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Is Retirement Being Remade? Developments in Labor Market Patterns at Older Ages

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Is Retirement Being Remade? Developments in Labor Market Patterns at Older Ages

Abstract

This chapter investigates non-traditional work and retirement patterns among older individuals in the Health and Retirement Study. We first review the evidence on retirements that initially involve bridge jobs or some form of partial retirement. We then focus our analysis on retirement reversals in which individuals resume or increase work activity following a period of retirement. Almost one third of the individuals in the sample who are ever partially or fully retired make at least one transition from more to less retired during the period of observation. We explore the characteristics of the individuals who make these types of transitions.

Keywords

partial retirement, health and retirement study

Disciplines

Economics

Comments

The published version of this Working Paper may be found in the 2008 publication: *Recalibrating Retirement Spending and Saving*.

Recalibrating Retirement Spending and Saving

EDITED BY

John Ameriks and Olivia S. Mitchell

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Chapter 2

Is Retirement Being Remade? Developments in Labor Market Patterns at Older Ages

Sewin Chan and Ann Huff Stevens

'Retirement' is often thought of informally as a discrete and permanent exit from the labor force at older ages, usually following a long-term job. Nevertheless, recent research has suggested that this method of retiring is far from universal. This chapter shows that retirement behavior is even more complex than had been previously thought, with many individuals returning to the labor force from retirement, as well as moving toward retirement in stages.

For many years, writers have noted that some older people have moved gradually rather than suddenly to retirement, with workers transitioning from nonretirement to 'partial retirement' before completely retiring. Some authors, using data from 1990s, argued that between one-third to half of all retirees took on so-called *bridge jobs* before completely withdrawing from the labor force, depending on exact definitions of such bridge jobs. These typically include fewer hours of work, less responsibility, and lower wages than the worker's preretirement job. More recent evidence suggests that perhaps a majority of retiring workers today use partial retirement as a stepping stone to full retirement. Another interesting pattern has been called *retirement reversals*, whereby individuals resume or increase work activity following a period of complete or partial retirement. As described below, we find widespread evidence of this as we follow older individuals for up to a dozen years.

Understanding the complex nature of the retirement process is important for many aspects of the economics of older individuals. Much of the existing work on modeling retirement decisions has focused on a discrete one-time choice to retire, despite the fact that this behavior correctly characterizes only a minority of workers. The actual decision-making process is more complex because individuals have, and use, other options on the way to retirement. Furthermore, the possibility of a return to the labor force is important for understanding savings and investment allocation decisions for older individuals. For example, an individual may be willing to allocate a greater share of portfolio wealth to risky assets in early retirement if she

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knows that she may be able to return to the workforce for some period of time. It may also be the case that some retirement reversals are the result of errors in saving decisions. Some individuals may return to work because they have either misestimated the level of resources that they would have in retirement or underestimated the level of expenses that they would incur in retirement.

With the baby-boomer generation heading toward the latter phase of its working careers, it is especially important to understand better the complexities of retirements that, for many, will not look like the standard stereotype of one-shot retirement. The complexities of retirement behavior may have an important influence on the relative merits of different public policies regarding retirement. In what follows, we first review the existing research on bridge jobs and partial retirement. We then investigate retirement reversals using data from the Health and Retirement Study (HRS), a representative longitudinal survey of older individuals that was launched in 1992 and continues to interview many of the same individuals over time.

Previous Research on Retirement Patterns

The use of bridge jobs and partial retirement before a worker becomes fully and permanently retired has long been of interest to economists. A *bridge job* is usually defined as employment which follows the worker's long-term career job. This need not be part-time work, and bridge job workers need not consider themselves partially retired. On the other hand, partial retirement often implies part-time work, or at least work that involves less effort than the worker was accustomed to. Partial retirement need not involve a bridge job if a worker can reduce hours on one's main career job. Accordingly, gradual retirement could involve any combination of bridge jobs and partial retirement.

The popularity of a gradual rather than discrete approach to retirement first became evident to researchers from studies using the Retirement History Survey (RHS)—a nationally representative sample of older men and unmarried women aged 58–63 in 1969, who were then interviewed every two years between 1969 and 1979.¹ Ruhm (1990) used that survey to define the worker's 'career job' as the longest spell of employment with a single firm, up to and including the position held at the start of the RHS, and a 'bridge job' as any job held subsequent to that. He found that most workers retired from bridge jobs, rather than directly from their career jobs, and that the period of postcareer job employment was often lengthy (five years or more) for a substantial portion of workers, especially those who left their

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career job at relatively younger ages. In terms of job characteristics, the bridge job was usually in a different industry or occupation or both [less than one-quarter of workers had the same one-digit standard industrial classification (SIC) industry and occupation code in their first bridge job]. As expected, drops in earnings between the career and bridge jobs were smaller for those who did remain in the same industry and occupation.

Au: Please check the expanded form of "SIC". OK?

Another main pathway to gradual retirement is partial retirement. Using a self-reported measure of partial retirement (workers could identify themselves as 'not retired,' 'partially retired,' or 'retired'), Ruhm found that almost half reported being partially retired at some point over the 10-year survey period, and that while the typical duration of partial retirement was relatively short (40 percent were under two years), there was a considerable right tail (more than 20 percent lasted for over eight years). Only a small proportion of partial retirees (less than one in seven) remained with their career employer.

New opportunities for researchers to investigate bridge jobs and partial retirement have become available with the development of the HRS, a large nationally representative longitudinal survey of older individuals beginning in 1992 and continuing every two years to date; new cohorts were introduced in 1998 and again in 2004. Cahill, Giandrea, and Quinn (2005) used the first six waves of this data, and they conclude that bridge jobs have continued to be important for more recent groups of workers.² They define a bridge job as any job after a 10-year job (differing slightly from Ruhm's definition), and they find that half to two-thirds of workers with full-time career jobs now take on bridge jobs before exiting the labor force. They also find that bridge jobs are most common among younger workers in the 50+ age range, workers without defined benefit plans, and those at the lower- and upper-end of the wage distribution.

Retirement reversals are also a topic of interest to labor market analysts. Ruhm (1990) documented the extent of retirement reversals in the older RHS, and he found it relatively widespread. Focusing on household heads who first reported being fully retired in 1971, about one-quarter reentered the labor force within eight years; more than two-thirds of them moved into partial retirement. Similarly, about a quarter of those in partial retirement reversed their status to not retired. In both cases, he concluded that over three-quarters of the reversals were within four years of the retirement or partial retirement date. More recently, Maestas (2005, 2007) uses 1990s data from the HRS and again finds that about a quarter of retirees who are followed for at least five years 'unretire.' Her definitions of complete retirement and especially partial retirement differ from Ruhm's, though her findings on the incidence of reversals are in a similar range as ours.

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Evidence on Retirement Patterns in the HRS

To understand retirement patterns among an older population, we draw on several waves of the HRS to track labor force status of individuals over time. Before presenting results, it is worth noting that defining a retirement reversal is complicated by the existence of at least three distinct retirement states, namely, being *not retired*, *partly retired*, and *fully retired*. Yet there are multiple ways of classifying people into these categories, as indicated by Gustman and Steinmeier (2000). For instance, one could use self-reports, which rely on respondent views of what might constitute full, partial, or nonretirement. Thus, two people working at the same job could legitimately report different retirement states, depending on their work history and experiences. For example, people working at a 40-hour per week job may consider themselves partly retired if their preretirement job involved 60 hours per week.

An alternative approach would define peoples' retirement status based on their time devoted to work (hours per week or per year). Under this measure, partial retirement would correspond to part-time work, and full retirement would correspond to little or no work. One problem is that this would be misleading for anyone who worked part-time his entire life. Also, the concept does not capture important aspects of partial retirement such as having less responsibility and expending less effort.³ A variant of this would define retirement as a *reduction* in labor market activity (hours, wages, or earnings). While this measure captures the dynamic process of leaving the labor market, it is also true that changes in hours, wages, or earnings might also be involuntary, perhaps because of a job loss.⁴

Finally, retirement status can use the bridge job concept, defining partial retirement as work after leaving a long-term job (defined as lasting more than, say, 10 years, or the longest spell of employment). In practice, it may be difficult to empirically implement, unless information is available on work activity for individuals' entire working lives. For example, if a 52-year-old woman leaves a 10-year job (her longest to date), does this mean she is moving into a bridge job, or will this new job eventually become her longest career job? That issue aside, the bridge job concept is unworkable for defining retirement reversals because by definition one could never reverse into nonretirement, only into partial retirement.

In what follows, the measure we elect as most appropriate and interesting for analysis is the question based on self-reported retirement status. This is because we are primarily interested in self-perceptions of retirement, although we do show that self-reports are importantly correlated with more objectively measured labor market outcomes. Specifically, we start with the HRS question: 'At this time, do you consider yourself to be completely retired, partly retired, or not retired at all?' A disadvantage of this question is that one of the permitted responses was 'irrelevant,' thought to be an

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TABLE 2-1 Distribution of Self-Reported Retirement Status

	<i>Number of Observations</i>	<i>%</i>		
		<i>Not Retired</i>	<i>Partly Retired</i>	<i>Fully Retired</i>
<i>Wave</i>				
1	9,991	79.9	13.3	6.8
2	9,589	70.5	19.4	10.1
3	9,091	59.9	27.6	12.5
4	10,669	63.3	26.2	10.6
5	10,279	57.0	31.4	11.6
6	10,157	48.3	38.6	13.2
7	10,159	44.4	41.4	14.2
All person-waves	69,935	58.1	30.3	11.6

Source: Authors' calculations from Health and Retirement Study (1992–2004).

Notes: The sample includes HRS men and women aged 50+ who report ever working over the period indicated above. Retirement status based on self-reports; those with missing values for retirement status are excluded.

answer, for instance, if the individual never held paid employment. This option generated a large number of missing values, and the application of this code appears to have been somewhat inconsistent across or even within waves.⁵ On the other hand, a key reason to use this particular question is that it is the only place in the HRS where a respondent can self-identify himself as 'partly retired.'

To handle the missing values, we make use of another HRS question: 'Are you working now, temporarily laid off, unemployed and looking for work, disabled and unable to work, retired, a homemaker, or what?' Multiple responses were allowed for this employment status question, and we used an algorithm to impute missing values of the retirement status measures.⁶ Among those whose reported employment status included 'retired,' we classified retirement status as 'partly retired' if they also reported 'working now,' 'unemployed and looking for work,' or 'temporarily laid off, on sick or other leave'; otherwise, we classified retirement status as 'fully retired.' Among those whose reported employment status did *not* include 'retired,' we classified retirement status as 'not retired' if they also reported 'working now,' 'unemployed and looking for work,' or 'temporarily laid off, on sick or other leave'; otherwise, we left retirement status missing. This fills in about 45 percent of the missing values for self-reported retirement status.

Table 2-1 shows the distribution of our retirement status measure across seven waves of the HRS survey (we exclude any remaining missing values). Our sample includes all men and women aged 50+ who report ever working, which yields us 69,935 person-wave observations. Of these, just over

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TABLE 2-2 Labor Market Activity, by Retirement Status

	<i>Not Retired</i>	<i>Partly Retired</i>	<i>Fully Retired</i>
<i>Hours of work per week</i>			
Average	40.6	18.2	0.7
Median	40	16	0
<i>Weeks of work per year</i>			
Average	46.4	31.2	1.5
Median	52	40	0
Number of observations	38,086	8,412	23,437

Source: See Table 2-1. Individual-level sampling weights are used. Retirement status based on self-reports.

half are not retired, 12 percent are partly retired, and about one-third are fully retired. Because average age rises across the waves, there is a corresponding increase in the fraction retired across waves. The sample is approximately evenly split between men and women, although the women are slightly less likely to be fully or partly retired. All the analyses below use individual-level sampling weights.

As is clear, the measure of retirement status is highly correlated with labor market outcomes. Table 2-2 further shows that there are important differences in hours of work per week and weeks of work per year, according to reported retirement status. These differences coincide with intuitive notions of retirement status. The patterns are as expected with hours and weeks being greatest for the not retired, followed by the partly retired, and then the fully retired. Average and median hours of work among the partly retired are slightly lower for women compared with men, but all are within ranges that we would normally consider to be part-time work (15–20 hours per week).

Using all seven waves of data available from the HRS, we are able to generate up to six wave-to-wave retirement status transitions for each individual. Table 2-3 shows the distribution of the resulting 53,233 transitions with nonmissing retirement status, representing 14,033 different individuals. The table gives the fraction of transitions across survey waves that involve retirement, reversals in retirement, and no change in retirement status. Each row in the table sums to 100 percent of the observed transitions. About 5 percent of the observations are transitions from more retired to less retired states, 15 percent are transitions toward being more retired, and the remaining 80 percent of the observations show no change in retirement status. These proportions are essentially the same for both men and women. Thus, movements away from retirement are about one-third as common as movements toward retirement.

TABLE 2-3 Distribution of Retirement Transitions Across Adjacent Waves

Percent Transitioning		Reverse Retirements			Retirements			No Change in Retirement Status		
From Wave t	To Wave $t + 1$	Fully Retired	Partly Retired	Not Retired	Fully Retired	Partly Retired	Not Retired	Fully Retired	Partly Retired	Fully Retired
		1	2	3	4	5	6	7	8	9
<i>Adjacent waves t and $t + 1$</i>										
1-2	0.5	1.3	1.7	6.4	5.3	1.8	69.5	3.2	10.2	
2-3	0.7	1.7	2.3	7.9	6.6	3.1	57.4	4.5	15.9	
3-4	0.7	2.1	2.3	7.1	4.9	3.9	47.7	6.4	24.8	
4-5	0.6	1.8	2.2	5.3	4.5	3.0	55.3	5.5	21.9	
5-6	0.8	2.3	2.1	6.4	4.9	3.7	46.6	6.2	27.0	
6-7	1.0	2.6	1.7	5.2	5.2	4.1	42.9	6.6	30.7	
All person-waves	0.7	2.1	2.0	6.2	5.1	3.4	51.7	5.6	23.2	

Source: See Table 2-1.

Note: Sample includes only those who report ever working; 53,233 person-wave transitions are included and 8,367 person-wave transitions with missing values for retirement status are excluded.

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TABLE 2-4 Incidence of Retirement Reversals

<i>By Person-Wave</i>	<i>Fully Retired in Wave t % Reversing to</i>			<i>Partly Retired in Wave t % Reversing to</i>	<i>Fully or Partly Retired in Wave t % Reversing to</i>
	<i>Not Retired</i>	<i>Partly Retired</i>	<i>Not or Partly Retired</i>	<i>Not Retired</i>	<i>Less Retired</i>
<i>Adjacent waves t and t + 1</i>					
1-2	4.2	11.0	15.2	25.0	18.7
2-3	3.6	9.4	13.0	23.2	16.6
3-4	2.4	7.8	10.2	18.3	12.7
4-5	2.4	7.3	9.7	20.6	13.0
5-6	2.6	7.7	10.3	17.8	12.4
6-7	2.9	7.5	10.4	13.8	11.3
All person-waves	2.8	7.9	10.7	18.5	13.0
<i>By Individual</i>	<i>Fully Retired in Any Wave % Who Reversed to</i>			<i>Partly Retired in Any Wave % Who Reversed to</i>	<i>Partly or Fully Retired in Any Wave % Who Reversed to</i>
	<i>Not Retired</i>	<i>Partly Retired</i>	<i>Not or Partly Retired</i>	<i>Not Retired</i>	<i>Less Retired</i>
	7.1	18.8	25.6	30.7	31.8

Source: See Table 2-3.

Incidence of Retirement Reversals

Next, we define a retirement reversal as a transition from a more to a less retired state, that is, from completely to partly or not retired, or from partly to not retired. Table 2-4 illustrates the incidence of reverse retirements among those fully or partly retired. Just over 10 percent of those fully retired reverse their retirement in the next wave, with three-quarters of them moving to partial retirement rather than becoming not retired. Among the partly retired, transitions to not retired are more prevalent, at over 18 percent. Taken together, about one in eight full or part retirees reverses one's retirement status over the two-year period between survey waves.

The second panel of Table 2-4 presents similar statistics by individual instead of by person-wave. The evidence suggests that the lifetime prevalence of retirement reversals is high. Just over one-quarter of HRS respondents who ever fully retired are, at some later point, observed making a transition to a less retired state, with the majority of those transiting to

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partly retired status. Furthermore, more than 30 percent of those individuals ever reporting partly retired status at some point transit to being not retired. These figures likely understate the lifetime prevalence of retirement reversals, since we observe individuals in the sample for less than their entire lifetimes.

Our measure of retirement reversal is based on a self-assessment of being retired or not. As discussed above, this definition of retirement reversal need not imply that individuals are increasing their hours of work or earnings when they reverse retirement. As such, it is interesting to observe the changing patterns in work activity that correspond to changes in self-reported retirement status. Table 2-5 shows changes in hours and weeks worked by retirement transition. Again, the patterns are as expected. Those reversing retirements on average increase their work hours, with those transiting from full retirement to not retired seeing the biggest increases: over one-third of this group increase their work hours by more than 30 hours per week. Those making less dramatic reversals from full to partly retired, or partly to not retired, increase their hours of work by 8–10 hours on average. An analogous pattern can be seen for those who are in the process of retirement. The greatest decrease in hours is among those making a transition from not retired to fully retired, on average a 35-hour reduction per week. Those who are partly retiring or moving from part to full retirement experience a smaller average decrease in hours. Those who do not change retirement status experience little change on average. These tabulations confirm that transitions between retirement states, based on self-reported status, do capture substantive changes in the extent of paid work activity.

Characteristics Associated with Retirement Reversals

Respondent characteristics by retirement status are presented in Table 2-6. Not surprisingly, the fully retired are most likely to have a spouse who is also fully retired, followed by the partly retired.⁷ Retirement status also increases with age: the average age of the not-retired group is 57, versus 64 for the fully retired group. Marital status, race, and ethnicity do not vary substantially by retirement status. The fully retired are less likely to have more than a high-school education, while self-reported health status follows an expected pattern with those who are more retired reporting worse health. The measure of respondents' financial assets is net of debt and includes the value of stocks and mutual funds, checking and savings accounts, and CDs and bonds. It does not take account of pension assets (including IRAs), the value of housing, other properties, vehicles, or businesses. Those who are not retired have lower financial assets on average than the partly or

TABLE 2-5 Changes in Labor Market Activity Across Adjacent Waves, by Retirement Transition

<i>Transition</i>		<i>Reverse Retirements</i>				<i>Retirements</i>			
<i>From Wave t</i>		<i>Fully Retired</i>	<i>Partly Retired</i>	<i>Partly Retired</i>	<i>More Retired</i>	<i>Not Retired</i>	<i>Not Retired</i>	<i>Partly Retired</i>	<i>No change in</i>
<i>To Wave t + 1</i>		<i>Not Retired</i>	<i>Partly Retired</i>	<i>Partly Retired</i>	<i>Less Retired</i>	<i>Fully Retired</i>	<i>Fully Retired</i>	<i>Fully Retired</i>	<i>Retirement Status:</i>
Average change in hours	+18.7	+18.7	+9.6	+8.8	+10.6	-34.7	-16.7	-10.7	-0.8
per week									
% <i>Increasing work per week by</i>									
> 10 hours	54	40	38	41					10
> 20 hours	49	27	27	30					5
> 30 hours	36	13	18	18					3
% <i>Decreasing work per week by</i>									
> 10 hours						85	58	42	13
> 20 hours						82	44	30	6
> 30 hours						76	31	16	4
Average change in weeks	+23.4	+17.3	+7.0	+13.9		-41.5	-12.2	-19.2	-0.3
per year									
Number of observations	414	1,197	1,116	2,727	3,495	2,732	1,926	42,353	

Source: See Table 2-3. Individual-level sampling weights are used. Retirement status based on self-reports.

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TABLE 2-6 Sample Characteristics by Retirement Status

	<i>Not Retired</i>	<i>Partly Retired</i>	<i>Fully Retired</i>
% Female	48.8	43.0	46.4
% Married	75.6	76.5	74.0
% With fully retired spouse	8.6	19.0	33.6
Average age	57.4	62.0	64.2
% High school graduate	35.7	36.1	39.2
% More than high school	49.3	48.5	38.3
% White	87.0	87.5	86.8
% Hispanic	6.9	4.0	4.9
<i>Self-reported health</i>			
% Excellent	21.6	17.4	11.1
% Very good	35.2	34.1	26.9
% Good	29.6	31.1	29.7
% Fair	11.3	13.5	20.4
% Poor	2.3	3.8	11.8
<i>Financial assets (\$)</i>			
Average	89,528	125,365	129,464
Median	11,600	20,500	19,200
% Reporting retirement better than before			35.7
<i>Average no. of jobs reported</i>			
Lasting less than 5 years	0.5	0.9	0.4
Lasting 5 years or more	1.8	1.9	1.6
Number of observations	38,086	8,412	23,437

Source: See Table 2-1.

fully retired.⁸ The HRS also asked fully retired respondents (based on self-report) the following question: ‘Thinking about your retirement years compared to the years just before you retired, would you say the retirement years have been better, about the same, or not as good?’ Over a third report that their retirement is better than before.

Finally, the HRS tracks the number of jobs lasting more than five years that a respondent has ever had. Jobs of fewer than five years’ duration are recorded if that job is in progress at or after the respondent’s first HRS interview, or if it was the most recent job that ended for a respondent who was not working at the first HRS interview. Those who are partly retired on average have slightly more jobs of both durations than either the not retired or the fully retired. While not shown in the table, women on average report more short-duration jobs, and fewer long-duration jobs, across all retirement categories.

The same set of sample characteristics is displayed in Table 2-7, but now we array the results by whether individuals are observed reversing their

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TABLE 2-7 Characteristics of the Fully and Partly Retired, by Retirement Reversal

	<i>Reversed Retirement</i>	<i>Did not Reverse Retirement</i>
% Female	45.2	42.5
% Married	74.4	75.3
% With fully retired spouse	19.1	34.6
Average age in wave $t + 1$	62.5	65.3
% High school graduate	35.8	38.3
% More than high school	44.6	41.9
% White	84.6	88.5
% Hispanic	5.2	4.0
<i>Self-reported health in wave t</i>		
% Excellent	19.3	13.8
% Very good	30.7	30.6
% Good	30.4	30.3
% Fair	14.5	17.4
% Poor	5.0	7.9
<i>Financial assets in wave t (\$)</i>		
Average	97,491	124,367
Median	15,000	23,000
% Reporting retirement better in wave t than before	23.3	33.1
<i>Average no. of jobs reported by wave t</i>		
Lasting less than 5 years	1.0	0.5
Lasting 5 years or more	1.8	1.7
Number of observations	2,727	18,688

Source: See Table 2-4.

retirement status. The sample for Table 2-7 includes only those who are fully or partially retired, and at risk of reversing their retirement. It is interesting that those who undergo a retirement reversal are less likely to have a retired spouse, and more likely to be younger, nonwhite, Hispanic, and in somewhat better health. The reversers also have lower levels of financial assets than nonreversers, raising the possibility that some reversals may reflect greater financial needs. Those reversing a retirement are less likely to report that their retirement years have been better than before, and they tend to have had more short-term jobs than those who did not reverse their retirement.

In Table 2-8, we analyze the contribution of these characteristics in a multivariate context by using a simple linear probability model to examine the correlates of retirement reversal behavior. Again only transitions starting from full or partial retirement are considered. We display estimates for a model with men and women together, because separate models do not

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TABLE 2-8 Explaining Retirement Reversals

<i>Dependent Variable</i> <i>Transitioned from More Retired in Wave t</i> <i>to Less Retired in Wave t + 1</i>	<i>Estimated</i> <i>Coefficient</i>	<i>Standard</i> <i>Error</i>
Female	0.004	(0.007)
Married	0.029	(0.008)
Has fully retired spouse	-0.059	(0.006)
<i>Age in wave t + 1 (left out: 50–54)</i>		
55–59	-0.042	(0.027)
60	-0.052	(0.030)
61	-0.109	(0.029)
62	-0.132	(0.028)
63	-0.142	(0.028)
64	-0.150	(0.028)
65	-0.150	(0.028)
66	-0.156	(0.028)
67	-0.155	(0.028)
68	-0.173	(0.028)
69	-0.177	(0.028)
70 and above	-0.178	(0.027)
<i>Education (left out: less than high school)</i>		
High school graduate	-0.015	(0.008)
More than high school	-0.006	(0.010)
White	-0.033	(0.009)
Hispanic	0.026	(0.013)
<i>Self-reported health in wave t (left out: excellent)</i>		
Very good	-0.020	(0.010)
Good	-0.028	(0.010)
Fair	-0.058	(0.011)
Poor	-0.105	(0.013)
<i>Financial assets in wave t (left out: highest quartile)</i>		
Lowest quartile	0.024	(0.011)
2nd quartile	0.002	(0.008)
3rd quartile	-0.016	(0.007)
Reports retirement is better in wave t than before	-0.010	(0.006)
<i>No. of jobs reported by wave t</i>		
Lasting less than 5 years	0.081	(0.004)
Lasting 5 years or more	0.013	(0.003)
Constant	0.252	(0.051)
Number of observations	20,250	
R^2	0.095	

Source: Authors' computations using sample in Table 2-7.

Notes: Linear probability model with robust standard errors in parentheses. Explanatory variables are binary indicators except for the number of jobs reported by wave t ; also included are industry/occupation indicators, indicators for longest job ever held, and an indicator for being partly retired in wave t .

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yield substantially different results. Indeed, we can see that the coefficient on female term in the displayed pooled regression is small and statistically insignificant. Being married significantly increases the likelihood of a reversal, but if that spouse is fully retired, the chance of a reversal is significantly lower overall. Age has the expected pattern, with older individuals being significantly less likely to reverse their retirement. Relative to those aged 50–54, a 65-year-old woman is 15 percentage points less likely to reverse her retirement. Those with more education tend to be less likely to reverse, but these coefficients are both small and statistically insignificant. As suggested by Table 2-7, whites are significantly less likely to reverse than nonwhites while Hispanics are more likely to reverse. The worse the self-reported health is, the less likely a retirement reversal. Compared to those who self-report excellent health, someone self-reporting poor health is 10 percentage points less likely to reverse. All of the health coefficients are statistically significant. Those in the lowest quartile of the financial wealth distribution are significantly more likely to reverse their retirement, while those reporting that their retirement years have been better than before are less likely to reverse. For both of these variables, the magnitudes of the coefficients are quite small. Reporting a large number of jobs significantly increases the likelihood of a reversal, particularly if those jobs lasted for fewer than five years. The regression also includes industry and occupation indicators for the longest job that the respondent ever held; these coefficients are jointly statistically significant (but not reported here in detail).

It is also interesting that while many characteristics of those who reverse are statistically significant, some 90 percent of the variation in the data remains unaccounted for by the variables we are able to include. One possibility is that expectations may make a difference; indeed Maestas (2005) finds that people who were questioned before retirement, and said they expected to work after retirement, do in fact reverse retire more often. Of course, this simply raises the anterior question of why some people plan such a complex labor supply pattern late in their working lives.

Conclusions

This chapter has highlighted the importance of nontraditional retirement paths, mentioned in previous work and confirmed in the most recent data from the HRS. We show that many individuals have retirement paths that do not involve discrete transitions from full-time work to leisure, nor permanent departures from employment. Focusing on reverse retirements, we show that approximately one-third of older individuals reverse their retirement status over the period studied, a finding consistent with earlier

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research. We also find that individuals who reverse or partly reverse their retirements tend to be married, younger, nonwhite, and healthier. Those in the lowest quartile of nonretirement net financial assets are also more likely to reverse.

This analysis is descriptive and cannot be interpreted causally, so the next challenge is to integrate these complexities into policies toward and strategies for current and future retirees. For example, saving and investment patterns should differ to the extent that people plan to and do continue work after retirement. Of course, some individuals may face health or financial difficulties that limit the flexibility with which they can approach retirement. Consequently, integrating more complex retirement paths into policy design requires a better understanding of the underlying determinants of these paths into and out of retirement at older ages.

Notes

¹ Other studies of partial retirement using the RHS data include Gustman and Steinmeier (1984) and Honig and Hanoch (1985), among others.

² An additional wave of data is used in Giandrea, Cahill, and Quinn (2007) to show the continuing trend for gradual retirement. Other studies of bridge job behavior using the HRS include Quinn and Kozy (1996).

³ Maestas (2005, 2007) uses a definition that is a composite of (a) and (b) whereby retirement is self-reported (by stating either complete or partial retirement), but the designation of complete or partial is based solely on hours or weeks of work. Under her definition, someone who self-reports complete retirement but works a few hours a week would be reclassified as partially retired. Below we follow Ruhm (1990) in giving the self-reports precedence.

⁴ In Chan and Stevens (2001), we show that older workers experience substantial and persistent reductions in earnings following a job loss.

⁵ 'Irrelevant' is defined as 'doesn't work for pay or is homemaker; hasn't worked for 10 or more years' for those who are self-employed or unemployed in waves one and two. For wave two employees, and for all respondents in waves three and four, it is defined as 'doesn't work for pay or is homemaker; hasn't worked for one or more years.' From wave five onward, it is defined as 'doesn't work for pay or is homemaker.' Gustman and Steinmeier (2000) report that respondents who satisfied these criteria may be placed in the 'irrelevant' category by the respondent or the interviewer, but this was not required.

⁶ Note that 'partly retired' is not one of the options for this employment status question, and so we could not use it as our main retirement status measure.

⁷ Note that 'not having a fully retired spouse' could imply either that the spouse was still working, had never worked, or that the individual did not have a spouse.

⁸ Dollar figures are not adjusted for inflation.

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