

# What is driving the Great Retirement?

November 2022

Corrections made December 2022

## Introduction

Phoenix Insights is a new think tank from Phoenix Group, dedicated to catalysing the changes we need to see in society if more of us are to be able to make the most of the opportunities of longer lives. A key element of this is supporting people to stay in good work for as long as they want and need. Understanding why the UK is seeing dramatic changes to workforce participation amongst over 50s is therefore a central concern.

Much attention has been given to rising levels of economic inactivity among over 50s in the UK, meaning people who are neither working nor looking for or available to work. Inactivity rates in Britain have risen since the pandemic, while in most of Europe they have fallen.

There have been a number of hypotheses of the causes of this. Probably the most common diagnosis to date has been that worsening health has driven the increase, with the deterioration in health and in access to health care post-pandemic being perhaps worse in the UK than elsewhere. In order to test this and other hypotheses further, we commissioned research consultancy Public First to undertake the following research:

- Analysis of available datasets in the UK, Germany and the USA on labour force participation.
- Polling of over 3,000 adults over the age of 50 in the UK, Germany and USA, plus a booster sample of over 1,500 50-64 year olds who are not in the workforce.

We selected the USA and Germany because the USA has a more comparable labour market to the UK whereas continental European countries have more comparable welfare and health systems. We selected Germany specifically due to its size and good availability of data. Through our polling, we were looking to test:

- How many people were leaving the workforce 'early' and who they were.
- Whether they liked their jobs and what the key elements of working life were that kept people in the workforce for longer.
- Why people left the workforce and whether recent events affected their decision making.
- Testing high level attitudes to work more generally.

- Exploring the potential effect on workforce participation of:
  - Health conditions
  - Caring responsibilities
  - Financial security
- Asking what could persuade people to stay in the workforce.

## Summary of findings

1. Our new international polling shows that the UK stands out compared to Germany and the USA as:
  - Having significantly more **negative attitudes toward work** (both whilst working and when considering returning to work)
  - Views towards work having been **changed more profoundly by the coronavirus pandemic**
2. Our polling also suggests that **higher levels of financial comfort among this age group in the UK may have enabled increased levels of economic inactivity**, with this effect being particularly pronounced for home owners.
3. Our findings, in line with recent analysis from the Institute for Fiscal Studies, **challenge the view that poor health is the main driving factor** for increased flows into economic inactivity. This is because:
  - The flow to economic inactivity due to ill health has been smaller than flows for other reasons since the pandemic
  - Much of the analysis to date does not take into account cohort effects
  - A large number of people do not want to work, or are retired – rather than it being the case that they are being prevented from working
4. However, our polling does show that the UK has experienced **relatively poor access to health care since the pandemic, compared to other countries**, which could explain our finding that **flows back into activity from those inactive due to ill health have decreased**.

## Key analysis

Our analysis of the official statistics - including longitudinal datasets - suggests:

- Among 50-64 year olds that left work during the pandemic, retirement and other non-personal health reasons (e.g. caring for family) appear a bigger driver of shifts out of work than sickness or disability.
  - Just 16% of 50-64 year olds that have left work since 2019 give long-term sickness or disability as their main reason for being economically inactive
  - Among those that have left the labour force since 2019, 57% of those in their late 50s were not looking for work because they were retired or looking after family. This rose to 68% among those in their early 60s
  - Those in their early 50s cited a diverse range of reasons for not being in the labour force

- An overwhelming majority of those that have left work recently do not want to return to work.
  - Over 70% of those in their early 50s that have left the labour force since 2019 did not want to work
  - This rose to over 80% among those in their late 50s/early 60s
- However, there does appear to be a health effect in that there are reduced numbers of individuals flowing out of inactivity and 'back' into work/unemployment compared to pre-pandemic norms. This may reflect people struggling to access the healthcare needed to return to work, long COVID and/or the difficulty faced by some in returning to work during pandemic restrictions.
  - While 250,000 over 50s re-entered the labour force between Q1 2019 and Q1 2020, this stood at just 150,000 between Q1 2021 and Q1 2022
  - One driver of this was fewer sick or disabled individuals returning to the labour force

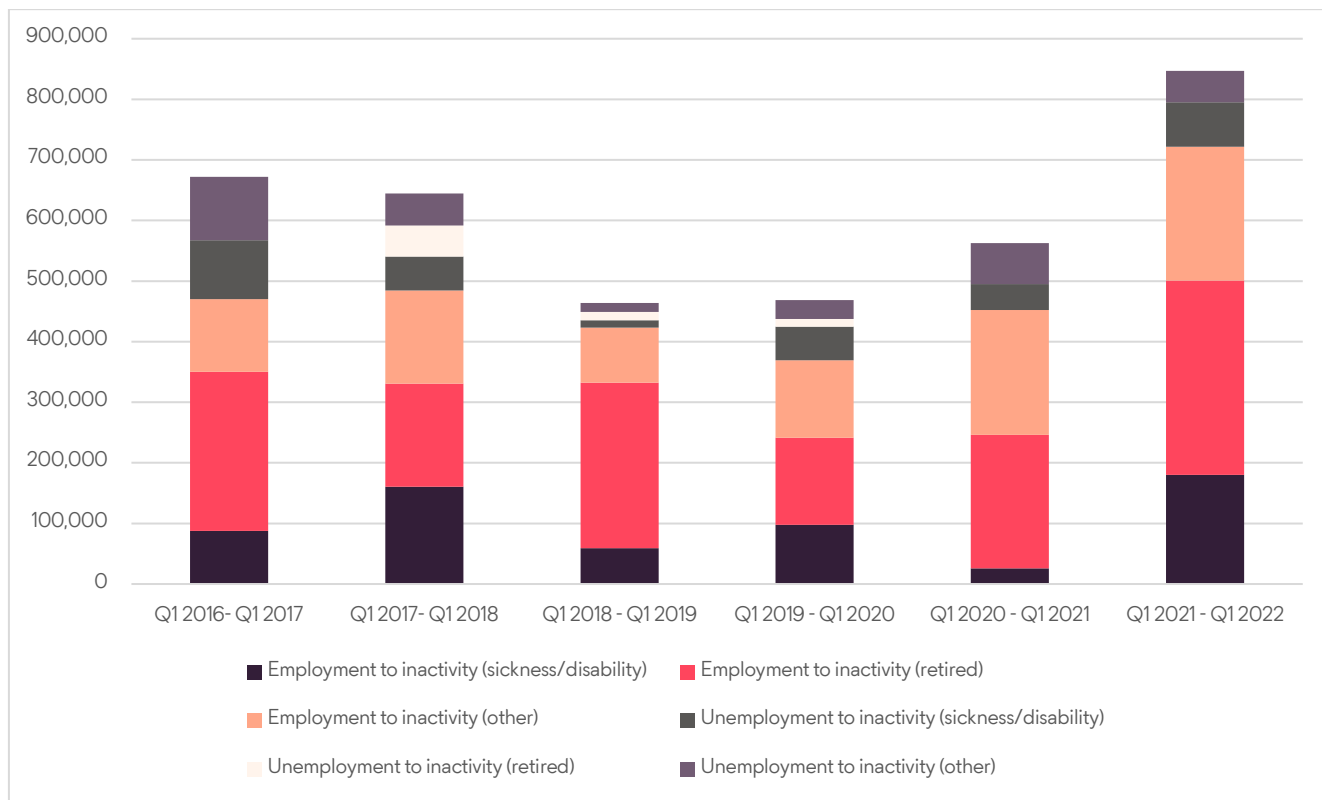
Our polling analysis suggests that:

- UK workers' relationships with work appear to be considerably more negative than in the US and Germany - with their views toward work also being more likely to have changed since Covid.
  - 58% of workers in the UK liked their job, compared to 74% in the USA and 73% in Germany
  - 40% of workers in the UK said that the coronavirus pandemic made them rethink how they view working, compared to 28% in the US and 30% in Germany
- In line with the data analysis, the main reason people in the UK were leaving the workforce was because they no longer wanted to work (compared to being unable to return to work due to health reasons in Germany and reaching retirement age in the US).
  - The top reason UK respondents who have left the workforce chose to do so was because they did not want to continue working (35%)
  - Conversely, US respondents said it was because they had reached retirement age (28%) or they were unable to work due to health reasons (24%)
  - In Germany health reasons was the highest scoring reason with 37%

## Health as a factor

Our analysis shows that most of the flows out of work since the pandemic have mainly been due to non-sickness factors, as you can see from Figure 1:

**Figure 1: Flows of economically active people into inactivity**



Source: Public First analysis of 5 quarter longitudinal Labour Force Survey, labour market status of those aged 50-64 at end of five quarter period. Economic inactivity segmented by main cited reason.

In fact, when we focus on those that have left work since the pandemic, early retirement seems a more important factor than ill health. This contrasts with the established view that the pandemic caused a wave of ill health which in turn led to more people leaving the workforce. In fact, those leaving the workforce post pandemic are less, not more, likely to cite ill health as the reason (see Figure 2).

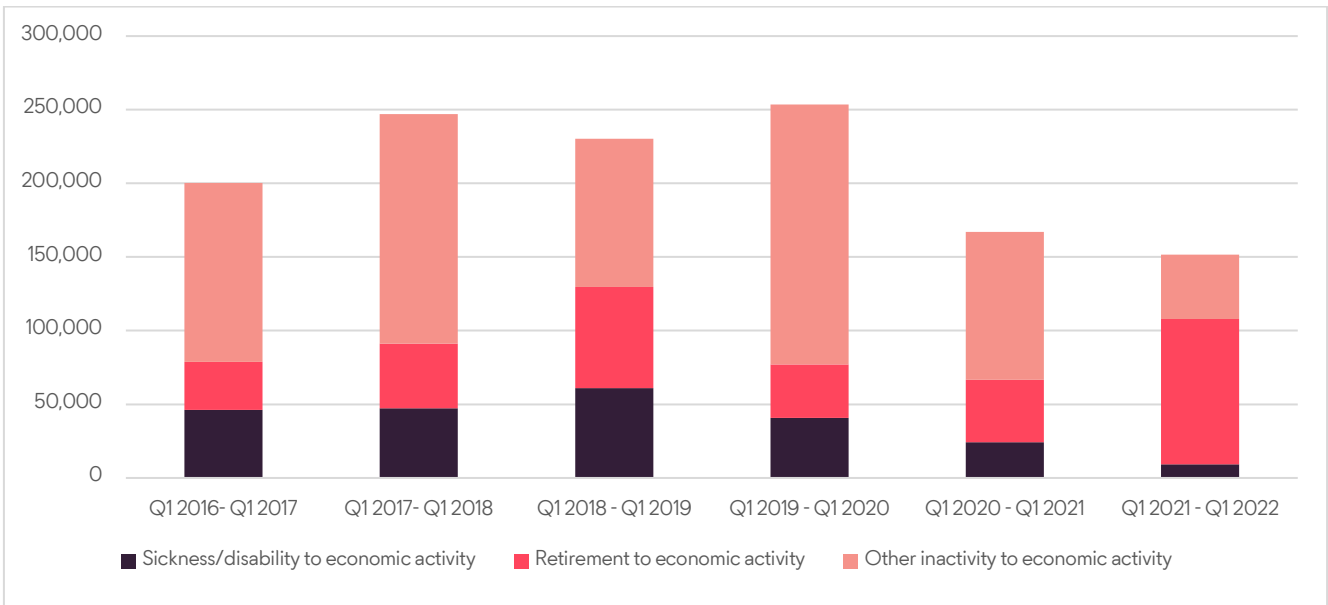
**Figure 2: Main reason for economic inactivity, Q2 2022 (just those that left work since 2019)**



Source: Public First analysis of the Labour Force Survey

Where we do find a compelling link with ill health is in those returning to work following a period of inactivity. What we see is that during the pandemic, significantly fewer people who were economically inactive due to sickness or disability returned to the labour force, as demonstrated in Figure 3.

**Figure 3: Flows of economically inactive people into economic activity**

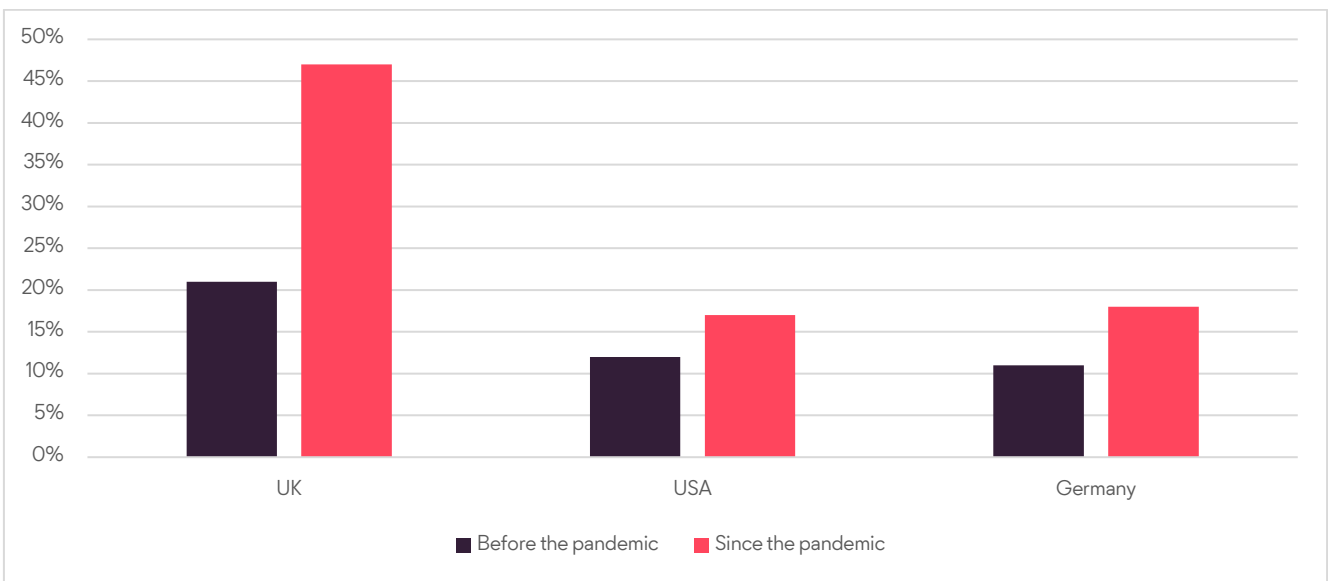


Source: Public First analysis of 5 quarter longitudinal Labour Force Survey, labour market status of those aged 50-64 at end of five quarter period. Economic inactivity segmented by main cited reason.

This matches the results of our polling. In the UK, we found that people who suffer from long-term health conditions found it harder to access treatment after the pandemic, compared to people in Germany or the USA (see Figure 4 below).

**Figure 4: Difficulty of accessing treatment or medication**

How easy or difficult have you found it to access treatment or medication before and after the pandemic?  
 % who said they found it 'very' or 'somewhat' difficult to access treatment.

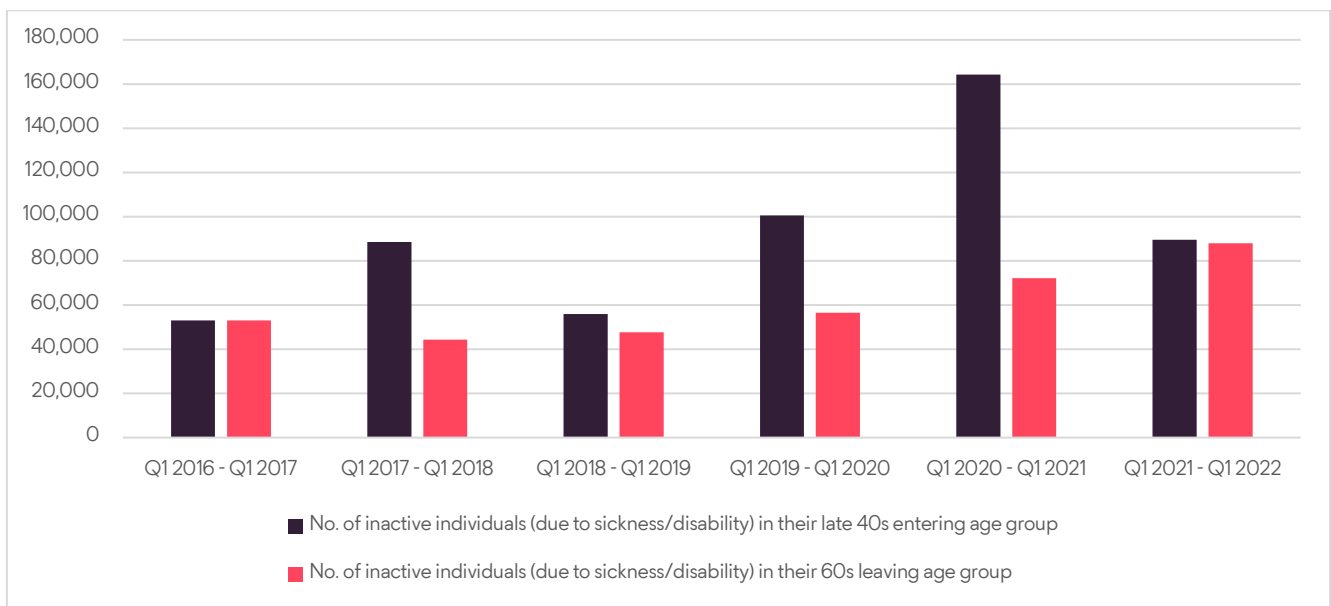


Source: Public First polling

In all three countries polled, respondents with long-term health conditions reported it being more difficult to access treatment or medication after the pandemic compared to before. However, in the UK this number was much higher in the UK, with 47% saying it is somewhat or very difficult. In the US and Germany, a majority still said it is easy to access treatment.

Our data analysis also suggests that part of the driver for increased numbers of older people reporting ill health as the reason for their inactivity is cohort effects – that is to say the impact of those aged 49 entering the 50+ cohort. As you can see from Figure 5 below, in 2020 a substantial number of people entered the 50+ cohort who were already reporting inactivity as a result of ill health.

**Figure 5: Inactive individuals due to sickness/disability – flows into and out of the 50-64 age group**

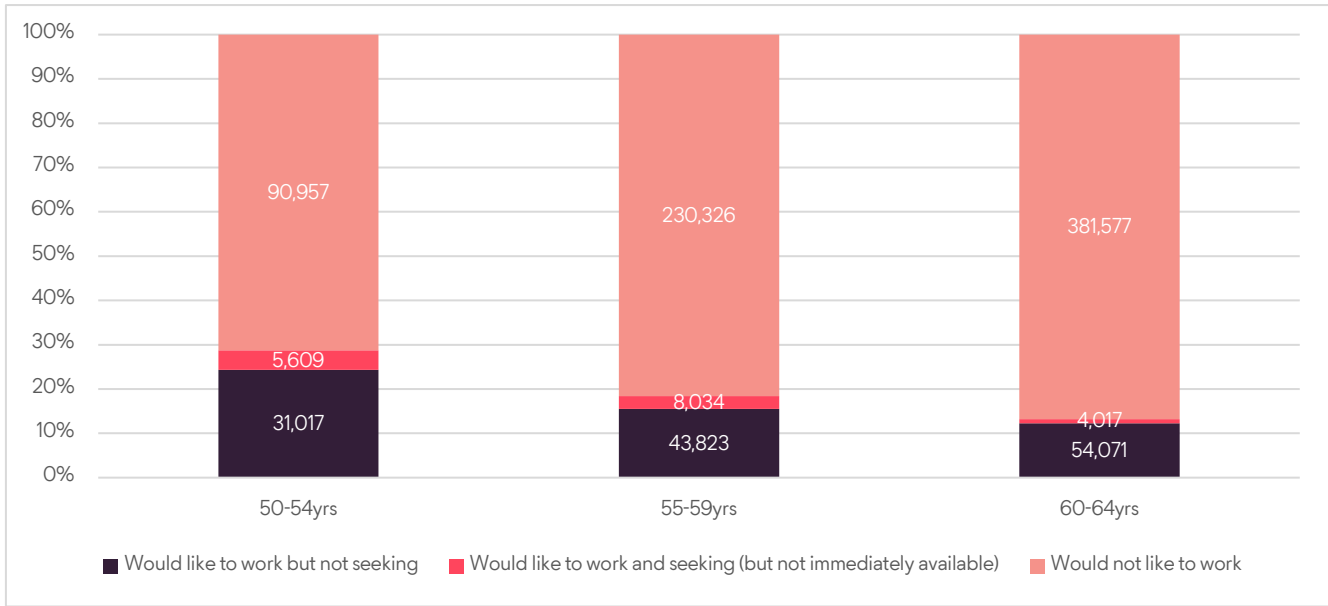


Source: Public First analysis of 5 quarter longitudinal Labour Force Survey

## Attitudes to work as a factor

Through focussing on ill health as a driving factor in economic inactivity, some of the public narrative has implicitly suggested that older people want to return to work but are being prevented from doing so. In fact, few economically inactive 50-64 year olds want to work, though three in ten 50-54 year olds that left work recently would like to (see Figure 6).

**Figure 6: Economically inactive over 50s, segmented by desire to work and seeking work**



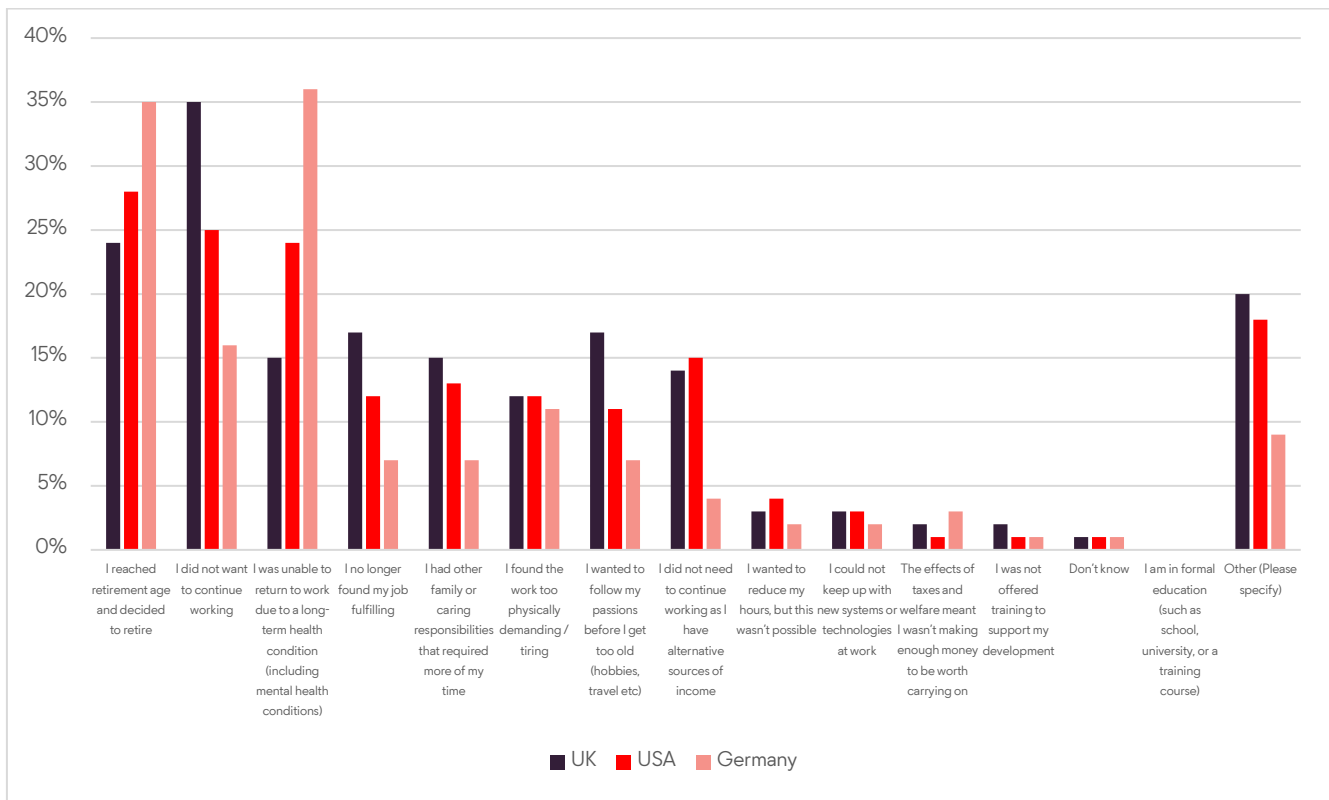
Source: Public First analysis of the Labour Force Survey, Q2 2022

Our polling highlights differences between countries in why people are leaving work (see Figure 7).

In terms of the most common answer given, UK respondents who have left the workforce chose to do so because they did not want to continue working (25%). US respondents chose to do so because they reached retirement age (26%) or they were unable to work due to health reasons (26%). German respondents chose to do so because they were unable to work due to health reasons (37%). British people were also most likely to have been driven from work by multiple factors.



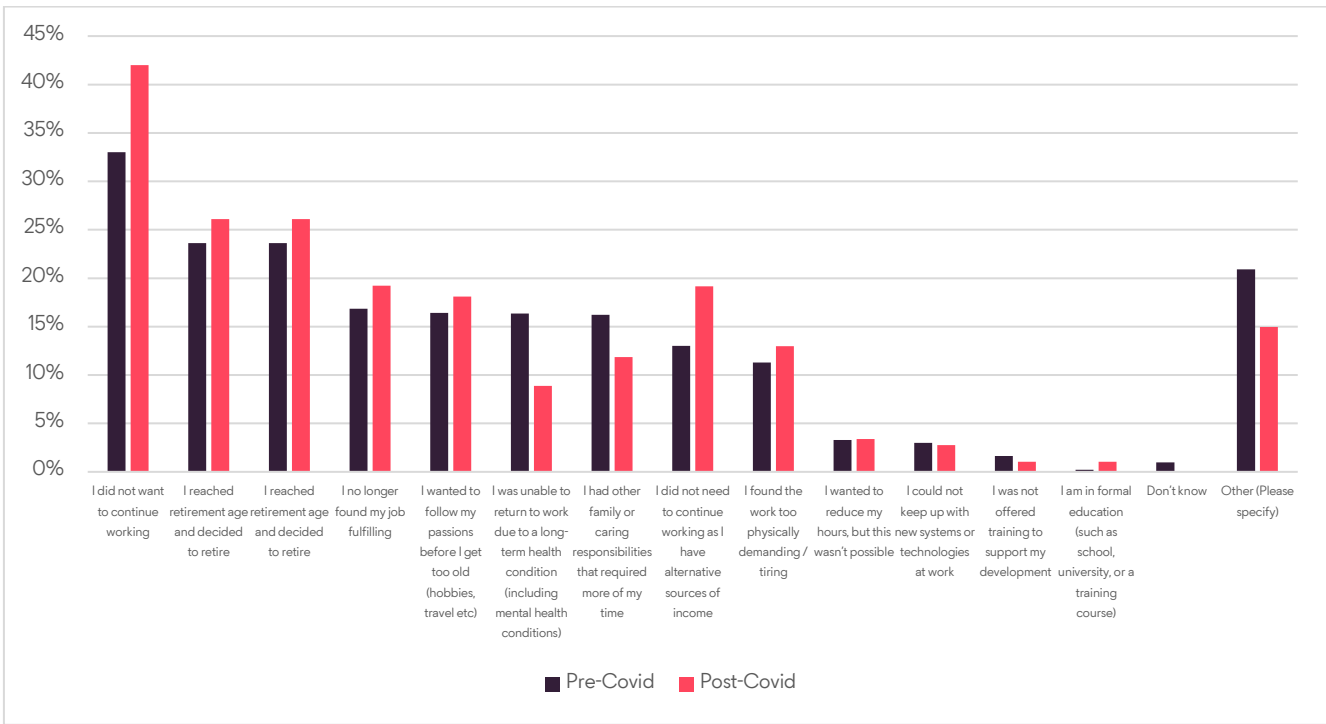
**Figure 7: Reasons for leaving the workforce**



Source: Public First polling

Comparing people who left the workforce pre-covid and those who left post covid (for this we count anyone who left the workforce within the last three years), those who left the workforce post-pandemic were even more likely to say they just “didn’t want to work” (see Figure 8).

**Figure 8: Reasons for leaving the workforce – UK only**

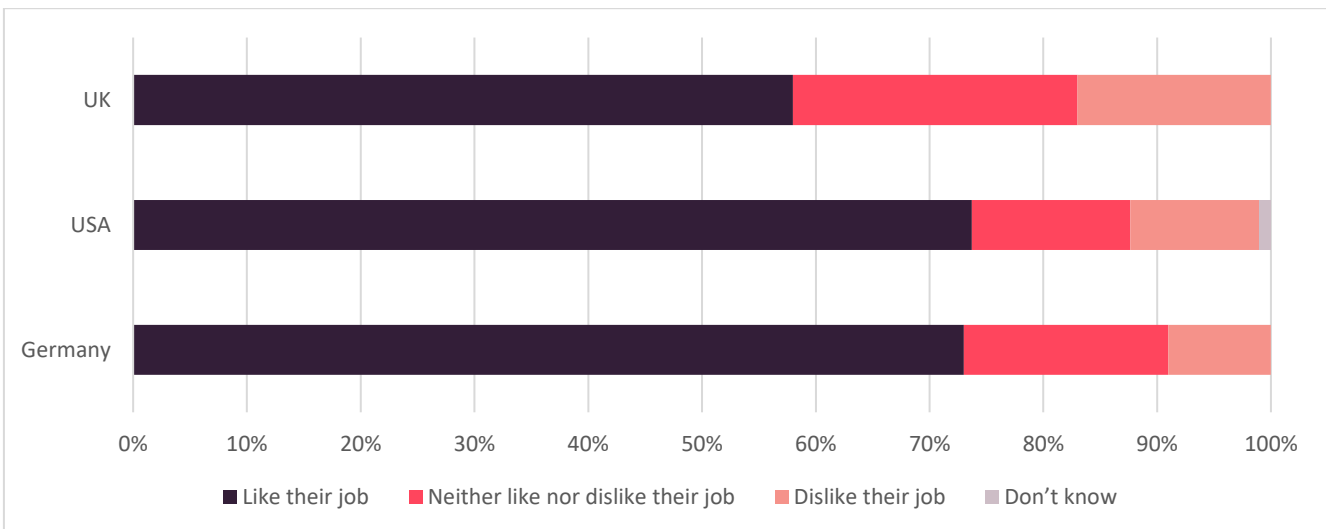


Source: Public First polling

British respondents who left the workforce after the arrival of the coronavirus pandemic were 9 percentage points more likely to say they retired simply because they did not want to continue working than those who retired before the arrival of the pandemic (42% versus 33%). We also see, in line with our data analysis, that post-pandemic retirees are noticeably less likely to say they couldn't return to work because of poor health.

All of this matches our findings that UK workers are the least likely to like their current jobs (see Figure 9).

**Figure 9: Attitude to current job**



Source: Public First polling

58% of workers in the UK liked their job, compared to 74% in the USA and 73% in Germany. UK workers were also more likely to be neutral about their jobs than workers in other countries.

When we gave respondents the opportunity to describe work in their own words, Brits associated it with broadly negative concepts. The word cloud below illustrates the responses (see Figure 10).



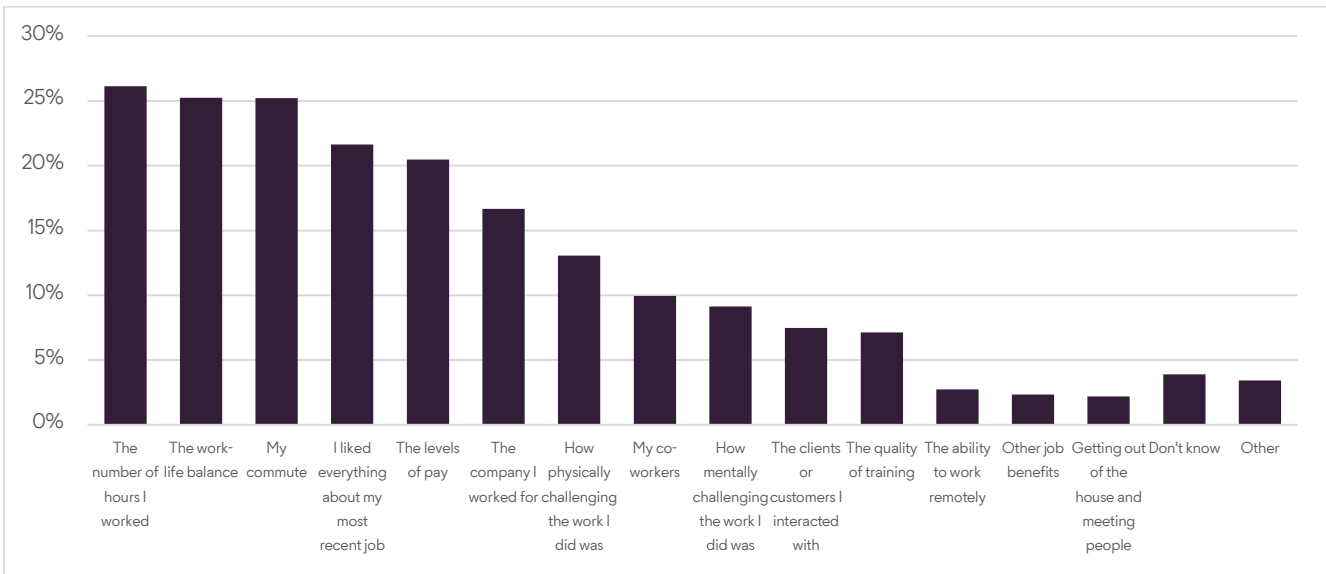
**Table 1: Words associated with work**

	UK		US		GER	
	Word	Instances	Word	Instances	Word	Instances
1	money	140	money	179	money	263
2	salary	75	hard	62	stress	156
3	necessary	62	rewarding	55	salary	113
4	rewarding	60	challenging	48	colleagues	104
5	stress	59	time	48	time	89
6	tiring	59	fulfilling	46	fulfilment	67
7	boring	57	income	42	responsibility	65
8	challenging	53	benefits	40	satisfaction	51
9	time	48	hours	37	income	49
10	hard	47	necessary	34	earnings	48
11	friends	44	tiring	33	work	41
12	fulfilling	39	boring	32	performance	39
13	satisfaction	39	friends	32	earn	34
14	wages	34	social	32	task	30
15	colleagues	33	stress	32	necessary	29
16	hours	33	busy	30	challenge	27
17	social	32	work	30	duty	27
18	income	31	salary	29	success	27
19	interesting	31	security	28	recognition	26
20	busy	30	interesting	27	contact	25

Source: Public First polling

We also asked respondents what they disliked about their jobs. In the UK, long working hours and poor pay were the highest scoring answers (see Figure 11).

**Figure 11: Dislikes of current job – UK only**



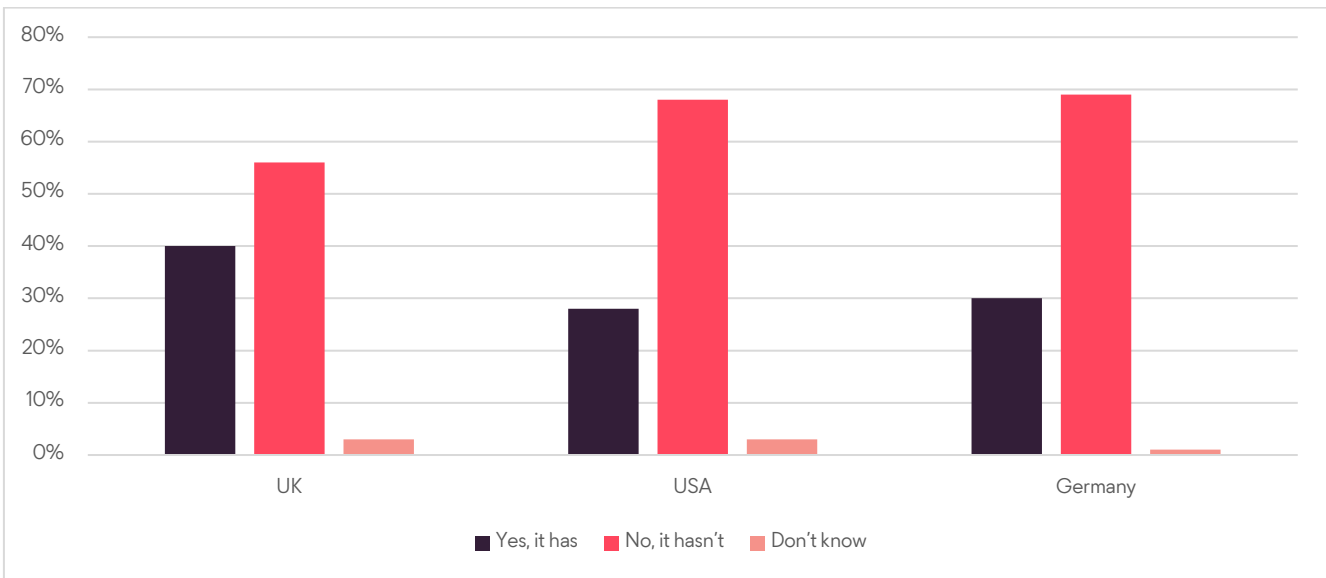
Source: Public First polling

26% of people who have left the workforce early said that they did not like the number of hours they worked. This was followed by work-life balance (25%), their commute (25%), and levels of pay (20%).

Among inactive 50-64 year olds, we saw similar factors raised, with levels of pay (26%), work-life balance (26%), the number of hours worked (25%), and the commute (20%) as the main things this group disliked about their most recent job.

Finally, UK workers were more likely to say their views of work have been affected by COVID (see Figure 12).

**Figure 12: Effect of coronavirus on views of work**



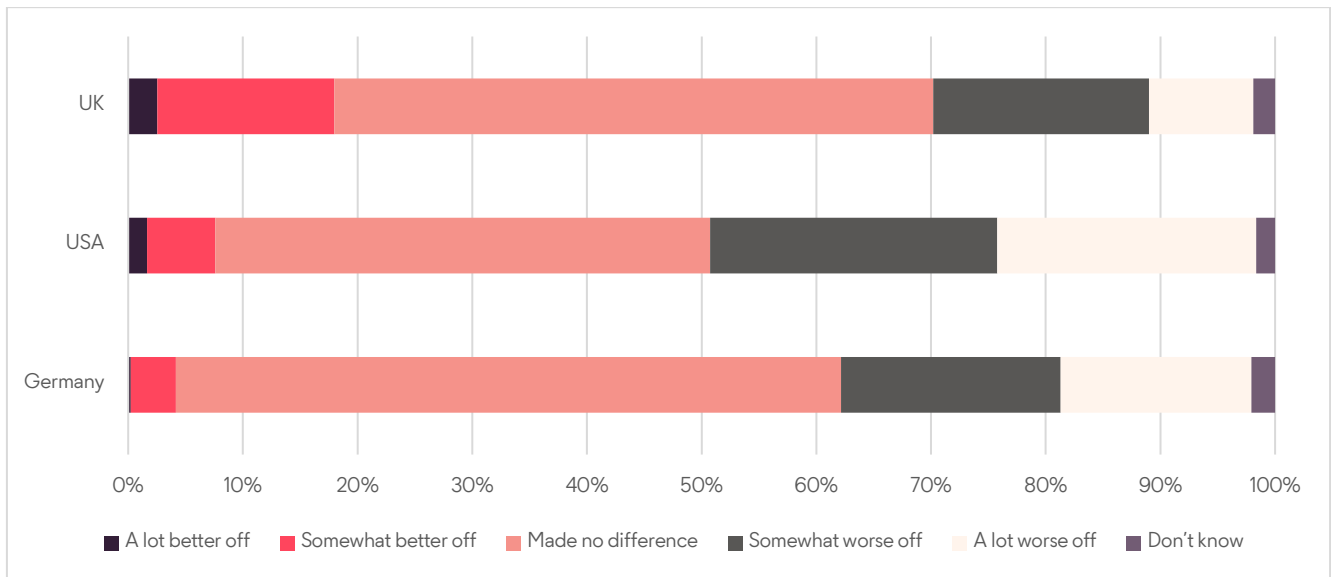
Source: Public First polling

40% of workers in the UK said that the coronavirus pandemic made them rethink how they view working, compared to 28% in the US and 30% in Germany. The coronavirus pandemic made workers in the UK reconsider their priorities in life (60%) and realise they don't spend enough time with friends and family (50%).

## Home ownership as a factor

A key finding from our work is that the pandemic seems to have left people aged 50-64 feeling better off in the UK than in other countries (see Figure 13).

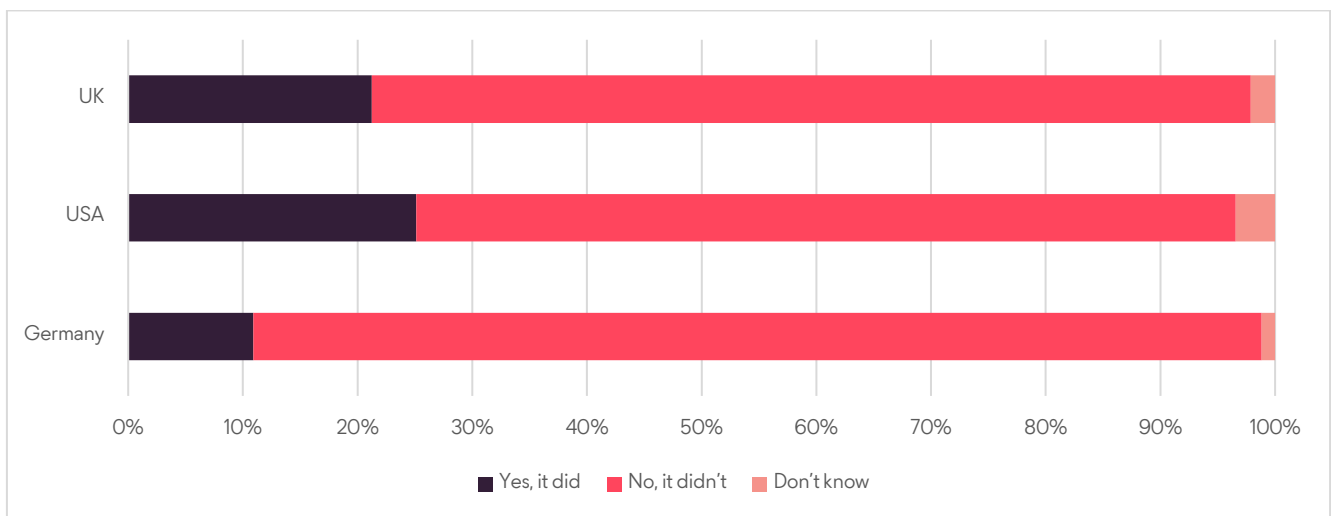
**Figure 13: Impact of the coronavirus pandemic on financial comfort**



Source: Public First polling

A larger percentage of economically inactive 50-64 year olds in the UK reported being a lot or somewhat better off as a result of the coronavirus pandemic (18%), compared to the United States (8%), and Germany (4%). This effect was higher among 50-64 year olds who said they left the workforce early (20%) than those who didn't (16%). Among this group - 50-64 year olds who have left the workforce and said they were better off as a result of the coronavirus pandemic - 19% said that coronavirus played a role in their decision to leave work (see Figure 14).

**Figure 14: Impact of the coronavirus pandemic on peoples' decision to leave work**



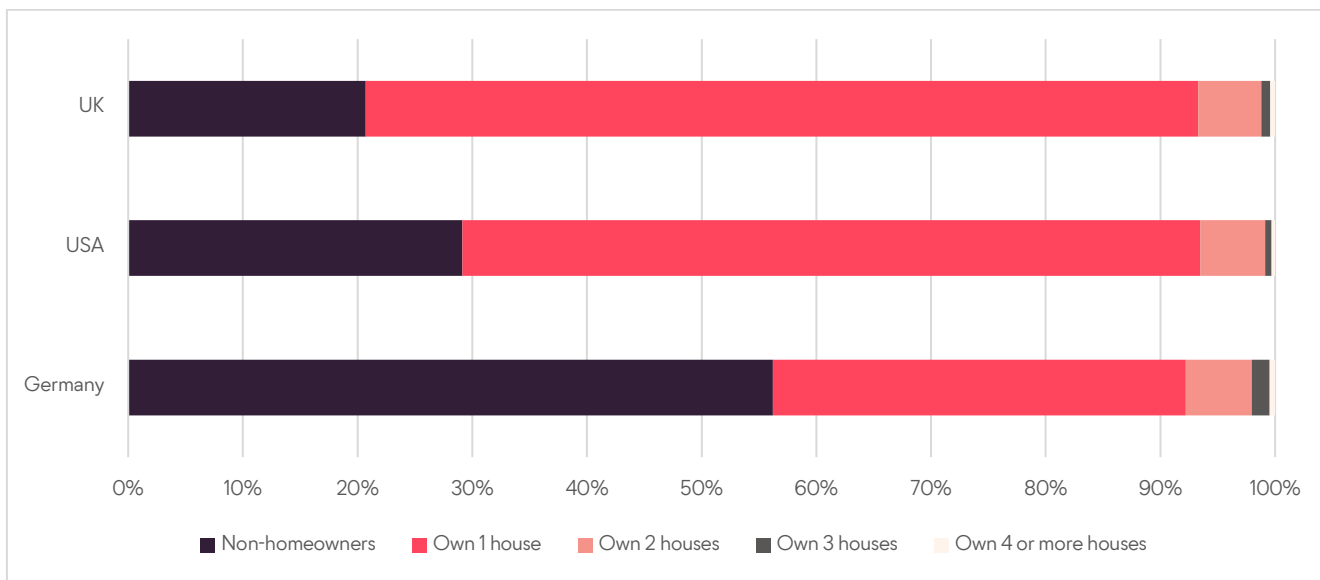
Source: Public First polling



Among people who retired after the arrival of the coronavirus pandemic, around a fifth in the UK (21%) and a quarter in the US (25%) said that the pandemic played a role in their decision to leave work. This was substantially higher than in Germany (11%).

We also found that home ownership rates were highest in our UK sample (Figure 15).

**Figure 15: Levels of homeownership (over-50 sample)**

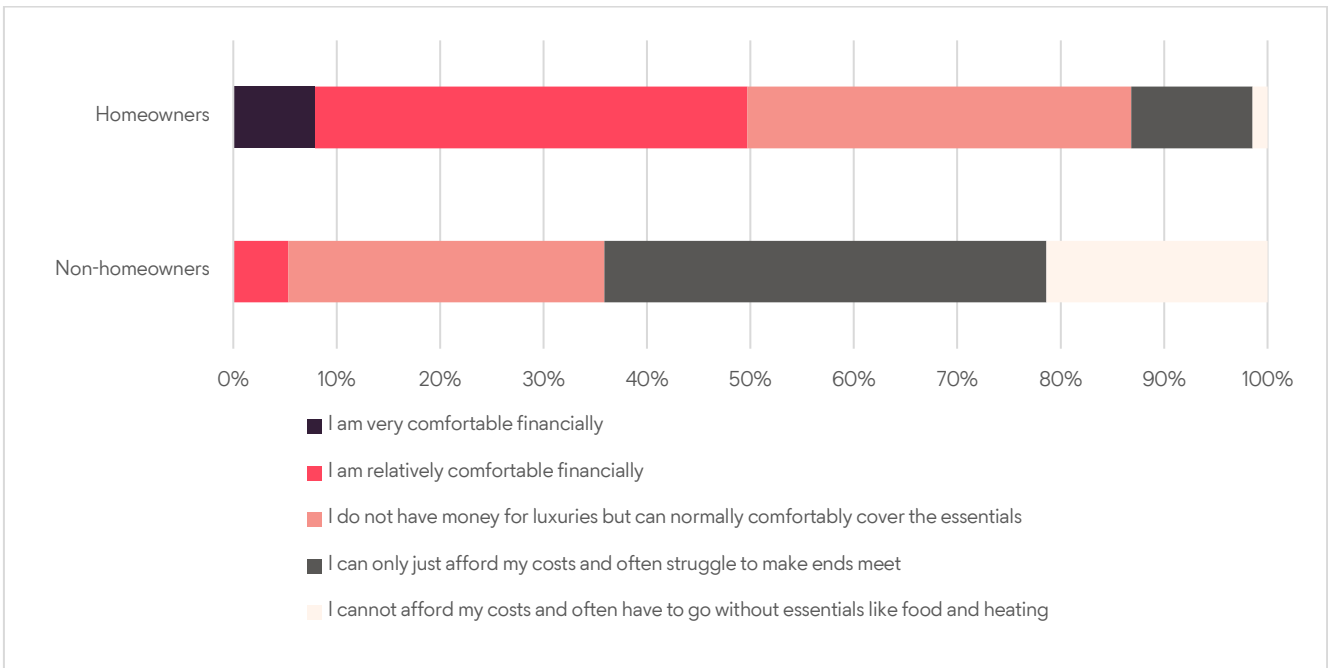


Source: Public First polling

87% of self-reported retirees in our UK sample were homeowners, although this dropped to 63% of retirees who only have access to a state pension. 71% of economically inactive 50-64 year olds in our UK sample were homeowners, compared to 55% in the US and 34% in Germany. ILS Data reports UK homeownership rates among inactive adults as being 62.7%.

We also found that home ownership strongly correlates with financial comfort (see Figure 16).

**Figure 16: Relationship between home ownership and reported financial comfort**



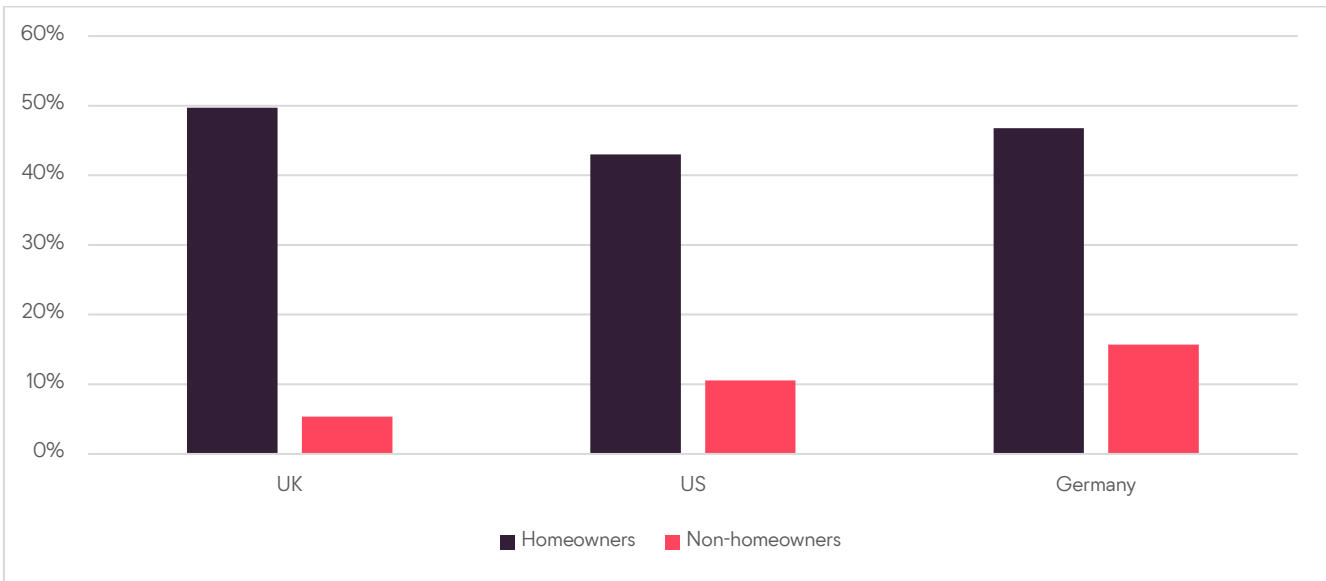
Source: Public First polling

Homeowners were more than three times more likely to say they are comfortable financially (60% versus 23%). 49% of inactive 50-64 year old homeowners reported being very or relatively comfortable financially, while just 5% of non-homeowners in this group said the same.

Strikingly, none of our inactive 50-64 year old non-homeowners reported being very comfortable financially. And this effect was also most stark in the UK.

In the UK, there was a 44 percentage point gap between economically inactive homeowners who said they are very or somewhat comfortable financially and non-homeowners who said the same (see Figure 17). This compared to 32 percentage points in the United States and 31 percentage points in Germany. So, while homeownership is clearly related to financial comfort, this effect is much stronger in the UK.

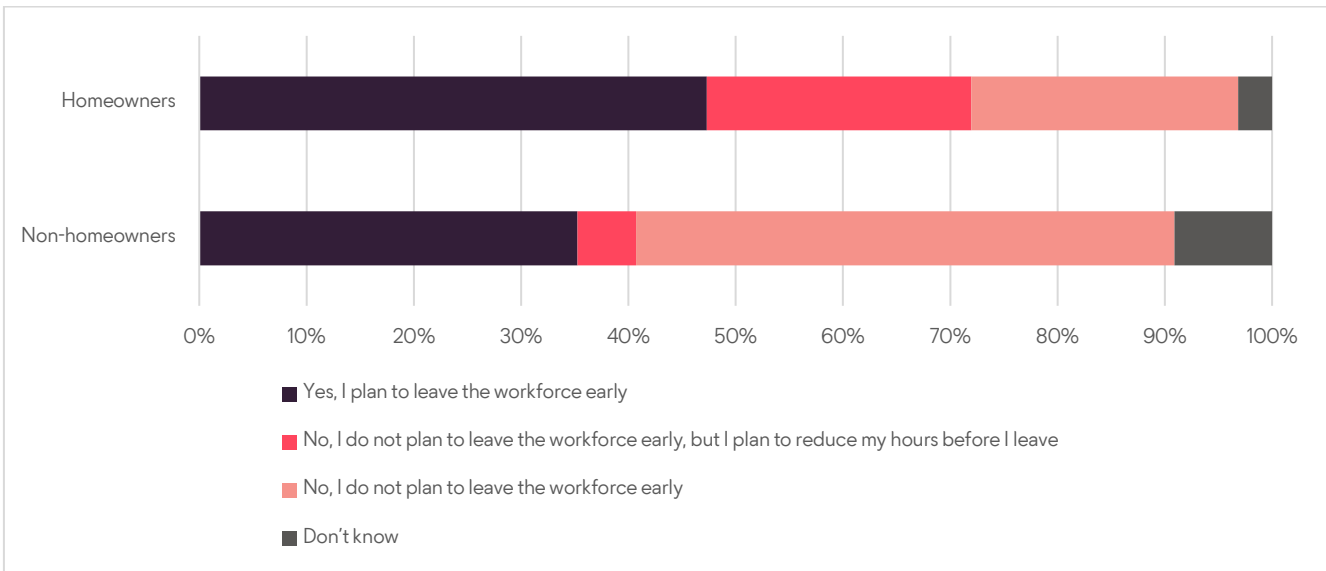
**Figure 17: Relationship between home ownership and reported financial comfort – economically inactive**



Source: Public First polling

Finally, we looked at the relationship between homeownership and the desire to leave the workforce early amongst people who are still working. We found homeowners in the UK are significantly more likely to want to leave the workforce early than non-homeowners (see Figure 18).

**Figure 18: Relationship between home ownership and desire to leave the workforce early – UK only**



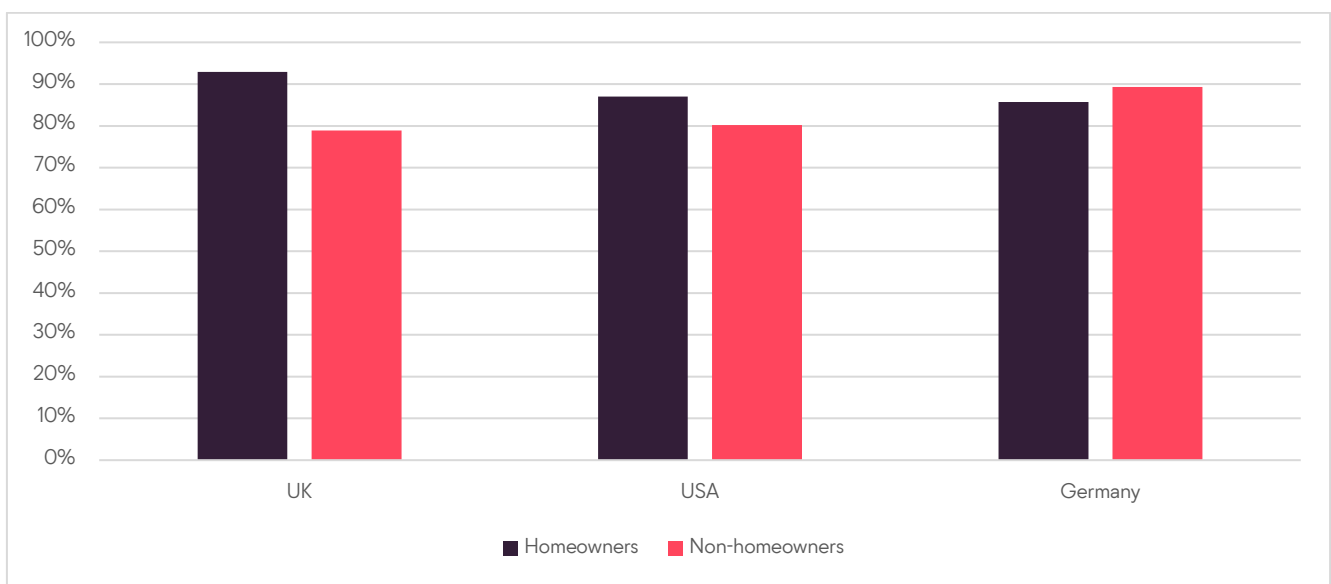
Source: Public First polling

72% of over-50 homeowners in the UK planned to leave work early (before they reach retirement age), or planned to reduce their hours before they reach retirement age. Just 40% of non-homeowners planned to do the same.

This trend remains true among people in the UK who have already left the workforce. 71% of homeowners who have left the workforce said they left work early or reduced their hours before reaching retirement age, compared to 55% of non-homeowners. The influence of (non-) home ownership on when people retire appears to be accelerating, and is greater in the UK.

93% of 50-64 year old economically inactive homeowners in the UK left the workforce early or reduced their hours before reaching retirement age, compared to 79% of non-homeowners in the same age group (see Figure 19). This difference is slightly higher than in the United States or in Germany.

**Figure 19: Relationship between home ownership and leaving the workforce early**



Source: Public First polling

## Conclusion

Our analysis suggests that more negative attitudes to work combined with relatively higher levels of financial comfort through homeownership are significant factors in explaining the UK's ongoing experience of the 'Great Retirement'.

If older workers are voting with their feet on the basis of poor views of work, we are unlikely to reverse this trend without the concerted efforts of employers to improve job quality for this cohort.

As the cost of living crisis continues, including rising mortgages, many in this group who have left the labour market, on an assumption that they can afford it, may find themselves realising they need to go back to work.

The onus is therefore on employers to provide jobs that will be attractive to this group, and to give them the opportunity to earn income again to cope with their current costs and ensure their future financial security. In the tight labour market we are currently experiencing in the UK, employers need to urgently recognise the potential talent pool that is available to them from this cohort, and to engage actively in recruiting them and enabling their successful return to work.

Improving access to health care and support for managing health conditions is undoubtedly a further critical enabler for many to return to work, and our analysis suggests this is a factor that often starts well before their 50th birthdays.