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Later pensions, lower social capital?

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Abstract

Increases in working at older ages, linked to later ages at which public pensions are paid, have been shown to adversely affect individuals' physical and mental health and to reduce overall wellbeing. This study shows that later retirement also reduces social capital, affecting volunteering and caring activities. More specifically, using high quality micro-level panel data, we analyse the effects of the UK policy reforms that increased women's pension age from 60-66 between 2010-2020 on rates of volunteering, caring and group membership. Our results demonstrate that when public pensions could only be taken later, volunteering and care-giving activities decreased.

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1. Introduction

Rising life expectancies and fiscal austerity, bolstered by the idea that improved health permits people to work longer (Hagemann & Scherger, 2016), have led governments to increase state pension ages (SPA).

Existing research has focused on the effects of such reforms on paid work, providing evidence of increased labour supply and reduced probabilities of retirement (Staubli, and Zweimüller, 2013). However, whilst later pension ages may incentivise working, they might adversely affect individuals' physical health (Ardito et al., 2020), their mental health (Carrino et al. 2020), their rates of poverty prior to pension age (Cribb & Emmerson, 2019), and thereby reduce overall wellbeing (Della Giusta and Longhi, 2019).

Later state pension ages as recently implemented in the UK, we argue, also reduce social capital and/or contributions to civil society. Unpaid roles are important to the effective functioning of society, although economic attention is relatively recent and limited (Freeman, 1997).

We find that later retirement lowers the propensity to volunteer and decreases the proportion of people who provide informal care to older or disabled people, at least with respect to the specific age group analysed (those affected by a UK reform to pension ages). We investigate the likelihood of joining membership groups (such as charities, political parties and residents' groups) but find no robust effect.

Our data laboratory is the radical policy reform of the SPA in the UK. The government planeed to increase the state pension age *for women* from 60 (in 2010) to reach 65 in 2020; men's SPA was already 65. This reform was subsequently accelerated, increasing both men's and women's SPA to 66 by October 2020. Overall, the reform caused some controversy (Pemberton, 2017), particularly around the publicity (Holman et al., 2020). Note that UK retirement is voluntary, as compulsory retirement ages are outlawed, but of course the ability to access state pensions affect orientations towards continued paid work.

2. Our contribution to the main literature

To the best of our knowledge, the impact of the reform on social capital measures has never been investigated in the UK, other than for caregiving (Carrino et al., 2019). By exploiting data from waves 1-9 of the *English Longitudinal Study of Ageing* (ELSA), we fill this gap by looking at the effects of pension reform for women in UK on three specific and important measures of social capital: a) volunteering, b) informal/unpaid caring, c) group membership.

Following Putnam (2000), we regard social capital as a form of civic engagement, where engaged individuals are active citizens whose commitment to civic life represents a vital resource for communities (Hinterlong & Williamson, 2007).

Across the world, the effect of older age retirement on civic engagement has had some academic attention. For instance, Smith (2004) showed in a US study that location in one's

own life course influences perceptions of volunteering in retirement: workers due to work for at least 5 more years before retirement were less likely to see voluntarism as part of an ideal retirement lifestyle. Ziemek (2006) considered several motivations for volunteering – including altruism and a personal 'warm-glow' benefit (his third, human capital investment, seems less relevant for the older age group). For older volunteers, the volunteer role becomes more salient and represents a part of who they are. Indeed, the compensation theory predicts that volunteer work functions as a compensation device, since people give more importance and tend to identify more strongly with their volunteer role as compensation for giving up other productive roles (Ingen and Wilson, 2017).

A second dimension we look at is informal care. Typically, women spend more time in family work and providing unpaid care to family members (Taniguchi, 2006) - what we call here 'informal' or 'unrecognized' volunteering (Warburton and McLaughlin, 2006, Nesteruk and Price, 2011). Caregiving is indeed beneficial to relatives, either sons and daughters (natural or in law) with children, as the recent generations tend to have parents who are both in paid employment or to elder people in the enlarged family, but it is not usually accounted for in official statistics.

An emerging body of research has shown that social group memberships play a crucial role in protecting health and well-being in transitioning to retirement (Steffen et al., 2016). At the same time, studies have demonstrated the existence of gendered patterns of engaging in society, where women tend to be more active than men (Mesch et al., 2006; Manning, 2010) in donating their time to community agencies, organisations, religious groups, whether for personal meaning, social identity, and fulfilment, to meet societal expectations and to give back to society. According to Gilligan's analysis of women's morality, the reason is that women differ from men as they adopt an ethic of care with respect to how they conceive a responsibility to others, whereas men adhere to an ethic of justice, concentrating heavily on more individualistic understanding of rights (Gilligan, 1982).

For the reasons mentioned above, our study looks at the impact of the reforms on women only (though parallel results for men are presented in a final appendix). Specifically, our study aims at investigating whether in the UK the increased female SPA affected women who could retire only later in their lives than their earlier expectations. Our research question is therefore whether, as a result of this additional work requirement, socially desirable activities (volunteering, caring and group membership) are reduced. If so, then later retirement reduces social capital and jeopardizes the ability to fill gaps in services and systems vacated or severely underfunded by government, as argued by Anheier & Salamon (2001) and Biggs (2001).

3. Methods and data

The English Longitudinal Study of Ageing (ELSA) is a multidisciplinary longitudinal survey of people aged 50 (plus their partners). ELSA began in 2002, and at the time of writing there were some nine completed waves of data collection (2002-3, 2004-5, …, 2018-19).

The dataset covers a wide range of subjects relevant to the process of ageing and includes data on attitudes as well as objective circumstances. For our purposes, it includes questions about

volunteering activity (how often people volunteer), providing informal care to elderly and disabled people, and whether a member of voluntary groups (such as political parties, charities, the church) – the areas which we may refer to as 'social capital'. The relevant questions asked were as set out in Table I.

Table I: English Longitudinal Study of Ageing (ELSA) questionnaire

Volunteering
How often do you do voluntary work? Is it…:
• Twice a month or more • About once a month • Every few months • About once or twice a year • Less than once a year • Never
Care
Did you look after anyone in the past week? This could be your partner or other people in your household or someone in another household.
• Yes • No
Group membership
Are you a member of any of these organisations, clubs or societies?
• Political party, trade union or environmental groups • Tenants groups, resident groups, Neighbourhood Watch • Church or other religious groups • Charitable associations • Education, arts or music groups or evening classes • Social clubs • Sports clubs, gyms, exercise classes • Any other organisations, clubs or societies • No, I am not a member of any organisations, clubs or societies

Source: ELSA questionnaire

Initial analysis showed a link between paid work and these activities, particularly volunteering and joining different membership groups (Table II).

Table II: Paid work and social capital activities

	In paid work	Not in paid work	Total
Volunteers (%)	19.6	26.7	23.4
Care giver (%)	24.9	23.6	24.2
Group member (%)	23.7	28.1	26.1
Sample size	603	1090	1693

Source: women in wave 9 of the English Longitudinal Study of Ageing. N = 1,693.

We use the ELSA longitudinal data to model pooled logistic regression and models with individual fixed effects, thus allowing a better identification of the causal impact of a transition from being below to being above retirement age. Whilst presenting pooled results for reference, we rely on the fixed effects estimates as our preferred approach, owing to the importance of controlling for unobserved fixed variables over time.

We estimate the impact of increased women's state pension ages on social capital measures, taking advantage of the fact that we have panel data on otherwise similar women experiencing different state pension regimes. Our basic model is:

$$Y_{it} = \alpha.(\text{underSPA}) + v_i + X_{it}\beta + \varepsilon_{it} \quad (1)$$

Our outcomes of interest Y (volunteering, caring and group membership) vary with time *t* and between individuals *i*. Time spent by midlife women on *caregiving* may be significantly and negatively associated with the formal *volunteering* (Herd & Meyer, 2002) so we run separate regression analyses for different outcomes.

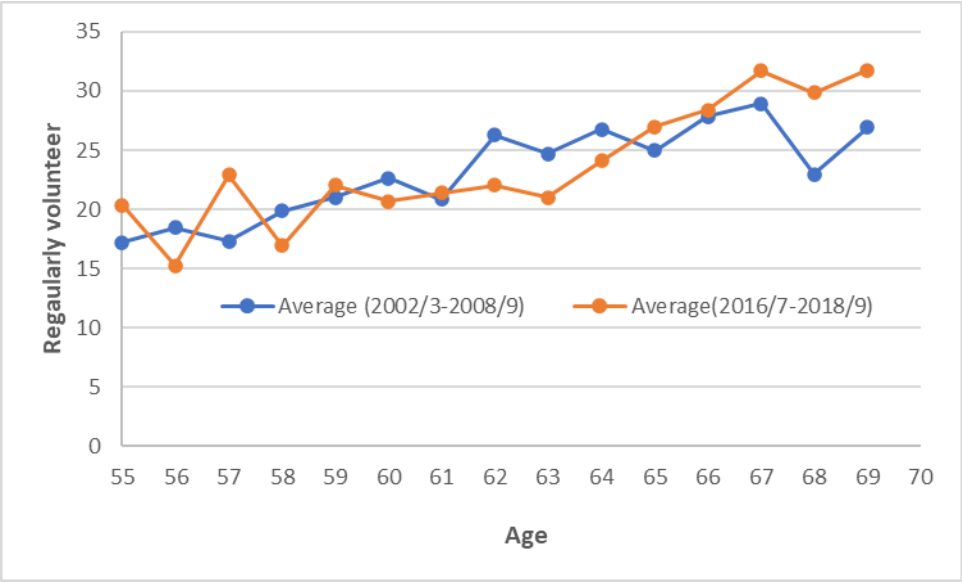
Our main independent variable of interest is whether the person is below the SPA at the time of observation. In line with Carrino et al. (2019), we include other socio-demographic variables of interest *X* (age, relationship status, housing tenure, health, year interviewed). A variable for fixed individual effects is included (v_i). We report estimates based on pooled binary logistic regressions, which would approximate a cross-sectional study, as well as the fixed effects logit model which provides control over unobserved heterogeneity.

4. Results

4.1 Descriptive results: social capital

In the first place we show some trend data on changes to social capital over time: figure 1 below shows that, as women approach older ages, they are more likely to undertake voluntary work. The results fluctuate somewhat between years, so we average across the last two years of data, and the pre-reform data. Between 62-64, fewer people in the post-reform period were volunteering on a regular basis, by around 3-5 percentage points at each single-year age group.

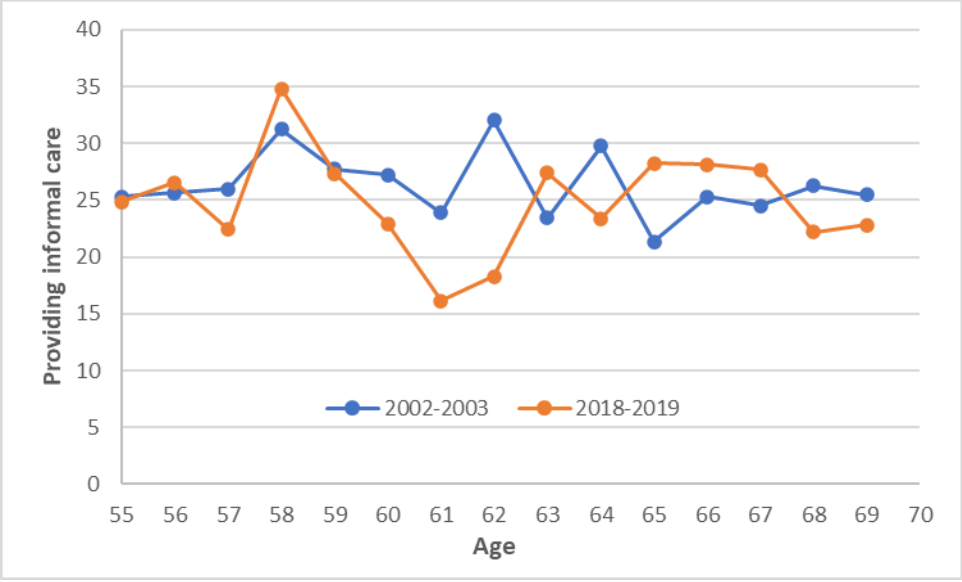
Figure 1: Proportion of women volunteering each month by age and year (smoothed series)



Source: analysis of ELSA.

Likewise (in figure 2) we observe a noticeable gap between the proportion providing care in the post-reform world and that in the pre-reform era. This is quite clear between the ages of 60 and 62.

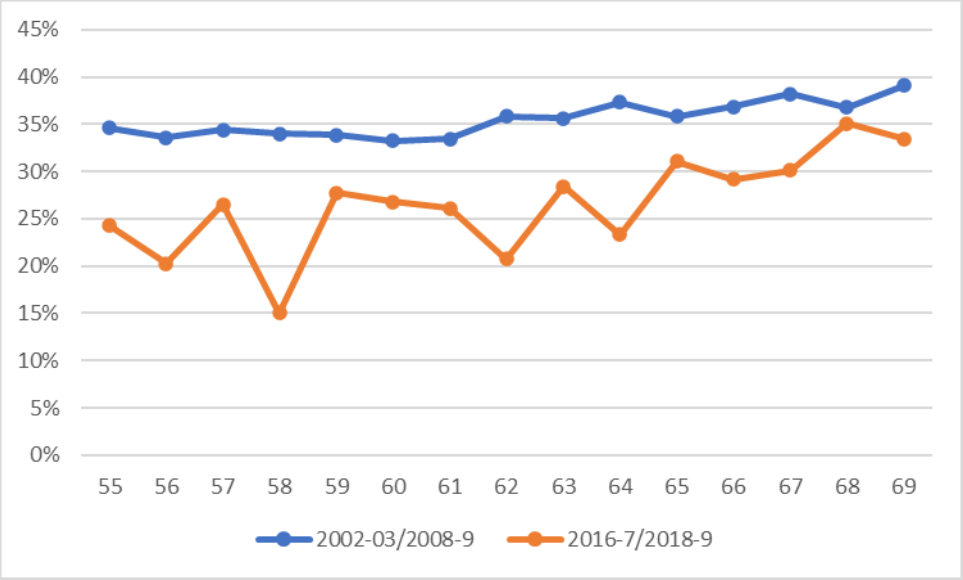
Figure 2: Proportion of women providing care, by age and year



Source: analysis of ELSA.

There appear to be some important secular trends affecting membership of groups (figure 3) as these are somewhat lower at all ages in the most recent data, patterns not found for volunteering or providing care.

Figure 3: Proportion of women who are members of groups, by age and year



Source: analysis of ELSA.

4.2 Regression models

We present logistic regression results (pooled and fixed effects) in table III (with results for men in Table A, appendix)

Table III: Regression results: sample = women

	Regular volunteer		Caregiver		Group member	
	Pooled logit	FE	Pooled logit	FE	Pooled logit	FE
Below state pension age	-0.192*	-0.701*	-0.058	-1.180*	-0.021	-0.023
	(0.091)	(0.298)	(0.11)	(0.564)	(0.084)	(0.257)
Marital status (ref = married)						
Cohabit	-0.356***	0	-0.343**	-0.942	-0.301***	-0.055
	(0.092)	(0.352)	(0.119)	(0.878)	(0.08)	(0.298)
Single	-0.088*	0.393	-0.462***	-1.807***	-0.05	0.335
	(0.045)	(0.225)	(0.067)	(0.504)	(0.04)	(0.197)
Housing tenure (ref = own outright)						
mortgage=1	-0.356***	-0.319*	-0.058	0.128	-0.199***	0.078
	(0.052)	(0.146)	(0.075)	(0.324)	(0.045)	(0.127)
tenant=1	-0.869***	0.384	0.212**	0.546	-0.889***	-0.552
	(0.069)	(0.352)	(0.08)	(0.995)	(0.059)	(0.306)
Disability (ref = no condition)						
Long-term condition	-0.076	-0.2	-0.059	-0.073	-0.105*	-0.072
	(0.047)	(0.108)	(0.07)	(0.215)	(0.044)	(0.096)
Condition limits activity	-0.359***	-0.148	0.031	0.329	-0.193***	0.007
	(0.053)	(0.122)	(0.075)	(0.24)	(0.048)	(0.111)
Exact age (ref = 60) included						
Wave of survey (ref = 5) included						
Constant	-0.733***		-0.941***		-0.815***	
	(0.107)		(0.155)		(0.098)	
Obs (N)	15,942	3,873	7,576	1,020	16,257	5,722

* p<0.05, ** p<0.01, *** p<0.001

Source: produced by the authors. Standard errors are shown in parentheses.

As pension ages increase, volunteering and caregiving have decreased. This effect was largest in the fixed-effect specifications, although these are based on smaller sample sizes as only those with changes in status over time are retained in such models.

We also note a strong negative effect of being single (compared to being part of a couple, either married or cohabiting) on rates of caregiving. We found no effect of pension age on participation in the range of group activities specified.

We hypothesise that activities such as volunteering and caring are hard to accommodate alongside paid work, whilst being a member of those groups is perhaps more of a substitute for leisure activities and hence much less affected by economic status.

Among men, looking at the favoured FE results, we do not observe linkages between retirement age and any of the social capital aspects under investigation here. However, future researchers may note some interesting effects found. In particular, social capital production appears less

common among single men (compared to married), for those in social rented housing, and for those with health issues.

5. Discussion and Conclusions

Women in the UK have experienced a significant and rapid rise in when they may receive their state pensions (a six year increase, and rising), latterly affecting men's pension ages with a single year increase. Women in the UK are now working later than before, and a part (but not all) of this may be attributed to increased recipiency ages within the state pension scheme.We have argued that the resulting necessity to work for more years affects women's ability to act as informal caregivers (e.g. for disabled or older relatives) and to volunteer for socially desirable activities. Regarding group membership, results were not statistically significant – we speculate that such activities are less associated with paid work.

Whilst there are clear justifications for higher pension ages, these may reduce the level of unpaid contributions to the economy, which may in turn necessitate state spending (e.g. on care), potentially reducing the fiscal gains to later receipt of state pensions. The rapid speed of introducing the policy of later state pensions has meant little time to evaluate the overall effects, and we contribute to the debate with our analysis of the knock-on effects to unpaid activities. We must acknowledge that social capital in a society is the sum of engagement of many individuals and many activities. For this reason, whilst we provide robust empirical evidence of a drop of this engagement with reference to a specific age group, other group may potentially have changed their engagement.

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Appendix: Regression results for men

Table A: Regression results: sample = men

	Regular volunteer		Caregiver		Group member	
	Pooled logit	FE	Pooled logit	FE	Pooled logit	FE
Below state pension age	-0.253***	-0.302	-0.736	-0.156	-0.368	1.402
	(-0.046)	(-0.158)	(-1.055)	(-1.525)	(-0.781)	(-1.328)
Marital status (ref = married)						
Cohabit	-0.233*	-0.49	-0.159	1.389	-0.310***	-0.215
	(-0.099)	(-0.401)	(-0.142	(-1.233)	(-0.083)	(-0.335)
Single	-0.243***	0.088	-0.726***	-1.726*	-0.306***	0.055
	(-0.064)	(-0.344)	(-0.111	(-0.826)	(-0.054)	(-0.281)
Housing tenure (ref = own outright)						
mortgage=1	-0.353***	-0.316*	-0.138	-0.097	-0.115*	0.112
	(-0.055)	(-0.154)	(-0.093	(-0.363)	(-0.046)	(-0.123)
tenant=1	-0.872***	-0.577	0.167	-0.282	-0.909***	-0.761*
	(-0.083)	(-0.416)	(-0.105	(-0.886)	(-0.069)	(-0.342)
Disability (ref = no condition)						
Long-term condition	-0.078	-0.008	-0.185*	-0.138	-0.157***	0.026
	(-0.053)	(-0.126)	(-0.088	(-0.298)	(-0.046)	(-0.104)
Condition limits activity	-0.211***	0.179	0.092	0.306	-0.291***	0.203
	(-0.061)	(-0.147)	(-0.094	(-0.363)	(-0.052)	(-0.122)
Exact age (ref = 60) included						
Wave of survey (ref = 5) included						
Constant	-0.847***		-0.561		-0.728	
	(-0.075)		(-1.071)		(-0.791)	
Obs (N)	13,542	2,940	6,280	546	14,057	4,669

* p<0.05, ** p<0.01, *** p<0.001

Source: produced by the authors. Standard errors are shown in parentheses.