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RETIREMENT CLIMATE IN ORGANISATIONS:
ITS RELATIONSHIP TO
INTENDED RETIREMENT AGE

A Thesis presented in partial fulfilment of the requirements for the degree of
Master of Arts in Industrial/Organisational Psychology at Massey University

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January 2006
ABSTRACT

As the ‘baby boomer’ generation approaches retirement and begins to leave the workforce, birth and death trends have alerted researchers of an impending labour shortage in the near future. Despite these trends, the climate toward older workers in organisations can be negative. Negative attitudes toward older workers and age discrimination can be manifested in policies that encourage early retirement, and send messages to older workers that they are not valued. As a strategy to combat projected labour shortages, older workers who are physically able could be encouraged to stay in the workforce. The present study explored how older workers’ (55 years and over) perceptions of organisational attitudes and behaviours influenced their retirement decision. A new variable, Retirement Climate (RC) operationalised employee’s perceptions of organisational attitudes and behaviours directed to older workers. The relationships of RC and other independent variables (organisational policies and pressure to retire) to intended retirement age (IRA), and the moderating effects of job satisfaction, organisational commitment and job involvement on the relationship between RC and IRA, were explored. Results indicated that RC was not related to IRA, but was related to perceptions of pressure to retire. Pressure to retire was also in turn significantly related to IRA, suggesting that pressure to retire may act as a mediating variable. Organisational policies showed no significant relationships with dependent variables, and none of the predicted moderator variables showed any moderating effect on the relationship between RC and IRA. Possible explanations for the results are discussed, and avenues for future research are suggested. Practical implications of the findings for organisations to encourage longer workforce participation of older workers are also presented.
ACKNOWLEDGMENTS

This thesis is a project I thought I would never attempt, but am very happy I did. Having now completed it, I can look back and see the tremendous amount I have learnt, both about myself, my weaknesses and my abilities, about the research process, and about communicating using the written word. I could never have achieved what I have alone, and therefore, there are people I would like to acknowledge and thank.

To my supervisor, Dr Fiona Alpass, your obvious wealth of experience helped me to improve not only this thesis, but also my research and writing skills. I appreciated your trust in my ability to overcome frustrations and challenges, and especially the sacrifices of your own time that you made in the later stages of this thesis.

Financial assistance was received from the Massey University Graduate Research Fund, and from the Department of Labour in the form of a Graduate Research Sponsorship Grant. My sincere thanks go to each of these organisations for their support. Thanks must also go to those friends and family who gave up their time to help with the pilot survey, either by completing it or recruiting participants. Also, thank you to those who made the effort to complete and return the main survey.

Thank you to my parents, Hank and Sheryl Coenraadts, for your unwavering support and belief in me, for a quiet place to work, a floor to cover with paper, and for countless meals. To my friends, thank you for your support and prayer, and for caring. And finally, to my wonderful husband, Greg, for taking my workload on top of your own at times, for your encouragement, love and support, your timely lectures, and for respecting and challenging me, I thank you.
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OVERVIEW

Research from the UK, USA and Europe consistently shows trends of ageing populations, higher life expectancy, increasing early retirement and lower birth rates in the last 20 years (Beehr, 1986; Fullerton & Tschetter, 1983; Griffiths, 1997; Hassell & Perrewe, 1993; Henretta, 1994; Morrison, 1983; B Rosen & Jerdee, 1986; P. E. Taylor & Walker, 1994; Woodbury, 1999), and New Zealand is not exempt from these trends (Statistics New Zealand, 2001a). The issues relating to ageing populations stem from the large cohort born after World War II (commonly known as the ‘baby boomers’). As this large group is currently moving into retirement, lower birth rates mean that they are not being replaced in the workforce in the same numbers, causing impending labour shortages.

These trends have been labelled the ‘demographic time-bomb’ because the steadily declining segment of employed workers is the group that carries the economic burden of supporting society (Blekesaune & Solem, 2005; Fullerton & Tschetter, 1983; Henretta, 1994; Kilbom, 1999; Rones & Herz, 1989; Rosow, 1979). The support ratio of working per retired person in the UK in 1990 was 4.4:1, and is predicted to be 3.2:1 by the year 2030. In other countries, the predictions are for even lower ratios. In Sweden, France and Italy, 2.8:1 is predicted, in the Netherlands 2.6:1 is the figure, and in Finland it is 2.5:1 (Griffiths, 1997). In New Zealand, there are similar trends, and this ratio is predicted to decrease from 5.5:1 in 2000 to 2.6:1 in 2050 (Statistics New Zealand, 2005). If these trends continue, and the ratio of working to retired people drops too low, there will be both social and economic consequences, especially in the areas of pensions, welfare and healthcare (Beehr, Glazer, Nielson, & Farmer, 2000; Griffiths, 1997; Morrison, 1983; Statistics New Zealand, 2005).
One possible response to such a situation is to focus on solutions that extend people's working lives, delaying retirement (Griffiths, 1997; Krain, 1995; Morrison, 1983). Although these issues are beginning to be recognised in New Zealand, in government departments and in the media, there is little in the way of local research in this area (Gray & McGregor, 2003). Research is required that investigates the causes of early retirement trends, and the barriers to remaining in employment that older workers may face. From this knowledge, strategies must be developed for removing these barriers, and making work a positive experience for older workers, so that those who want to, and are able to, can continue working into their later years (Kilborn, 1999).

The present study draws together a diverse range of concepts that have been used by researchers to capture corporate attitudes and actions towards older workers that may make the work experience positive or negative for older workers. For the purposes of this study these organisational attitudes and actions relevant to older workers and their retirement have been termed Retirement Climate (RC). The study operationalises this variable using a new measure: The Retirement Climate Scale. The study investigates the relationship between RC, organisational policies and pressure to retire, and the length of time older workers intend to stay in the workforce. In addition, the moderating influences of job satisfaction, organizational commitment and job involvement on the relationship between RC and intended retirement age (IRA) are examined. Finally, the role of RC and organisational policies on the perception of pressure to retire is considered. Broadly, this research investigates how RC is related to older worker's intended retirement age, and the quality of their last years in the workforce.