



Economic inactivity before reaching State Pension Age

Life course evidence from the 1958 National Child Development Study

In the last 15 years, concerns about the economic costs of an ageing population have prompted pension and retirement legislative changes and reforms designed to encourage those in the labour market to work for longer.

Despite this, a large proportion of adults aged 55-65 are leaving the labour market, worrying policymakers and questioning the effectiveness of initiatives to extend working lives.

The 1958 National Child Development Study (NCDS) is one of the UK's renowned national birth cohort studies,

which has collected data from over 17,000 individuals in Britain from birth and across their life course on a range of issues – including economic circumstances, health, and family and household life. This cohort reached State Pension Age (SPA) in March 2024 at age 66, providing a unique opportunity to investigate how individuals' lives and work histories influence their economic activity in later life.

In this briefing, we examine the economic activity changes within the 1958 cohort before SPA, using life course data to investigate factors associated with economic inactivity and labour market exits.



Key findings



- At age 55, just over 80% of cohort members were economically active - that is, employed or unemployed but looking for work. This dropped to around 55% by age 62, and again to about 50% by age 63. The main reason given by both men and women for leaving the labour market was 'retirement'.
- For both men and women, outright home ownership, having a retired partner, and having no children living at home increased the likelihood of leaving the labour market between ages 55 and 62.
- Additionally, men who left the workforce pre-pandemic were more likely than their peers to have an employer's pension or be in long-term ill health. Among women who left the workforce pre-pandemic, those with partners and higher household incomes were more likely to exit the labour market.
- In the first year of the pandemic, having an employer's pension, outright home ownership, and having a partner who was retired were associated with leaving the labour market for both men and women. Long-term ill health was an additional factor for men.

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About the data

NCDS follows the lives of around 17,000 people born across England, Scotland and Wales in a single week in 1958. The cohort has been followed up ten times between ages 7 and 55. Cohort members completed additional surveys at three different time points during the Covid-19 pandemic, when they were aged 62 and 63. Data from all sweeps of NCDS are available to download from the [UK Data Service](#).

The study has captured information on a wide variety of circumstances across the life course, including cohort members' childhood and adult socioeconomic position (SEP), their pension and housing assets, health, and caring responsibilities. This briefing investigates the role of these factors in shaping economic inactivity in their late 50s and early 60s.

The main focus of our analyses was to investigate labour market changes between age 55 (in 2013) and age 62 (in 2020), comparing two distinct groups. The first group includes those who were employed or unemployed but seeking work (and therefore 'active' in the labour market) at both age 55 and age 62. The second group includes those who were 'active' at age 55, but had left the labour market by

age 62, for example due to retirement, sickness, disability, or caring responsibilities (and were therefore economically 'inactive'). Data collected between 2020 and 2021, alongside self-reported pre-pandemic economic activity information, allowed us to also examine labour market changes during the first year of the Covid-19 pandemic, when cohort members were between ages 62 and 63. We examine these groups separately by sex, as men and women's employment and life histories differ.

In the following results, we provide simple descriptive statistics – such as the proportion of cohort members in different activity statuses – and their 95% confidence intervals. We discuss the life course factors associated with changes in activity status, highlighting only those differences that were statistically significant after multivariable adjustment (further details of this multivariable analysis are available on request).

Across all figures, where totals do not add up to 100 this is because there were a small percentage of cohort members at each age who were doing something else, such as full-time training, and were not included in these analyses.

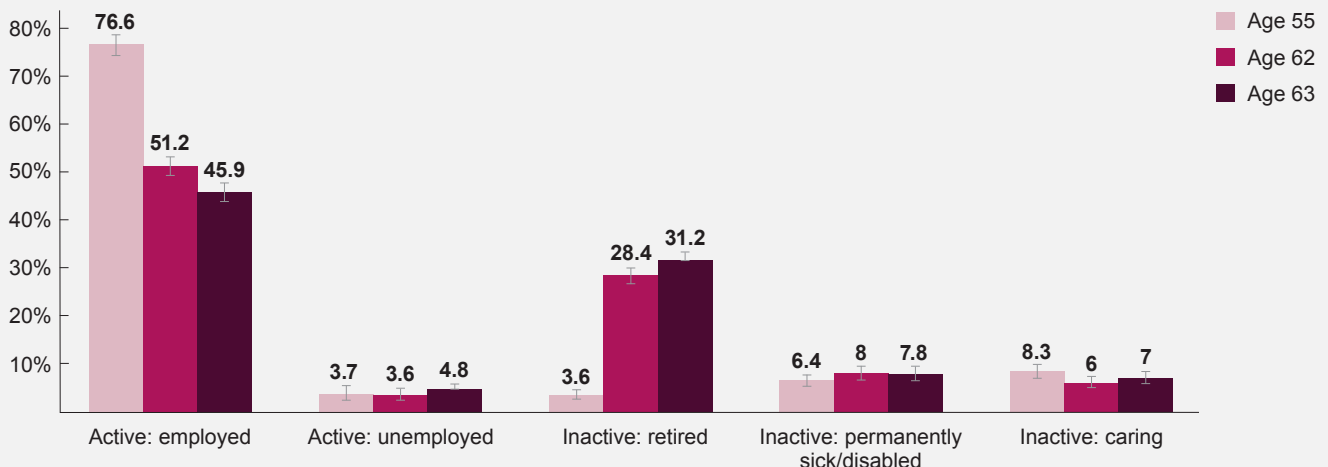
Results

Economic status at age 55, 62 and 63

Overall, at age 55 (2013) 80.3% of cohort members were economically active (76.6% employed and 3.7% unemployed), and 3.6% had already retired, as shown in Figure 1. By age 62, only 54.8% were economically active, and 28.4% were in retirement. In the first year of the pandemic (age 62 to 63), the proportion of cohort

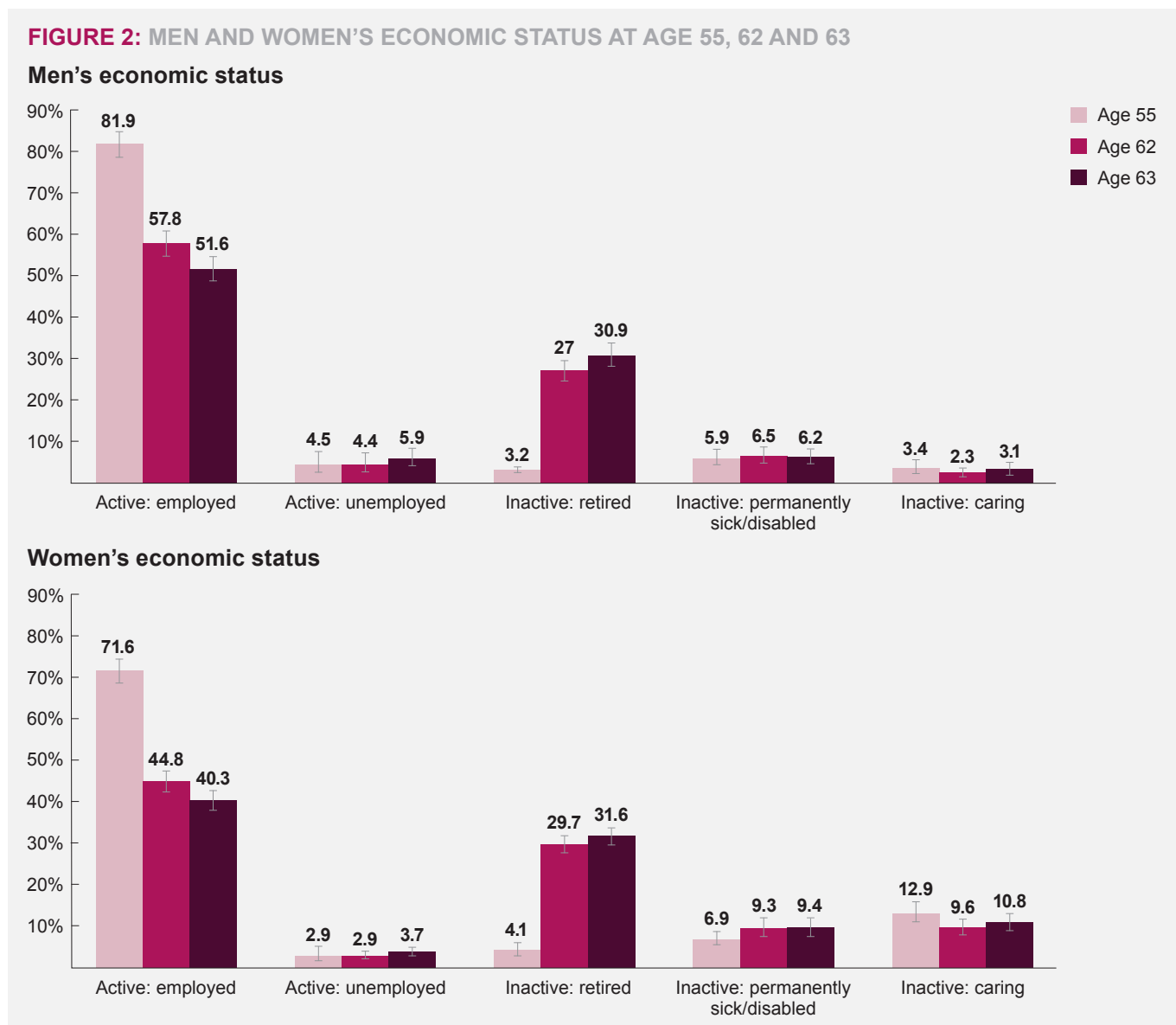
members in the labour market dropped again to 50.7%. This suggests a continuation of an ongoing trend rather than solely a 'pandemic-effect'. The main reason given for both men and women leaving the labour market was 'retirement'.

FIGURE 1: ECONOMIC STATUS AT AGES 55, 62 AND 63



While at age 55 more men than women were in employment (81.9% v 71.6%), a similar proportion of men and women transitioned from employment to retirement at age 62 and again at 63, as shown in

Figure 2. At all three time points, women were over three times more likely than men to be economically inactive because of caring responsibilities.



Factors associated with labour market exits between age 55 and 62

Among the 1958 cohort members, 60.3% of men and 44.4% of women were economically active at age 55 and remained in the labour market at age 62. However, more than one quarter of cohort members (25% of men and 28.1% of women) had made the transition from active at age 55 to inactive by age 62.

Early life factors

To understand the influence of early life experiences on labour market changes, we examined the association between a wide range of characteristics collected in childhood (up to the age of 16) and the likelihood of leaving the labour market between age 55 and 62.

Among men, those who had left the labour market by age 62 were on average more advantaged in early life compared to those who remained economically active at this age: a higher proportion of their fathers stayed in education beyond the minimum statutory age (33.1% v 24.1%) and the cohort members had on average higher cognitive ability at age 11. Among women, there were no significant early life differences (among the factors we tested) between those who stayed in the labour market at age 62 compared to those who did not.

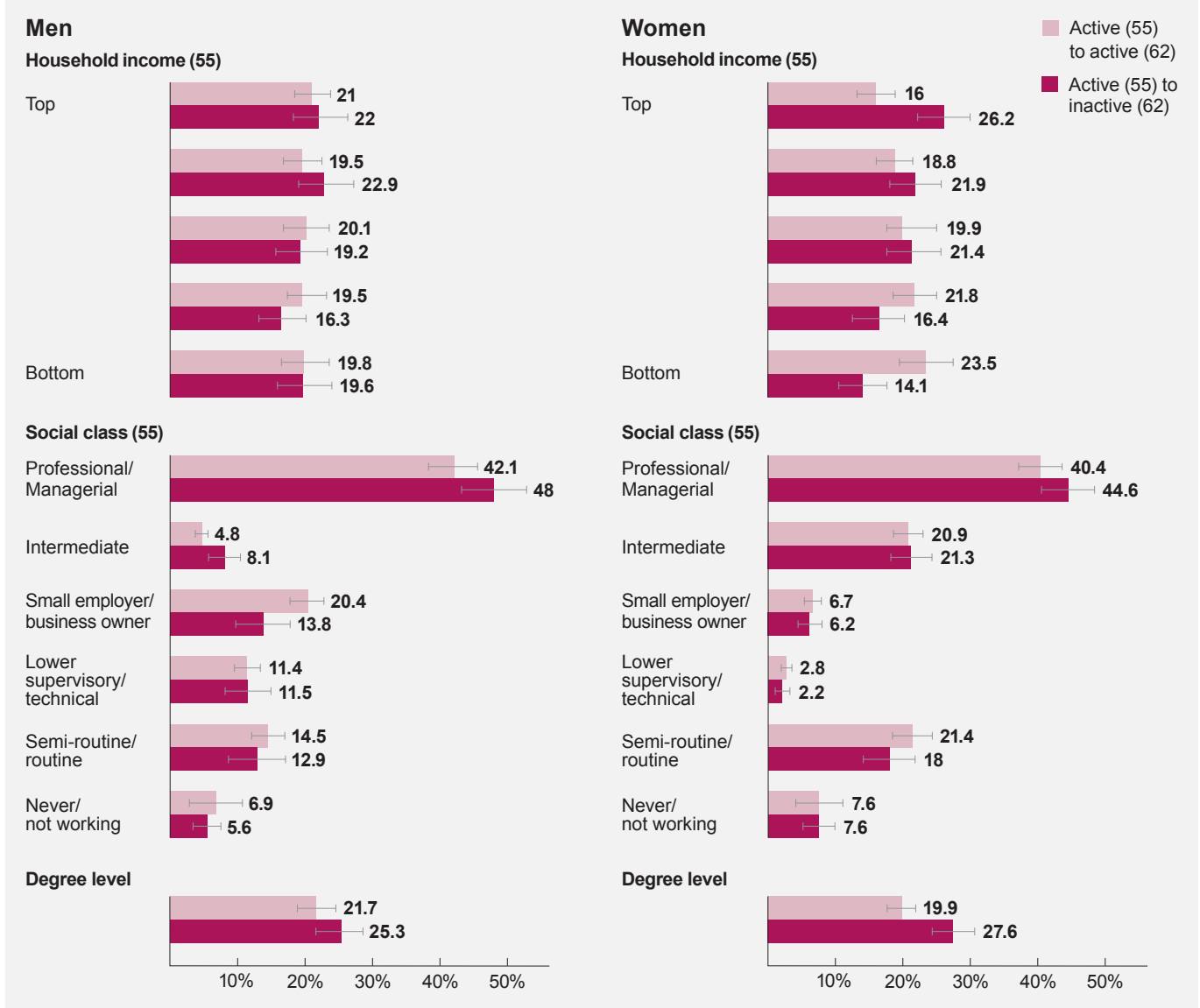
Mid-life socio-economic position

We investigated differences in labour market participation by mid-life SEP by examining household income quintiles and social class (as measured by the National Statistics Socio-economic Classification) at age 55, and whether cohort members were degree-educated.

Neither household income at age 55 nor being degree-educated were significantly associated with men leaving the workforce by age 62. Among men who were small employers or business owners at age 55, significantly more were still in the labour market at age 62 than not (20.4% v 13.8%).

Occupation was not a differentiator for women. However, over a quarter (26.2%) of women who had left the workforce by age 62 were in the top household income quintile. Among this most affluent group, just 16% of women remained economically active at the same age. Women who had left the labour market by age 62 were also more likely to have a university degree (27.6%) than those still in the workforce at age 62 (19.9%).

FIGURE 3: MEN AND WOMEN'S LABOUR MARKET CHANGES BETWEEN AGES 55 AND 62, BY MID-LIFE SEP



Mid-life pension and housing assets

We examined differences in labour market participation by types of private pension and housing tenure in mid-life (age 55).

There were substantial differences in types of private pension and housing tenure among men who had transitioned out of the workforce by age 62 compared to those who remained in the labour market. This suggests that having the financial assets to retire were associated with leaving the labour market for this group. Although most men had some type of private pension, a higher proportion of those still economically active at age 62 had no pension at all, compared to those who had left the workforce with no pension (12.2% v 5.7%). Similarly, men who were still in the workforce at age 62 were more likely than those who had left the labour market to have an individual private pension only (26.9% v 13.7%). Most (80.6%) men who had left the

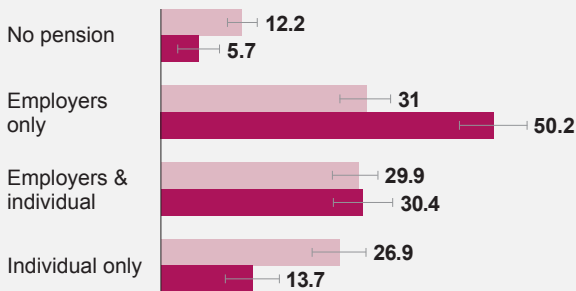
labour market by age 62 had either a private employer's pension only, or both a private employer's and individual pension. In addition, a higher proportion of men who left the labour market owned their property outright (29.4% compared to 18.2%) and were less likely to have been renting at age 55 (8.8% v 19.2%).

Like men who had left the workforce by age 62, a higher proportion of economically inactive women at this age owned their home outright (35.8% v 25.4%) and fewer were renting. More women who had left the workforce at age 62 supplemented their employer's pension with an individual pension, compared to those still active at that age (23.7% v 17.9%). Also, a higher proportion of women who remained economically active at age 62 had reported having no private pension at age 55, compared to women who had transitioned out of the labour market by age 62 (22.2% v 14.6%).

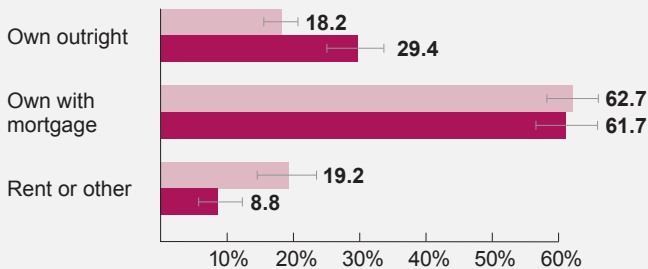
FIGURE 4: MEN AND WOMEN'S LABOUR MARKET CHANGES BETWEEN AGES 55 AND 62, BY MID-LIFE PENSION PROVISION AND HOUSING TENURE

Men

Private pensions (55)

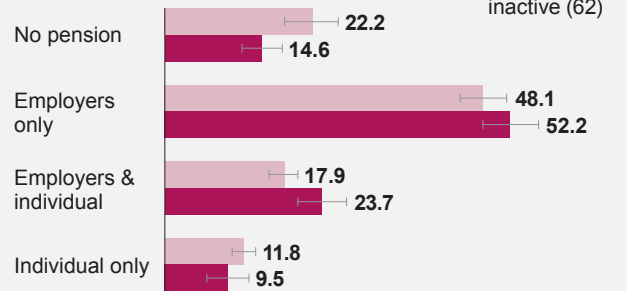


Housing tenure (55)

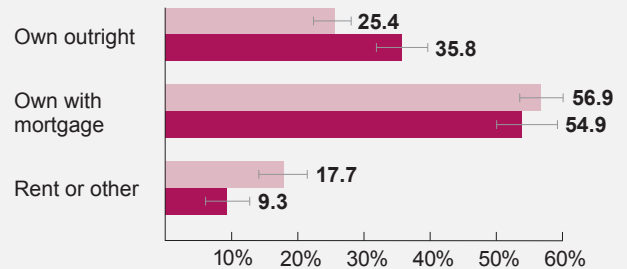


Women

Private pensions (55)



Housing tenure (55)



Mid-life partnerships and caring responsibilities

We also explored differences in labour market participation by partnership, partner's economic status and caring responsibilities at age 55, including children living in the household, care of grandchildren, and supporting ageing parents.

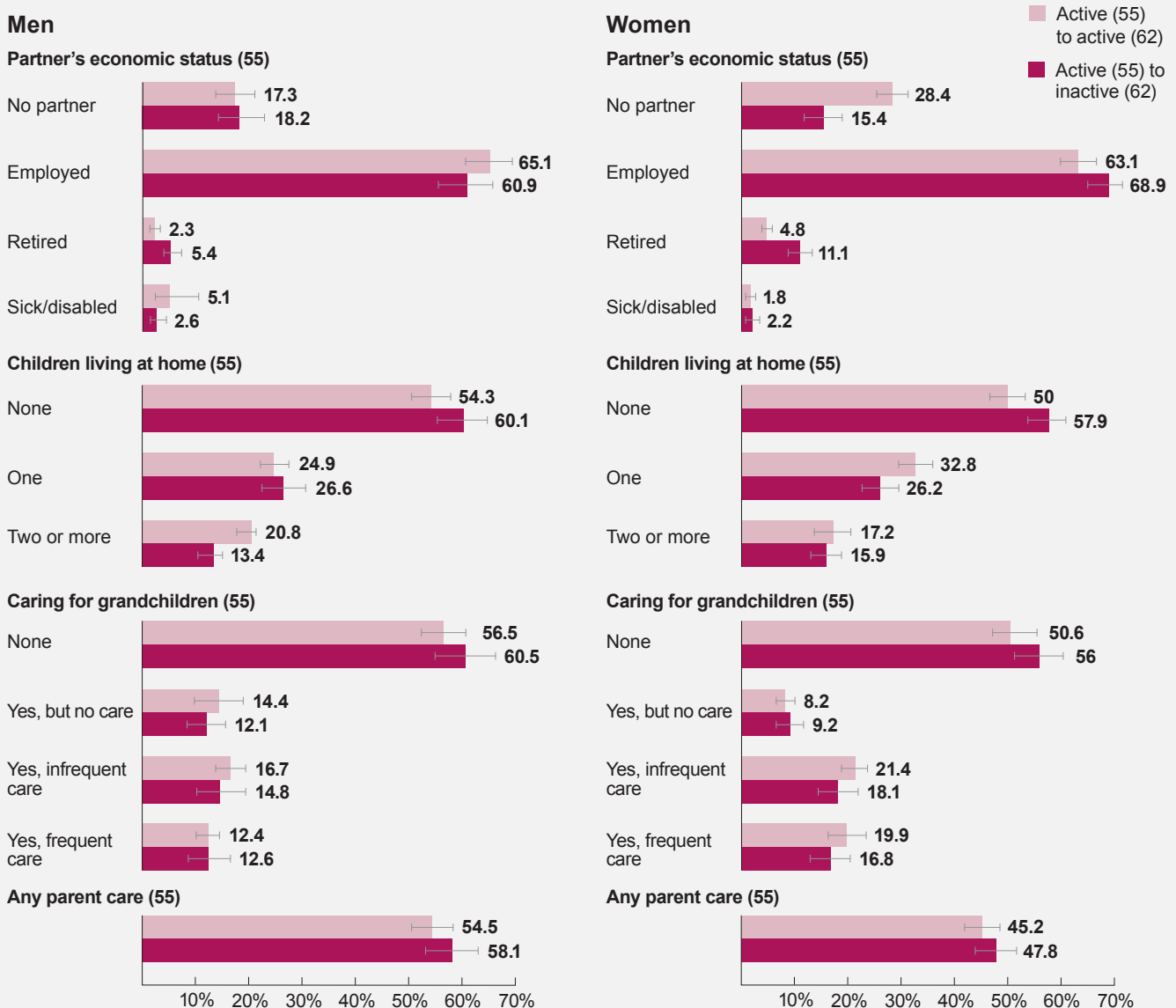
There were no notable differences at age 55 in caring responsibilities for partners, parents or grandchildren between men and women who remained active in the labour market at age 62 and those who had transitioned out of the workforce at this age. In fact, a higher proportion of women who had left the workforce by age 62 had no children living at home compared to those who were

economically active (57.9% v 50%).

For women, having a partner was associated with leaving the labour market between ages 55 and 62. Women with no partner were more likely to remain active in the labour market at 62 than transition out of it (28.4% v 15.4%).

Having a partner who had retired was also a factor, especially for women, albeit few partners had retired at age 55. Compared to those still economically active, those who had left the workforce by age 62 were twice as likely to have partners who had retired by age 55 (5.4% v 2.3% for men and 11.1% v 4.8% for women). This pattern was also true for partner retirement at age 62 and likelihood of being economically inactive at age 63.

FIGURE 5: MEN AND WOMEN'S LABOUR MARKET CHANGES BETWEEN AGES 55 AND 62, BY PARTNER'S ECONOMIC STATUS AND CARING RESPONSIBILITIES IN MID-LIFE



Mid-life health

Over a third (36%) of men who had left the labour market by age 62 had reported having a long-term illness at age 55, compared to 27.6% of men who remained active in the workforce. Among women who reported a long-term

illness at age 55, there were no differences in whether or not they were still working at age 62. There were no significant differences in the mental health, cognitive or physical function of men and women who had left the labour market by age 62 and those who remained.

Leaving the labour market between age 62 and 63

Among the 1958 cohort members, 53.9% of men and 40.8% of women were economically active at age 62 and remained in the labour market at age 63. A further 7.7% of men and 6.2% of women had made the transition from active at age 62 to inactive by age 63.

In the first year of the pandemic (between age 62 and 63), having an employer's pension, outright home ownership, and having a partner who was retired were associated with leaving the labour market for both men and women. In addition, having a long-term illness increased men's likelihood of inactivity by age 62, and again at age 63. These factors were statistically significant after multivariable adjustment.

Considerations for policymaking

This cohort experienced significant changes in pension and retirement legislation during the later stages of their professional lives. Given that the likelihood of earlier retirement was higher among those with greater access to pensions and housing wealth, the economic feasibility of retirement, possibly facilitated by access to private pensions enabled by the Freedom of Pensions Act, could well have been an important factor.

In comparison to women who had left the labour market at age 62, those who remained had fewer financial resources. The increase in the SPA for women in this cohort by six years during their mid-life, from age 60 to 66, may have contributed to why the most financially vulnerable have been more likely to remain in work.

Having no private pension at age 55 was associated with remaining in the labour market at age 62. The rollout of automatic enrolment from 2012 onwards, when the cohort members were aged 54, may have resulted in some of those with no pension joining defined contribution occupational schemes. However, many may not have been eligible, and enrolling in a defined contribution pension scheme later in life would have severely limited the build-up of adequate pensions funds.

This work clearly points to the heterogeneity of life course factors associated with leaving the labour market before SPA. Those without adequate financial resources will have to work until SPA and perhaps beyond, assuming they remain in reasonably good health and are not subject to long-term caring responsibilities. At this age, recent legislation has extended working lives for some groups more than others. It appears that women, particularly those who are single and with lower incomes, and self-employed men are likely to remain in the labour market.

Further research

This briefing is part of a larger piece of work exploring the stability of and changes in economic status in the NCDS cohort from age 55 to 62 and age 62 to 63.

Future work will expand the analyses to look at those persistently out of the labour market at these ages, as well as those who had entered or reentered the workforce later in life. A working paper with more in-depth multivariable analysis will be published in early 2025 in the UCL Centre for Longitudinal Studies (CLS) Working Paper Series.

Fieldwork has been completed on a new sweep of NCDS at age 62-65. These new data will be available to download from the UK Data Service in spring 2025 and could be used to conduct further work investigating employment, finances, health, relationships and responsibilities in the run up to SPA. More information about the new data is available on the [CLS website](#).

Notes

The analytic sample included all NCDS cohort members who responded to the employment activity status questions in the Age 55 Sweep and at the third Covid-19 survey, and also responded to the pre-Covid-19 employment status questions (n=6,435; men n= 3,014 and women n=3,421). To deal with item non-response, we used Multiple Imputation with chained equations, imputing 25 data sets, including all variables used in the main analysis, as well as a set of auxiliary variables. To correct for attrition, we used Inverse Probability Weighting applying non-response weights derived for the Covid-19 surveys.

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