The Roles of Part-time Work and Self-employment in the Retirement Transition: A Preliminary View from the HRS

Preliminary draft
Please do not quote

May 1995

Joseph F. Quinn
Michael Kozy
Department of Economics
Chestnut Hill, MA 02167
(617) 552-4623

Paper to be presented at the HRS Early Results Workshop on Minority Perspectives, Ann Arbor, May 25-27, 1995. I would like to thank the Program for Research on Black Americans for research support.

> Analyses of retirement status have usually treated the concept as dichotomous - one is either retired or not... This oversimplification overlooks some very rich and interesting labor force withdrawal patterns and therefore misses much of the story... In fact, older workers take a variety of routes between full-time work and full-time retirement. The paths are so varied that the phrase "retirement" - defined by dozens of authors in dozens of different ways - may well conceal more than it reveals. What we are observing and describing are labor market transitions, and they are not easily categorized by a single term... The traditional retirement pattern involves a one-time movement from full-time labor market activity to complete labor market withdrawal. (T)his was still the modal pattern in the 1970s - about 70 percent of those who left their career jobs did so in this fashion... The other 30 percent, however, exited in nontraditional ways... Work after retirement - after departure from full-time status on a career job - is a common occurrence.[1]

Considerable economic research has established that for many Americans, retirement is a process, not a single event. Many older workers utilize one or more transitional stages - bridge jobs - between their career employment and complete labor force withdrawal. Two common transitional stages are part-time work (usually on a new job) and self-employment.

The importance of bridge jobs may increase in the future, as the population ages and life expectancies continue to increase.[2] Social Security

---

1 Quinn, Burkhauser and Myers (1990), pp. 155, 188, 239-40, 243.

2 The number of Americans aged 65 and above, about 32 million today, will more than double by the year 2030, and the number aged 55 to 64 will increase by two-thirds. In stark contrast, the number under 55 will

work disincentives are being eliminated for the average worker, but many private pension plans continue to penalize work beyond particular ages.[3] This contradictory combination of public and private policies (encouraging work by older employees, but not on career jobs) may make gradual retirement via second careers even more popular than it is today.

To anticipate the retirement trends of the future and understand the influence of public policy on retirement behavior, it is important to understand the exit routes of today. How common are bridge jobs in the 1990s? Who is likely to utilize them, and why? Is it because people enjoy work and want to continue, but at a slower pace or in a different occupation, or because finances require that they work, while retirement incentives discourage it on their career jobs? How important are health considerations, working conditions or the desire for more hours flexibility?

---

remain almost unchanged. As a result, the percentage of Americans aged 65 and over will increase from under 13 percent today to nearly 22 percent by 2030. A third of the U.S. population will be 55 and older, and the median age will rise from 33 to 42 (U. S. Bureau of the Census, 1989; U.S. Senate, 1991).

[3] Defined benefit pension plans discourage work when the present discounted value of expected benefits declines with additional work; i.e., when the future annual benefit increments from an additional year of work are insufficient to make up for the year of pension benefits foregone while working. For Social Security, this happens at age 65, when the delayed retirement credit (the percentage increase in all future checks for each year of benefit delay) drops from about 8% to 4.5%. Between ages 62 and 64, the actuarial adjustment is about fair, leaving the PDV for a worker with average life expectancy about the same regardless of when they are claimed. By the year 2010, this will also be the case after age 65. Of course, this "fair" adjustment will be insufficient for a worker with a shorter than average life expectancy, so Social Security can still act as a work disincentive for many older workers.

How do bridge and career jobs compare with respect to socioeconomic status, working conditions, pay and employee benefits? Should public policy encourage or discourage these gradual retirements, or remain neutral?

Much of our current knowledge about the retirement process is based on outstanding but now outdated surveys like the Retirement History Study (RHS), whose last interviews were 16 years ago. We know more about the retirement patterns of men than of women (the RHS had no married women as primary respondents), and more about whites than minorities. The Health and Retirement Study (HRS) is represents a significant improvement on the RHS. It is current and much more sophisticated than the RHS, it includes women as primary respondents, and it oversamples minorities.

The purpose of this paper is to report some very preliminary tabular results from the initial wave of the HRS on the nature of retirement routes in the 1990s - in particular, on the use of bridge jobs between full-time career employment and compete labor force withdrawal. We will discuss the differences in the retirement patterns of men and women, whites, blacks and hispanics, and those who were self-employed and wage and salary workers on their career jobs.

The 1992 wave of the HRS contains households with at least one person who is age-eligible; that is, aged 51-61. Although some people have retired by age 61, many more will do so at age 62 (the earliest age of eligibility for Social Security retirement benefits) and older. Since the spouses of the age-eligible respondents are included in the HRS sample, we do have some information about the retirement behavior of those aged 62 and older. But much more will be learned from the 1994 and later waves of the HRS sample.

In this paper, we review very briefly the nature of the literature on retirement transitions, with an emphasis on part-time work and self-employment on bridge jobs. In section 2, we present some aggregate data on the extent and growth of part-time work and self-employment in the U.S., in general and among older workers. We then discuss some characteristics of the HRS sample we have chosen for analysis. Preliminary results appear in sections 4 and 5 - one on the current labor market status of our HRS sample, and another on how they got there. We end with some preliminary conclusions.

1. Literature Review

Several authors have focused on the nature of the retirement process, with emphasis on the transitional stages of partial or gradual retirement. Gustman and Steinmeier (1984), using 4 waves of the RHS and a subjective definition of "partial retirement" provided by the survey respondents themselves, showed that partial retirement was widespread in the early 1970s, even among those in good health and not affected by mandatory retirement or pension policies.[4] They estimated that about one-third of white males would become partially retired at some time during their working lives, and that partial retirement usually involved a job change.[5]

---

4 Although the Gustman and Steinmeier definition of partial retirement is not based on hours of work, Quinn (1981) has shown that self-definitions of retirement status are highly correlated with hours of work. In the 1969 RHS cross-section, for example, wage and salary workers who called themselves "not retired" had median annual hours around 2,000. For those "partially retired", the median was close to 1,100.

5 In studies using a dichotomous view of retirement, these partially retired people must be categorized as either retired (as many would be if

Honig and Hanoch (1985) used the RHS and an objective definition of partial retirement - real annual earnings less than half the individual's highest real annual earnings. They also found that partial retirement was important, of significant duration and that it tended to increase with age - 8 percent of white married men aged 60 were partially retired, as were 14 percent of those aged 62 and nearly a quarter of those aged 65. Honig (1985) found similar results with the RHS sample of non-married women, one of a small number of studies of women. Partial retirement (earnings reduction) was quantitatively important for these women, though less so than for men, and was of significant duration.

Quinn, Burkhauser and Myers (1990) used all 10 years of the RHS, and focused on exit routes from career jobs, defined as a full-time (35+ hours/week) job held for at least 10 years. As suggested by the previous research, they found that a substantial number of older Americans did not follow the stereotypical retirement route, and did not leave their career jobs and the labor force at once. Among male wage and salary workers, more than a quarter did something else. Most of them found a new job, fairly evenly distributed between full-time and part-time; only a few were able to drop to part-time status on their career jobs.[6] The percentage "non-

---

the definition were based on a reduction in hours or earnings, or receipt of retirement benefits) or not-retired (if retirement status depended on labor force participation). Gustman and Steinmeier (1984) showed that the parameter estimates in these dichotomous studies were sensitive to the way that the partially retired are classified, and argued strongly that partial retirement should be treated and studied as a separate phenomenon.

[6] Some of those on full-time career jobs worked just above 35 hours per week. Lest they overstate the part-time transition phenomenon by counting some who happened to move from just above to just below 35 hours per week, the authors defined part-time as less than 20 hours per

traditional" was about the same for wage and salary (non-married) women. Most of them who stayed in the labor force moved to part-time work on either the career job or a new job, and about a quarter found new full-time work.

The self-employed are known to follow very different retirement patterns, probably because they have more control over the amount and kind of work they do (Quinn, 1980; Fuchs, 1982). In the RHS, only half went directly from a full-time career job to complete retirement (Quinn et al., 1990). A quarter cut their hours to part-time on the same self-employed job, another 13 percent worked part-time on a new job, and another 13 percent found new full-time work.

These transitional jobs generally lasted long enough to be interesting. Of those who switched employers, nearly 60 percent were still working two years later. Most bridge jobs were in different occupations and industries, and most involved movement down the socioeconomic ladder - from skilled to unskilled, from white collar to blue collar. There was some weak evidence that those at the ends of the economic spectrum - the rich and the poor - were the most likely to utilize non-traditional retirement routes. The poor may do so because they have to, lacking pension coverage and personal savings, and often eligible for only modest Social Security benefits. The rich probably do so because they want to, enjoying interesting jobs with important non-pecuniary benefits.

Ruhm (1990, 1991), also using the RHS, defined the career job as the longest job held, and again found the post-career job phenomenon to be an

---

week. As a result, these estimates probably underestimate the phenomenon slightly.

important part of the retirement process in the 1970s. For example, of those who left their longest job between the ages of 60 and 64, 40 percent worked again; of those departing between ages 65 and 69, nearly a quarter returned to work.

The consensus from this (largely RHS) literature is that partial or gradual retirement, defined in a number of ways, was an important part of the retirement transition for a significant number of older American in the 1970s. But what has happened in the meantime? In more recent research, Ruhm (forthcoming) has supplemented the RHS data with some newer information from a recent (1989) Harris poll of older Americans to compare men aged 58-63 in 1969 with men the same age in 1989. Not surprisingly, he finds much lower employment rates in 1989 than 20 years earlier. In 1969, 80 percent of these men were employed, compared to only 58 percent in 1989. At age 62, the percent employed dropped from 74 to 45 percent. This is the well known post-war trend toward early retirement which lasted until the mid-1980s. But Ruhm continues to find substantial bridge employment. About a third of the men employed in 1989 were working on post-career bridge jobs, about the same as in 1969.

Considerable research has shown that retirement routes in America are many and varied. The stereotypical transition - directly from full-time work to full-time leisure - is only a part of the story. A substantial number of older Americans remain in the labor force after they leave their career jobs. For many, the transition involves part-time employment, usually on a new job and usually in a new line of work. For some, this new line of work involves self-employment.

2. Part-time Work and Self-employment

Government statistics document the importance of part-time work and self-employment among the population at large and especially among older workers. Figure 1 shows the dramatic increase in part-time work at the older ages. Although only 6 percent of (non-agricultural) employed men aged 25-54 work part-time (fewer than 35 hours per week), 12 percent of those aged 60-61 and employed do, along with 21 percent of those aged 62-64, 42 percent of those 65-69 and well over half of those few still working beyond age 70. Among employed women, part-time work is more prevalent at all ages, but the dramatic age differentials are similar (about 20 percent of employed women aged 25-54 work part-time, compared to 28 percent of those 60-61, 40 percent of those 62-64 and over 60 percent of all working women aged 65 and over). Over 85 percent of those aged 60 and over who work part-time say they are doing so voluntarily, and the proportion rises with age.

Over the past three decades, the prevalence of part-time work among employed men has risen (figure 2). The percentages have approximately doubled for men aged 25-44 and 45-64, but still remain low, about 7 percent for both groups. For men aged 65 and over, however, the proportion working part-time has increased significantly in absolute terms, mostly in the 1970s, from 35 percent (in 1967) to 48 percent in 1993. Among women below age 65, the trends have been flat or slightly declining. Among those 65 and over, however, the proportion part-time is up significantly, again mostly in the 1970s, from 49 to 60 percent - about the same absolute increase as for men.

Self-employment among American workers also rises steadily with age, with the most dramatic jump at age 65 (figure 3). A quarter of employed (non-agricultural) men aged 65 and over are self-employed, as are

17 percent of these aged 60-64.[7] For women, the proportion self-employed is smaller at every age. It jumps from 9 percent at ages 55-64 to 13 percent for those aged 65 and older. One reason that the proportions are higher for older workers is that those already self-employed in their career jobs tend to retire later than wage and salary workers. In addition, however, some people turn to self-employment late in life, often as a means of gradual retirement (Quinn, 1980, 1981). This is one phenomenon we will be investigating.

No trend appears in the time series data on the proportions of men, women or total employees who are self-employed (figure 4).[8] There is also nothing very dramatic when the data for older men and women are illustrated (figure 5), although one can detect an increase since the early 1980s among men and women aged 55-59 and 60-64 (prime ages for gradual retirement), though not among those 65 and over.

---

7 These statistics on the self-employed exclude the owners of incorporated businesses, even when the owner is the only employee or one of very few, and wage and salary workers who also own side businesses. Haber, Lamas and Lichtenstein (1987) estimate that the "percentage of workers who owned businesses was 60 percent (SIPP) to 75 percent (CPS) larger than the percentage reported as self-employed (p. 18)."

8 Blau (1987) reported an increase in the proportion of self-employed between the early 1970s and the early 1980s. One can see this in figure 4, and also the fact that the modest increases ceased in 1983.

3. Data and Sample

This paper is based on the initial (1992) interview of the Health and Retirement Survey (HRS) sample, which contains over 12,000 men and women in about 8,000 households.[9] The age-eligible respondents were all aged 51-61 in 1992, but their spouses can be older or younger.[10] The survey oversamples blacks and hispanics. The sample was interviewed again in 1994, and subsequent surveys are planned at two-year intervals to follow the transition from work to complete labor force withdrawal.

The HRS contains detailed information on individuals' demographic background, health and disability status, housing, family structure and intra-family transfers, current and previous employment and earlier job history, retirement plans (for those still working), health and life insurance coverage, income and wealth. There are particular emphases on health and functional status, job demands and working characteristics, hours flexibility on the job, and pension provisions on current and past jobs - details that

---

9 The HRS is an extensive and thorough survey. The 1992 data are based on a 217 page questionnaire, with average interview length of 85 minutes for one household respondent and another 70 minutes for the spouse.

10 Those outside the age 51-61 range are not a random sample of the populations their age. They are a sample of the population married to someone aged 51-61. Since husbands tend to be older than their wives, there are many more men aged 62 and over than there are women. This is especially true in our sample (described below), which excludes those with no work experience after age 49. In our sample, we end up with 1040 men but only 145 women aged 62 and above (see table 2). Almost half of these men are aged 65 and over.

are important to retirement decisions but which were lacking or inadequately surveyed in earlier data sets.[11]

For this research, we will be focusing on the retirement transition. We exclude, therefore, all those with no work experience at age 50 or beyond. Our race/ethnicity categories are hispanic, black (non-hispanic) and white (non-hispanic).[12] There is a small number (about 200) of Asians and American Indians who consider themselves neither black, white nor hispanic, and they are also excluded from this analysis. With these exclusions, we are left with a sample of just over 9,500 individuals.

Table 1 shows the sample sizes by gender and race/ethnicity. The unweighted sample is 55 percent male, and 75 percent white, 16 percent black and 8 percent hispanic.

These numbers overstate the proportions of blacks and hispanics in this population, because these groups were intentionally oversampled. When sample weights are applied, the male/female ratio stays the same, but the race/ethnicity ratios change to 83 percent white, 11 percent black and

---

11 There are also plans to append to the HRS, with permission of the respondents, the respondents' internal Social Security earnings records and summary pension plan descriptions, obtained from employers.

12 These categories are derived from 2 questions in the questionnaire. Individuals are asked whether they consider themselves Hispanic or Latino (or not), and then whether they consider themselves White/Caucasian, Black/African American, American Indian or Alaskan Native, Asian or Pacific Islander, or Other. We categorized all those who answered "yes" to the Hispanic/Latino question as Hispanic. (About 75% of them also considered themselves White, but they are not included among the White population in this paper. About 2/3 are Mexican-Americans, 10% are Cubans, 7% are Puerto-Rican, 6% are Spanish, and the remainder are Central or South American or other.)

6 percent hispanic (table 1). In the tables that follow, the proportions shown are always weighted unless noted otherwise.

An important variable in any study of retirement is age, since large behavioral changes are observed at key ages, like 60, 62 and 65, which appear in pension and social security regulations. Table 2 shows the (unweighted) age distributions for our sample, by gender and race/ethnicity. (The weighted distribution is virtually identical.) Note that there are many more men aged 62 and above than there are women (see footnote 10.) The next wave of the HRS will be particularly interesting from our perspective, since about 20 percent of the age-eligible sample will be 62 or 63, and most will then be eligible for social security retirement benefits.

Certain other important differences by race/ethnicity may turn out to be important in explaining differences in retirement patterns. Blacks and hispanics have lower levels of education, lower wages and jobs with lower socioeconomic status than do whites. For example, a quarter of the white men in this sample have a college degree, compared to only 10 percent of the black and hispanic men (see table 3). Among women, the differences are less dramatic; the analogous proportions are 18, 14 and 7 percent. The wide disparities within this hispanic population stand out in these educational statistics. Over 40 percent of these hispanics report having no more than an 8th grade education (and over a third have only 0-7 years), while a very different 8 percent have college or post-graduate degrees.

As would be expected given the educational differences, the wage distributions are very different, especially among men (table 4).[13] Black

---

13 The wage distributions are based only on those currently working for whom we have wage information.

men are much more likely to appear in the three lowest wage categories (below $10/hour), and are much less likely to earn $20/hour or more. The distribution for hispanic men is even lower than that for blacks. The women in this sample tend to earn less than the men, especially when there is no consideration of full time/part time status. The wage distributions for white and black women are remarkably similar, given the higher percentage of black women without a high school degree. Both of these distributions are higher than that for hispanic women.

A similar story appears in the occupational distributions (table 5). Whites are about twice as likely to hold managerial, professional, technical, sales and administrative jobs than are either blacks or hispanics, and this is true for men and for women.[14] Black and hispanic men, on the other hand, are much more likely to be operators, fabricators and laborers. Over 40 percent of these black women and over a third of the hispanic women are service workers (which includes private household and personal service occupations), compared to only 17 percent of the white women.

The net result of these socioeconomic differences on retirement patterns is unclear. As mentioned above, research suggests that those at the ends of the spectrum (the most and least well-off) were the most likely to utilize non-traditional retirement patterns in the 1970s. Whites tend to be the most well-off, and blacks and hispanics are overrepresented among those least well-off.

Health is another important variable in the retirement literature, and is another one with significant differences by race and ethnicity. Whites in

---

[14] The occupational distributions are based on our entire sample with work experience after age 49 - on the current job for those currently with a job, and on the last job for the others.

this sample are much more likely than either blacks or hispanics to describe their health as excellent or very good, and much less likely to report fair or poor (table 6). For example, less than 15 percent of the white men and women claimed their health was fair or poor, compared to almost 30 percent of the blacks and hispanics.[15] These health differences are likely to be important in explaining differences in retirement patterns.

4. Current Labor Force Status

One focus of this research is the use of part-time work as a transitional stage between full-time employment on a career job and complete labor force withdrawal. The definition of part-time is arbitrary. We chose to define full-time relatively broadly, lest we discover bridge jobs that are really not there. In this paper, full-time annual work is defined as 1600 or more hours per year. This would include someone working 35 hours per week (the standard definition of a full-time week) for 46 or more weeks per year, someone working 40 hours per week for as few as 40 weeks (e.g. a construction worker with some lost weeks between jobs), or someone reporting as few as 31 hours per week for the full 52 weeks of the year.[16] When we looked at those working just below full-time by this definition (between 1400 and 1600 hours per year), we found a large proportion of people (primarily women) in the educational industries (most in elementary and secondary schools (industry code 842); a few in colleges and

---

15 The differences were qualitatively similar but much smaller on a question about emotional health (not shown).

16 The weeks per year responses are supposed to include weeks of paid vacation.

universities (code 850)), reporting full-time hours per week but just for the academic year. This is certainly not part-time, retirement-transition work in the sense we mean, so we have included in our definition of full-time the individuals in these two educational industries with annual hours as few as 1400.[17]

Table 7 shows the current employment status of our sample of people with work experience after age 49. Overall, 78 percent were working at the time of the 1992 survey and the remaining 22 percent were not. There are differences by race/ethnicity but not by gender. Whites are more likely to be employed than either blacks or hispanics (78% of the white men, compared to 71% and 73% for blacks and hispanics; 79% of the white women, compared to 76% and 72%).

Among those working, white men are the most likely to be self-employed (table 7, middle). A quarter are, compared to 18 and 14 percent of blacks and hispanics. The proportion of women who are self-employed is lower than that of men. Finally, there are large differences in full-time/part-time status by gender, but not by race/ethnicity (table 7, bottom). White men are slightly more likely to be working full-time than either blacks or hispanics, while blacks are the most likely to be full-time among the women.[18]

When annual hours per year (not shown) are calculated, two differences stand out. Black and hispanic men are much more likely than

---

17 There were 111 people in these educational industries with annual hours between 1400 and 1600; 98 were in elementary or secondary schools, and 88 of the 111 were women.

18 This may help explain the surprisingly close wage distributions for white and black women.

white men to work the standard 2000-2100 hour year - 44 percent and 50 percent do, compared to only about a third of the white men. Most of this differential is made up in the highest annual hours categories. White men in this sample are more likely to be working 2100-2500 and especially more than 2500 hours per year. To some extent, this reflects the larger proportion of self-employed, who traditionally report long hours, but the difference remains among the wage and salary population also.[19]

When the sample is disaggregated by age, differences by race/ethnicity remain. In Figure 6, we categorize the respondents as full-time, part-time or not working. The decline in full-time employment with age and the analogous increase in the proportion not working are obvious for whites, blacks and hispanics, especially at ages 62 and 65.

Black men approaching the age of Social Security eligibility are less likely than whites to be working full-time - from 5 to 20 percent less likely for men aged 50-54 through 60-61 (figure 6; top panel).[20] The experiences of the smaller number of hispanics tend to fall in between. The age-specific data on part-time work are erratic, reflecting the small number of blacks and hispanics in this category when the sample is disaggregated by age. Finally, black men prior to the age of social security eligibility are much more likely to be without a job than whites - from 41 to 88 percent more likely for men aged 50-54 through 60-61 (figure 6, bottom panel).

---

[19] Among just the male wage and salary workers, 43% of the whites, 52% of the blacks and 56% of the hispanics worked between 2000-2100 hours per year. Nearly a quarter of the whites reported more than 2500 hours, compared to less than 15% of the blacks and hispanics.

[20] The same is true at ages 62-64 and (especially) 65+, but these samples are not representative, and are smaller in number. There will be much more to be learned about these ages in subsequent HRS waves.

Black women in these age categories are also more likely than white women to be without a job, but the differences are more modest - differentials of only 2 to 17 percent for those 50-61 (figure 7, bottom panel). The same is true for the proportions working full-time. Part-time work is much more important for these women than for the men, but there are no consistent patterns by race. Whether these part-time jobs are part of a retirement transition or just reflect a career of part-time employment remains to be seen.

The self-descriptions of those who are not currently employed differ significantly by gender and by age (figure 8). The youngest men without a job are about evenly distributed among retired, disabled, and unemployed/laid off. The proportion describing themselves as "retired" increases steadily from 29 percent (ages 50-54) to over 90 percent (age 65+), while the proportion "unemployed" drops from about 1/3 to only 2 percent by age 62. The "disabled" description stays important (25-30 percent) through ages 60-61, and then drops precipitously at age 62.

For women without a job, "homemaker" is a very common description. It and "retired" describe most of these women, with the sum rising from about half (age 50-54) to three-quarters (age 60-61), and then even higher for the small and non-representative number of women aged 62 and over.

These simple data suggest that health and labor market difficulties are likely to be very important in explaining the (often involuntary) labor force status of the younger members of the sample. For older workers, however, voluntary departures and the importance of specific retirement incentives are liable to dominate.

Health may also help in explaining the differences in current labor market status by race/ethnicity. As noted, black men at all of these ages are

more likely than whites to report fair or poor health, and more likely to be without a job. The raw (weighted) differential in the proportion of men without a job between whites (22%) and blacks (30%) is 8 percentage points. Within each of the health categories, however, except for the small number reporting "poor" health, the experiences are much more similar, and the differentials range from just 1 to 5 percentage points (not shown).[21] (Within these health categories, however, whites remain more likely than blacks to have full-time rather than part-time jobs.)

The same is true within educational categories. Black and white men with 8-11 years of education (grade school but no high school degree), 12-15 years (high school but no college degree) and 16+ years have similar experiences, and the differences in the proportions with no job by race are only 1 to 4 percentage points (not shown). Only within the lowest category (0-7 years, which includes 15 percent of the black men and 3 percent of the white men), are blacks much more likely to be without a job.

Finally, there is evidence that pension eligibility will be important. From the data on pension coverage, we deduced whether each individual, on his or her current or last job, was

i) not participating in a pension plan,

ii) participating but not yet eligible to claim benefits, or

iii) already eligible (whether claiming benefits or not).

Not surprisingly, those participating and eligible for benefits were the least likely to be working (figure 9) - only 44 percent of them currently held a job. Among those not participating in a pension on their last or current job,

---

[21] Among those in "poor" health, 81% of the blacks have no job, compared to 66% of the whites.

76 percent were still working. And among those who were participating, but not yet eligible for benefits, 93 percent were still employed, and nearly all full-time. The same pattern was true for men and women, and for whites, blacks and hispanics. This suggests that pensions can have two very different effects - encouraging labor force participation prior to the age of eligibility, and encouraging departure thereafter. [22]

5. The Process of Retirement

The primary focus of this research project is on how workers exit the labor force, with emphasis on the importance of the bridge jobs that often exist between full-time work on a career job and complete labor force withdrawal. We have defined a full-time career job as one which a worker has held for 10 or more years, and on which he or she is working full-time annual hours.[23] A bridge job, therefore, could be a part-time job of any duration or a full-time job of less than 10 years duration. We are also interested in the extent to which older Americans utilize self-employment during this transition period.

A problem that arises in this first wave, with the age-eligible sample aged only 51-61, is that many workers may be on jobs that currently meet the bridge definition, but which will be defined as career jobs by the time

---

22 Ruhm (1994) has noted this same phenomenon with the Retirement History Study sample. Men in their late 50s and early 60s with pension coverage were more likely to be working (in the 1970s) than those without. Among those aged 65 and over, however, pension coverage was associated with lower participation rates.

23 Our definition of full-time annual hours is 1600 per year, with the exception of those in the two education industry codes, where annual hours over 1400 are considered full time.

they leave them. A clear cut example would be a 51 year old man with 9 years tenure on a full-time job. It is highly unlikely that this will turn out to be a bridge job by our definition, although it is defined as one now. In this preliminary investigation, we will assume that these workers will remain on these jobs until age 62. These problems will disappear as the future longitudinal waves appear.

Some workers, of course, have already left the labor force or are already on part-time jobs, which are bridge jobs by definition. The problem here is that these workers are not a random sample of the population (they are people who have left early), and do not provide good estimates of what the entire population is likely to do.

Figures 10a and 10b show the current career-job status of our entire sample of 9529 respondents with some work experience after age 49, by gender. Of the 5257 men (figure 10a), nearly half (47%) are currently working on a career job (18% of them are self-employed). We will have to observe them over time to see how they retire.[24] About a quarter (24%) are not working at all, and we can observe now the details of their departure (though they are not a random sample.) The remainder (29%) are working on a job that does not meet our "full-time career" definition. Of these, about a third are working part-time (definitely a bridge job) and the remainder either have worked for less than 10 years on the job (which might or might not turn out to be a bridge job) or, in a few cases, have not provided the information needed to make a full-time/part-time determination.

---

[24] These proportions are all unweighted, and therefore will differ slightly from the proportions in Table 7.

When we look at the previous job of the 543 men currently working part-time, we find that the majority (65%) were working full-time before that. This is a classic bridge job scenario. Only a few of these part-time men (10%) worked part-time on their previous job; the remaining quarter had no information on a previous job.[25] When we look back in time at the 1268 men not working at all, 60 percent had left a career job, 36 percent last worked on a bridge job (two-thirds of whom left a job with less than 10 years tenure; one-third left a part-time job), and a few had insufficient information to determine that job's status. We also have information (not shown) on the prior jobs (i.e., two jobs back) for most of these men currently not working.

There are some interesting differences among white, black and hispanic men (not shown in the figure). White men are more likely to be on a full-time career job than are blacks or hispanics (49% vs. 40% and 38%), and less likely to be without a job (23% vs. 30% and 28%). Of those not working, blacks and whites are almost identical in the proportions coming from a full-time career job (60%) and a bridge job (40%). Among the hispanic men, the proportions are reversed, and a majority have left a bridge job.

The experiences of the women in the sample are very different (figure 10b). Although the proportion not working is very similar to that of males (22% vs. 24%), the women who are working are much less likely to be on a full-time career job and more likely to be on a job with "bridge" characteristics (although some of these will turn into career jobs with time).

---

25 The HRS asks only about prior jobs that lasted at least 5 years. Some of those with no prior job history information may have just had short-term positions.

Women are also less likely to be self-employed (not shown). Those not working are much more likely to have last worked on a bridge job (two-thirds did, the majority of whom came from a part-time job rather than from a full-time job lasting less than 10 years) than were the men (about one-third, the majority of whom came from a full-time job lasting less than 10 years rather than from a part-time job).

One interesting difference arises by race/ethnicity. Although bridge jobs appear to be more important for women than for men, they are less important for black women than for either white or hispanic women. For example, of the women without a job, about 40 percent of the black women came from a full-time career job, compared to about 30 percent of the whites and 25 percent of the hispanics (not shown). In other words, the experience of black women in this sample appears to be closer to that of men than does the experience of either white or hispanic women.

How much bridge job activity do we observe in this snapshot? Among those who are currently not working, a great deal - about one-third of the men and two-thirds of the women without a job last worked on a bridge job. Even among those working there is considerable bridge job activity - 14 percent of the employed men and 28 percent of the employed women are working part-time, and another 7 percent of the men and the women will leave with less than 10 years tenure on their current full-time job if they work until age 62.

Another way to analyze these transitions is to try to identify the last full-time career job of each person in the sample, whenever it was, and then observe the transition from this job. As mentioned above, the problem is that some respondents currently on full-time jobs with insufficient tenure to be called "career" will eventually end up with 10 or more years. By looking

at current, last and prior jobs, we can already (with just the 1992 wave) identify a full-time career job for 78 percent of the men in the sample. If all those currently on full-time jobs with less than 10 years tenure end up staying for at least 10 years, the percentage will reach 83 percent.[26] The analogous numbers are much lower for women. We can currently identify a career job for 52 percent of the women in the sample, and this will reach only 57 percent even if all the full-timers without 10 years tenure stay long enough to achieve 10 years.

In figures 11a and 11b, we describe the retirement transition status of the subsample of men and women for whom we can identify a full-time career job, disaggregating by wage and salary (W&S) and self-employed (SE) status on that career job. In describing these transitions, we have assumed that all the people currently working full-time will continue to do so until age 62, and then leave the labor force. Some of these are currently on what now look like bridge jobs (i.e., jobs of less than 10 years duration), but which will eventually turn into career jobs. By assuming full-time work until age 62, and then retirement, we are probably understating the importance of bridge jobs, since some of these workers may leave before age 62, or move to another (bridge) job when they do leave.[27] But at this stage, we would

---

26 For many of these men, we already have identified a "career" job - their previous job. If they stay on their current job for 10 years, we simply change the designation of their last career job from their previous to their current one. But for others with less than 10 years tenure on their current job, we have no prior "career" job. These are the men whom continued labor force participation may add to our "career" list.

27 On the other hand, some may continue to work beyond age 62, achieve 10 years status, and then leave the labor force. We suspect that this group will be smaller than the other two. The longitudinal data will tell.

rather understate (that is, get a lower bound) than overstate their importance, which counting all the current bridge jobs as eventual bridge job transitions would definitely do.

About two-thirds (64%) of the career W&S employees are still working on the full-time career jobs we have identified (figure 11a, top). Eleven percent are working on a job that will be a bridge job (mostly part-time) even if they stay on it until age 62. About a quarter (26%) are not currently working, and about a fifth of them (22%) utilized a bridge job on the way out, mostly a full-time short duration one. Of those who have already left full-time status on their career jobs (i.e., switched jobs, moved to part-time or are no longer working), about 45 percent held or are holding a bridge job. If none of those still working on a career job ever utilize a bridge job (that is, they all retire in one move), the proportion will drop to about 16 percent.

There is some evidence of transitions to self-employment late in the work career. Of those career W&S workers currently on a bridge job, a third have moved to self-employment (figure 11a). Of the career W&S men no longer working who used a bridge job, about 10 percent switched from W&S to SE on the way out.

There is less to be learned at this stage from the career self-employed in our sample, since nearly 80 percent are still working full-time on their career jobs (figure 11b, bottom). About 10 percent are on bridge jobs (about evenly split between W&S and SE and between full-time and part-time) and the remainder are no longer working. Of the latter category, only about 10 percent last worked on a bridge job.

When we disaggregate the career W&S workers by race/ethnicity (figure 12a for males), we do not discern any large transition differences other than those already noted (such as black men being more likely to be

without a job). Similar proportions (about 10%) of white, black and hispanic men are already working on bridge jobs (even if they stay on it until age 62), and these were primary part-time jobs. Of those not currently working, similar proportions (about 20%) last worked on a bridge job. The proportion whose bridge jobs involved self-employment was large for both whites and blacks (32% and 42%), and less so for the smaller number of hispanics (29%).

Analogous transition data for the women are found in figures 11b (by W&S and SE status) and 12b (W&S only, by race/gender). There are much smaller sample sizes here than in the earlier tables for women, because these include only those for whom a full-time career job can be identified. We have excluded here those women with only part-time or short duration (less than 10 years) jobs. These "career" women remaining look more like the men than does the larger sample of women. In fact, these women are more likely to be still working on their career jobs than are the "career" men (although some of this can probably be explained by the fact that they are younger, on average, than the men), and less likely to be without a job. On the transitions of interest, the prevalence of bridge jobs is about the same as with men - about 10 percent of the sample are on bridge jobs, and a little over 20 percent of those without a job last worked on a bridge job. Among the career W&S women, transitions to self-employment are less common. As with the men, the transition differences by race/ethnicity appear to be modest (figure 12b).

6. Summary

The results from this preliminary look at the 1992 wave of the Health and Retirement Study are only suggestive of what the longitudinal data will tell, but they are intriguing. The initial wave suggests that

-there is a wide variety of retirement behaviors to be studied, even within narrowly defined age groups,

-bridge jobs of both sorts (part-time, and full-time but of short duration) continue to be an important component of the retirement process for many older Americans,

-some older Americans turn to self-employment late in life, in some cases as a means of gradual retirement,

-current labor force status does differ by race and ethnicity,

-some of these differences can probably be explained by factors known to affect the labor market behavior of older workers, such as health and various measures of socioeconomic status, and

-when we concentrate on those for whom we can identify a full-time career job, we do not yet see large differences in the processes by which whites, blacks and hispanics leave these career jobs.

The 1994 wave of the HRS is now available. About 20 percent of the representative age-eligible sample will cross over the age 62 barrier, the single most important age for retirement transitions in the U.S., giving us considerable additional information on nature of the early retirement process. After merging these new data with the initial wave, we will proceed with descriptions of the transition process, comparisons of career and bridge jobs, and multivariate analysis of the determinants of these various retirement paths. [28]

28

BIBLIOGRAPHY

Blau, David. 1987. "A Time Series Analysis of Self-Employment in the United States." Journal of Political Economy 95:445-467.

Honig, Marjorie. 1985. "Partial Retirement Among Women." Journal of Human Resources 20:613-621.

Honig, Marjorie and Giora Hanoch. 1985. "Partial Retirement as a Separate Mode of Retirement Behavior." Journal of Human Resources 20:21-46.

Fuchs, Victor. 1982. "Self-Employment and Labor Force Participation of Older Males." Journal of Human Resources 17:339-357.

Haber, Sheldon E., Enrique J. Lamas and Jules H. Lichtenstein. 1987. "On their own: the self-employed and others in private business." Monthly Labor Review, May: 17-23.

Quinn, Joseph F. 1980. "Labor-Force Participation Patterns of Older Self-Employed Workers." Social Security Bulletin 43/4:17-28.

Quinn, Joseph F. 1981. "The Extent and Correlates of Partial Retirement," The Gerontologist 21:634-643.

Quinn, Joseph F., Richard V. Burkhauser and Daniel A. Myers. 1990. Passing the Torch: The Influence of Economic Incentives on Work and Retirement. Kalamazoo, MI: W. E. Upjohn Institute for Employment Research.

Quinn, Joseph F. and Richard V. Burkhauser. 1994. "Public Policy and the Plans and Preferences of Older American." Journal of Aging and Social Policy 6(3):5-20.

Ruhm, Christopher J. 1990. "Bridge Jobs and Partial Retirement." Journal of Labor Economics 8:482-501.

Ruhm, Christopher J. 1991. "Career Employment and Job Stopping," Industrial Relations 30:193-208.

Ruhm, Christopher J. 1994. "Do Pensions Increase the Labor Supply of Older Men?" Mimeo.

Ruhm, Christopher J. 1995. "Secular Changes in the Work and Retirement Patterns of Older Men." Journal of Human Resources 30:362-385.

U. S. Bureau of the Census (1989), Projections of the Population of the United States, by Age, Sex, and Race: 1988 to 2080, Current Population Reports, Series P-25, No. 1018. Washington, DC: U.S. Government Printing Office.

U. S. Bureau of Labor Statistics. Various years. Employment and Earnings. Washington, DC: U.S. Government Printing Office, January.

U.S. Senate, Special Committee on Aging. 1991. Aging America: Trends and Projections. Washington, DC: U.S. Government Printing Office.