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Working after Retirement – Evidence from Germany

Background and Research Questions

In the light of a shrinking and ageing workforce in Germany, several pension reforms were undertaken in the last two decades aiming at postponing retirement to re-establish financial sustainability. In line with this political orientation, the German government enforced in 2008 the *Act to Adjust the Standard Age Limit to Demographic Developments and to Strengthen the Financial Foundation of Statutory Pensions Insurance*¹. The main objective of this measure is a gradual increase of the legal retirement age for old-age pensions up to 67 years until 2029. As a consequence, older workers will be confronted with a growing pressure to stay longer in the workforce. This leads us to the question whether economic or political constraints are sufficient measures to achieve the abovementioned goals. The motivation for this presentation is to find out who stays in the workforce, while officially retired, on his or her own accord or under economic constraints. Furthermore, we are eager to know if there is a considerable amount of retirees who can imagine starting paid work again.

With regard to the timing of retirement, research work in Germany "traditionally" focussed on preretirement issues.² Working in an age in which most people are already retired has been a blind spot in research for a long time. Whereas working beyond retirement (*bridge employment*) is a topic intensively discussed particularly in the U.S., little empirical work has been conducted in this area for Germany.³ In accordance with the concept of bridge employment and its antecedents, we search for the driving forces behind the motivation to continue working in retirement. Speaking in terms of active ageing, the intention to continue working in retirement is additionally discussed as a key factor in activating working potentials of older people. For these reasons, we investigate the differences

¹ In German: Gesetz zur Anpassung der Regelaltersgrenze an die demografische Entwicklung und zur Stärkung der Finanzierungsgrundlagen der gesetzlichen Rentenversicherung.

² Among others, see Schils, Trudie 2008: Early Retirement in Germany, the Netherlands, and the United Kingdom: A Longitudinal Analysis of Individual Factors and Institutional Regimes. In: *European Sociological Review* 24,3: 315–329 or Teipen, Christina; Kohli, Martin 2004: Chapter 6: Early Retirement in Germany. In: Maltby, Tony et al. (Hg.): *Ageing and the Transition to Retirement. A Comparative Analysis of European Welfare States. New Perspectives on Ageing and Later Life.* Aldershot: Ashgate: 93–119.

³ For the U.S., see e.g. Gobeski, Kirsten T.; Beehr, Terry A. 2009: How Retirees Work: Predictors of Different Types of Bridge Employment. In: *Journal of Organizational Behavior* 30,3: 401–425. For Germany, see Hochfellner, Daniela; Burkert, Carola 2013: Berufliche Aktivität im Ruhestand. In: *Zeitschrift für Gerontologie und Geriatrie* 46,3: 242–250.

between (1) retirees who work after retirement; (2) retirees who do not work but intend to do so; and (3) retirees who withdrew completely from labour force.

Hypotheses

People who stay longer in the workforce and delay retirement are generally less “wealthy” and more “welcome” as Ekerdt (2010) proposes.⁴ On the one hand, it means that retirees might push into work after retirement in case of economic hardship. On the other hand, “continued adequate job performance is the necessary condition for not retiring” (Ekerdt 2010: 71). The term *adequate job performance* is predominantly determined by the fitness for the job including the supply (e.g. the individual’s skills, health) and the demand side (signals from employers to hire retired persons) of the labour market.

In this presentation, we will take up these thoughts and set up the following hypotheses:

1. Retirees who are not wealthy are more likely to work beyond retirement or have at least the will to do so.
2. Retirees who perceive to be welcome in the labour force while officially retired are more likely to work after retirement or intend to start a job.

Beyond these hypotheses, we assume mechanisms explaining either post-retirement employment or the disposition for that based on personality related characteristics. For example, a strong need for continuity is a motivating factor for post-retirement work.⁵ To complete the picture given by Ekerdt (2010), we would additionally suggest the “willing” as a further dimension which is not explicitly mentioned in the other two categories. The latter aspect is important, because in Germany working contracts usually end with the age of 65. Thus, an individual has to make an effort to continue the employment relationship. Thus, our last assumption states:

3. Retirees’ personality characteristics will explain over and above the first two hypotheses the differences between the three types of retirees.

Data Source and Method

Data were taken from a survey sample entitled “TOP – Transitions and Old Age Potentials” with 5,002 German speaking people aged 55 to 70 years including 2,143 retirees. The survey was conducted in 2013 on behalf of the Federal Institute of Population Research. The focus of the survey is the transition into retirement and the potentials of older people especially in the sphere of paid employment. It is an interdisciplinary study with several partners from Germany and the U.S.

The analyses employed multiple multinomial logistic regression models. The outcome measure indicated whether a person was retired and still working, retired an intending to take up work in the future and retirees who did not work and showed no intention to do this. In accordance with the hypotheses, several predictors were chosen to explain the differences between those three groups. Among these were demographic indicators (age centred on the grand mean of the sample, sex and area of living in Germany) as well as socioeconomic

⁴ Ekerdt, David J. 2010: Frontiers of Research on Work and Retirement. In: The Journals of Gerontology Series B: Psychological Sciences and Social Sciences 65B,1: 69–80.

⁵ Gobeski, Kirsten T.; Beehr, Terry A. 2009: How Retirees Work: Predictors of Different Types of Bridge Employment. In: Journal of Organizational Behavior 30,3: 401–425.

indicators like the monthly net equivalence income of the household, years of education and the occupational prestige. House ownership was used as an additional proxy for wealth. Completing these measures, an indicator of subjective welfare was used. This indicator was based on the question “How does your household get along with the money available?”. The original scale was recoded as a binary variable, differentiating between high and low subjective welfare. The Physical Component Scale (PCS) and the Mental Component Scale (MCS) of a modified form of the SF12v2 were used as indicators of physical and mental health. In order to adjust for the employment status before retirement, a variable with three values was used, indication whether a person was employed, non-working or unemployed. Several indicators of personal characteristics were used, like three dimensions from a short version of the Meaning of Work questionnaire⁶ (generativity, social/personal, financial) as well as internal and external control and ageing stereotypes. The latter was reduced to two dimensions, indicating family and performance orientated stereotypes of one’s own ageing. Several models were calculated on the basis of these variables. The baseline model comprises all indicators and their main effects on the outcome measure. Using manual stepwise backward elimination, the final model was estimated. This model only includes variables that were statistically significant on the level of $\alpha=5\%$. The analyses were conducted using PASW 18.

Results

Among the retirees of the study sample, 23% indicate that they work after retirement. 18% of the retired persons show the intention to take up a paid work. The majority of this group (59%) withdrew from working life completely and had no intention to continue working.

By carrying out multinomial regression analyses, we found that retirees who worked during retirement roughly had a two-fold chance of being male and living in Western Germany compared to retirees that were not working (table 1). This associations could only be observed for the group of employed retirees but not for the retirees with an intention to take up an employment. Due to the small age range observed, age had a weaker effect than sex or region of living. Nevertheless, the results indicate that younger retirees have a higher chance of being employed. No significant age effect could be observed for the retirees with an intention for employment. House owners had a lower chance of being employed during retirement compared to respondents who were living in rented apartments. A low subjective welfare significantly elevated the chance of being employed during retirement. In the case of retirees intending to take up an employment, the effect was weaker.

⁶ Mor-Barak, Michál E. 1995: The Meaning of Work for Older Adults Seeking Employment: The Generativity Factor. In: The International Journal of Aging and Human Development 41,4: 325–344.

Table 1: Predictors of working after retirement and intention of retirees to take up an employment

Parameters	Model 1 (n=1,775)				Model 2 (n=1,901)			
	Retired, working		Retired, intention to work		Retired, working		Retired, intention to work	
	OR	s.e.	OR	s.e.	OR	s.e.	OR	s.e.
Age (centred)	0.95*	0.02	0.98	0.03	0.95*	0.02	0.98	0.03
Sex (male)	2.22***	0.13	1.16	0.14	2.17***	0.13	1.10	0.13
Region (West Germany)	1.94***	0.16	1.08	0.16	1.77***	0.15	1.12	0.15
Partnership (yes)	1.03	0.18	0.75	0.18				
Equivalence income	1.00	0.00	1.00	0.00				
Years of education	1.03	0.03	1.02	0.04				
Occupational prestige	1.00	0.00	1.00	0.00	1.00	0.00	1.01*	0.00
House ownership (yes)	0.71*	0.14	0.90	0.15	0.73*	0.13	0.84	0.14
Subjective welfare (low)	2.27***	0.18	1.64*	0.20	2.25***	0.18	1.78**	0.19
Physical health (PCS)	1.04***	0.01	1.03***	0.01	1.04***	0.01	1.03***	0.01
Mental health (MCS)	1.05***	0.01	1.03**	0.01	1.05***	0.01	1.03***	0.01
Generativity	0.94	0.07	1.14	0.08	0.93	0.06	1.18*	0.07
Social, Personal	1.14	0.07	1.02	0.08				
Financial	1.04	0.06	1.21**	0.07	1.03	0.06	1.21**	0.06
Internal control	0.82	0.12	1.33*	0.14	0.88	0.11	1.28*	0.13
External control	1.12	0.10	1.27*	0.10	1.11	0.10	1.34**	0.10
Family	1.02	0.07	0.90	0.07				
Performance	1.00	0.07	0.96	0.08				
Non-working (yes)	0.54***	0.15	0.60**	0.16	0.50***	0.15	0.56***	0.16
Unemployed (yes)	1.02	0.24	1.60*	0.23	0.95	0.23	1.39	0.23
Life satisfaction (high)	0.69	0.38	0.64	0.37				
Pseudo R ²								
Nagelkerke	0.14				0.14			

Source: Transitions and Old Age Potential (TOP) 2013; numbers in the table are based on weighted data; *: p<5%, **: p<1%, ***: p<0.1%; constant was significant in all models (p<0.1%); reference category for both groups: retired, not working and no intention to work

A positive effect in both groups could be observed for physical and mental health (table 1). A better health status elevated the chance of working after retirement as well as the intention to take up an employment. Only weak and partly inconsistent effects could be observed for personal characteristics. Respondents who had an intention to work after retirement more often reported that financial aspects were meaningful for their work. No effect could be observed for respondents who were unemployed before retirement. The respondents who were non-working before retirement had a significantly lower chance of working after retirement or reporting an intention to take up an employment.

Discussion

Today, retirees who are still working can be considered as pioneers on the labour markets. What can we learn for the future generations of workers in the light of the demographic ageing process?

One hypothesis suggests that people who are not wealthy are more likely to work after retirement or intend to work beyond retirement. This assumption is partly rejected by the data. Surprisingly, the actual household income situation represented by net equivalent income does not have a significant effect neither on the intention to continue working nor on the decision to work beyond retirement. On the other hand, a rather negative subjective view on the economic situation is a major determinant for post-retirement employment. As expected, good health (as a necessary resource for working in retirement) supports the intention as well as the decision to work after retirement.

Our second hypothesis states that people who are “welcome” in the labour force are more likely to work after retirement. The data tend to support this proposition. Among retirees who were non-working prior to retirement are most likely in the group of retirees who withdrew completely from labour force. Retirees who live in Western Germany tend to be more in the group of working retirees than in the other categories. The on-going strained situation on the labour market in Eastern Germany for the workforce in employable age seems to apply for retired persons as well.

The third hypothesis stresses the willing to work beyond retirement age. We found some results that might support this assumption. Compared to women, men show a stronger tendency to work beyond retirement. The wish for continuity (in this case paid work) seems to be more pronounced in the group of male retirees. Future research might give more comprehensive answers to this gender specific difference.

Key words: Post-retirement employment, retirement decisions, intention to continue working, Germany