RETIREMENT CLIMATE IN ORGANISATIONS:

ITS RELATIONSHIP TO

INTENDED RETIREMENT AGE

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Nina Reid

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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.

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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 (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.