

Affordability of early retirement - and associations with the employment perspective

The subjective employment perspective

How older workers view their future employment depends on various aspects. For example, the questions “How long can you work?” and “How long do you want to work?” reflect different considerations from respondents, while “At what age do you plan to stop working?” prompts yet another unique perspective, and all are differently related to actual retirement behavior. In this factsheet, these three aspects are collectively referred to as the “subjective employment perspective”. The concept is particularly relevant in a society, as outlined in the following points:

1. The subjective employment perspective reflects a kind of “work and employment culture”. It, therefore, serves as an indicator of public attitudes toward employment, making it of both social and economic interest.
2. Indicators of the subjective employment perspective may, under certain circumstances, predict the actual retirement age [1]. As such, the subjective employment perspective may provide early insights into societal responses to structural changes, such as political paradigm shifts and pension reforms.
3. Finally, examining the subjective employment perspective within a population can help identify at-risk groups. For instance, workers driven by economic necessity may report planning to work longer than their physical or mental capacity allows.

In this factsheet, we analyze recent data from the German lidA-Study to examine how financial affordability for early retirement influences the employment perspective of older workers in Germany (see page 2).

The German lidA-Cohort-Study

The aim of the representative lidA-Study is to investigate the long-term effects of work on health and employment in an ageing workforce, from an interdisciplinary point of view [2]. Since 2011, employees born in the years 1959, 1965, and (since 2022/23) also 1971 have been surveyed about their private lives, health, work, and their outlook on the future. At the time of the fourth survey wave (2022/23, N=8,884), they were 63, 57, and 51 years old, respectively.

The conceptual basis of the lidA-Study is the lidA conceptual framework (see last page).

The lidA-Study is conducted by the Department of Occupational Health Science at the University of Wuppertal, Germany.



The findings

Affordability (Figure 1, left)

- Overall, half of the participants cannot afford to retire early (51%, upper half in Figure 1), while the other half can (49%).
- About one quarter (27%) are entirely unable to afford early retirement (“I disagree completely”).
- One relevant piece of background information needs to be added here: according to our data, individuals who are entirely unable to afford early retirement face substantial additional risks (findings not shown in this factsheet). Compared to other groups, they report significantly poorer health, unfavorable working conditions (e.g., higher physical demands, greater work stress, lower leadership quality, reduced influence at work, and less social support from colleagues), and the lowest work ability. In contrast, the 19% of individuals most capable of affording early retirement report the most favorable scores in these aspects (findings not shown).

lidA item assessing affordability:

“To what extent do you agree with the following statement: *I could afford to leave the workforce before reaching the statutory retirement age.*”

- I disagree completely
- I tend to disagree
- I tend to agree
- I fully agree

Affordability and employment perspective (Figure 1, right)

- Of the four groups, the 27% who are entirely unable to afford early retirement, on average intend to work the longest. Further, they are planning to retire 1.5 years later than those 18% who are most financially secure.
- Given the additional health and work-related burdens, the longer employment perspective among those who cannot afford to retire earlier suggests that many in this group feel compelled or "trapped" into continuing work, often disregarding their health problems [3]. Research by König et al. [4] further indicates that, for this group, an extended working life may be linked to heightened health risks.

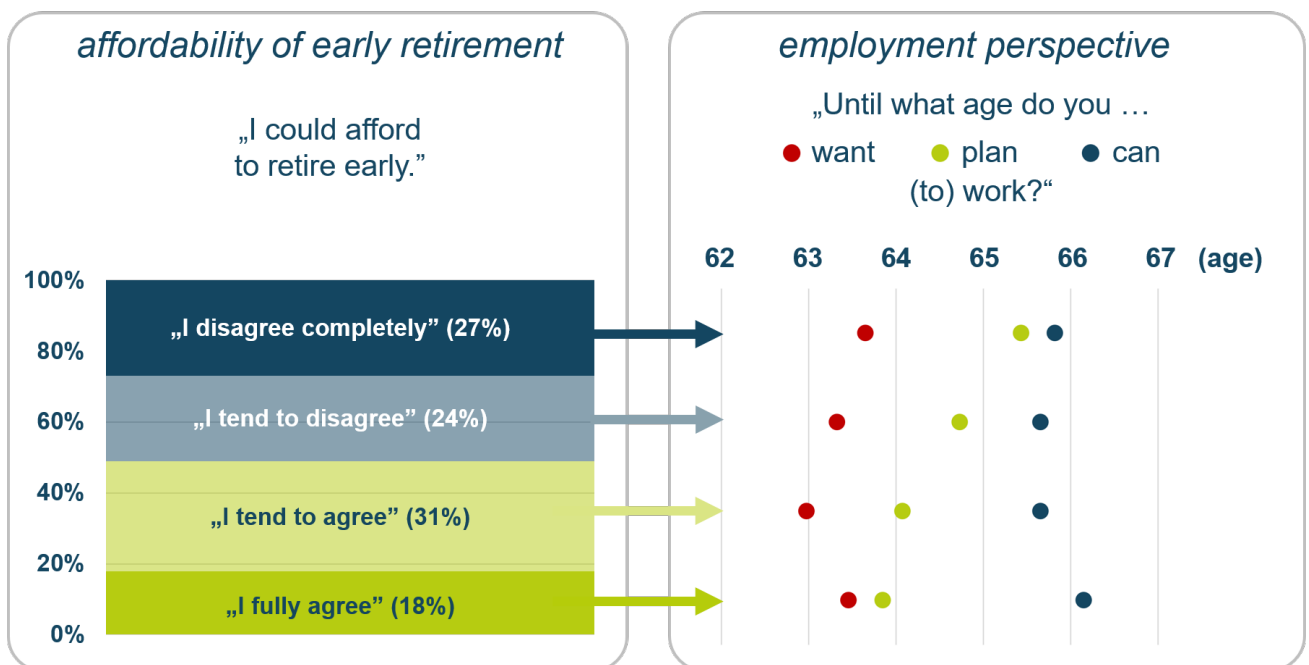
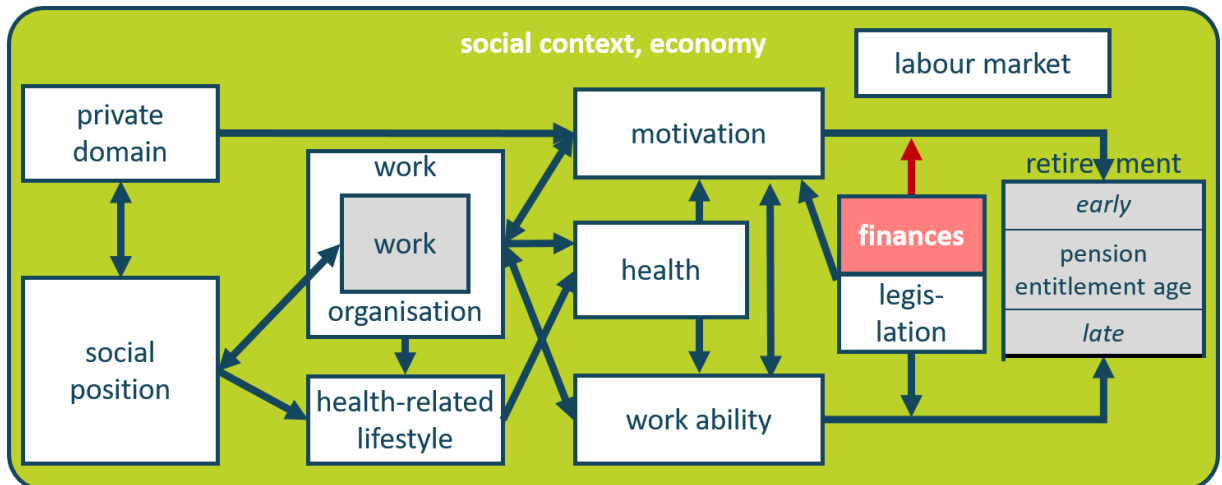


Figure 1: lidA-Study Wave 4, 2022/23, socially insured employees in Germany, 51, 57 or 63 years old, N=7.397

conceptual basis of the lidA-Study

"lidA conceptual framework on work, age and work participation"



The aim of the lidA conceptual framework is to enhance understanding of the work participation of older employees and to foster an interdisciplinary approach to the subject (see also [5]).

The lidA conceptual framework on work, age, and work participation compiles determinants of employment participation among older employees in eleven domains and highlights important interdependencies among them. The underlying assumption of the framework is that influences from these eleven domains contribute to how long and to what extent a person in advanced working age remains in employment. Each domain covers a number of corresponding influential factors.

The focus of this Factsheet is on the impact of the domain finances (red in Figure above) on the employment perspective.

The conceptual framework highlights four central characteristics of work participation among older workers:

The variety of domains and their contextual relationships, indicated by arrows, clearly show the **complexity** of work participation at an advanced working age. Furthermore, the exit from work is generally not a sudden event, which is why work participation should be perceived as a process. This **processuality** becomes clear when, for example, the gradual withdrawal, the decision-making process and the life course perspective are taken into consideration. Personal factors also strongly influence work participation (**individuality**). Various domains of the conceptual framework reflect this micro-level-view - such as health, motivation, private life, social status, and finances. The conceptual framework also takes the **structural dependence** of work participation into account, as institutional conditions as well as a changing society and national economy also have an influence on this.

References

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