

Pathways to Retirement

May 2023

It is important to understand people's expectations about how they will transition from work into retirement, to ensure that government and employer policies enable and support people to stay in work for as long as they want and in the way they want.

In this note we use data from the Longer Lives Index to shed light on these expectations. We find that:

- Nearly **40%** of people in work aged over 25 expect to reduce their hours before retirement. The vast majority expect to do so in the run-up to state pension age. Half expect to reduce their hours for five or fewer years before retiring (which might be earlier or later than the state pension age). This does not necessarily mean that this many will in fact be able to. One obstacle may be financial, as our previous work showed that many savers are not to be on track for the retirement income they want, and so may find they have to work for longer than they currently expect.¹ Another obstacle may be whether they have the opportunity to work part-time, particularly without having to change employer.
- Most people expect to change career at least once during their working life. Only a third of young adults (aged 25-34) expect to have a career for life. Interestingly among those aged 45-54, a third expect to change career before they retire.
- This is due to both 'push' factors (people expecting to have to change career due to declines in their mental or physical health or because their job becomes obsolete) and 'pull' factors

(people expecting to change career to earn more or to do something they enjoy more). It is therefore really important that opportunities are available for people to get careers information and advice, retrain and reskill, and that employers recognise the value of recruiting employees at different life stages, career paths and with different backgrounds – and normalise this going forward

- Fewer than half of adults are confident in being able to remain employed until their planned retirement age. The most common concern is that physical health will become a barrier, but many people are also concerned about mental health, age discrimination, being able to find a job and motivation. One-third of workers aged 45-64 are looking after their health to try and remain in work, and 28% are investing in their skills, but many are not taking explicit steps to help them work until retirement in a way that meets their financial goals.

Introduction

With increases in life expectancy people need to work for longer to secure their retirement living standards. This is easier said than done. People may suffer from mental or physical health declines that reduce their ability to work, or their skills and knowledge may become obsolete as traditional jobs become automated or as particular industries decline.

While such risks to longer working abound, there are also opportunities. For example, people have more time to try different careers at different life stages. Longer working lives do not have to mean just a longer phase of work in the traditional “education to work to retirement” model. It can enable different models, with greater emphasis on investment in health, education and career throughout the life course. But this requires adjustments to employment policies and opportunities, government support, and the attitudes of employers, government and people themselves.

Nearly 40% of working age people expect to reduce hours before retirement

One way of adjusting to longer life expectancies and the financial need to work for longer is to remain in some paid work until an older age but to reduce hours of work as shown in Figure 1. This has many advantages, such as allowing people to increase their leisure time while staying active at work, or enabling people to balance caring commitments or manage health conditions while working. But it may also not be an option that is available to everyone. For example, some will not be able to afford the income reduction associated with part-time work, while others may not be able to find part-time employment in their preferred job. When asked whether they expect to reduce their hours gradually before they retire, 39% of people indicated that they did. This is more common among younger adults: 47% of those aged 25-34 expect to reduce their hours gradually before retirement, compared to 35% of those aged 45 and over (shown in Figure 1).

The most common age to expect to start reducing hours is 60 – around quarter of people expecting to reduce their hours expect to do so at this point. Another quarter expect to start reducing their hours after age 60, while around half expect to start reducing their hours earlier (with significant peaks at the focal ages of 50 and 55). This reveals that those who expect to reduce their hours before retirement typically expect to do so in the run-up to state pension age, rather than as a way of staying in work beyond the state pension age.

Factoring in people’s planned retirement ages, this reveals that 27% of people expect to start reducing their hours fewer than 5 years before retirement, 26% expect to start reducing their hours exactly 5 years before retirement, and a further 29% expect to start reducing their hours between 6 and 10 years before retirement. In other words, for some the gradual transition to retirement is a short phase, while for others it is more lengthy.

Figure 1 Proportion of people expecting to reduce work hours gradually before retirement

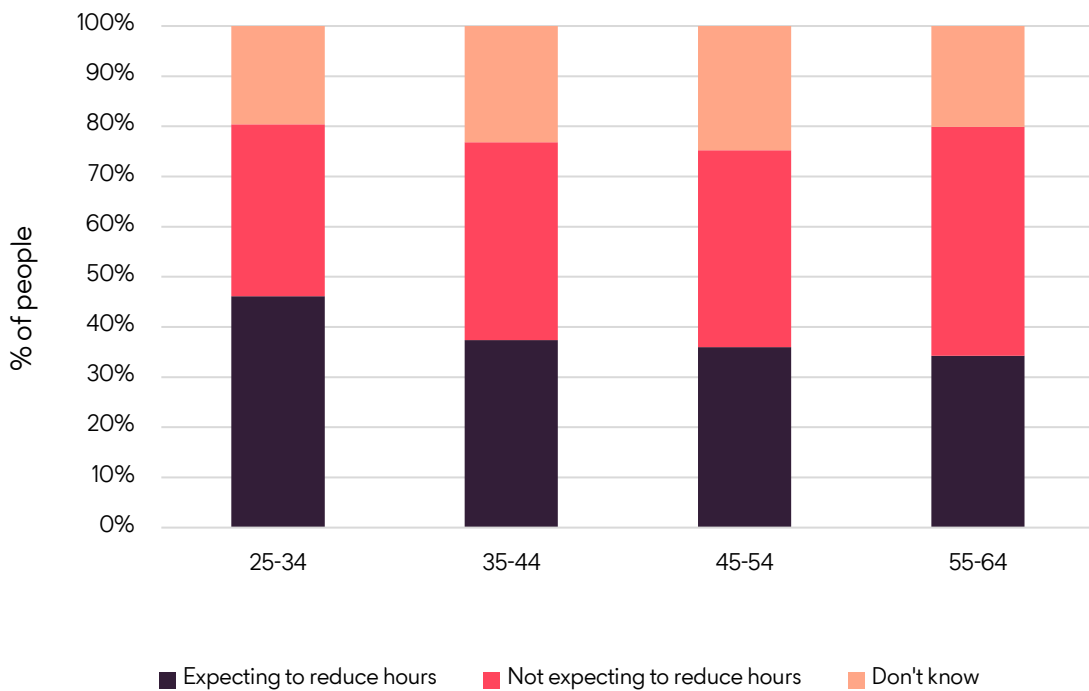


Figure 2 Age at which people expect to start reducing their hours

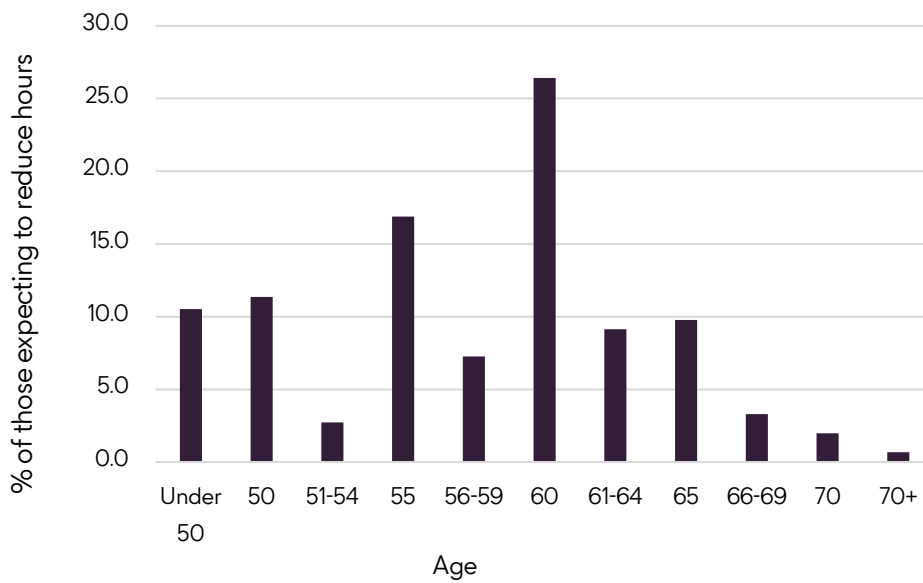
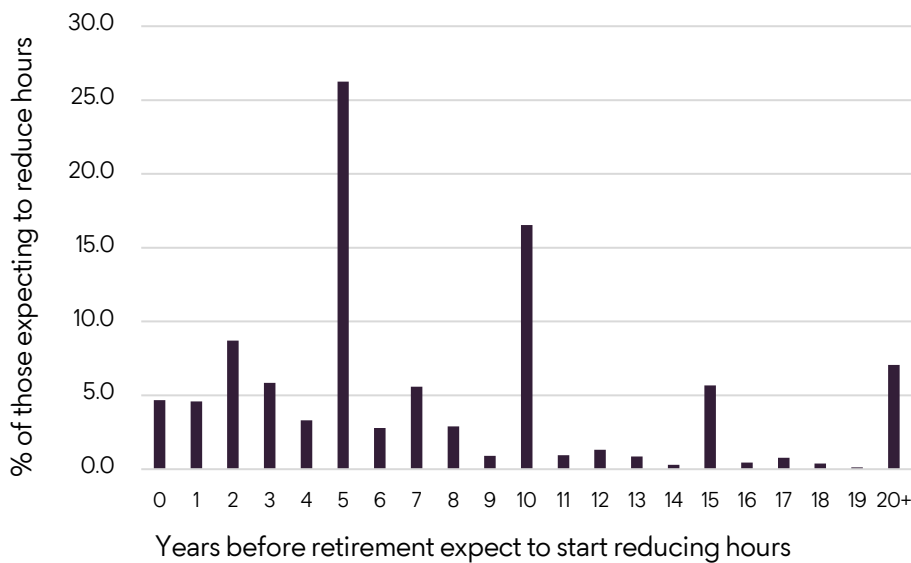


Figure 3 How many years before leaving work completely people expect to start reducing their hours



The expectations around reducing working hours before retirement vary across people in different types of jobs. In particular, nearly half (49%) of those in higher managerial occupations expect to reduce their hours gradually, compared to only around a third (34%) of those in manual occupations (shown in Figure 8). There are also differences across industries, with those working in agriculture most likely to be expecting to reduce their hours and those working in the arts least likely to be expecting this. (A full comparison across industries is provided in Figure 10). This expectation is also relatively higher among those who are self-employed (43%), but is similar for those who are full-time and part-time employees (around 39% for both groups).

While nearly 4-in-10 people expect to reduce their hours gradually before leaving work completely, this does not necessarily mean that this many will in fact be able to. One obstacle may be financial. Our previous analysis of those saving for retirement outside of defined benefit pension arrangements found that nearly half (48%) were not on track to achieve the retirement income they expect, given their accumulated wealth to date and current saving rates.² This is just as true of those expecting to reduce their hours before retirement as those not – and these results do not take into account any planned reductions in working hours for those who expect this. Many people will therefore need to adjust their behaviour if they are to get the income in retirement they expect, and one such adjustment could be to delay or forgo reducing hours in the run up to retirement.

Another obstacle may be whether people can find attractive employment that allows them to work the hours they want. Over two-thirds (68%) of those aged 45-64 (who are less likely to change employer before retirement than younger workers) who expect to reduce their hours expect to do so while doing the same job for the same employer. There is therefore a clear expectation among some that flexibility will be available in their current position, and wanting to change hours is not necessarily synonymous with wanting to change career or employer. If that option turns out not to be available to them, then people may face the more challenging choice of having to change job or not being able to work the hours they want.

Only one third of young adults expect a career for life

One potential outcome of longer working lives is that people may have more than one career and spend time in multiple occupations. This could be driven by positive “pull” factors: people might want to try different things at different times in their lives, for example prioritising earnings at certain life stages and flexibility or enjoyment at others. Or it could be driven by negative “push” factors: people having to change career because their occupation may become obsolete or because they may not be physically or mentally able to continue in their occupation over time.

Among younger adults aged 25-34, only around one-third (32%) expect to work in the same career as they do today through until retirement. Around 30% expect to change career for ‘pull’ reasons, with similar proportions expecting to move to earn more as expecting to move to do something more enjoyable. Around 20% expect to change career for ‘push’ reasons, with nearly half of this being due to concerns about physical health. This highlights that only a minority expect a career for life. Most people expect to either want to change career or to be forced to do so.

It is therefore really important that opportunities are available for people to retrain and reskill, and that employers recognise the value of recruiting employees at different life stages and with different backgrounds - and normalise this going forward.

² Phoenix Insights, [The Longer Live Index: A crisis of confidence](#)

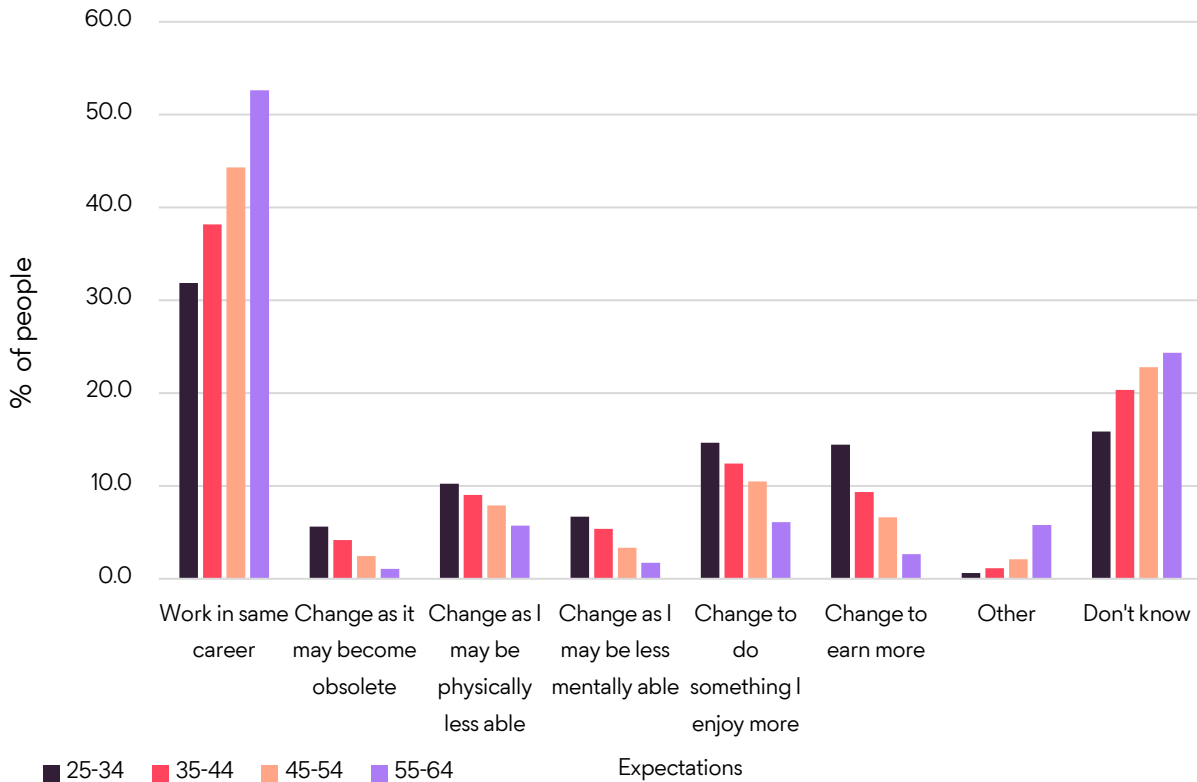
This is particularly emphasised by the fact that many older workers ~~still~~ expect to change career before retirement: 23% of those aged 55-64, and 33% of those aged 45-54. As with younger adults, this is driven by both 'push' and 'pull' factors (illustrated in Figure 4).

Casual workers are those most likely to expect to change career (47%), followed by those in higher managerial occupations and manual occupations (around 40%). Those in manual occupations are particularly more likely to expect to change career due to their physical health becoming a barrier. This is anticipated by 12% of those in semi-skilled or unskilled manual work, and 14% of those in skilled manual work.

Expectations of career change also vary across industries (shown in Figure 12). Those in hospitality are the most likely to expect to change career, possibly because of the transferable nature of skills of those working in the sector. This is not just driven by hospitality being a 'starter job' for young people; among people aged 45-54 those working in hospitality are still the most likely to expect to change career. In contrast, those in public services are the least likely to expect to change career.

Expectations of career change are also less likely for those who are self-employed relative to those either in full-time or part-time employment (shown in Figure 13). The self-employed are typically slightly less concerned about their job becoming obsolete or their mental health, and are slightly less likely to expect to change career for something they enjoy more.

Figure 4 Expectations of career change



People are investing in their skills and health to increase their employability over time

Of course it is not fully in individuals’ own control whether they will be able to transition from work into retirement in the way that they might like. They may suffer health shocks or changes in their family circumstances that affect their ability to work, or they may not be able to keep or find the sort of job they ideally want. Indeed, when asked about their confidence of being able to remain employed until their preferred retirement age, only 45% of individuals rated their confidence at 7 or higher on a scale of 1 to 10. Previous work has highlighted that confidence is much higher among people that are currently employed full-time than among people who are employed part-time, and confidence is lower still among those who are self-employed and among those who are not in work.³

The reasons reported by those with low confidence about being able to remain employed are shown in Figure 5. The most commonly cited concern is that physical health will be a barrier (reported by 38%), followed by concerns about age discrimination (25%), being able to find a new job if needed (23%), about not having the motivation to continue working (22%), and about mental health becoming a barrier (22%).

People can take actions that will help them stay in work for longer. Focusing on those aged 45 and over, who are closer to retirement and more likely to be actively thinking about how to stay in work, Figure 6 shows the actions that people report taking. Over one third are investing in their health (34% of those aged 45-54 and 38% of those

³ Phoenix Insights, The Longer Lives Index: A crisis of confidence

aged 55-64). Many are also currently investing in their skills or are looking to do so, for example by investing in their education, pursuing professional training, learning new skills at work, or looking at education and training options. At least one of these options is reported by 28% of those aged 45-64 (35% of those aged 45-54 and 21% of those aged 55-64).

The actions being taken differ according to whether people expect to stay in their current career until retirement or expect to change career before retirement (for any of the reasons drawn out in Figure 5). Unsurprisingly those expecting to change career were more likely to report that they were switching career or looking to do so. However interestingly they are also more than twice as likely to be investing in their education (reported by 10% of those expecting to change career) or looking at education or training options (reported by 17% of those expecting to change career) than those expecting to stay in the same job. These differences are shown in Figure 8.

Figure 5 Reasons for not being confident about remaining employed

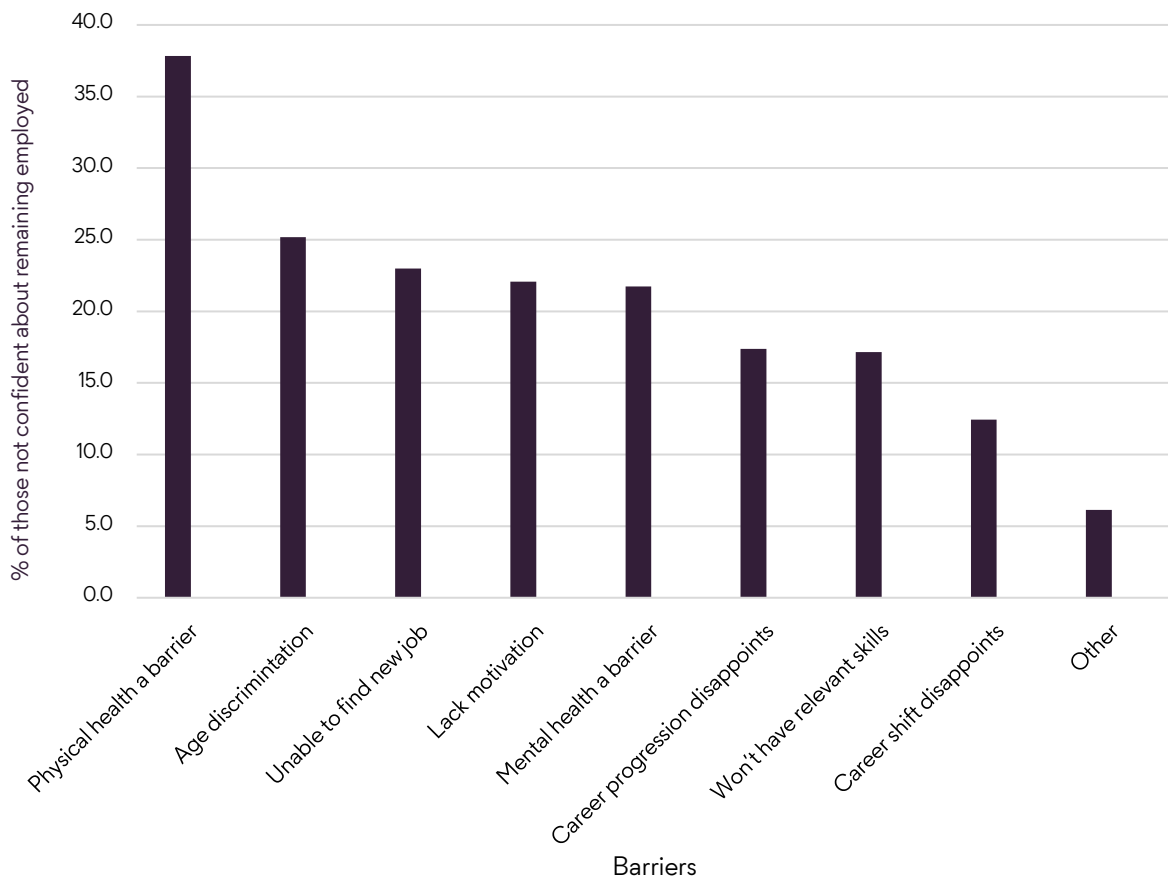
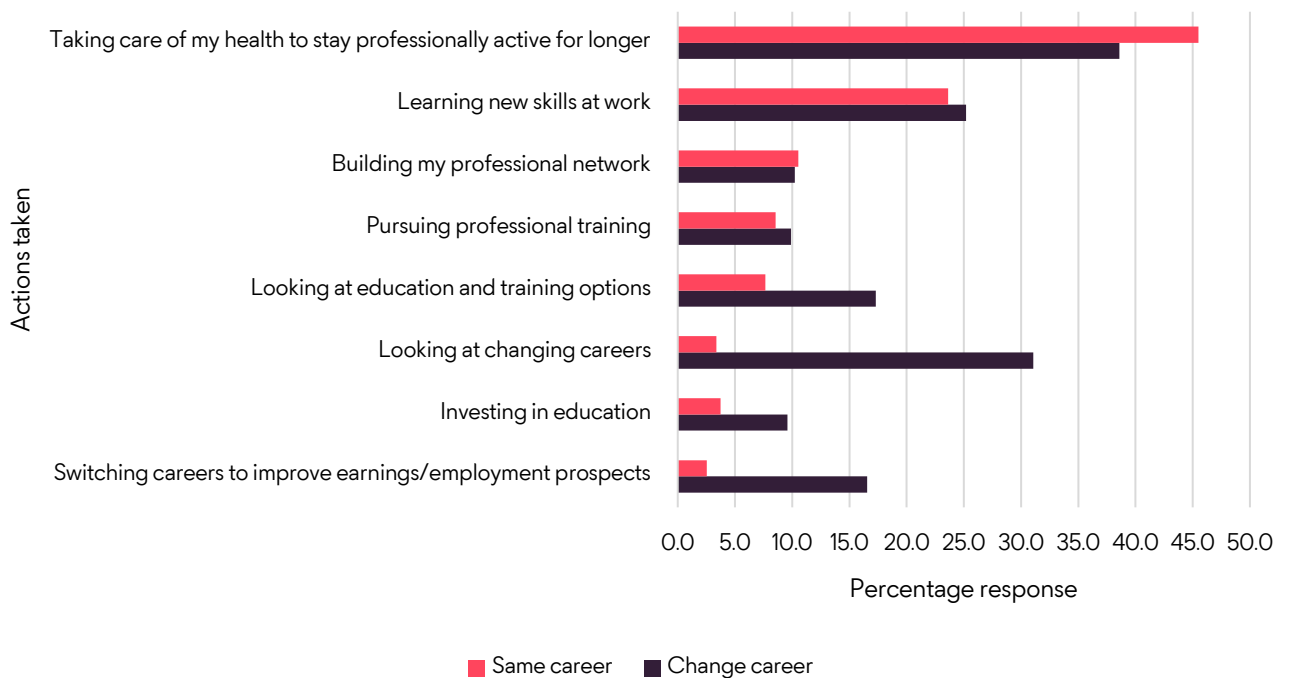


Figure 6 Actions being taken in order to work until retirement in a way that enables reaching financial goal



Figure 7 Actions being taken in order to work until retirement in a way that enables reaching financial goals - by whether career change expected



Conclusions

These analyses show that a sizeable minority of working age people do not expect the 'traditional' model of retirement from a lifelong career. Even in their 40s and 50s many people expect to change career before their retirement, and around a third are expecting to reduce their hours before they stop working completely.

It will be really important for employers and government policy makers to support people in their plans to stay in work. This means ensuring that training opportunities, careers support and advice are available and taken up, enabling people to make the career shifts they want, and ensuring that part-time working opportunities are available to those who want to reduce their hours. Otherwise people may end up leaving the labour market earlier than they would ideally want. This would be bad for their own financial situation and health, bad for the government who loses out on tax revenue, and bad for employers who miss out on experienced and skilled workers.

Appendix. Additional figures

Figure 8 Proportion of people expecting to reduce hours – by occupation

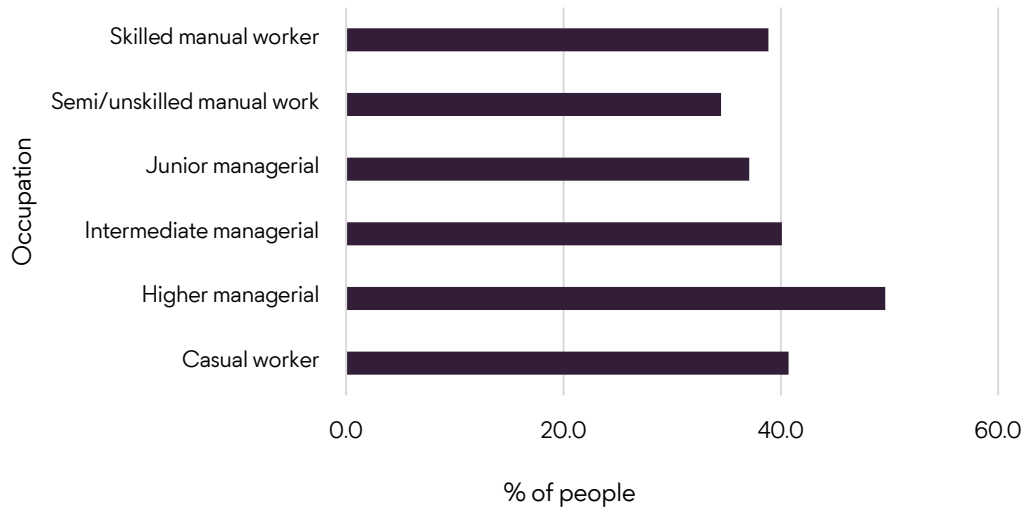


Figure 9 Proportion of people expecting to reduce hours – by employment

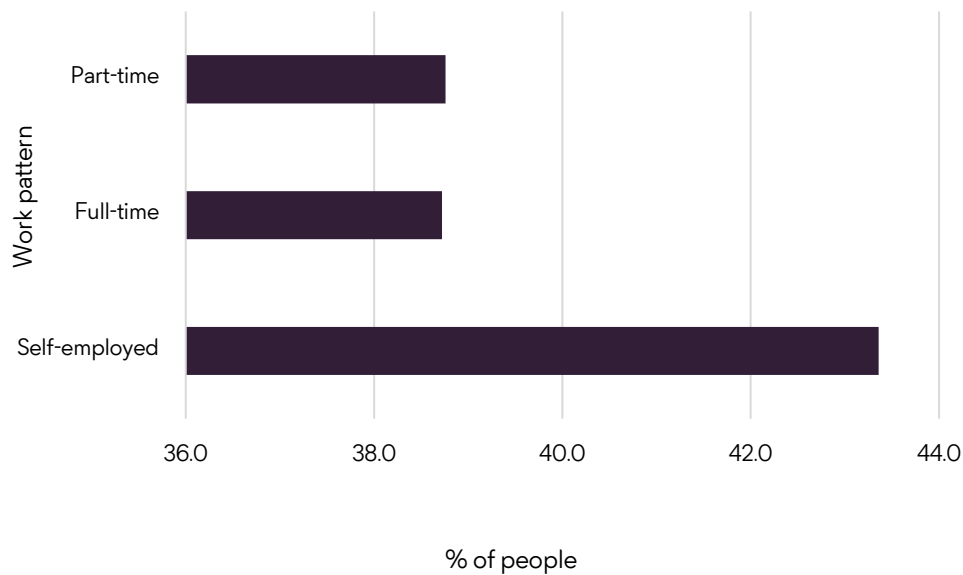


Figure 10 Proportion of people expecting to reduce hours – by industry

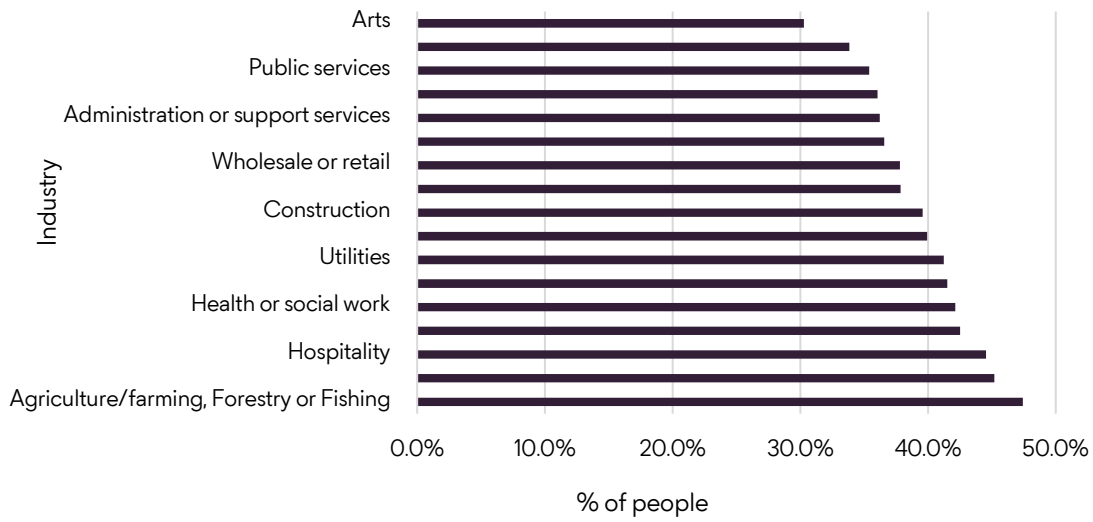


Figure 11 Proportion of people expecting to change career - by occupation

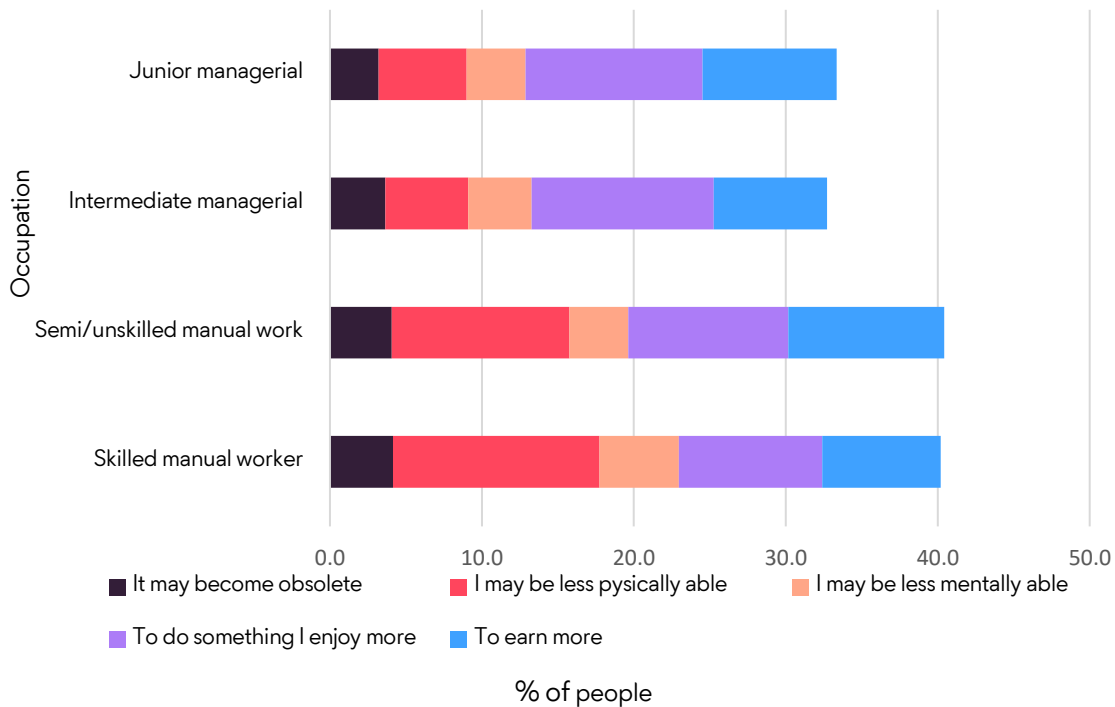


Figure 12 Proportion of people expecting to change career - by industry

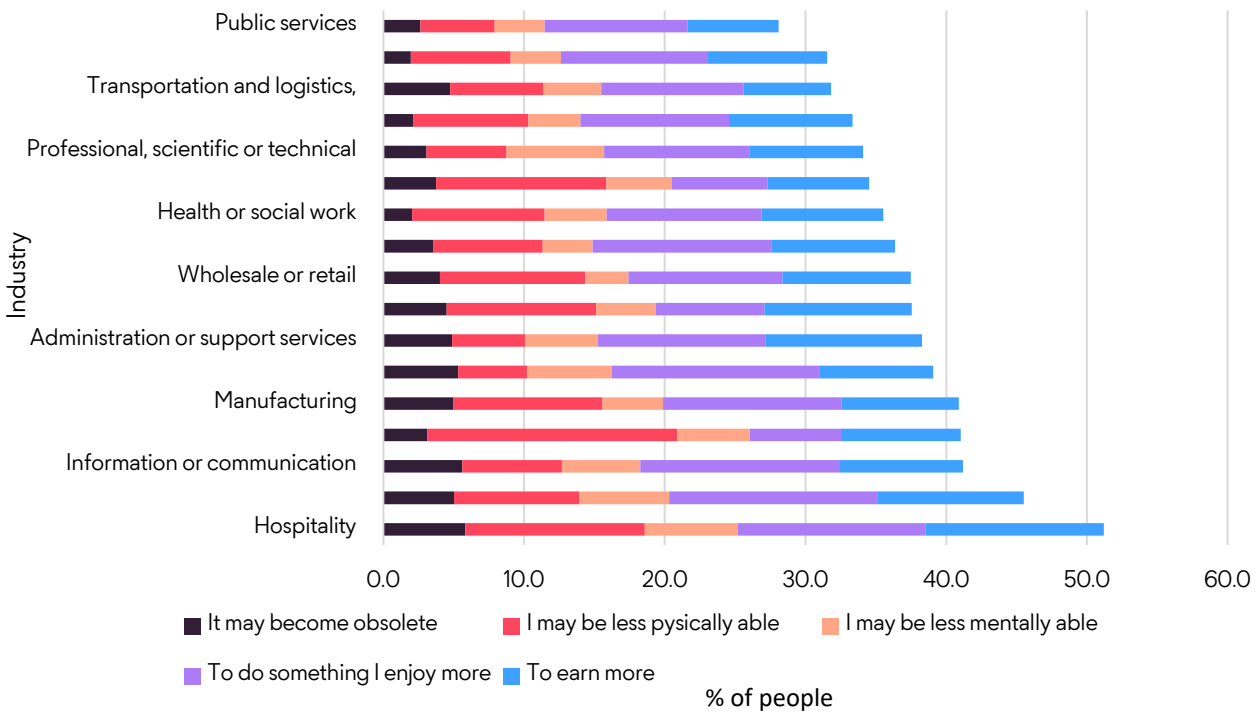


Figure 13 Proportion of people expecting to change career - by employment

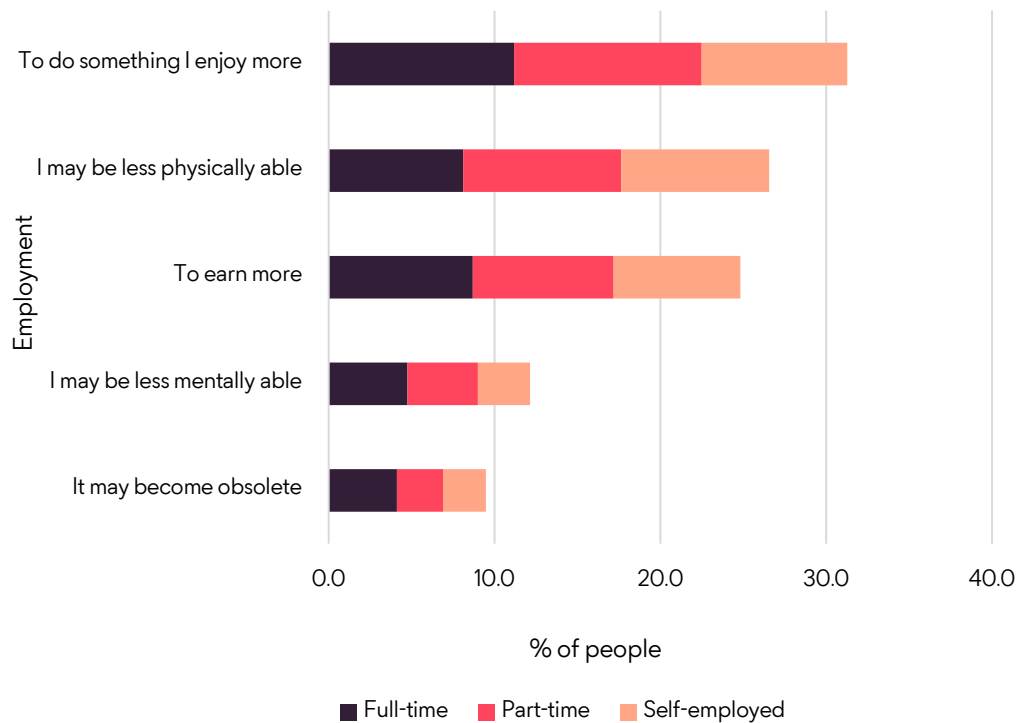


Figure 14 Actions being taken in order to work until retirement in a way that enables reaching financial goals – all age groups

