

Copyright is owned by the Author of the thesis. Permission is given for a copy to be downloaded by an individual for the purpose of research and private study only. The thesis may not be reproduced elsewhere without the permission of the Author.

**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**

**Nina Reid**

**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.

## TABLE OF CONTENTS

<b>Abstract</b> .....	<b>i</b>
<b>Acknowledgments</b> .....	<b>ii</b>
<b>Table of Contents</b> .....	<b>iii</b>
<b>List of Tables</b> .....	<b>vi</b>
<b>List of Figures</b> .....	<b>vii</b>
 <b>OVERVIEW</b> .....	 <b>1</b>
 <b>CHAPTER 1: INTRODUCTION AND LITERATURE REVIEW</b> .....	 <b>3</b>
<b>1 Factors that Influence the Retirement Decision</b> .....	<b>3</b>
<b>2 Work-related Push Factors</b> .....	<b>4</b>
<b>3 Retirement Climate</b> .....	<b>5</b>
3.1. Organisational Climate .....	5
3.2. Psychological Climate .....	8
<b>4 Components of Retirement Climate</b> .....	<b>8</b>
4.1. Attitudes Toward Older Workers .....	10
4.2. Age Discrimination .....	19
4.3. Definition of Retirement Climate .....	25
<b>5 Outcomes of Retirement Climate</b> .....	<b>25</b>
5.1. Intended Retirement Age .....	26
5.2. Job Satisfaction .....	28
5.3. Organisational Commitment .....	31
5.4. Job Involvement .....	35
5.5. Organisational Policies .....	37
<b>6 Pressure to Retire</b> .....	<b>39</b>
<b>7 Control Variables</b> .....	<b>42</b>
<b>8 Summary and Research Hypotheses</b> .....	<b>43</b>

<b>CHAPTER 2: METHOD</b> .....	<b>46</b>
<b>1 Design</b> .....	<b>46</b>
<b>2 Subjects</b> .....	<b>46</b>
<b>3 Procedure</b> .....	<b>47</b>
<b>4 Measures</b> .....	<b>47</b>
4.1. Biographical Information .....	47
4.2. Retirement Climate .....	48
4.3. Organisational Policies .....	49
4.4. Pressure to Retire .....	49
4.5. Intended Retirement Age .....	50
4.6. Job Satisfaction .....	50
4.7. Organisational Commitment .....	50
4.8. Job Involvement .....	51
<b>CHAPTER 3: RESULTS</b> .....	<b>52</b>
<b>1 Data Screening</b> .....	<b>52</b>
<b>2 Sample Description</b> .....	<b>52</b>
<b>3 Analysis</b> .....	<b>59</b>
3.1. Scale Evaluation .....	59
3.2. Bivariate Analyses .....	59
3.2.1. <i>Relationships with Intended Retirement Age</i> .....	60
3.2.2. <i>Relationships between Retirement Climate and</i> <i>Moderator Variables</i> .....	64
3.2.3. <i>Relationships among Predictor Variables</i> .....	64
3.3. Regression Analyses .....	65
3.3.1. <i>Intended Retirement Age</i> .....	65
3.3.2. <i>Pressure to Retire</i> .....	69

<b>CHAPTER 4: DISCUSSION</b> .....	<b>72</b>
<b>1 Intended Retirement Age</b> .....	<b>72</b>
<b>2 Moderating Effects</b> .....	<b>75</b>
<b>3 Pressure to Retire</b> .....	<b>78</b>
<b>4 Limitations</b> .....	<b>80</b>
<b>5 Future Directions</b> .....	<b>82</b>
<b>6 Conclusions and Recommendations</b> .....	<b>84</b>
<b>REFERENCES</b> .....	<b>85</b>
<b>APPENDICES</b> .....	<b>103</b>
<b>Appendix One: Introductory Letter</b> .....	<b>103</b>
<b>Appendix Two: Questionnaire</b> .....	<b>105</b>

## LIST OF TABLES

<b>Table 1:</b>	Summary of biographical information for working adults over the age of 55 .....	53-55
<b>Table 2:</b>	Means and standard deviations for intended retirement age and ideal retirement age. Paired sample t-test statistics .....	58
<b>Table 3:</b>	Intercorrelations between control, independent and dependent variables and alpha coefficients .....	61
<b>Table 4:</b>	Means, standard deviations and sample size for independent and dependent variables across gender, ethnicity, marital status, employment situation, occupation and highest level of education. T-test significance .....	62-63
<b>Table 5:</b>	Hierarchical multiple regression of retirement climate variables, organisational policies, pressure to retire, job satisfaction, organisational commitment, and interaction effects of job satisfaction and organisational commitment on the outcome variable intended retirement age. Standardised regression coefficients, R, R <sup>2</sup> , and R <sup>2</sup> change for all subjects .....	67
<b>Table 6:</b>	Hierarchical multiple regression of retirement climate variables and organisational policies on the outcome variable pressure to retire. Standardised regression coefficients, R, R <sup>2</sup> , and R <sup>2</sup> change for all subjects .....	70



## LIST OF FIGURES

<b>Figure 1: Categories of factors influencing the decision to retire or remain . . . . .</b>	
.....	<b>4</b>
<b>Figure 2: Diagram illustrating hypotheses 1a, 1b and 1c . . . . .</b>	<b>44</b>
<b>Figure 3: Diagram illustrating hypotheses 2a, 2b and 2c . . . . .</b>	<b>45</b>
<b>Figure 4: Diagram illustrating hypotheses 3a and 3b . . . . .</b>	<b>45</b>

## 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 (Kilbom, 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.