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Extending working life: behaviour change interventions



Retirement

About this research

Despite recently announced rises in the minimum age at which the State Pension is claimable, many people continue to leave the labour market before their State Pension age (SPA). Indeed, although a significant proportion of individuals express an interest in extending their working lives, working beyond SPA represents a minority activity.

To better understand what affects people's decisions to retire, the Department for Work and Pensions (DWP) commissioned a multi-disciplinary team of researchers led by Dr Andrew Weyman (University of Bath) to review and interpret existing UK and international research findings (for the period 2000–10), and produce theoretically informed recommendations for public policy. In particular, the study has met DWPs requirement for an enhanced insight into the array and relative importance of social and cultural variables that influence decision-making; thereby supporting its delivery of an evidence-based approach to the design of policies that encourage extending working life (EWL).

Key findings

The research found that:

- A significant proportion of people express an interest in extending their working lives, however many of them want a change in working hours and place a high value on choice and flexibility over hours worked.
- Most people are passive rather than active decision-makers. When making decisions about EWL, pension investment choices, or retirement, people tend to react to events, options, and opportunities they are presented with by employers or by Government. This suggests that situational influences play an important role in individual decision-making and behaviour.
- People are susceptible to an array of situational influences (nudges). Some of which motivate early withdrawal from work, while others encourage working longer. This suggests that public policy interventions that lead to changes in the choice architecture are of key relevance (appear to offer the potential for higher rates of behaviour change than approaches aimed at changing people's attitudes).
- Government is not the only choice architect. Employers play a key role in shaping employees decisions about extending working life, pensions and retirement.

Research findings in context

The economic and social implications of early exit from the labour market has resulted in the UK Government prioritising ways of encouraging individuals aged 50 and over to remain in paid employment for longer. The DWP has funded extensive research on the attitudes, knowledge and information preferences of older workers, as well as their broader orientations to extending working life. The multidisciplinary research team, led by Dr Weyman, was tasked to review this established research evidence with reference to the social science evidence base on motivating behavioural change. Informed by insights from cognitive psychology, behavioural economics, social psychology and socio-cultural theory, the team produced theoretically informed recommendations for public policy intervention on EWL and retirement planning.

Their findings suggest there are significant challenges to finding ways of encourage people to extend their working lives (EWL) and make effective financial provision for retirement. Most people are not active planners or information seekers with regard to EWL options, pension investment choices or retirement planning. They are more disposed to react to events, options and opportunities when they are tabled by others. This suggests that situational influences play an important role in decision-making. As such, theories of behaviour change that assume individuals are actively engaged with making rational decisions, and can make change for themselves, are of limited use in the EWL and pension investment policy domains.

The 'nudge' concept is quite distinct from established psychology behaviour change approaches. Rather than aiming to help individuals become more rational in their decision-making, the nudge perspective focuses on ways of configuring options to take account of human irrationality. People are susceptible to an array of contextual influences (nudges), some of which may motivate early withdrawal from work, while others may encourage working longer. This would suggest that public policy interventions that lead to changes to the context in which individuals make decisions (the choice architecture), rather than attempting to change how individuals feel about/react to contexts, are of key relevance in the EWL and pension investment policy domains. From this perspective it is important that the policy intervention portfolio in this area extends beyond media-based communication output, to impacting on structural and normative influences (i.e. automatic-enrolment in pensions, rather than routinely stressing the pitfalls of failing to invest in a pension). Significantly, Government is not the only choice architect. Employers play a key role in defining their employee's EWL, pension investment and retirement decision-making architecture.



Implications for public policy intervention strategy

A comprehensive public policy intervention strategy on EWL and pensions should necessarily embody elements that address knowledge gaps, individual motivation and the decision architecture. Of note is the key role played by employers in configuring the options available to employees through human resource practices that have the potential to change cultural norms in the workplace. For example, working beyond SPA, remaining enrolled in the State sponsored automatic enrolment, and, where available, automatic enrolment in employer pension schemes.

The scope for partnership working intervention with employers is twofold:

- For employers to act as a conduit/amplification station for transmitting EWL and pension investment messages to employees, i.e. via DWP initiated interventions that impact on employers to elicit their co-operation to communicate key messages/information to employees
- In medium and large organisations, to propagate the adoption of good EWL practice in human resource management, via DWP initiated interventions that motivate its adoption

However, a significant gap in the evidence base relates to mapping barriers to change in employer practices, and the array of existing employer configured nudges that motivate early withdrawal from the labour market.

Strong evidence of social differences in terms of employment opportunities, the availability of flexible working arrangements, people's capacity to work and the degree of cultural engagement with work in later life, highlights the need for a segmented approach to intervention rather than an undifferentiated (whole population) approach. Rates of behaviour change are likely to be highest from targeting individuals who are more intrinsically engaged with work, who work in sectors where flexible employment is available and whose preference is to continue working for their current employer. There are concentrations of these individuals - who can be characterised as 'the receptive middle' - within certain occupations/employment sectors. There may be a case for apportioning intervention resources to take account of this. Establishing change within these groups

also has the potential to produce a ripple effect that impacts on the retirement norms of other social groups.

Turning to elements of the decision architecture that lie beyond the employer, there is scope to configure tax, benefit and other fiscal arrangements in ways that motivate behaviour change. However, the research recommends that any proposed change in incentives or disincentives should be tested on the public to see how they impact on decisions. It would be unwise to make untested assumptions over the extent to which such nudges might inspire rational choices.

Impact of the research

Findings and recommendations from this research have fed into the DWP's Extending Working Lives Sector Initiative, which involved work with over 80 employer-led organisations across nine of the largest sectors to help employers manage the removal of the default retirement age. The research has been used in the Age Positive initiative, in which the DWP has been working closely with employers to develop guidance and share case study learning on employing and retaining older employees.

Methodology and research aims

The study comprised a review of UK and international literature and research over the period 2000–10. Informed by theories of behaviour change, the research analysed UK and international findings to make recommendations regarding policy intervention options that will stimulate higher rates of employment amongst older people, and enhance levels of retirement income following withdrawal from the labour market. In particular, the aim was to gain insight into the range and relative importance of individual, social and cultural variables that influence retirement orientations, decision-making and behaviour change, in order to inform the design of policies that encourage extending working life.

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More about this research:

The research was commissioned by the Department for Work and Pensions in 2010 and carried out by Dr Andrew Weyman, a Senior Lecturer in the Department of Psychology at the University of Bath; Dr David Wainwright, a Senior Lecturer in the Department for Health, University of Bath; Dr Rachel O'Hara, a Lecturer in Public Health at the University of Sheffield; Professor Philip Jones from the Department of Economics, University of Bath; and Dr Alan Buckingham, a Sociologist in the Department for Health at the University of Bath.

A full copy of the research report entitled 'Extending working life: Behaviour change interventions,' was published by the DWP in 2012, and can be downloaded for free from:

<http://research.dwp.gov.uk/asd/asd5/rports2011-2012/rrep809.pdf>



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