

## QUALITY OF EMPLOYMENT AND LIFE SATISFACTION: A RELATIONSHIP THAT MATTERS FOR OLDER WORKERS

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and Christina Matz-Costa

This Issue Brief offers insights about how employment experiences affect the life satisfaction of older workers. We explore the following questions:

- Why does employee well-being and life satisfaction matter to employers?
- What factors affect life satisfaction?
- Is there a connection between working and life satisfaction?
- What factors explain variation in the life satisfaction of older workers?

### Introduction

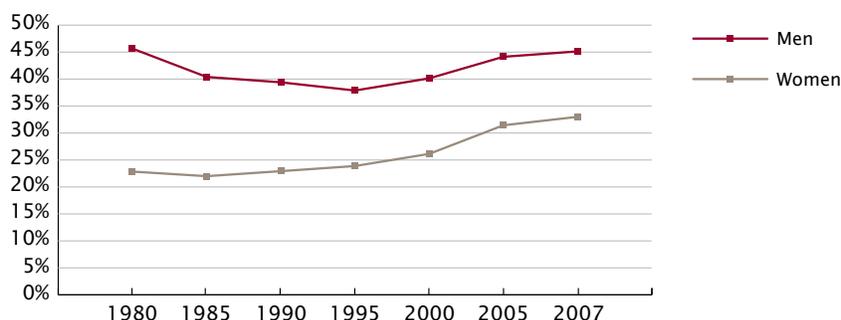
During the last half of the 20th century, the labor force participation rates of people aged 55 and older dropped. However, beginning in the mid 1990s, there was a “turning of the tide,” and these rates started to rise, particularly among women (see Figure 1).<sup>1</sup>

Several factors have contributed to the new trends in later retirement. The increase in the labor force participation of older workers reflects both societal

shifts as well as changes in the lives of older workers. Economic conditions, occupation-specific labor force shortages, and new attitudes about aging and work have affected older workers’ decisions about continued labor force participation. There have also been changes in the experience of older workers themselves that affect their decisions about work and retirement. The improved health status of older adults has increased life expectancy of both men and women.<sup>3</sup> As a result, a greater percentage of older workers are physically able to continue to work. The assessments that older workers make about the adequacy of their financial resources affects their decisions as well. In fact, a minority of Baby Boomers (approximately one-quarter) report that they are very confident that they will have enough money to live comfortably in retirement.<sup>4</sup> In summary, older people are increasingly finding that they either want to work and/or they have work.<sup>5</sup>

Recent studies suggest that employment—particularly having a job that is a quality job and one that fits with the employees’ priorities and preferences—contributes to the quality of life and life satisfaction of older workers.<sup>6</sup> Life satisfaction has also been linked to employee’s work behaviors, including job performance; therefore, life satisfaction is a topic of interest for organizations striving to be employers-of-choice.

Figure 1: Labor Force Participation Rate of Persons Age 55 and Over



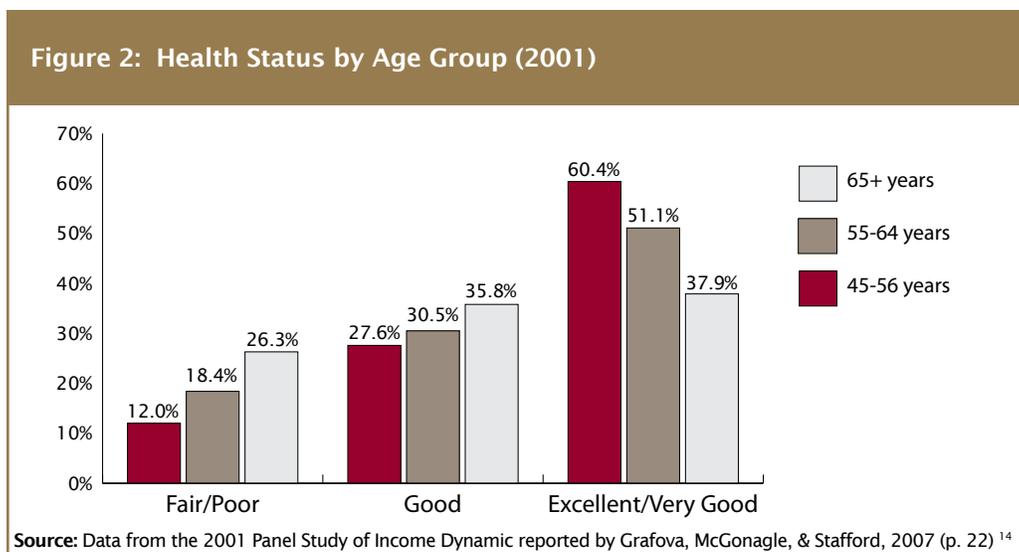
Source: Bureau of Labor Statistics (2007)<sup>2</sup>

## Why does employee well-being and life satisfaction matter to employers?

Employee well-being affects four aspects of work: job performance, absenteeism, turnover, and organizational commitment.<sup>7</sup> This relationship can work both ways: high well-being can have a positive impact on work behaviors, and positive work experiences have a positive impact on well-being. There is also a connection between life satisfaction and well-being: people with higher life satisfaction also report greater well-being.<sup>7</sup>

- **Job Performance:** At the workplace, managers observe that workers who are “happy” tend to have higher job performance than workers who are less happy.<sup>8</sup> Life satisfaction may influence (moderate) the relationship between job satisfaction and performance; that is, the link between job satisfaction and performance tends to be present only if the employee also reports high levels of well-being (i.e., life satisfaction).<sup>9</sup> As a consequence, it is important for employers to pay attention to employees’ well-being as well as their job satisfaction.

- **Absenteeism:** Workers with higher levels of life satisfaction and well-being have lower levels of absenteeism.<sup>10, 7</sup>
- **Unwanted Turnover:** Regardless of job satisfaction levels, employees with higher well-being are less likely to turnover.<sup>11</sup> Life satisfaction and well-being also influence the relationship between turnover and job satisfaction; employees are more likely to turnover when both their well-being and job satisfaction are low.
- **Organizational Commitment:** There are connections between life satisfaction and organizational commitment. High levels of organizational commitment are related to greater life satisfaction (and vice versa).<sup>12</sup> Organizational commitment may in turn lead to lower absenteeism, lower turnover, greater job satisfaction and job performance. Finally, employees with higher levels of life satisfaction are more likely to display organizational citizenship behaviors, such as assisting colleagues.<sup>13</sup>



## What factors affect life satisfaction?

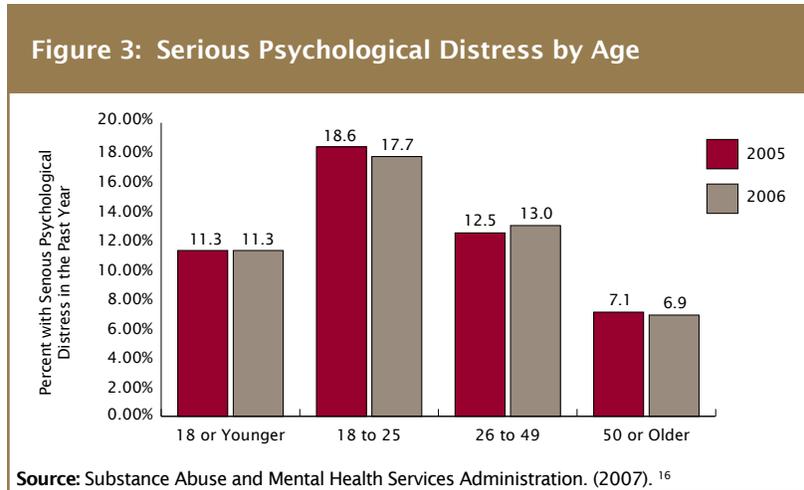
Life satisfaction reflects our assessments of many different facets of our lives, such as physical health, wealth, mental health, social relationships, and our sense of accomplishment (such as through paid and unpaid work).

**Physical Health and Age:** In 2001, 82% of people between the ages of 50-64 reported being in good to excellent health, with 42% being in very good or excellent health.<sup>14</sup> Two-thirds (68%) of those age 65-79 assessed their health as good or excellent (see Figure 2). <sup>14</sup>

**Wealth and Age:** According to the “Income-to-Needs” standards established by the Census Bureau, the highest income-to-needs ratios are reported for people 50-64 years of age, compared to those under the age of 50 or those ages 65-79. However, when looking only at those who report they are in excellent health, the ratio of income-to-needs improves with age.<sup>14</sup>

**Mental Health and Age:** Mental disorders are the leading cause of disability in the U.S. for ages

15-44.<sup>15</sup> This has direct implications for employee well-being and productivity. There are many ways to assess mental health. One set of questions used by the National Health Survey found that psychological distress is highest among 17-44 year olds, it decreases for 45-64 year olds, and then increases slightly among 65-79 year olds.<sup>16</sup> As noted in Figure 3 below, adults 50 years of age and older are less likely than younger adults to exhibit serious psychological distress in the preceding year.<sup>16</sup>

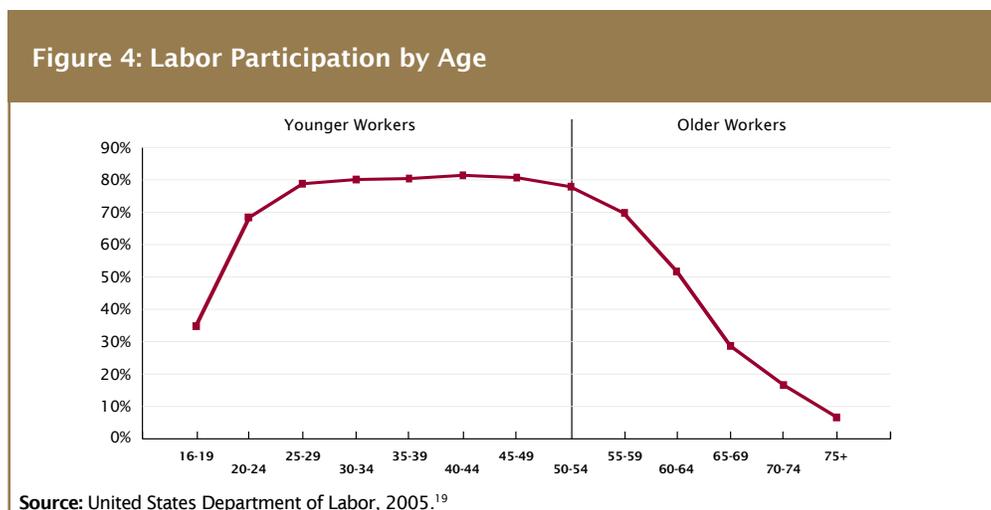


**Social Relationships:** Research has shown that social relationships—at home, in the community, and at the workplace—play a large role in satisfaction with life ratings.<sup>17</sup> Some older workers report that one of the benefits of work is the opportunity to form relationships with other employees. In general, people 50-64 years of age have larger social networks than those 65-79 years of age.<sup>18</sup>

**Accomplishments Through Paid/Unpaid Work and Age:** Life satisfaction reflects our perceptions of the

meaningfulness of our lives. Personal accomplishments achieved through paid work and through unpaid work at home and in the community can contribute to a sense of satisfaction with life.

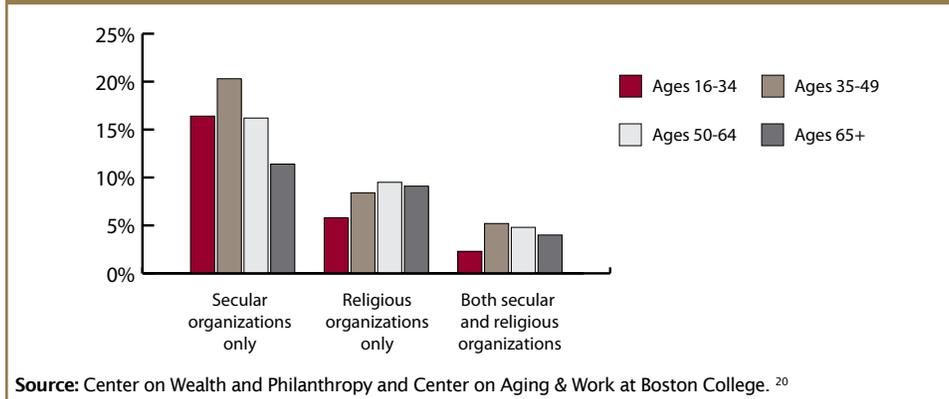
As pointed out earlier, higher percentages of older workers are participating in the labor force in comparison to years past. However, the percentage of people working declines with age, beginning at around age fifty (See Figure 4.)



The number of hours spent on volunteer activities increases with age. On average, approximately 29% of all civilian adults volunteered from September 2004 to September 2005 (with an average of 126

total volunteer hours), of those, 30.7% were 50-64 years old (with an average of 136.5 total hours), and 24.8% were 65+ years old (with an average total of 175 hours) (see Figure 5).<sup>20</sup>

Figure 5: Volunteering by Age and Organization - Percent of Volunteers



### Are people more or less satisfied with their lives as they age?

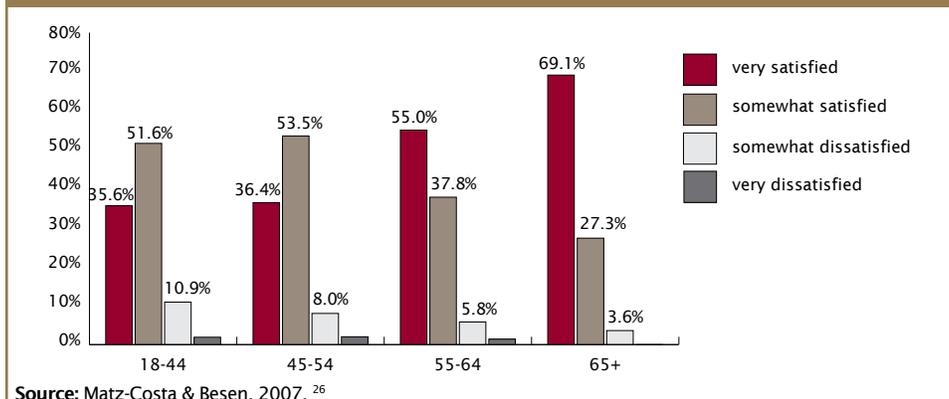
Some studies have found that life satisfaction is relatively stable over one's life course.<sup>21</sup> That is, people who have high life satisfaction as young adults are likely to also have high life satisfaction later in life. However, there is also some evidence that life satisfaction may fluctuate from age to age, at least in some countries. For example, in one study, 24% of Danes between the ages of 62 and 77 identified the decade between age 30 and 39 as the most satisfying decade of their lives; only 8% identified the current decade (i.e., a decade in later-life) as the most satisfying decade of their lives.<sup>22</sup>

### Is there a connection between working and life satisfaction?

In general, high quality jobs support people's financial, social, physical, and emotional well-being.<sup>23, 24, 25</sup> Although there is a lot of information about the life satisfaction of older people, there has been very little research conducted about the life satisfaction of those older people who work, either compared to younger workers or compared to older people who do not participate in the labor force.

Data from the 2002 National Study of the Changing Workforce suggests that wage and salaried workers aged 54 and older are more likely to report being "very satisfied" with their lives than younger workers.<sup>26</sup>

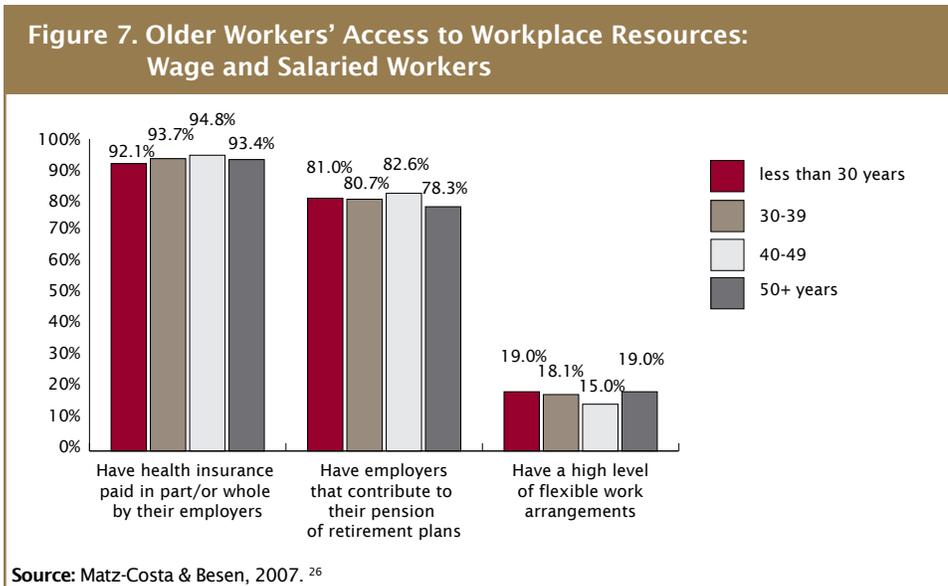
Figure 6 Life Satisfaction among Wage and Salaried Workers by Ages (N=2400)



## Are there differences in life satisfaction of older adults who are in the workforce versus those who are not?

Although the research findings are a bit mixed,<sup>27</sup> it appears that working might be beneficial for older adults, particularly for those who want to work and are healthy enough to work. One study of individuals aged 65 and above found a relationship between life satisfaction and employment, even when controlling

for the impact of perceived social support, one of the potential benefits of work.<sup>28</sup> A different investigation focused on people between the ages of 59 and 69 and found that individuals who retired between 2000 and 2002 reported lower levels of well-being than those who continued to work.<sup>29</sup>



## What factors explain variation in the life satisfaction of older workers?

We used data from the 2002 National Study of the Changing Workforce, wage and salaried workers, to identify factors that explain variation in the life satisfaction of older workers.<sup>26</sup> There were 681 individuals aged 50 and older who responded to this survey.

## Who are these older workers?

Many had access to health insurance—paid in part or full by their employers, workplace retirement benefits, and a high number of flexible work options (see Figure 7).

- These workers were, on average, 57 years old.
- About 60.6% of them worked for private for-profit businesses.
- They typically had one other person in their immediate families.
- In 2002, they personally earned a mean of \$44,988 and their partners (if they were married/partnered) earned a mean of \$47,504.
- Most were female, white, non-Hispanic, and in good health.

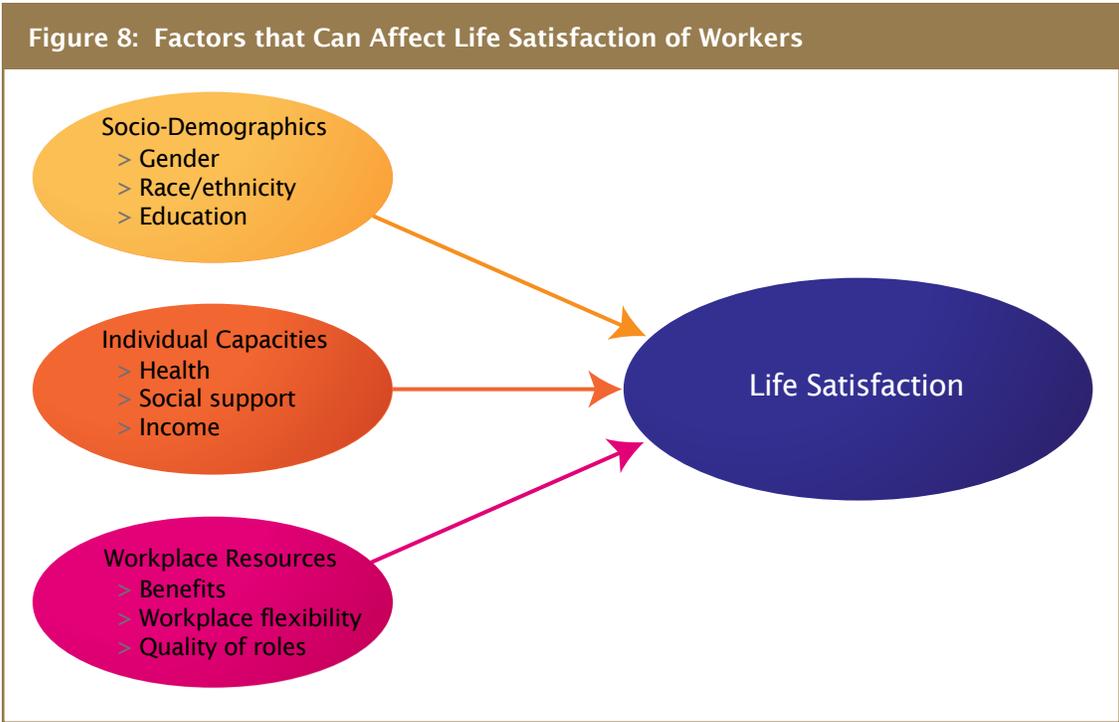


Figure 8 summarizes the categories of information that we anticipated would affect the life satisfaction of older workers.

**Which older workers are satisfied with their lives?**

The data suggest that the following factors explained variation in life satisfaction:

**Socio-Demographic Characteristics:** Among older workers, the odds of being very satisfied with life are:

- 63.6% higher for females than for males
- 45.3% lower for white non-Hispanics than for people of other ethnic/racial backgrounds
- 8.5% higher with every additional year in age

**Individual Capacities:** Among older workers, the odds of being very satisfied with life are:

- 187.8% higher for those in good or excellent health than for those poor or fair health
- 146.5% higher for those living with spouses or partners than for those in other living arrangements
- 105.1% higher for those with extra money to save or invest after monthly expenses than for those without such additional funds

**Workplace Resources:** Among older workers, the odds of being very satisfied with life are:

- 52.2% higher for those who have employers that contribute to their pension or retirement plans than for those who do not
- 67.4% higher for those who have a high level of flexibility on the job than for those who do not.

## What factors did not help to explain variation in life satisfaction?

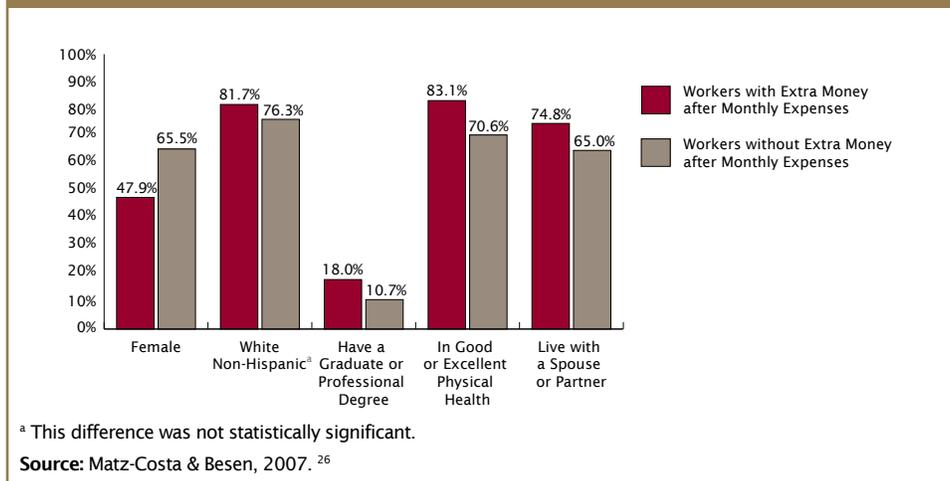
- Whether or not older workers have a graduate/professional degree or whether they hold professional or managerial positions.
- Whether they have health insurance paid in part or full by their employers (This result may, in part, reflect the fact that some of these older workers do have access to health insurance, but perhaps not from their own employer. This may be through a spouse's employer, for example).

The big surprise was that personal income – measured in absolute dollars and cents - did not explain variation in life satisfaction, although (as noted above) having extra money after monthly expenses did.

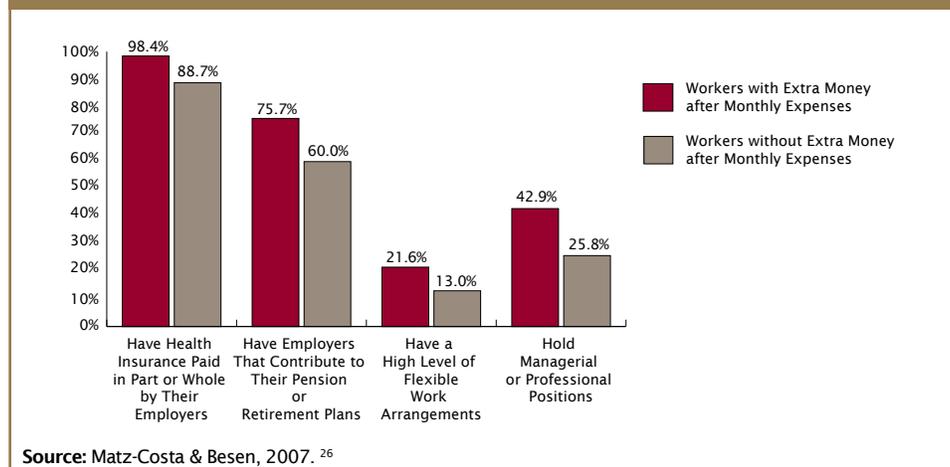
On average, the older workers who reported that they did not have extra money after paying for monthly expenses personally earned \$33,391. Their partners earned an average of \$36,419. Approximately 34.8% of those without extra money are very satisfied with their lives, in contrast to the 48.6% of the older workers group, in general. The workers who reported that they did not have extra money after paying for monthly expenses were significantly more likely than those with extra money to be female and significantly less likely to have a graduate or professional degree, be in good health, and live with a partner (see Figure 9).

In addition, these older workers without extra money have access to fewer workplace resources (such as benefits, workplace flexibility, etc.) than those with extra money (see Figure 10).

**Figure 9. Socio-Demographics and Capacities of Older Workers with and without Financial Security**



**Figure 10. Access to Workplace Resources among Older Workers with and without Financial Security**



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## Implications for Employers

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As expected, socio-demographics, health, social support and finances play strong roles in the achievement of life satisfaction among older workers.

Of particular importance to employers, however, is that even when controlling for the influence of such individual characteristics and capacities, access to higher levels of workplace resources – including options for flexible work—clearly increases the likelihood of higher life satisfaction among older worker.

Given the links between life satisfaction and positive work behaviors, the adoption of practices such as flexible work options may result in benefits both for the organization as well as older workers.

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## About the National Study of the Changing Workforce

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Many of the findings discussed in this Issue Brief are the result of new analyses of wage and salaried workers who responded to the 2002 National Study of the Changing Workforce (NSCW) and provided their ages.

The National Study of the Changing Workforce (NSCW) is conducted every five years. It surveys large samples of the U.S. workforce to collect information about both the work and personal lives of U.S. workers. The NSCW builds upon and expands the scope of the U.S. Department of Labor's Quality of Employment Survey, which was discontinued following 1977 data collection. Data from the NSCW surveys (1992, 1997, and 2002) are available ([www.familiesandwork.org](http://www.familiesandwork.org)) for use by other researchers and have been extensively analyzed with many findings presented and published. Numerous reports presenting findings from different analyses of the NSCW can be found on the website of the Families and Work Institute

**The Center on Aging & Work/Workplace Flexibility at Boston College**, funded by the Alfred P. Sloan Foundation, is a unique research center established in 2005. The Center works in partnership with decision-makers at the workplace to design and implement rigorous investigations that will help the American business community prepare for the opportunities and challenges associated with the aging workforce. The Center focuses on flexible work options because these are a particularly important element of innovative employer responses to the aging workforce. The studies conducted by the Center are examining employers' adoption of a range of flexible work options, the implementation of them at the workplace, their use by older workers, and their impact on business and older workers.

The Center's multi-disciplinary core research team is comprised of more than 20 social scientists from disciplines including economics, social work, psychology, and sociology. The investigators have strong expertise in the field of aging research. In addition, the Center has a workplace advisory group (SENIOR Advisors) to ensure that the priorities and perspectives of business leaders frame the Center's activities and a Research Advisory Committee that provides advice and consultation on the Center's individual research projects and strategic direction. The Center is directed by Marcie Pitt-Catsouphes, Ph.D., and Michael A. Smyer, Ph.D.

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