

# Extending working life: Behaviour change interventions

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## Introduction

A significant proportion of the working population continue to leave the labour market before their State Pension age (SPA), despite recently announced rises in the minimum age at which the State Pension is claimable, either through choice, diminished health status or as a consequence of employer policies.

The Government's policy on extending working life (EWL) includes:

- influencing employer orientations, policies and practices pertaining to the employment of older workers;
- enhancing opportunities for older individuals to return to paid employment;
- encouraging employees to remain in paid employment for longer;
- encouraging employees to make enhanced financial provision for retirement.

This research aims to:

- summarise research evidence on what impacts on people's orientations to work in later life and retirement planning behaviour;
- interpret the evidence with reference to the literature on promoting behavioural change;
- produce theoretically informed recommendations for public policy intervention strategy on EWL and retirement planning.

## Main findings

### *Public orientations to extending working life*

A significant proportion of individuals express an interest in extending their working lives, many of them want a change in working hours and place a high value on choice and flexibility over hours worked.

People are more disposed to react to options they are presented with, e.g. by employers or by Government, in terms of pensions and choices over their date/manner of retirement, i.e. most are passive rather than active decision-makers. This suggests that situational influences play an important role in decision-making and behaviour.

People are susceptible to an array of contextual 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. Government is not the only choice architect. Employers play a key role in defining employee EWL, pension and retirement decision architecture.

## Theories of behaviour change

Psychology (health) behaviour change models, widely used in public health and some other policy delivery contexts are of limited utility in the EWL and pension investment domains, principally because they rest on the following assumptions:

- individuals are actively engaged with making rational decisions over these issues (**it seems that most are not**);
- change is vested within the gift of individuals (**notable externally imposed ‘push’ and ‘pull’ influences also play a role**);
- the primary point of resistance to EWL rests with individuals (**potentially underplays structural, institutional and cultural effects**);
- cultural change arises from the sum of individual actions (**potentially underplays structural and institutional normative influences, e.g. workplace climate**).

The ‘nudge’ (decision architecture) concept is quite distinct from (health) psychology behaviour change approaches. The latter approaches aim to help individuals to become more rational in their decision-making. By contrast, the nudge perspective focuses on ways of configuring options to take account of human irrationality, i.e. it advocates policy intervention that makes changes to the context in which individuals make decisions, rather than attempting to change how individuals act in a constant, unaltered world.

## Communicating with the public

There are widespread misunderstandings over basic elements such as SPA. Also, the complexity and fluidity of tax and pension arrangements inhibits public engagement with financial planning for later life. It is unlikely that education initiatives aimed at enhancing financial literacy would significantly redress this.

We recommend the adoption of the ‘mental models’ approach for EWL and pension communication material content. There are similarities between the mental models and nudge approaches in so far as both aim to use existing public understanding and decision behaviour rather than attempting to educate people in the hope of making them more rational.

Effective communication in this area requires a broader perspective than improving understanding and techniques for filling gaps in public knowledge. There is a need to consider broader influences on communication, in particular issues of credibility and trust in message source.

Most Department for Work and Pensions (DWP) communication activity with the public on EWL and State Pension issues is indirect, via surrogates. We would recommend that this continues. However, it is important for the DWP to take account of the public trust profile of these surrogates. Importantly, the trust profile of surrogates interacts with the issue under consideration, e.g. one source may be more trusted for advice over EWL; another for pension investment options; and another for pension value estimates, and so on. Critically, it is apparent that any surrogate with a close (actual or perceived) linkage to Government interests is likely to have a low trust profile on the EWL issue.

## The context

In addition to media-based communication, there needs to be changes to structural influences, i.e. the context in which individuals make choices. An example of changing the context is the requirement for employers to enrol their staff into a pension scheme, which is called automatic enrolment. Established DWP stakeholder engagement activity aimed at influencing employer practices on employee EWL is a good foundation to build on.

## 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. The latter embodies linkages with the broader agenda of employer policies and practices towards older workers.

There are grounds for concluding that higher rates of behaviour change are likely to accrue from a primary intervention emphasis on aspects that relate to the decision architecture. Of note is the key role played by employers in configuring the options available to employees and underpinning human resource practices that have the potential to change cultural norms in the workplace, e.g. 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.

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, and there may be a case for apportioning intervention resources to take account of this, i.e. the underpinning logic is that policy interventions aimed at impacting on this strata, via employers in sectors in which they are concentrated will potentially realise higher rates of behaviour change than interventions aimed at segments that do not possess these features. Establishing change within these groups also embodies 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, we would recommend that any proposed change in incentives or disincentives should be tested on the public to see how they impact on their mental models and arising decisions, as it would be unwise to make untested assumptions over the extent to which such nudges might inspire rational choices.

## Conclusions

- Individual, cultural and structural influences impact on the likelihood of working in later life. Some of these variables are more amenable to public policy influence than others. Their relative importance is also prone to vary between different population segments. Policy intervention strategy needs to take account of this.
- Policy intervention to address situational influences on behaviour regarding retirement, disposition to EWL and pensions investment/draw-down would appear to offer the potential for higher rates of behaviour change than approaches aimed at changing people's attitudes.

- A bespoke approach to intervention is needed that takes account of different employment arrangements, practices and personnel profiles in different employment sectors. There is a need for research to map and characterise the sectors to support this. The mapping might usefully include a characterisation of employers' perspectives on barriers to change and how these may vary by sector.
- For medium and large enterprises, the DWP should build on its established engagement activity with employers and other stakeholders to define a model of good human resource practice that establishes a positive decision architecture that permissions and motivates employees to extend their working lives.
- Consideration should be given to engaging a number of organisations (large, medium and small) to serve as case study examples of good practice for motivating EWL. Provision of support to participating organisations (plausibly via an action research approach) could be used to derive insight on configuring materials and tools that would support employers.
- The adoption of a mental models approach is recommended to enhance the content of communication material and aspects relating to its transmission, e.g. the trust profile of surrogates. There would be benefit from further research on public mental models of EWL.
- There is a gap in the evidence base regarding employee beliefs, interpretations of employer practices on EWL and impacts on work/retirement behaviours. People's beliefs (accurate and inaccurate) have important behavioural impacts. Findings might usefully be combined with those on employer perspectives on barriers to change.

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