

## **Trends and Correlates of Post-Retirement Employment, 1968 to 2007**

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### **Research Statement**

Contrary to the common notion of retirement as an abrupt end to labor force participation, research shows that older workers exit the workforce in very complex ways (Hayward, Hardy and Liu 1994; Quinn and Kozy 1996; Moen et al. 2000). Retirement is more of a process than an event, with dozens of possible variations in the combination of paid work and time out of the labor force. Research shows that working for pay after retirement is more common than is generally assumed (Han and Moen 1999) and that the stereotypical retirement experience – the abrupt ceasing of all paid work and commencement of a life of leisure – is the experience of only half of all workers (Ruhm 1990; Maestas 2004).

Despite the apparent prevalence of combining work and retirement in the U.S. and the implications this work-retirement behavior may have both for the labor market and for individual workers, post-retirement employment behavior is understudied. In this paper, we add to the growing literature on retirement and employment processes by examining the trends and correlates of post-retirement employment in the U.S. from 1968 to 2007. Specifically, the paper presents (1) trends in the prevalence of post-retirement employment for the older population as a whole and for subpopulations defined by sex, race, immigration status and other important demographic characteristics; and 2) an analysis of the correlates of post-retirement employment that might help explain the observed trends.

### **Influences on post-retirement employment**

One study of trends in the labor force transitions of older workers showed that the rate of post-retirement employment was low and relatively stable from 1968 to 1989 (Peracchi and Welch, 1994). Given the significant demographic and economic changes that have occurred since the late 1980s, it is reasonable to question the continued stability of this trend. Over the past 20-30 years the labor force in the U.S. has experienced many macro-economic changes that are known to have influenced employment outcomes for the working-aged population, and we hypothesize that these macro-economic changes may likewise have influenced employment among the retirement-aged population as well. These macro-economic trends include, for example, declining real wages, fluctuations in the unemployment rate, cycles of economic expansion and retraction, the increasing cost of health care, declining access to pensions, the shift away from industrial sector jobs in the occupational structure, and an increase in nonstandard work arrangements including increased contingent work (Kalleberg and Schmidt 1996). At the same time, the demographics of the population have also shifted. The population as a whole is aging and improvements in health and health care have led to more

years of active life, the representation of women has increased to about half of the total workforce (Institute for Women's Policy Research 2004), and the frontrunners of the Baby Boomer generation have reached retirement age, heralding the labor force exit of a large cohort of Americans who have significant labor force experience.

The members of the Baby Boom generation have been credited with changing the experience of every stage of the life course through which they have lived (Gillon 2004), and their presence in the retirement ages as well may alter the normative work and leisure behaviors of retirement. As evidence of a change in the conceptualization of retirement that may indicate behavioral change, a recent survey of American workers shows that nearly 70 percent expect to work for pay after retirement, and that 54 percent of retired workers who were still in the workforce continued to work because of financial need (Reynolds, Ridley and Van Horn 2005). Also, there is evidence that the long-term trend toward earlier retirement has stalled, or even reversed (Friedberg 2007), indicating that in recent years, Americans have begun to delay retirement and continue to work.

These trends suggest that older workers may be more likely to reenter the labor force after a spell of retirement due to increases in both demand and supply. Organizations will likely need a supply of flexible contingent workers, which suits older workers as a subpopulation; and older workers themselves may be more inclined to work after retirement due to increased desire for reduced hours, better health, greater longevity, and also financial necessity.

## **Hypotheses**

We hypothesize that the prevalence of post-retirement employment has increased over the past 20-30 years and we expect that this trend has been driven by three categories of determinants: (1) macro-economic forces, (2) changes in the composition of the retired population, and (3) changes in the work-retirement behavior of older Americans.

## **Data and methods**

We use data from the 1968-2007 *Current Population Surveys Annual Demographic Files*, also known as the *March CPS*, to examine trends in the prevalence and correlates of post-retirement employment. We create short-term panels by matching respondents from adjacent years of the *March CPS* and use this long series of short panels to examine the one-year rate of transition from retirement to employment. To generate the matched files we follow Katz et al. (1984) and Pitts (1988) for the years 1968 through 1979 and Madrian and Lefgren (2000) for the years 1980 through 2007. The sample sizes the CPS provides, in addition to the significant length of this time series enables us to analyze the experience of post-retirement employment across time and for various subpopulations defined by sex, race/ethnicity, age, industry. It also allows us to examine the influence of behavioral change by comparing the post-retirement behavior of multiple cohorts. We focus our analysis on the civilian population aged 49-68 and we exclude individuals who report having a disability. We use multiple indicators, including labor force status, receipt of Social Security, pension or other retirement income to define the retired population at time  $t$  who are at risk of reentering the labor force between  $t$  and  $t+1$ .

To examine the trends in post-retirement employment, we use descriptive statistics. To identify the correlates of post-retirement employment experiences and to test for trends in the importance of these correlates we estimate multivariate models of post-retirement transitions using the repeated-panel data. Finally, we test the degree to which the observed trends in post-retirement employment are influenced by changes in each of the determinants of post-retirement employment using a simulation analysis that implements the logic of population standardization. The simulation analysis assesses the extent to which changes in the probability of post-retirement employment between 1980 and 2007 are attributable to the observed variation in macro economic forces, in the composition of the retired population (e.g. are they younger on average in more recent years than in prior years), or individual behavioral change.

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