Factors that influence voluntary and involuntary retirement

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Abstract The effect of early exit from the labour market over the past 20 years has been dramatic. The extent of this withdrawal has prompted a debate over the fiscal and social policy implications. Research focusing on retirement has largely been directed at examining participation rates of those aged over 50, using the Labour Force Survey (LFS) and International Labour Organization (ILO) surveys. There has been a concentration of longitudinal studies of participation rates concentrating on men's withdrawal from the labour market. This paper extends that research by examining the factors that influenced the decision-making of individuals on the timing of taking retirement, using a sample of 228 people aged between 55 and 67 with occupational pension scheme membership. The results suggest that state of health and the financial package offered by the organisation are key factors followed by the individual's attitude to retirement. Further, of the groups that emerged one could be described as being 'pushed' out of the labour market while another group were more inclined to 'jump' by factors such as a good company retirement pension package.

Keywords: *retirement age; occupational pension schemes*

Introduction

Retirement is a general rite of passage, which almost all adult employees can now expect to undergo. It is more likely to be compelled at a fixed chronological age, rather than to be initiated by failing physical or mental powers. The financial status of the retired has greatly improved this century, and the increase in life expectancy trend is prolonging the length of time spent in retirement. Analysis of life expectancy tables and state retirement age at given points throughout the century highlight the increase of time spent in retirement. These conditions did not exist when the first state pension was

issued in the Old Age Pensions Act 1908, with only 6 per cent of those of pensionable age claiming their pension.¹ Early in this century, the labour force participation rate of men over 65 was about 70 per cent. The age barrier between economic activity and inactivity has been changing rapidly in all EU countries. The trend towards early exit was encouraged by public policy. For example, in the UK and Germany only about a third of men enter public pension eligibility from full-time employment. In no country in the EU are more than half of men aged 60 to 64 still in employment and in every country apart from Sweden,

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fewer than 30 per cent of women in this age group are still working.

Retirement means different things to different people. According to Atchley retirement is an event that occurs when a person definitively stops working and withdraws from the formal labour market.² Later definitions have stressed that retirement cannot be reduced to an 'inactivity'.³ As a social institution, retirement corresponds to a person's definitive economic inactivity with income replaced by a pension.⁴ This institution developed along with the industrial society. The transition from working life to old age is generally regulated by formal criteria of age or number of years spent as a member of a pension scheme. Hence retirement has also come to refer to a stage in the life course. As pension systems developed, a norm emerged whereby the life course was divided into three major phases: youth as the time for education; adulthood for work; and old age for inactivity. Old age and retirement were combined in a 'Third Age' identified with and by retirement.

For many individuals, retirement is not marked in textbook fashion as the point of permanent departure from continuous lifetime employment. According to Walker, many individuals who have been made redundant or taken early retirement may still be looking for full- or part-time employment.⁵ Among men, by far the most commonly cited reason for giving non-retirement causes for not working was 'ill health' and 'disability'. In these circumstances, individuals may consider themselves on one level to be retired but must enrol for employment until they reach the state retirement age to claim a pension. In this study all respondents were members of occupational pension schemes which will help to test the thesis of what factors are used in the decision to take retirement in

the context of being a member of an occupational pension scheme.

Labour force participation rates overestimate this age-group's economic activity, because persons enrolled in unemployment are counted as being in the labour force even if they have but a slight chance of finding a job again. They tell us little about the retirement issues of individuals.

Although the LFS does interview the same individuals over four quarters the response rate of those who have taken retirement is not high enough to provide accurate information. Labour force participation rates represent the labour force as a percentage of the population of a certain age-group. Employment activity rates represent only persons in employment, ie persons who, during a reference week, did any work for pay or profit, or who were not working but had jobs from which they were temporarily absent. Because employment activity rates take into account only persons in employment, the unemployed are excluded. This provides a more relevant measure of activity in the later years of life. In summary, we can say that employment activity rates after the age of 55 have dropped significantly since 1970.

The purpose of this paper is to improve our understanding of the factors that influence the decision making of individuals in deciding when to retire from the labour market; it also adds to the findings of Walker, and Taylor and Walker.⁵⁻⁶ The main difference is that in this piece of research all respondents are members of occupational pension schemes. The paper begins with defining what is meant by retirement. It then goes on to review the evidence on early retirement and participation rates in the labour market. The pension framework of individuals entering retirement is discussed next. The paper then discusses the methodology of the factors that

influenced individuals in their decision regarding the timing of their retirement. The last section discusses the findings and offers a conclusion.

Background

Relatively few longitudinal data sets exist. The British Household Panel Study (BHPS), introduced in 1991, annually surveys some 5,000 households but the numbers in particular age groups are rather small, while the National Child Development Survey focuses on one particular cohort of individuals who are now in their late 30s. In terms of large sets of data, the UK Retirement Survey is the first large-scale panel data set in the UK to focus on individuals around the time of retirement. Wave 1 was collected in 1988–1989. It contains information on 3,543 ‘key respondents’ who were aged 55–69, together with 609 spouses outside this age range, a total of 4,152 individuals. Wave 2 was collected in 1994. About two-thirds of the original respondents and spouses were re-interviewed. 11 per cent of respondents disappeared in this interval due to mortality; the residual attrition is a combination of non-response and (perhaps) unreported mortality.

The ‘broad’ definition, based on whether individuals consider themselves to be retired, was used. The second ‘narrower’ definition is based on the individual’s actual employment status. To be defined as retired under the second definition, an individual must be out of work and not seeking work, and must cite being retired as the main reason for not working. In the retirement survey, under the first broader definition, those who are still working may nevertheless be classified as retired if they consider themselves to be retired, because, for example, they have passed the state

pensionable age or have retired from their main lifetime employment.

The state pensionable ages (65 and 60) are clearly the model ages of retirement for men and women respectively, as shown in Figure 1.

More than 37 per cent of men retired at 65. However, more than half the male sample retired before the state pension age. There is a second peak in the distribution of retirement ages at 60 when more than 11 per cent of men retire. The figures show that there is a wide distribution of the ages at which people actually retire, with individuals observed to retire at each age from 50 to 75. Men are more likely than women to retire before state pension age with nearly one-half of men retiring before state pension age compared to about one-third of women; one-third of women retired after state pension age compared to 8 per cent of men.

The range of reasons given in the Retirement Survey for ‘early retirement’ is very broad, but they can be grouped as firm-instigated reasons such as redundancy (21 per cent), dismissed (14 per cent), ill-health of themselves or partner (30 per cent), and 35 per cent claim for individual reasons such as voluntary retirement or redundancy, to spend more time with their family, to enjoy life while young, fed up with their job, wanted a change, wanted to retire at same time as partner and to give younger generation a chance.

The literature claims there are three main reasons for the decline in economic activity among older people. First, the share of older people in employment has fallen most in the older declining industries and rather less in industries where there has been growth.⁷ Second, older workers are more likely to be dismissed than their prime aged counterparts and they are less likely to find employment if they are made

Source: DSS UK Retirement Survey 1996

Figure 1: Distribution of retirement ages

redundant. In fact, the research suggests that, whereas the prospects of younger people improved following the recession of the early 1980s, the work chances of older unemployed people were permanently impaired.^{5,8} Thirdly, for organisations needing to shed staff quickly, it is relatively easy to negotiate early retirement for those close to retirement age. During the 1980s and early 1990s retirement grew rapidly and found favour as a means of tackling mass unemployment. Casey and Wood showed that voluntary redundancies, and

particularly those that involve early retirement, are more likely to be used as a means of achieving staffing reductions in large organisations, in particular organisations with a trade union presence, in manufacturing and in the public sector.⁹ In addition, Taylor and Walker show that employers and trade union representatives often regard the need to protect the jobs of younger people as taking priority over the needs of older people.¹⁰

Studies on the LFS have suggested that those who retired early were divided

by class, manual workers being more likely to retire early because of redundancy and more likely to be living on very low incomes than non-manual workers.¹¹ On the one hand there are those who could choose freely, from a position of economic security, whether or not to take early retirement, generally assumed to be in possession of an occupational pension scheme. On the other hand there were those who had no choice, and were effectively forced or coerced into early retirement by a combination of redundancy, ill-health and financial insecurity.⁶

Occupational pension schemes

All respondents are or were members of defined benefit schemes (usually known as 'final salary schemes'). These are the dominant form of occupational pension provision within the UK, accounting for 90 per cent of all pension schemes and covering 95 per cent of members of occupational schemes (NAPF 1997). Such schemes offer benefits fixed by reference to a formula, and the employer undertakes to fund those benefits. The formula is normally based on some reference to final, average, or best salary and length of service.

The most common pension scheme that employers provide is one-sixtieth of final pensionable salary for each year of pensionable service, up to a maximum of 40 years' service. In addition to the pension most final salary schemes provide extra benefits, for example, death-in-service benefits and early retirement benefits. The scheme rules will determine the pension to which an individual is entitled, and if upon actuarial advice the scheme is found to be under-funded, it will normally be the employer who will make additional contributions in order to achieve an adequate funding level.

There are certain features common to all defined pensions schemes. It is generally not possible to take a pension before the age of 50, nor to delay taking a pension beyond the age of 75 (70 for women). The pension to be paid at retirement is based on one of the two principal definitions of final salary permitted by the Inland Revenue. The final salary is the basic salary for any one of the five years preceding the normal retirement date plus an average over three or more years of any bonuses or commissions received. The chosen salary can be uprated by the increase in national average earnings to the date of retirement. Average salary is the average of total remuneration over three or more consecutive years out of the ten years preceding normal retirement; again, the chosen salary can be indexed to the date of retirement. The maximum pension allowed is two-thirds (that is, forty-sixtieths) of final remuneration. The employee accrues the maximum after 40 years of work.

The effect of social security through either the basic state pension or SERPS on the age of retirement cannot be ignored. The individual's decision about leaving the labour market is also determined by what provision the state will make for him or her. Many commentaries have claimed that it is constituting a diminishing proportion of pensioners' income, and as a result the basic state pension will be worth only 7 per cent of average male earnings by the middle of this century.¹² At the same time, means-tested Income Support levels rose such that they are now significantly in excess of state pension levels.

There is no statutory definition of normal retirement age (NRA) for occupational pension schemes, but the national insurance system defines the minimum statutory retirement age as 60 years of age and 65 for men (By the

year 2020, there will be a common pension age of 65 for men and women). This is the age at which they become eligible to receive a basic state pension and SERPS. The majority of occupational schemes (67 per cent according to NAPF 1997), have chosen to adopt the basic state pension age as the NRA of their scheme, with a significant minority of 21 per cent who have chosen 60 for both men and women.

From the practices of occupational pension schemes it is possible to identify four main reasons for early retirement:

- ill-health
- redundancy
- the employee's own desire to retire before the normal retirement age
- the employer's desire.

Where the employee requests early retirement, it is customary for the early retirement pension to be calculated by reference to the pension accrued to the actual date of retirement and then reduced to take into consideration the earlier commencement date. The reduction is calculated by application of what is called the early retirement factor, recommended by the scheme actuary. It is not uncommon to find that the early retirement pension is based on the accrued pension entitlement without actuarial reduction or with the application of a more generous early retirement factor. This is particularly so if the employer wishes the employee to retire, or if the pension scheme is a defined benefit one which can be more flexible when dealing with the question of early retirement. In the case of 'ill-health' there is no single definition that is universally accepted by all pension schemes. The Inland Revenue definition is a 'physical or mental deterioration which is bad enough to prevent an

individual from following his normal employment'. In the majority of schemes, retirement due to ill health is at the discretion of the trustees who can insist on an examination by the company's doctor or by an independent medical authority.

All schemes in the survey were contributory because it is the most common pension structure within the UK. According to the Government Actuary (1996) over 85 per cent of final salary pension schemes require members to contribute towards the cost of the benefits. Contributions into occupational schemes can differ between schemes, although there are Inland Revenue limits to the level of contributions that can be made to an occupational pension scheme for the purpose of attracting tax relief. For an employee below the age of 50, the maximum contribution is 15 per cent of gross taxable remuneration. The maximum combined employee and employer contribution for an employee below the age of 50 is 17.5 per cent of the gross taxable remuneration. Defined benefit schemes operate on a balance of cost basis, so that the employer will pay whatever sum in excess of employees' contributions the scheme actuary considers necessary to ensure that the scheme has adequate assets to meet its liabilities. In the majority of such schemes (72 per cent), members' contribution rates generally fall within the range of 5–7 per cent of pensionable salary.

Data and methods

The research methodology employed a survey of companies with defined benefit pension schemes to investigate the factors that influence the individual in the retirement age decision. The development of the questionnaire was established through a review of research

issues found in the existing literature and from in-depth interviews with pension managers and members of pension schemes in their late 50s and early 60s.

The sample consisted of individuals aged between 55 and 67, born between 1932 and 1944; research was undertaken in 1999/2000 to all employees in that age range whether still employed or retired. Five companies agreed to allow the questionnaire to be distributed; all operated a defined benefit pension scheme, each company had over 1,000 employees, and all firms had in the past offered early retirement packages. Notification of the research was given on all notice boards three months prior to the fieldwork. Questionnaires were displayed in the communal areas, and individuals who had retired and were in the age range were sent the questionnaire with the retired members' newsletter. Literature attached to the questionnaire explained the purpose of the survey and carried the usual guarantee of anonymity and confidentiality. Reply-paid envelopes addressed directly to the author were also supplied, further enhancing these guarantees. Subsequently the survey yielded a sample of 228 valid responses. Despite strong notification at all information points, some completed questionnaires had to be rejected because they did not fall into the target age band.

It was difficult to calculate the total population within the age group but, according to best estimates, the sample of 228 valid responses, represented a sample of between 20.5 per cent to 23.4 per cent of the population. There was no significant difference in response rate between the companies. Nearly all employment locations were based in the South East of England. The majority of respondents (67 per cent) were in job classifications of a managerial or assistant

professional basis. All respondents were members of an occupational pension scheme, and the gender breakdown was 57 per cent male, 43 per cent female.

The factors that influence the retirement age decision-making process were tested using a five-point Likert scale; score one equates to the strongest influence of the factor with a score five demonstrating a strong disagreement that the factor influences the decision. Respondents were asked to score each factor. Evaluation was of factors such as:

- the state of health
- retirement package offered by the employer
- a desire to spend more time with the family
- time doing other activities
- job considered dead-end
- individual work ethic
- reach company's normal retirement age
- financially confident
- lack of new job opportunity.

The rationale for using these 'statements' were piloted from in-depth interviews in the target age prior to the fieldwork. A one-sample chi-square test was employed as a basis for testing the distribution of responses across risk evaluation categories as shown in Table 1. The null hypothesis is that the distribution is uniform. The test was conducted at a 5 per cent significance level.

State of health (No. 1)

We know that health or the lack of good health is an important factor in the decision as to when to take retirement. Research on the LFS data highlights that ill-health is often quoted as a reason for not working among those aged 55-plus, in particular males in non-clerical occupations. Our findings suggest that

Table 1: Perceived influence of factors in choosing the age of retirement (=228)

Factor	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1. Health	59	35	114	15	5
	Chi-square = 165.684		DF = 4	Asymp. Sig. = 0.000	
2. Financial package	71	12	117	10	18
	Chi-square = 195.202		DF = 4	Asymp. Sig. = 0.000	
3. Family	42	22	138	16	10
	Chi-square = 246.737		DF = 4	Asymp. Sig. = 0.000	
4. Other activities	36	22	127	15	28
	Chi-square = 186.868		DF = 4	Asymp. Sig. = 0.000	
5. Dead-end job	3	3	179	43	0
	Chi-square = 366.877		DF = 3	Asymp. Sig. = 0.000	
6. Work ethic	45	33	126	10	14
	Chi-square = 194.939		DF = 4	Asymp. Sig. = 0.000	
7. Reached NRA	22	21	158	27	0
	Chi-square = 238.982		DF = 3	Asymp. Sig. = 0.000	
8. Financially confident	59	14	139	11	5
	Chi-square = 279.544		DF = 4	Asymp. Sig. = 0.000	
9. No new opportunities	13	51	141	6	17
	Chi-square = 275.86		DF = 4	Asymp. Sig. = 0.000	

nearly 50 per cent of respondents considered it a neutral factor; however, only 2.1 per cent claim it had no influence on their decision-making. On analysis by gender there were no significant differences.

Overall financial 'early' retirement package offered by firm (No. 2)

Certain companies have made generous retirement packages for those near retirement as a method of dealing with redundancy. The extent of this practice can vary with economic climate, pension fund surpluses, and company size and structure. Research shows that voluntary redundancies, and particularly those that

involve early retirement, are more likely to be used as a means of achieving staffing reductions in large organizations.⁹ Our findings suggest 51 per cent considered it a neutral factor, however, 31 per cent felt it was a very strong influence on their retirement decision. On gender analysis men were marginally more inclined to state that this was a strong factor than women were.

To spend more time with the family (No. 3)

The desire to 'spend more time with the family' is often mooted in research findings as an explanatory element for the decline in economic activity rates

since the mid-1970s, in particular for men aged 55-plus.¹⁰ This was generally considered a neutral factor by 60 per cent of the respondents, however, 18.3 per cent agreed strongly that it was a consideration. Women were more inclined to feel more strongly on this than men.

To spend more time doing other activities, eg hobbies, leisure time (No. 4)

Economic theory implies that as a country becomes wealthier and assuming individuals have enough money then some would like to do other things in their 'third age'. As pension systems developed, a norm emerged whereby the life course was divided into three major phases: youth as the time for education; adulthood for work; and old age, for inactivity. Old age and retirement were combined in a 'Third Age' identified with and by retirement. The pension system created a new stage between adulthood and advanced old age, whereby individuals are not characterised by frailty and inactivity, but are young enough to participate in many activities. Although 55 per cent considered it a neutral factor, 25.3 per cent agreed or agreed strongly that it was a variable.

I am in a dead-end job (No. 5)

An attempt is made here to gauge the extent of the importance of the attributes of work. The majority of respondents, 78 per cent, did not consider this factor important in their decision to retire. This suggests several things: first, that the majority of individuals in this sample considered themselves not to be in 'dead-end' jobs; secondly, that the socialisation aspects of work are not a strong determinant incentive to continue working beyond a certain age.

I have a high work ethic, eg I enjoy working (No. 6)

In Walker's study in 1985 on steelworkers he identified two paths into early retirement depending primarily on socio-economic status. On the one hand, there were those who saw early retirement as a positive option and were relieved to give up employment.⁵ On the other hand, there was a group who gave up work reluctantly and would have preferred to have continued to work if they could, but were 'discouraged' from doing so by employers and official agencies. It is this second group for whom this paper is trying to gauge the importance of work. Studies in other countries shed light on cultural differences among individuals. Most Germans believe they have a moral right to retire early after a lifetime of work; the social obligation to make room for the young reinforces this 'moral economy' perspective.⁷ Instead of a 'moral economy,' there is a 'moral obligation' in Japan, where older employees tend to feel they should continue working to fill job vacancies. These findings conclude that 34 per cent agreed or strongly agreed that this was a consideration. This suggests that for some individuals the environment of work is considered more positive than the environment of retirement.

Reach the compulsory age of retirement (No. 7)

This question tries to gauge the extent of the working life taking its course, that individuals leave when they reach the required age and do not request to leave earlier or stay on later. The Retirement Survey undertaken in 1988/89 of over 4,000 individuals shows that the state retirement age of 65 and 60 are the model ages of retirement for men and women respectively. This paper's findings

Table 2: Varimax rotated factor solution

Attribute	Factor 1	Factor 2	Factor 3
No. 9 No new opportunities	0.763		-0.171
No. 8 Had enough money	0.685	0.181	0.361
No. 7 Had to	0.674		
No. 4 Doing other things	0.375	-0.124	0.371
No. 2 Overall package	0.106	0.789	-0.136
No. 1 Health		0.742	
No. 6 Work ethic	0.227	0.492	
No. 3 Spend time with family	0.211	-0.360	-0.673
No. 5 Job considered dead-end		-0.206	0.599

conclude that only 18.8 per cent agree or strongly agree that this is an important issue.

I am confident that I have enough money to last me through my retirement (No. 8)

Review of the literature in this area is consistent in suggesting that those who have greater financial resources are more likely to retire early. Although all respondents were members of occupational pension schemes, individuals have different employment and pension histories, and retirement savings other than their current occupational pension. This survey's findings suggest that nearly one-third of the respondents agree or strongly agree that this is an important consideration in the decision making. On analysis by gender, men were more inclined to indicate a stronger agreement with this factor than women.

There are no new opportunities in my work, eg ambitions I still wish to achieve (No. 9)

Research has shown that those with negative attitudes towards retirement are less likely to retire. Likewise those with positive individual attitudes to work are least likely to retire. This suggests that there is a group who if the work is considered not challenging and there are

no new opportunities are less inclined to engage in the world of work. These findings conclude that 27.9 per cent agree or strongly agree with this statement that a consequences of having 'no new opportunities' is factor in deciding to retire.

The individual's 'state of health' was the highest scoring of the nine factors, with 41.2 per cent who either 'strongly agreed' or 'agreed', the second highest scoring factor was 'overall early retirement package' with 36.4 per cent, and the third highest scoring with 34.2 per cent was the individual's 'work ethic'. The highest scoring factors that individuals 'disagreed' or 'strongly disagreed' with as an issue in the retirement age decision was 'spending more time doing other activities' and 'being in a 'dead-end job' which jointly scored 18.9 per cent. Despite an analysis on grounds of gender, there were no statistically significant pattern of findings.

Discussion of respondents' perceptions

The attributes were further analysed, to explore the existence of underlying dimensions of the factors that influence the retirement age decision with the aid of factor analyses. The factor model assumes that the observable variables are generated by a set of common factors

and unique factors. Furthermore, the variance/covariance structure of the data is explained by the factor structure, with variances being explained less than perfectly and covariance being explained exactly.

The analysis was conducted using the procedure Factor within SPSS. The preliminary analysis employed all nine attributes and generated a solution based upon the derivation of factors according to the eigenvalue criteria. The final solution was derived on the basis of varimax rotation which generated a solution in three factors. With respect to the communality, seven variables in the final model have a communality greater than 0.50, which indicates the model explains a reasonable proportion of the variance in each variable, as shown in Table 2.

To clarify things, two theoretical approaches will be distinguished. The first focuses on the individual's decision definitively to leave the labour market. Grounded in rational choice theory, this paper tries to show how this decision is shaped by the system of occupational pension scheme membership, its rules and incentives for work or retirement. This system could be described therefore as a 'push' or 'jump' framework, factors stimulating older workers, or certain categories among them, to choose to stop working because the benefits outweigh the costs for the individual. The 'push' theme can be interpreted as coming from the employer's needs while the 'jump' comes from the individual's objective of retirement. It could be argued that occupational pension scheme membership serves as an incentive for working at certain ages (notably during youth and middle age) but penalises this choice at the end of careers, in a sense pushing people out of the labour market before they are ready to leave, while the 'jump' factors relate more to the

interpretation of the individual's choice between work and leisure in the later years of life.

Group One suggests that there is a group of individuals who feel that when they have enough money and claim that their work offers them little new opportunities they are inclined to retire. Likewise, this group was influenced by the prescribed retirement age according to their company scheme. There are more disincentives imposed by the company to retire than to remain in the labour market. The first factor showed an alpha value of 0.76 and the second factor showed a value of 0.685. Both indicate a good fit. It could be argued that this group is represented by 'push' factors. There was a higher percentage of women in this group.

Group Two implies a segment of the sample population who 'jumped' when given the correct conditions. They claim that the overall package offered by the firm and the individual's attitude to their health conditions were strong motivations for them to seek early retirement and enjoy the 'third age' of their life-course. The first factor showed an alpha value of 0.780 and the second value was 0.742, which suggests a good fit.

The third group suggests that when individuals consider themselves to be in 'dead-end' jobs, there is a tendency to seek retirement. It could be argued that this group was influenced by a mixture of motives. The strength of the internal consistency within this group is not as strong as the other two. The factor of the job being considered 'dead-end' had a value of 0.599 which suggests not a very strong fit. Overall, the suggestion with this group is that they were pushed. Though theoretically clear, the distinction between 'pushed' and 'jumped' is difficult to discern empirically; but these difficulties do not

outweigh the usefulness of both concepts.

Discussion and conclusion

There are a number of explanations concerning the determinants of retirement. They can stem from theories of industrial development and the growth of social security and pension systems. Others come from theories of sex stratification and family structure when analysing the difference in retirement patterns between women and men. Some claim that these pension incentives amount to 'work disincentives' in the later years of life. Many American economists have emphasised the implicit effect of monetary incentives in public and private pension systems, while American sociologists have generally accepted the interpretation that pension systems influence people out of the labour market before the normal retirement age.

The paper begins to develop a contextual model of retirement. Theoretical arguments and results affirm that the process of retirement varies by individual, their work history, personal values and state of health. The results in this survey suggest that while the individual's state of health and the company's early financial package influence the retirement age decision, so does the individual's attitude to work and retirement.

The results of the factor analysis suggest that there are at least two underlying themes with respect to the reasons why individuals exit the labour market through 'early retirement'. These factors can be viewed as being 'pushed' out of the labour market. This group is characterised by having enough money to retire and work offering them few new opportunities. The second group could be described as having 'jumped' in

that the overall retirement package is good, and, factoring in their health conditions, they are more inclined to leave the labour market.

An important contribution of the paper is the examination of the retirement age decision in the light of the very complicated choice facing potential retirees. Moreover, what is unique to this piece of research is that all respondents were members of occupational pension schemes, thus giving us a better understanding of the decision to retire taken by a member of an occupational pension scheme that operates a defined benefit method of calculation of the pension.

The research has three limitations. First, individual employment histories were not available to the author, hence it was impossible to calculate the financial implications of retirement for individuals. Secondly, the sample was skewed towards the higher earning professional employee whose attitude to retirement may well be different from those on lower incomes. Thirdly, the fieldwork was completed in 1999/2000 and pensions policy within the UK has undergone changes with the introduction of stakeholder pensions and the preparation for the 2006 Directive on age discrimination. However, there are over 8m employees in defined benefit pension schemes and they are still the most common form of pension scheme.

Overall, the results of this study have implications for labour market economists and human resource practitioners. For researchers, the results provide a link between rational financial incentives and the individual's work ethic. However, there is still a need to identify the underlying factors and mechanisms with the actual early retirement decision. For practitioners the results can be used to better predict the retirement decision of older workers when developing practical

programmes to influence the decision. For instance, an organisation wishing to retain older workers who might otherwise retire could implement career-planning programmes aimed at building career opportunities and establishing new occupational opportunities.

In this paper, the context in which individuals take early retirement was examined.

Clearly, subsequent research in this area could contribute further to a general understanding of the factors that make up the retirement age decision. The obvious direction of the research would be to encompass a wider coverage of respondents and those who have personal pension or no non-state pension cover.

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