivers of post-retirement work in all classes, and weaken the effect of purely structural factors.

It is also these points that make the country cases of England and Germany less distinct than might have been expected. However, among the multiple constellations of work beyond retirement a few typical features of the two systems of labour and welfare can be recognised. First, the more flexible labour and welfare

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<sup>45</sup> Initial findings of a more detailed analysis based on data from SOEP and BHPS show that, using house-hold income reduced by income from work, a u-shaped distribution of post-retirement work indeed becomes evident. In particular, the tendency of poorer retirees is more pronounced after controlling for health.

regime of the UK, which goes together with more inequality and higher poverty rates, is reflected in the higher level of post-retirement work in general and the higher proportion of pensioners working in lower non-manual service jobs specifically. In contrast, the importance of occupational tracks in Germany can still be seen after retirement. Indicators of this are, for example, the higher proportion of working pensioners from the lower occupational classes in England, and the specific structure of work beyond retirement among higher occupational classes in Germany. Second, the situation of divorced women seems worse in Germany where their necessity to work for financial reasons is greater because women more often gave up their jobs completely due to child-caring responsibilities. The small group of German respondents not receiving a pension who are in a rather unfavourable situation according to many of the indicators shown above also contains many women. And third, although many of the sectors in which working retirees are over-represented are similar in Germany and the UK, there are also important differences, with further typical fields of post-retirement employment in the UK being health, social work and education, where German pensioners are less frequently employed. The question of how older workers are selectively distributed across sectors has to be studied further because our findings only give an initial idea of the labour market processes and potential shifts in segmentation of post-retirement work. The same applies to pathways into post-retirement work, including mobility trajectories, where, so

far, only very little information is available. Another area which has to be studied further is the role of personal relations and household context.

Further study of these and other factors is also required to reach a more differentiated normative evaluation of work beyond retirement. The evidence presented above not only provides evidence on individual determinants of post-retirement work, but underlines, albeit indirectly, how much post-retirement work is driven by labour market demand, with well-educated people being in a comparably favourable position. Conversely, this means that there is systematic disadvantage, perhaps discrimination of older people on the labour market, which particularly affects less well-educated people and might also lead to unfavourable working conditions, low pay etc. Post-retirement work is not 'normal' work, and this applies in almost all respects and also in the UK. Receiving a pension shifts both the conditions and the individual experience of staying in or getting work. The meaning of work beyond retirement cannot be studied adequately by only relying on quantitative data, and more evidence of a qualitative-interpretative kind is needed.<sup>46</sup> However, we can gain some clues from our evidence: the life satisfaction of those who work for financial reasons is considerably below average in both countries – it is probably in these contexts where

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<sup>46</sup> This is one of the foci of future research of the four authors of this paper. Further topics include a more in-depth quantitative investigation (see previous footnote) as well as a broader account of the differing discourses around old age and pension reforms in Germany and the UK.

the degree of individual choice whether to work or not is reduced to an unfortunate minimum. At the same time it is striking how frequently positive reasons for working are mentioned by all groups and occupational classes. So there is no general answer to the question whether post-retirement work is 'good' or 'bad'. Depending on context and framing, there are good reasons to see it as a welcome mechanism of social integration and productivity of older people, or as forced exclusion from a carefree retirement. The

institution of retirement is, together with the pensions system, both a protection from the impositions of the labour market and a mechanism to exclude certain age groups from this central social subsystem. Whether the positive or the negative connotation of retirement or work beyond retirement prevails, depends on both the individual constellation of living conditions and experiences on the one hand, and the institutional and normative framing of life course stages and transitions, on the other.



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<http://www.ageuk.org.uk/money-matters/claiming-benefits/pension-credit/> (download 13th April 2012)

UK pension information  
<http://www.direct.gov.uk/en/Pensionsandretirementplanning/index.htm> (download 13th April 2012)  
<http://www.hmrc.gov.uk/ni/intro/basics.htm> (download 5th June 2012)

German public pension information (public social insurance, pensions in general).  
<http://www.deutsche-rentenversicherung.de/> und <http://www.bmas.de/DE/Themen/Rente/inhalt.html> (download 13th April 2012)

Eurostat, 2011: Indicator `lfsi_emp_a` (1992-2010, employment rate and parttime employment as rate of all employment).  
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OECD Labour Force Statistics  
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*Peter Taylor-Gooby*

## Social Policy Research in the UK, with Special Reference to Cross- national Comparative Research

ZeS-Working Paper No. 05/2012

### Forthcoming:

*Carlo Michael Knotz:*

Measuring the 'New Balance of Rights and Responsibilities' in Labor Market Policy. A quantitative overview of activation strategies in 20 OECD countries

*Matthias Greiff, Fabian Paetzel:*

Reaching for the Stars: An Experimental Study of the Consumption Value of Social Approval.



