

The Role of Bridge Jobs in the Retirement Patterns  
of Older Americans in the 1990s

July 1996

IARIW SESSION 4B:  
The Distribution of Well-Being Within and Between Households

Tuesday afternoon, August 20, 1996

Joseph F. Quinn  
Department of Economics  
Chestnut Hill, MA 02167  
U.S.A.

(617) 552-4623 (phone)  
(617) 552-2308 (fax)  
joseph.quinn@bc.edu

This paper will be presented at the annual research conference of the International Association for Research in Income and Wealth, August 16-23 in Lillehammer, Norway. I would like to thank the Retirement Research Foundation, the W. E. Upjohn Institute for Employment Research, the Employee Benefit Research Institute and the Survey Research Center at the University of Michigan for research support, and Michael Kozy and Kevin Cahill for expert research assistance.

## I. Introduction

The transition from work to retirement is of major interest to researchers and policy-makers in the United States. The labor force participation rates of older men have fallen dramatically in America, as they have in most other industrialized nations, although data since the mid-1980s suggest that the early retirement trend in the U.S. may have come to an end. For women, the early retirement trend has been largely offset by the increasing labor force participation of married women, and much smaller changes among older women are observed.

Because of earlier retirement and the aging of the American population, the ratio of workers (Social Security contributors) to retirees (Social Security beneficiaries) is also changing. The ratio has already dropped from 5:1 in 1960 to 3.3 to 1 today, and is projected to decline to only 2:1 by 2030, and slightly below thereafter.<sup>1</sup> Because of this, the U.S. Social Security system is now in long-term fiscal imbalance - the future revenues that will be generated under current law are inadequate to finance the benefits already promised.<sup>2</sup> Barring revenue increases or benefit decreases or delays, Social Security expenditures (OASDI: old age, survivors and disability insurance) will exceed revenues by the year 2019, and the combined OASDI Trust Funds would be exhausted by 2029.

The other significant change that has accompanied these demographic trends is the composition of Federal spending. Although the magnitude of U.S. federal spending relative to the economy has been relatively stable over the past several decades, the components of expenditure have not.<sup>3</sup> America has reallocated its military budget, which has declined from nearly 70 percent of all federal spending in 1953 and 1954 (and over half until 1962) to only about 17 percent today (see **figure 1**).<sup>4</sup> Where have these resources gone? Largely to entitlements. During these same four decades, the health and retirement components (the bottom four elements in figure 1) rose from about 10 percent of federal spending in 1950 to 30 percent in 1970, and to well over half -- and still growing -- today. Health, retirement, and disability

expenditures, plus interest on the federal debt currently consume about two-thirds of all federal spending, leaving only a third for defense and all other expenditures (which together consumed nearly 80 percent in 1950). And this has occurred well before the retirement and medical service claims of the baby-boom cohorts anticipated early next century.

Here are two important related national trends that must be addressed -- the long-term financial imbalance of Social Security and the growing federal spending on entitlements, primarily retirement and health. An important element of both is retirement behavior, which has moved toward earlier departure from the labor force even as life expectancies have increased.<sup>5</sup>

Public policy has already changed in important ways in the U.S. to encourage additional work in later years, and most proposals for Social Security reform include additional incentives to induce older Americans to work longer. Whether and how this is likely to occur requires an understanding of how and why people retire, which is the topic of this paper.

The stereotypical retirement in America is a one-time transition directly from a full-time career job to complete labor force withdrawal -- simultaneous departure from the career job and the labor force. Early research by economists reflected this - retirement was usually modeled as a dichotomous event. Subsequent research, however, mostly with data from the Retirement History Study (RHS) of the 1970s, established that this simple view was inaccurate. In fact, in the 1970s, many older Americans withdrew gradually from the labor force, in stages, utilizing "bridge jobs" between career work and complete retirement. Labor market withdrawal looked more like labor market entry than we had previously thought.

The importance of gradual retirement may well increase in the future, as the population continues to age, as life expectancies continue to increase and as public and private sector retirement incentives in America diverge. Public policies are currently changing to encourage delayed labor market departure. Mandatory retirement has virtually been outlawed. The amount of money that some Social Security recipients can earn without reducing their Social Security benefits is being increased significantly.<sup>6</sup> The Social Security normal retirement age is legislated to increase from the current age 65 to age 66 by 2005, and then to age 67 by 2022, and there is

discussion of moving it to 67 or beyond more quickly, and then be indexing it to changes in longevity. Others have proposed a much more controversial change - that the age of earliest eligibility for Social Security retirement benefits be increased from its current 62. Finally, for those who choose to delay receipt of Social Security benefits beyond the normal retirement age, the rewards for doing so, the delayed retirement credit, is increasing, and by 2010, it will be close to actuarially fair for the average American worker.<sup>7</sup>

Even as Social Security work disincentives are being reduced, however, many defined-benefit employer pension plans continue to penalize work beyond particular ages.<sup>8</sup> This contradictory combination of public and private policies (encouraging additional work by older American, but not on their career jobs) may make gradual retirement via second careers even more prevalent than it is today, as rational workers leave their career jobs when their pension incentives dictate, but continue working with another employer or on their own.<sup>9</sup>

To anticipate the retirement trends of the future, it is important to understand the exit patterns of today. Much of our current knowledge is based on outstanding but now outdated surveys like the Retirement History Study (RHS), whose last interviews were nearly two decades ago. In this paper, we analyze the patterns of labor market and career job departure in the early 1990s, using the first two waves (1992 and 1994) of the new Health and Retirement Study (HRS), which is a significant improvement on the RHS. It is current and more sophisticated, and, unlike the RHS, oversamples minorities and includes women as primary respondents.<sup>10</sup>

## II. Brief Literature Review on Patterns of Labor Market Exit

Gustman and Steinmeier (1984) were among the first to show that partial retirement was widespread in the 1970s. Using the HRS, they estimated that about one-third of white males would become partially retired (as defined by the respondents themselves) at some time. They also showed that the estimated parameters of dichotomous retirement equations were sensitive to whether these partly-retired individuals were included in the "retired" or in the "not retired" population, and urged researchers to take a more sophisticated view of the retirement transition.

Honig and Hanoch (1985) and Honig (1985) used the RHS and an objective definition of partial retirement based on changes in annual earnings and found that partial retirement was important among men and non-married women in the 1970s, that it was of significant duration and that its importance increased with age. For example, they found that 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. Quinn, Burkhauser and Myers (1990) used all 10 years of the RHS and focused on exit routes from career jobs (defined as full-time jobs held for at least 10 years). They confirmed that many older Americans did not leave full-time career jobs and the labor force at the same time. Among wage and salary workers, more than a quarter did something else. The vast majority found new jobs, often part-time and sometimes self-employed, while only a few (disproportionately women) were able to drop to part-time while staying on their career jobs.

The self-employed followed very different retirement patterns. At any age, they were more likely than wage and salary workers to continue working full-time on their career jobs (Quinn, 1980; Fuchs, 1982). And when they did begin to retire, they were less likely to leave the labor force in one move. In the RHS, only half of the self-employed (compared to 3/4 of the wage and salary workers) went directly from their full-time career job to complete retirement (Quinn *et al.*, 1990). Those who did not were evenly split between part-time employment on their career jobs (a rarity in the wage and salary sector) and part-time or full-time work on a new job.

In the 1970s, these transitional jobs generally lasted long enough to be interesting to researchers. Of the RHS workers who switched employers late in life, nearly 60 percent were still working two years later. Most of these new jobs were in different occupations and industries, and most involved movement down the socioeconomic ladder - from skilled to unskilled, or from white collar to blue collar. There was some evidence that those at the ends of the economic spectrum were the most likely to utilize non-traditional retirement routes. Those at the lower end may do so because they have to, lacking pension coverage and personal savings, and often eligible for only modest Social Security benefits. Those at the upper end may do so because they want to, enjoying interesting jobs with important non-pecuniary benefits.

Ruhm (1990, 1991) defined the career job as the longest job held and again found considerable bridge job activity in the RHS. 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 continued to work elsewhere.

This literature established that partial or gradual retirement, defined in a number of ways, was an important part of the retirement process in the 1970s, and that the traditional dichotomous view of retirement was inadequate. What has happened in the meantime? Ruhm (1995) used data from a 1989 Harris poll of about 3,000 older Americans to compare men aged 58-63 in 1989 with men the same age in 1969 (from the RHS). He continued to find substantial transitional employment, with about a third of the 58-63 year old men who were employed in 1989 working on post-career jobs. As we will see below, these qualitative results are confirmed in the much larger and more sophisticated HRS -- bridge job activity remains alive and well in America.

### III. Part-time Work and Self-employment Patterns by Age

#### The United States:

Two important types of bridge employment in America are part-time work and self-employment. Government statistics document the importance of both among older workers today.

Part-time employment: Although only 6 percent of employed men aged 25-54 work part-time (fewer than 35 hours per week), 12 percent of those aged 60-61 and employed did, 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 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).<sup>11</sup> Over 85 percent of those aged 60 and over who work part time say they are doing so voluntarily, and this proportion rises with age.

Self-employment: Self-employment also increases with age, with the most dramatic jump at age 65. While only 8 and 6 percent of all employed (non-agricultural) men and women are self-

employed in their primary jobs, respectively, 13 percent of employed men aged 55-64 are, as are 23 percent of those 65 or older. For women, the proportion self-employed is smaller at every age, but also jumps between ages 55-64 (9 percent) and ages 65 or older (15 percent).<sup>12</sup> There are two reasons for these age patterns. One is that those already self-employed in their career jobs tend to retire later than wage and salary workers do. The other is that some wage and salary workers turn to self-employment late in life, often as a means of gradual retirement, since self-employment offers more hours flexibility than do wage and salary jobs (Quinn 1980, 1981; Fuchs 1982).

Other OECD Nations:

Part-time employment: **Table 1** shows the proportion of all workers employed part-time in 16 OECD countries, for men and women aged 55-59, 60-64 and for all ages, around 1980 and 1990. Despite difference in definitions of part-time work, its incidence generally increases with age. Although those aged 55-59 are sometimes not noticeably different from the populations as a whole, in nearly all cases, for both men and women, the proportions are higher for those aged 60-64 than for those 55-59. Data for workers aged 65 and above (not included in this table) suggest that the proportions rise again at those ages, and often dramatically (OECD 1995a, p. 32.). Additional data indicate that the vast majority of the older employees (aged 55 and older) who were working part-time (in 1988) were doing so voluntarily, suggesting that this may be part of an intentional gradual retirement process (OECD 1995a, table 2.8).

Self-employment: **Table 2** shows that the self-employment patterns by age observed in the United States are typical of other OECD nations as well. In all 14 countries shown, the proportion of men and women who are self-employed is higher for those aged 60-64 than for those 55-59, and both ratios are typically much higher than for the populations of workers as a whole. These data do not indicate the extent to which these age patterns are due to the career self-employed working longer than career wage and salary workers, as opposed to wage and salary workers becoming self-employed late in the life cycle.

These OECD data suggest that the phenomena we will be discussing in the U.S. are worthy of analysis in other advanced industrialized nations as well.

#### IV. Sample

The initial (1992) wave of the Health and Retirement Survey (HRS) sampled over 12,000 men and women in about 8,000 households. Of these, 10,564 were re-interviewed in Wave II (1994). The age-eligible respondents were all aged 51-61 in 1992, but spouses could be older or younger.<sup>13</sup> The HRS contains detailed information on each individual's demographic background, health and disability status, family structure, current, past and prior employment, retirement plans (for those still working), health and life insurance coverage, housing status, income and wealth.

Since we are focusing on the transition from the labor force, we have included in our analysis only those with some work experience after age 49 and are left with a sample of 8,184 such individuals who were surveyed in both Wave I and II -- 4,427 men and 3,757 women.<sup>14</sup>

#### V. Current Labor Force Status

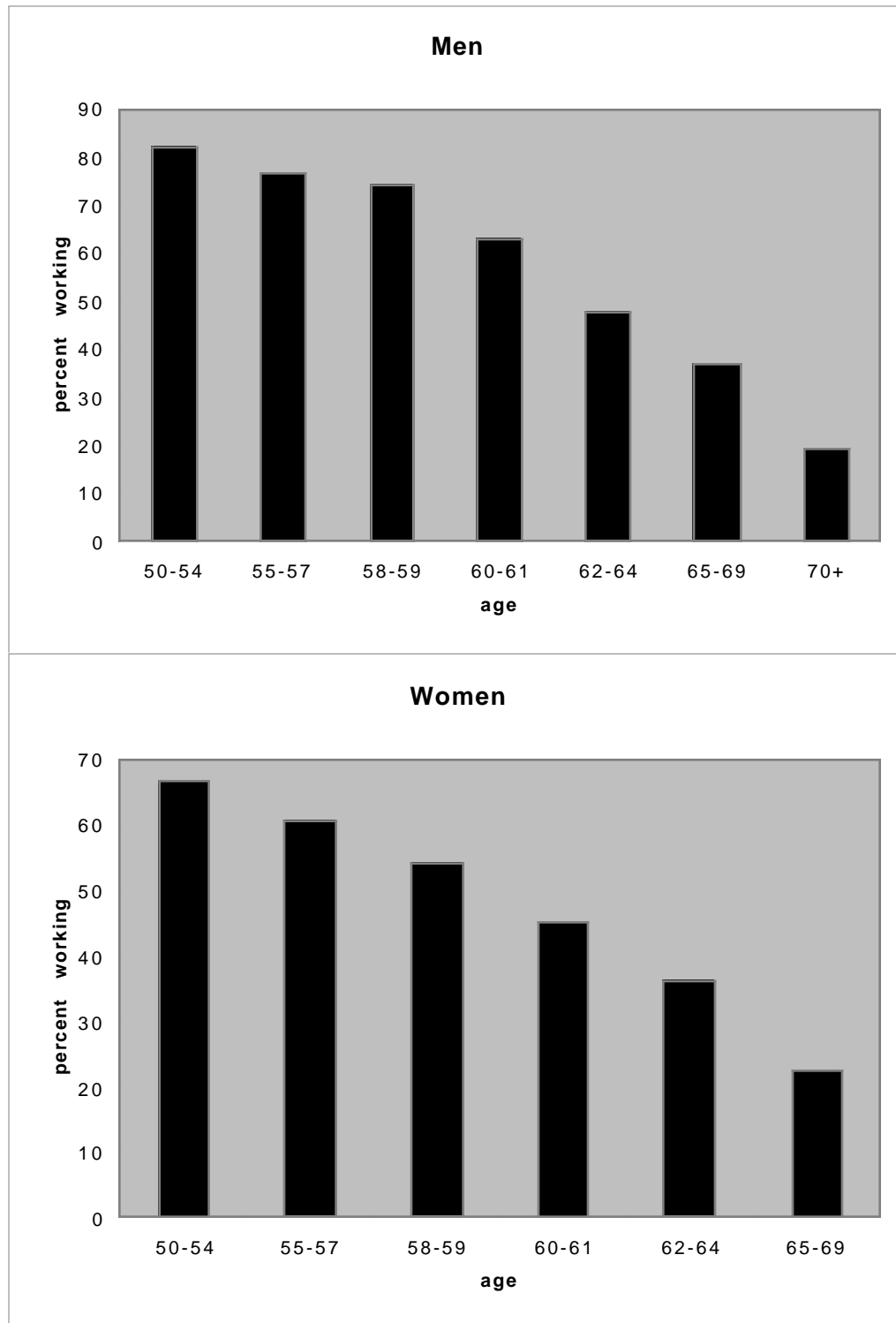
Overall, 70 percent of our sample were working at the time of the 1994 survey and 30 percent were not (the numbers were 78 and 22 percent two years earlier, in 1992). (All the proportions reported in this paper are weighted.) The proportions working are identical for men and women, although this is a little deceptive since the women, on average, are younger than the men. (When we consider only the men and women in the age-eligible set (i.e., those aged 53-63 in 1994), 75 percent of the men and 68 percent of the women were still working.) Among those working, 25 percent of the men and 13 percent of the women were self-employed, while 16 percent of the men and 31 percent of the (younger, on average) women worked part time (defined here on an annual basis, fewer than 1600 hours per year).

**Figures 2, 3, and 4** show the employment, self-employment and part-time status of the HRS sample, by age and gender. Among both men and women, the proportion working drops



**Figure 2**

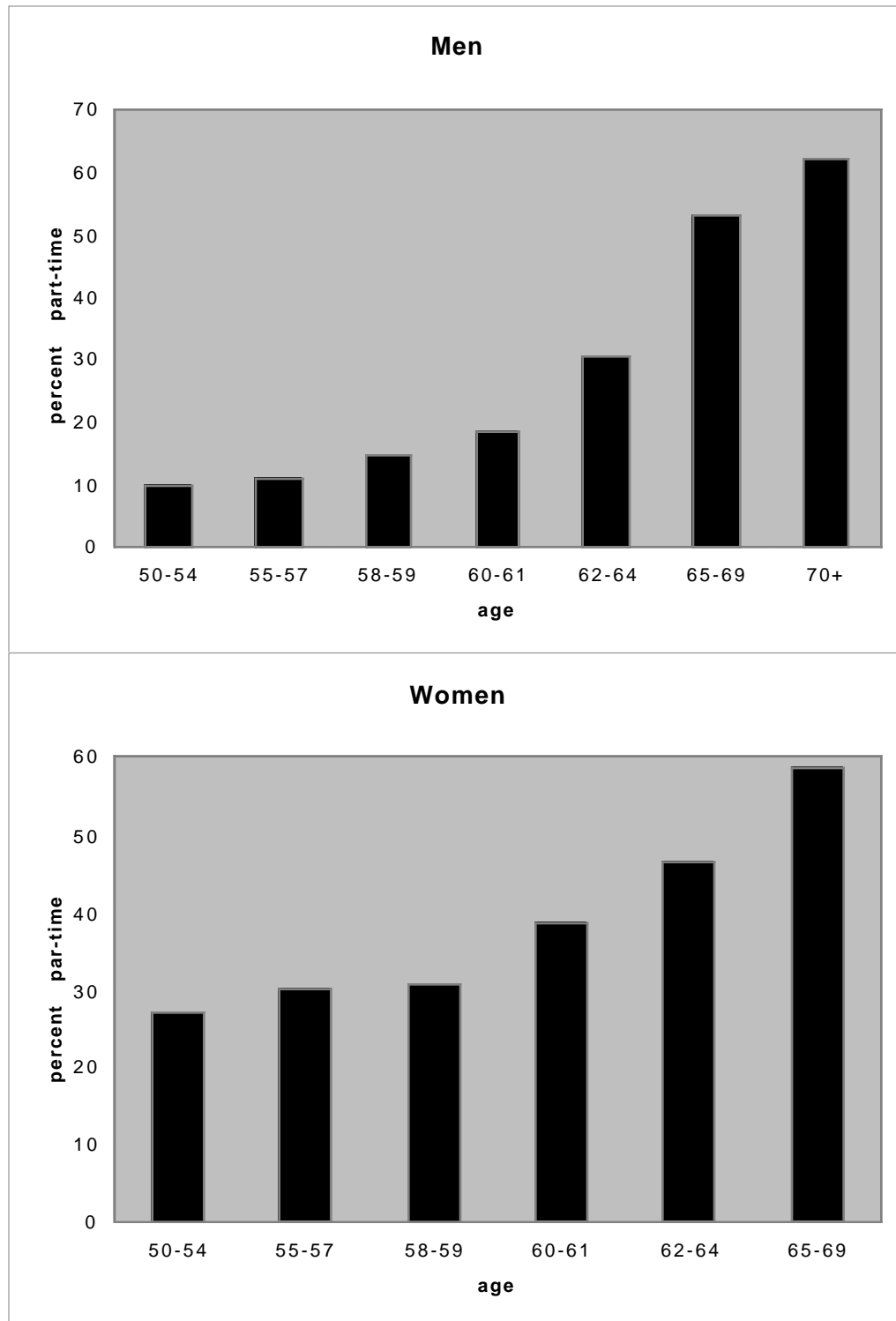
Percent Working by Age and Gender  
1994



Source: HRS, Wave II

**Figure 3**

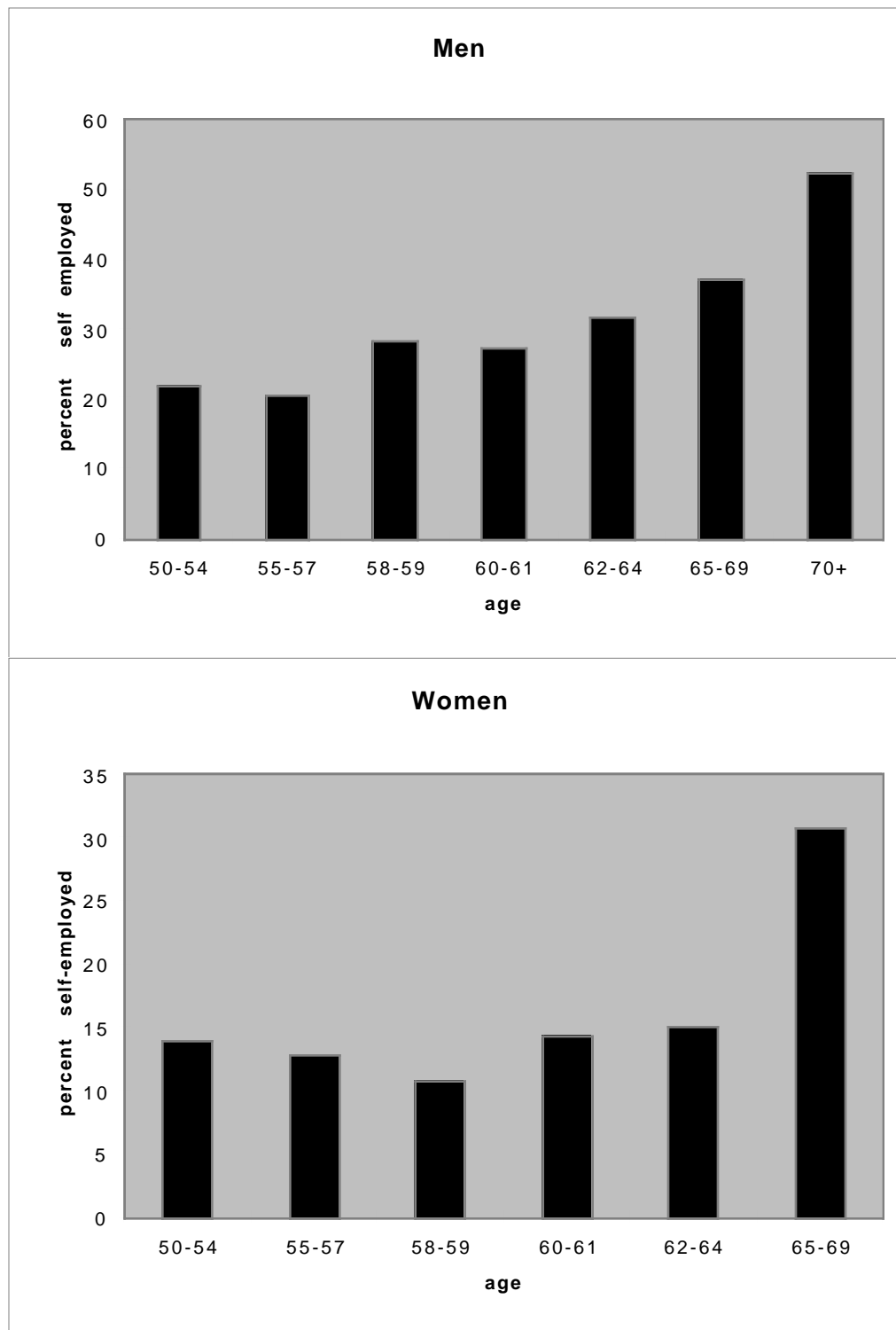
Percent Part-time Among Those Working  
by Age and Gender  
1994



Source: HRS, Wave II

**Figure 4**

Percent Self-employed Among Those Working  
by Age and Gender  
1994



Source: HRS, Wave II

monotonically with age (figure 2), with large declines at ages 60 (a common age for eligibility for employer pension benefits), 62 and 65 (the early and normal ages of eligibility for Social Security benefits).<sup>15</sup> Among the women, the declines are smoother, with drops at ages 55-57 and 58-59 as well.<sup>16</sup> The proportion of those employed who are working part-time is higher for women than for men, and both rise steadily with age (figure 3). For the men, there are especially large jumps at ages 62 and 65, when the Social Security earnings test applies.<sup>17</sup> For women, there are increases in the proportion part time at ages 60, 62 and 65. Finally, the proportion self-employed rises with age, although somewhat erratically, given the smaller sample sizes (figure 4).

Full-time career jobs vs. bridge jobs: The primary focus of this research is on how older workers leave career jobs and the labor force. We have defined a "full-time career job" as one which a worker has held for at least 10 years and on which s/he is working full time (at least 1600 hours per year). A bridge job, therefore, could be a part-time job of any duration or a full-time job of less than 10 years duration.

One problem with the definition is that some full-time workers are currently on jobs with less than 10 years duration, but will have more than 10 years tenure by the time they leave them (e.g., a 51 year old with 9 years tenure on a full-time job; this is unlikely to turn out to be a bridge job by our definition, although it would be defined as one now). One purpose of this research is to derive some early estimates of the importance of bridge jobs in the retirement processes of the 1990s. Since most of the sample has not yet retired (69 percent is still working in 1994), we have to make some assumptions about future behavior in order to derive these estimates. To use current tenure implicitly assumes that all workers are just about to leave their jobs. This is a poor oversimplification which would lead to an overestimate of short-duration bridge job activity. A better oversimplification, and the one we adopt here, is to assume that full-time workers remain on their current jobs until they leave at age 62. We pick age 62 because it is the most important single age of retirement transition.<sup>18</sup> We then classify the jobs as "career" or "bridge" depending on their (assumed) eventual tenure. This may lead to an underestimate of bridge job activity, since we miss those who in fact will leave before age 62 with less than 10 years tenure, but who

would have had 10 years or more had they actually stayed until 62. At this stage, we adopt a conservative stance, preferring to underestimate than overestimate the importance of the bridge job phenomenon. These problems will disappear as the sample ages in future waves of the HRS.

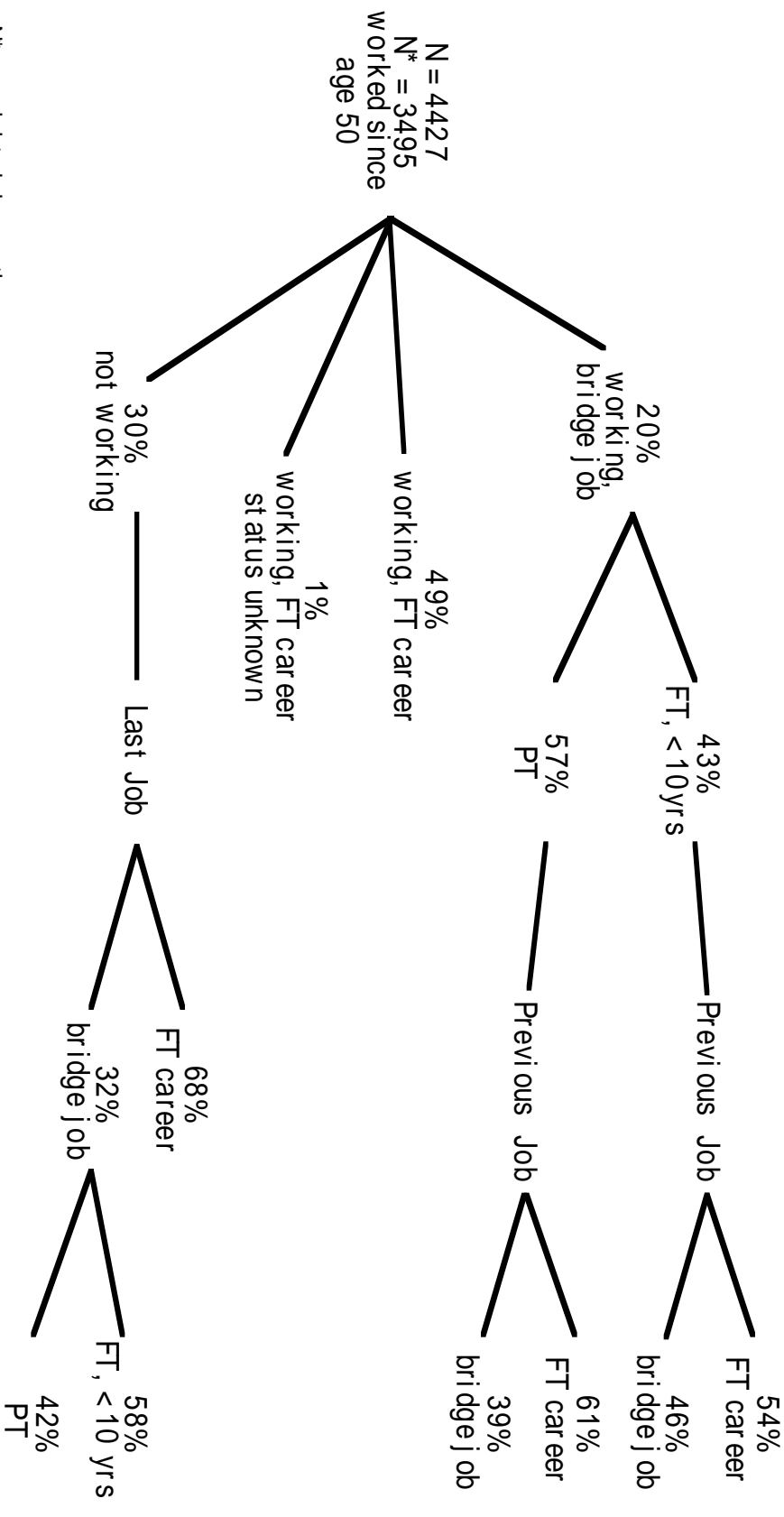
Current status of those who worked after age 49: **Figures 5a** and **5b** show the current (1994) status of our entire sample of Wave I and II respondents with some work experience after age 49. Of the 4,427 men, nearly half are still working full time on career jobs (figure 5a); we will have to observe them over time to see when and how they retire. Thirty percent are not working at all, and we can observe the actual details of their departure. The remaining 20 percent are working on what will turn out to be bridge jobs, even if the workers continue on these jobs until age 62.<sup>19</sup> Of these, nearly 60 percent are working part time (definitely bridge jobs) and the remainder are on what should turn out to be short-duration jobs.

When we look at the previous employment of the men currently on a bridge job, we find that most (almost 60 percent of those with good data on the previous job) were working full time before that. This is a classic career-job to bridge-job scenario. The others have gone from one bridge-job to another bridge-job, raising an issue to be discussed in the next section.

Of the 30 percent of the men not employed in 1994, two-thirds left directly from a full-time career job (the stereotypical retirement pattern, complete labor force withdrawal in one move), while one-third last worked on a bridge job before leaving the labor force. About 60 percent of these bridge jobs were full time but short duration, and 40 percent were part-time.

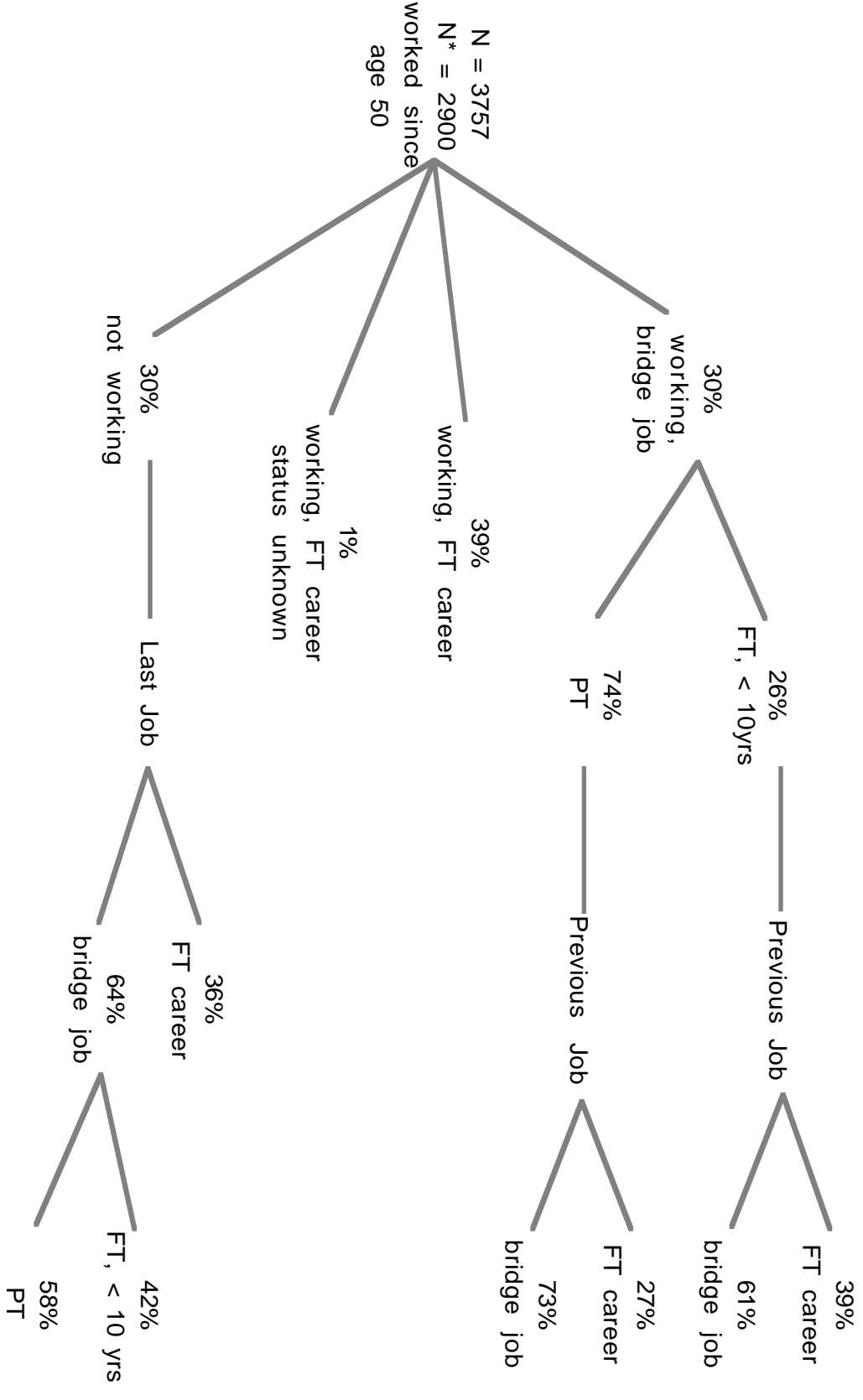
The experiences of the women in the sample are different (figure 5b). They are more likely than the men to be working on jobs with eventual "bridge" characteristics (30 percent are, compared to 20 percent for the men). In addition, a higher proportion of the women's current bridge jobs are part time (74 percent, compared to 57 percent for the men) rather than short-duration. The women not working in 1994 are much more likely to have last worked on a bridge job (two-thirds did, compared to one-third of the men), and the majority of those bridge jobs were part time rather than short duration.

Figure 5 a - Current Job Status, Men



N\* - weighted observations  
Source: HRS, Waves I and II

Figure 5b - Current Job Status, Women



N\* - weighted observations  
Source: HRS, Waves I and II

How much bridge job activity appears in this 1994 snapshot? Among those who are not working, we see a great deal -- about half (one-third of the men and two-thirds of the women) last worked on a part-time or short duration job. Even among those still working there is considerable bridge job activity. Assuming that workers less than 62 continue working on their current jobs until age 62, over a third of the employed sample (29 percent of the employed men and 43 percent of the employed women) are currently working on part-time or (likely) short duration jobs. If we assume no further job changes among this employed sample (unlikely, since some of the current full-time career workers will probably switch to bridge jobs on the way out), we would eventually observe about 30 percent of the men and 50 percent of the women working on a part-time or short-duration job prior to complete labor force withdrawal.

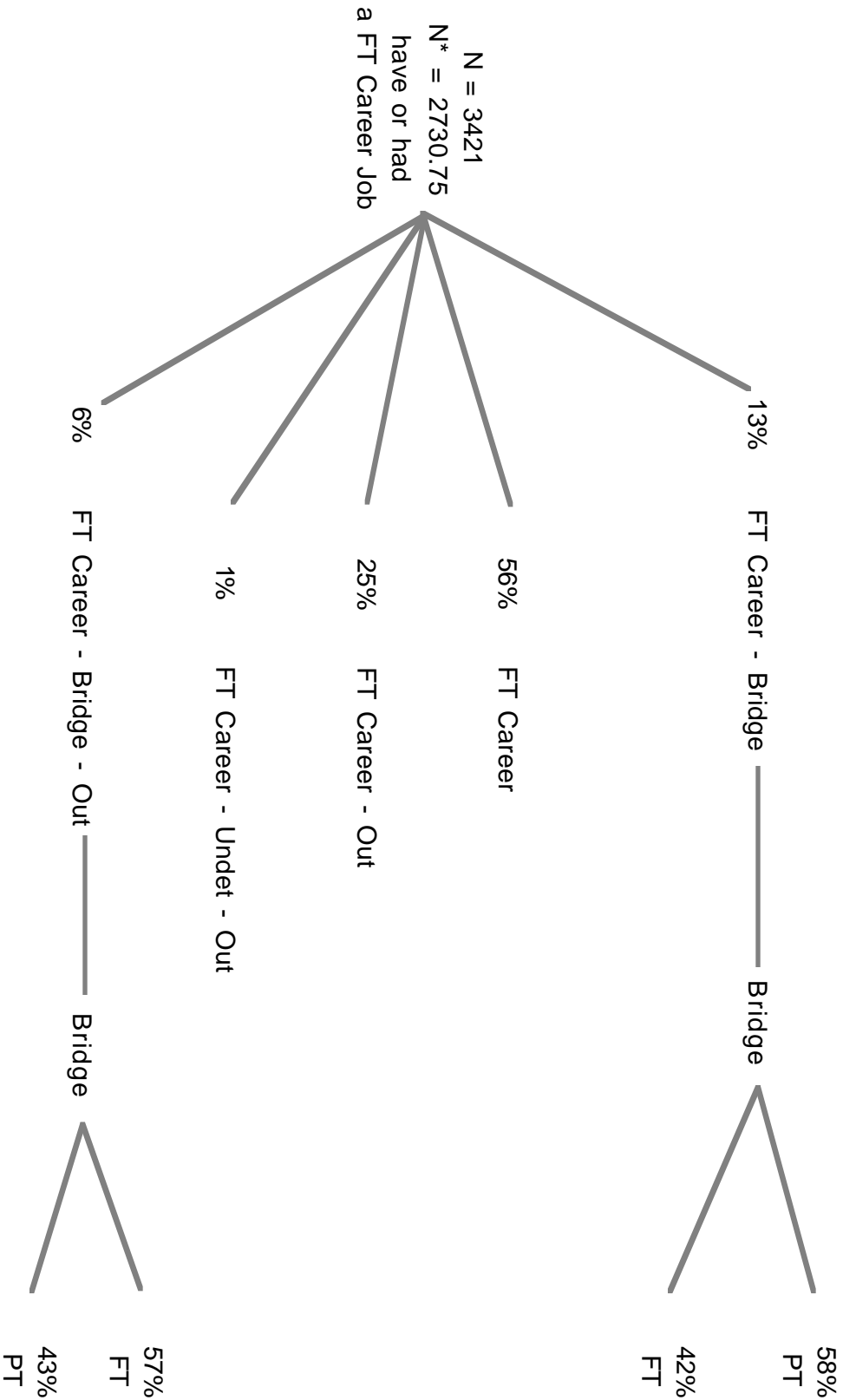
#### VI. Job Transitions Among Older Workers

One problem with automatically equating bridge jobs and retirement transition is that some workers may experience a series of bridge-type jobs. If so, is there any reason to believe that the current bridge job is necessarily a step toward retirement? For a 35 year old, we would not consider it to be; for some 55 year olds, it may not be either. In order to focus on those for whom a bridge job does represent a change, we concentrate here on just the subsample for whom we can identify a full-time career job, whenever it was. We then watch for the transition from that full-time career job, utilizing the longitudinal nature of the HRS. Do people tend to leave the labor force directly from their career jobs, or utilize intermediate stages on the way out?

By looking at current, last and prior jobs, we can identify a full-time career job for 77 percent of the men but only half of the women in the larger sample of all those with some work experience after age 49.<sup>20</sup> Below, we narrow our focus still further, to those holding full-time career jobs in 1992. This allows us to gauge the importance of several explanatory variables that are readily available in the 1992 survey.

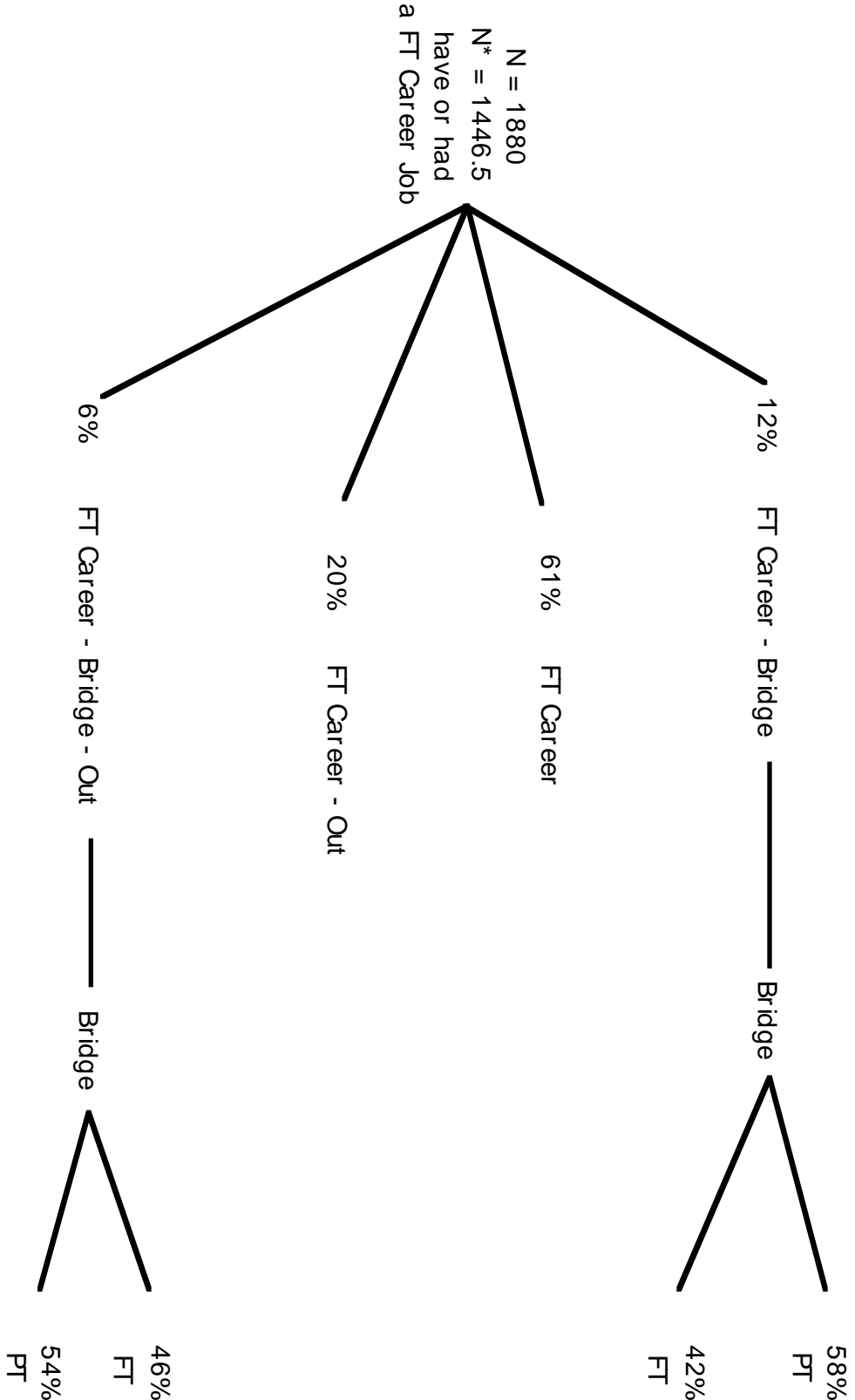


Figure 6a - Full Time Career Job Status, Men



N\* - weighted observations  
Source: HRS, Waves I and II

Figure 6b - Full Time Career Job Status, Women



N\* - weighted observations  
Source: HRS, Waves I and

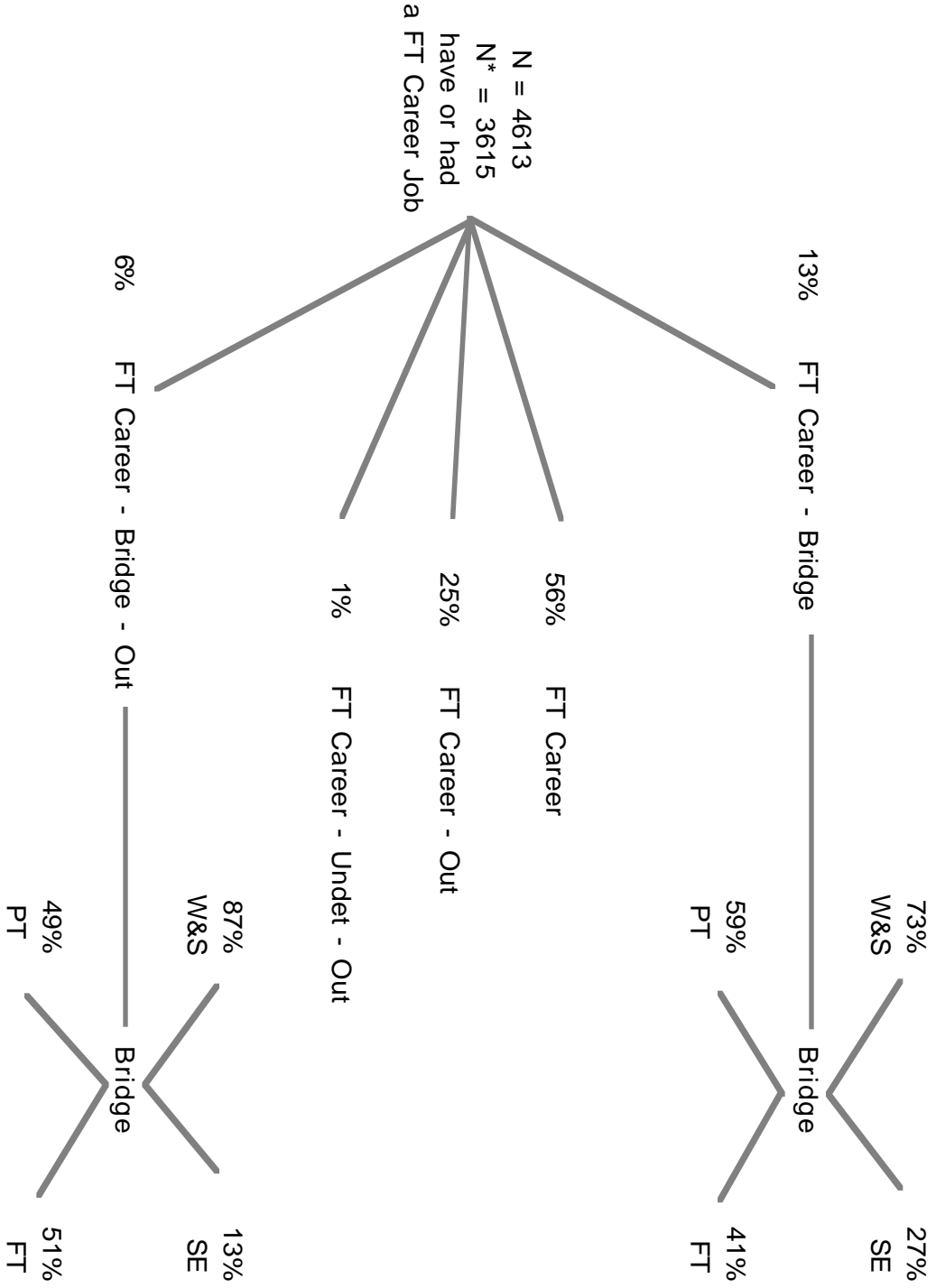
Transitions of those with an identified full-time career job: In **figures 6a** and **6b**, we describe the retirement transitions of those men and women for whom we can identify a full-time career job. Over half (56 percent) of these men are still employed on full-time career jobs (figure 6a).<sup>21</sup> One quarter moved out of the labor force directly from their career jobs, and the other 19 percent moved to a bridge job. (Over two-thirds of this 19 percent are still on that second job, but would not accumulate 10 years tenure even if they remained there until age 62.) Of the men who have already left full-time status on their career jobs, 43 percent moved to a bridge job rather than directly out of the labor force.

Analogous transition data for the full-time career women are found in figure 6b, and look similar to those of the career men. Although these women are more likely to still be employed on career jobs and less likely to be out of the labor force than the men (due in part to the fact that the women are younger, on average), a similar proportion of those who have left full-time career status moved to another job rather than retired completely (47 percent, compared to 43 percent for the men). In general, the labor force behavior of career men and women look more similar than do the behavior of men and women in general.

Of the men and women with identified full-time career jobs, 13 percent were self-employed on those jobs. Bridge job activity appears important in this population as well.

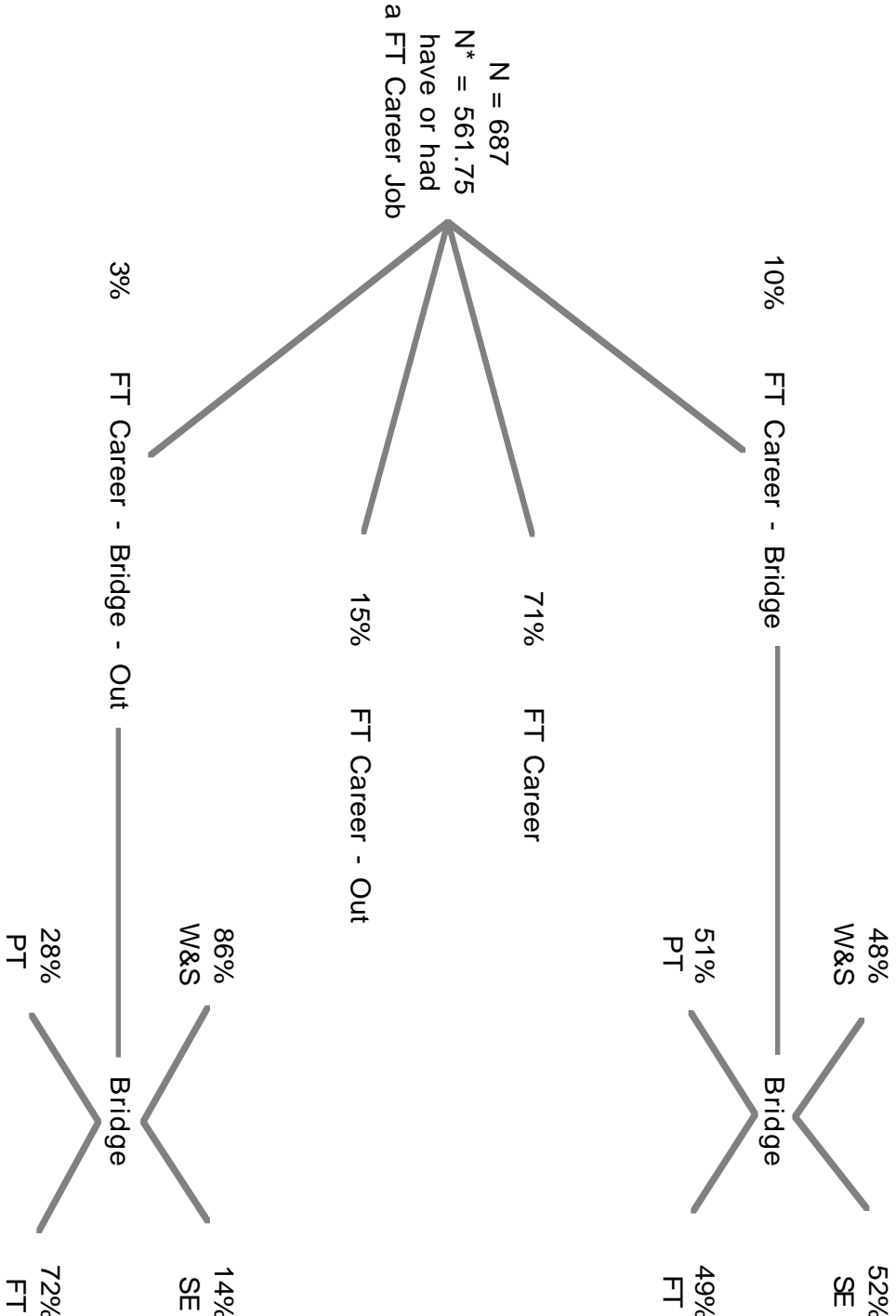
Because of their large numbers, the transition patterns for wage and salary workers look very much like the patterns for the career group as a whole. Fifty-six percent of these men and women (combined in **figure 7a**) are still on career jobs, 31 percent are no longer working, and 13 percent are working on a post-career bridge job. Among the self-employed, in contrast, over 71 percent are still on career jobs (higher than the wage and salary percentage, as expected) and only 18 percent (compared to 31 percent the wage and salary proportion) are no longer working (**figure 7b**). But like the wage and salary workers, of those who have left their full-time career positions, nearly half (46 percent) continued to work rather than leave employment altogether.

Figure 7a - Full Time Career Job Status, Wage and Salary



N\* - weighted observations  
Source: HRS, Waves I and II

Figure 7b - Full Time Career Job Status, Self Employed



N\* - weighted observations  
Source: HRS, Waves I and II

The prevalence of switches between wage and salary and self-employment status late in life can also be seen in figures 7a and 7b. Among the career wage and salary workers who switched jobs (and are either still on the new job or are no longer employed), nearly a quarter switched to self-employment. Among the career self-employed who switched jobs, over half moved to wage and salary employment. Although the proportion of self-employed job switchers moving to a wage and salary job is higher than the reverse, there is still a net increase in the number of self-employed, because of the much larger number of initial career wage and salary workers.

Comparison of Career Jobs and Bridge Jobs: By looking at those workers who did move from their full-time career jobs to new jobs, we can ask how the two jobs compare. As seen in figures 6a and 6b, about 45 percent of new jobs were full-time (at least 1,600 hours per year), and the proportions were very similar for men and women.<sup>22</sup> Of those working part-time, over a third were working between 1200 and 1600 hours (a significant work commitment), and another quarter were working between 800 and 1200 hours. The remaining 36 percent were working less than half-time, evenly distributed between 400 to 800 hours, and less than 400 hours per year.

Post-career jobs generally represent a movement down the socio-economic ladder. **Table 3** roughly disaggregates jobs by white collar/blue collar and skill status. About half (53 percent) of these late-life job changers remain in the same 4x4 cell, but of the half that do not, two-thirds move down and only one-third move up. The percentage white collar drops from 58 to 50 percent, and the percentage highly skilled, from 64 to 52 percent. The largest increase occurs among blue collar workers, not highly skilled -- from 9 percent of the career jobs to nearly a quarter of the bridge jobs.

The same slippage is seen in **Table 4**, which disaggregates by hourly wage rate on the career and bridge jobs. Whereas only 28 percent of these workers earned less than \$10 per hour on their career jobs, 60 percent did on their post-career jobs.<sup>23</sup> The percentage earning between \$15 and \$30/hour (between \$30,000 and \$60,000 on a 2,000 hour basis) dropped from 37 to 15

**Table 3**  
Job Transition by Occupational Status

<b>Bridge Job</b>	<b>FT Career Job</b>				<b>Total</b>
	<b>White Collar Highly Skilled</b>	<b>White Collar Other</b>	<b>Blue Collar Highly Skilled</b>	<b>Blue Collar Other</b>	
White Collar Highly Skilled	53%	16%	7%	5%	25%
White Collar Other	22%	53%	11%	12%	25%
Blue Collar Highly Skilled	14%	13%	52%	19%	27%
Blue Collar Other	11%	17%	29%	64%	23%
<b>Total</b>	<b>34%</b>	<b>24%</b>	<b>31%</b>	<b>9%</b>	<b>100%</b>

**NOTE:** Occupational Status definitions, using 1980 Census occupational codes.  
 White Collar, Highly Skilled: Managers (003-037); Professionals (043-235).  
 White Collar, Other: Sales (243-285); Clerical (303-389).  
 Blue Collar, Highly Skilled: Service, protection (413-427); Mechanics and repair (503-549); Construction and extraction (553-617); Precision production (633-699); Operators, machine and transport (703-859).  
 Blue Collar, other: Other services (403-407 and 433-469); Farming, forestry and fishing (473-499); Operators, handlers (863-889).  
 Other: Armed Forces (900).

Source: HRS, Waves I and II

**Table 4**  
Job Transition by Wage Rate  
**Full Time Career Job**

<b>Bridge Job</b>	<b>\$0-\$5</b>	<b>\$5-\$10</b>	<b>\$10-\$15</b>	<b>\$15-\$20</b>	<b>\$20-\$30</b>	<b>\$30-\$40</b>	<b>\$40-\$50</b>	<b>\$50+</b>	<b>Total</b>
\$0-\$5	35%	27%	16%	14%	11%	0%	4%	0%	17%
\$5-\$10	38%	52%	52%	37%	40%	22%	24%	26%	43%
\$10-\$15	20%	12%	18%	22%	15%	14%	7%	6%	17%
\$15-\$20	3%	4%	6%	8%	10%	10%	0%	10%	7%
\$20-\$30	2%	2%	2%	9%	15%	28%	29%	19%	8%
\$30-\$40	2%	2%	1%	3%	6%	10%	15%	6%	3%
\$40-\$50	0%	0%	3%	4%	0%	4%	7%	6%	2%
\$50+	0%	1%	2%	3%	3%	12%	15%	26%	3%
<b>Total</b>	<b>7%</b>	<b>20%</b>	<b>26%</b>	<b>18%</b>	<b>19%</b>	<b>5%</b>	<b>2%</b>	<b>2%</b>	

Source: HRS, Waves I and II



percent. Overall, a quarter (23 percent) of these job switchers stayed in the same wage category, as categorized in table 4. Of those who did not, three quarters earned less on the bridge job, while only one-quarter earned more. Fringe benefits tell the same story -- pension participation and health insurance coverage are lower on the bridge jobs. These differences do not necessarily imply a problem. Many job changers may be voluntarily trading compensation (salary and fringe benefits) for a change in pace, for more pleasant job characteristics or for hours flexibility not available on their career jobs.

Transitions of those with an identified full-time career job in 1992: The HRS contains information on the pension and health insurance status of workers employed in 1992. Since we are interested in the influence of these factors (and others) on the decision of whether and how to leave one's career job, we focus here on the sub-sample of 3,250 respondents working on an full-time career job in 1992, and utilize the longitudinal nature of the data set by analyzing the transitions that occurred between 1992 and 1994.

Of this subsample, 77 percent were still on that same job 2 years later (see **table 5**). Of those who were not, 60 percent were no longer working (14 percent of those employed on a career job in 1992) and 40 percent had switched to a new job (or 9 percent of the 1992 career sample). Of those who switched jobs, one-third dropped to part-time status. Again, there was considerable cross-over: about a quarter of the wage and salary workers who switched jobs moved to self-employment, and about 70 percent of the self-employed moved to a wage and salary job.

As seen in table 5, there is almost no difference between the behavior of the career men and career women in this sample, but the expected difference between the career wage and salary workers and the career self-employed -- the self-employed are more likely to still be on their career job, and less likely to have left the labor force (9 percent vs. 15 percent of the wage and salary population).

**Table 5**

1992 - 1994 Transitions

**Those on a Full-Time Career (FTC) Job in 1992**

<b>1994 Status</b>	Sample				
	all	men	women	w&s	se
Still on FTC Job	77%	76%	78%	76%	84%
New FT Job	6%	6%	5%	6%	5%
New PT Job	3%	3%	3%	2%	2%
New DK Job	1%	1%	1%	1%	1%
Not Working	14%	14%	13%	15%	9%

What explains the different paths these career workers are taking? Previous research and cross-tabulations suggest that health status, age, and self-employment status should be important. We have also included marital status, educational level, occupation, the presence of dependent children at home, two race/ethnicity dummies (Black and Hispanic) and a gender dummy, which may be important once age is taken into consideration. In addition, we focus on a number of economic variables: home ownership, non-wage income, and three aspects of the career job: the wage rate, pension status and health insurance status.

The last two require some explanation. All employees were asked about the pension plans on their current (in this case, 1992) jobs. Some had no pension coverage at all, others were covered by a defined benefit (DB) plan and others by a defined contribution (DC) plan. Workers were also asked the earliest age at which they could leave their employers and start to receive pension benefits.<sup>24</sup> From this we defined pension status as follows:

- not covered by the current employer
- covered by a DB plan, but not yet eligible to claim benefits
- covered by a DB plan, and currently eligible to claim benefits
- covered by a DC plan, but not yet eligible to claim benefits
- covered by a DC plan, and currently eligible to claim benefits

We expect that those covered but not yet eligible to be the least likely to leave the career job, and those covered and eligible the most likely. Those without coverage are the default group in the logit estimates.

A number of questions about the health insurance coverage of respondents and their spouses allowed us to derive a dichotomous variable that equals one when the respondent has health insurance through the firm (or union) and would lose coverage if s/he left the job (i.e., would not have coverage through a post-retirement plan, the spouse's plan or private insurance already being purchased.) We expect this situation to deter departure from the job.

These preliminary logit estimates (**table 6**) are generally reasonable. The explanatory variable refers to the person's status on the career job in 1992.

**Table 6**

## Logit Estimates

Sample: All Individuals on Full-Time Career Jobs in 1992

Dependent Variable: Bridge Job in 1994

Variable	Coefficient	t-statistic
Constant	-0.783	-1.620
HEALTH		
excellent	-0.197	-1.075
very good	0.181	1.111
good	--	--
fair	-0.056	-0.224
poor	-0.191	-0.344
AGE		
50-57	0.387	1.773 *
58-59	-0.076	-0.278
60-61	--	--
62	0.050	0.096
63-64	0.751	1.666 *
65+	0.821	1.684 *
MARRIED	-0.126	-0.714
SELF-EMPLOYED	-1.336	-5.445 * *
EDUCATION		
<=8	-0.286	-1.068
9-11	-0.415	-1.801 *
12	--	--
13-15	0.169	0.977
16	-0.069	-0.262
17+	-0.087	-0.324
RACE/ETHNICITY		
white	--	--
black	-0.304	-1.431
hispanic	0.137	0.490
HOME OWNERSHIP	-0.411	-2.222 * *
KIDS AT HOME	-0.280	-2.057 * *
LN(WAGE)	-0.076	-0.558
FEMALE	-0.086	-0.508
HEALTH INSURANCE		
would lose coverage	-0.292	-1.654 *
PENSION		
no pension	--	--
DB-not eligible	-1.522	-7.327 * *
DC-not eligible	-1.258	-5.828 * *
DB-eligible	-0.952	-4.859 * *
DC-eligible	-0.901	-3.078 * *
unknown	-0.989	-2.201 * *
NON-WAGE INCOME	0.000	-1.047
OCCUPATION		
manager	0.326	1.320
professional	0.169	0.620
sales	0.442	1.554
clerical	--	--
services	-0.393	-1.227
farm	-0.244	-0.512
repair	0.103	0.291
construction	0.756	2.208 * *
production	0.114	0.321
operatives	0.231	0.868
army	-8.455	-0.043

\* significant at 10% level

\*\* significant at 5% level

Table 6 (cont.)

## Logit Estimates

Sample: All Individuals on Full-Time Career Jobs in 1992

Dependent Variable: Not Working in 1994

Variable	Coefficient	t-statistic
Constant	-0.934	-2.241 * *
HEALTH		
excellent	-0.177	-1.127
very good	-0.121	-0.832
good	--	--
fair	0.508	2.749 * *
poor	1.185	3.778 * *
AGE		
50-57	-1.098	-7.418 * *
58-59	-0.719	-3.996 * *
60-61	--	--
62	0.619	2.308 * *
63-64	0.550	1.818 *
65+	-0.029	-0.075
MARRIED	-0.273	-1.774 *
SELF-EMPLOYED	-0.637	-2.847 * *
EDUCATION		
<=8	0.088	0.408
9-11	0.148	0.842
12	--	--
13-15	-0.246	-1.472
16	0.138	0.658
17+	-0.653	-2.633 * *
RACE/ETHNICITY		
white	--	--
black	0.093	0.570
hispanic	0.258	1.034
HOME OWNERSHIP	-0.040	-0.223
KIDS AT HOME	-0.213	-1.807 *
LN(WAGE)	0.040	0.332
FEMALE	0.177	1.210
HEALTH INSURANCE		
would lose coverage	-0.483	-2.940 * *
PENSION		
no pension	--	--
DB-not eligible	-0.441	-2.259 * *
DC-not eligible	-0.333	-1.554
DB-eligible	0.592	3.516 * *
DC-eligible	0.438	2.037 * *
unknown	-0.227	-0.530
NON-WAGE INCOME	0.000	1.007
OCCUPATION		
manager	0.228	1.067
professional	0.294	1.296
sales	0.051	0.191
clerical	--	--
services	-0.188	-0.728
farm	0.063	0.158
repair	0.623	2.281 * *
construction	0.708	2.208 * *
production	-0.053	-0.176
operatives	-0.048	-0.210
army	1.550	1.211

\* significant at 10% level

\*\* significant at 5% level

- Bad health (self-defined as "fair" or "poor,") is a significant determinant of who is no longer working in 1994, but not of who moves from a career job to a bridge job.

- The age coefficients suggest that the probability of leaving employment altogether increases with age, with significant jumps for those aged 58-59 in 1992 (and therefore crossing the age 60 threshold by 1994), 60-61 (and therefore reaching the age of earliest Social Security eligibility by 1994) and 62. The likelihood of moving to a bridge job is highest for the youngest (aged 50-57 in 1992), and those few (in this sample) who crossed the age 65 threshold by 1994. There is no significant difference in the probability of moving to a bridge job among those aged 58 to 62 in 1992.

- Married and self-employed respondents are significantly more likely to remain on the career job, other things equal, and less likely to move to a bridge job or out of the labor force.

- There are no statistically significant differences in career job exit behavior by gender, race (Black) or ethnicity (Hispanic) among this sample of people working on a career job in 1992.

- The only educational coefficient of interest suggests that those with advanced degrees (17 or more years of education) are the most likely to keep working, perhaps because of the nature of their work.

- Having dependent children still at home significantly lowers the probability of leaving the career job, either to a bridge job or out of the labor force.

- Neither home ownership nor non-wage income is a significant determinant of the two-year transition probabilities. This is odd, and may reflect the fact that high wealth is associated with certain job characteristics (like pleasant or interesting work) that would encourage continued labor force participation.

- Although the wage rate is statistically insignificant (perhaps for the same reason that non-wage income is insignificant), two other aspects of the compensation package appear to be important:

- As expected, those who have health insurance on the job and who would lose it if they left that job are significantly less likely to leave the career job, either to a bridge job or out of the labor force.

- As expected, those participating in a pension plan, either defined benefit (DB) or defined contribution (DC), but not yet eligible to receive benefits, are the least likely to leave their career jobs. Compared to those with no pension coverage, they are less likely to move to a bridge job, and less likely to leave the labor force. In contrast, those old enough to be eligible to receive DB or DC benefits (by 1994) are more likely than those without coverage to be out of the labor force by 1994, but less likely than those not participating in a plan to move to a bridge job.

Although preliminary, these logit results suggest that the differences in career exit behavior by respondents with different demographic and economic characteristics are generally consistent with the prior literature.

## VII. Summary

The first two waves of the Health and Retirement Survey show that bridge job activity is an important part of the retirement process for many older Americans. Labor force participation rates drop dramatically with age, with significant decreases at ages (such as 60, 62 and 65) that are important in pension and Social Security regulations. As participation drops, increasing proportions of those still employed are working part time or are self-employed.

Bridge job activity is observed both among those who have already stopped working, of whom about half (one-third of the men and two-thirds of the women) last worked on a bridge job, and among those still employed, a third of whom (about 30 percent of the men and over 40 percent of the women) are either working on a part-time job or on one likely to end with less than 10 years duration. The exit patterns of men and women working full-time on career jobs are similar, but those of wage and salary and self-employed workers are not. There are many transitions to and from wage and salary and self-employed status, with about one quarter of the wage and salary workers who switched jobs late in life changing to self-employment, and over

half of the self-employed who switched moving into wage and salary work. Because of the relative numbers of career wage and salary vs. career self-employed workers, there is a net influx into self-employment as workers age.

Preliminary logit equations explaining the transitions from full time career jobs held in 1992 suggest that the exit routes chosen (either to a bridge job or out of the labor market directly) depend in reasonable ways on age, health and marital status, the presence of dependent children, and on the health insurance and pension status of the individual.

There is much to be learned from future waves of the HRS, because the majority of the sample is still at work, and many are still on their career jobs. But the first two surveys confirm that the retirement patterns of older Americans are rich and varied. Although the majority do appear to leave their career jobs and the labor market simultaneously, many others utilize bridge jobs on the way out -- often part-time and sometimes self-employed. As the baby boom generation contemplates retirement and as Social Security reduces its remaining work disincentives, these nontraditional exit routes may become all the more important in the future.



## BIBLIOGRAPHY

- Board of Trustees, Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds. (1996.) *1996 Annual Report*. Washington, DC. June 5, 1996.
- Council of Economic Advisors. (1996). *Economic Report of the President*. Washington, DC: U.S. Government Printing Office.
- Honig, M. (1985). Partial Retirement Among Women. *Journal of Human Resources* 20, 613-621.
- Honig, M. and G. Hanoch. (1985). Partial Retirement as a Separate Mode of Retirement Behavior. *Journal of Human Resources* 20, 21-46.
- Fuchs, V. (1982). Self-Employment and Labor Force Participation of Older Males. *Journal of Human Resources* 17, 339-357.
- Juster, F. T. and R. Suzman. (1995). An Overview of the Health and Retirement Survey. *Journal of Human Resources* 30, S7-S56.
- Organisation for Economic Co-operation and Development (OECD). (1992). *Employment Outlook*. Paris: OECD.
- Organisation for Economic Co-operation and Development (OECD). (1995a). *The Transition from Work to Retirement*. Social Policy Studies No. 16. Paris: OECD.
- Organisation for Economic Co-operation and Development (OECD). (1995b). *The Labour Market and Older Workers*. Social Policy Studies No. 17. Paris: OECD.
- Quinn, J. F. (1980). Labor-Force Participation Patterns of Older Self-Employed Workers. *Social Security Bulletin* 43(4), 17-28.
- Quinn, J. F. (1981). The Extent and Correlates of Partial Retirement. *The Gerontologist* 21, 634-643.
- Quinn, J. F. (1996). Entitlements and the Federal Budget: Securing Our Future, National Institute on Aging, Washington, D.C., May 1996
- Quinn, J. F., R. V. Burkhauser & D. 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, J. F. & O. Mitchell. (1996). "Social Security on the Table," The American Prospect, May/June 1996, pp. 76-81.
- Ruhm, C. J. (1990). Bridge Jobs and Partial Retirement. *Journal of Labor Economics* 8, 482-501.
- Ruhm, C. J. (1991). Career Employment and Job Stopping. *Industrial Relations* 30, 193-208.

- Ruhm, C. J. (1995). "Secular Changes in the Work and Retirement Patterns of Older Men." *Journal of Human Resources* 30, 362-385.
- Social Security Administration. (1995). *Annual Statistical Supplement to the Social Security Bulletin, 1995*. Washington, DC: U.S. Government Printing Office.
- Turner, J. A. & D. J. Beller. (1992.) *Trends in Pension 1992*. Washington, DC: U.S. Department of Labor.
- 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 the Census. (1995). *Older Workers, Retirement and Pensions: A Comparative International Chartbook*. Washington, DC: U.S. Government Printing Office.
- U. S. Bureau of Labor Statistics. (January of various years). *Employment and Earnings*. Washington, DC: U.S. Government Printing Office.
- U. S. Senate, Special Committee on Aging. (1991). *Aging America: Trends and Projections*. Washington, DC: U.S. Government Printing Office.

---

<sup>1</sup> See Board of Trustees (1996; table II.F19). To offset the coming changes in the age distribution and maintain the 1990 ratio of retired to working populations, the average retirement age in America would have to increase by nearly 5 years by the year 2030. See U.S. Bureau of the Census (1995, figure 3.14).

<sup>2</sup> Over the next 75 years, the traditional accounting horizon for Social Security, the unfunded old-age, survivors and disability (OASDI) program liability is estimated to be about 2.2 percent of covered payroll. This is somewhat misleading, however, because this deficit is an average of large surpluses in the near future, and large and increasing deficits (about 5.5 percent of covered payroll) at the end of the period. Even with a 2.2 percentage point payroll tax increase today, the system would not be in true long-term actuarial balance, because the 75-year period moves forward each year, each time replacing a current surplus year with a large deficit year 75 years hence. For more detail, see Quinn and Mitchell (1996).

<sup>3</sup> Since 1970, annual federal receipts have ranged between 17.8 and 20.2 percent of gross domestic product (GDP). Federal expenditures have also been surprisingly stable, ranging from a low of 19.2 percent of GDP in 1974 to a high of 24.4 percent in 1983, the latter during the worst recession since the 1930s, with official unemployment rate near 10 percent. For more detail, see Quinn (1996).

<sup>4</sup> As a proportion of GDP, military spending has declined from 15 percent in 1953 to less than 4 percent today. See Council of Economic Advisors (1996), table B-76.

<sup>5</sup> Between 1960 and 1990, the percentage of one's adult life spent in retirement has increased from about 4 to 13 percent for men, and from 14 to 21 percent for women. See U.S. Bureau of the Census (1995), Figure 3.11.

<sup>6</sup> In 1996, Social Security recipients aged 62-64 can earn up to \$8,280 without losing any benefits, and lose \$1 for each \$2 earned beyond that. Those aged 65-69 can earn up to \$11,520, and then forego \$1 for each \$3 earned beyond that. There is no "earnings test" at all for recipients aged 70 or older. Congress recently passed legislation to increase allowable earnings by 2002 to \$30,000 for those aged 65-69.

<sup>7</sup> Actuarially fair means that the present discounted value of expected Social Security benefits does not change if a worker delays receipt for another year. In other words, the increments in future checks from the delayed retirement credit (DRC) just offsets the loss in benefits initially foregone. The DRC required for actuarial fairness (or age-neutrality) depends on the life expectancy and the interest rate facing the workers. Since these differ by gender, race/ethnicity and a host of personal characteristics, a single DRC facing all workers cannot be age-neutral for each, which is why we say it will be for the "average worker."

<sup>8</sup> They do so with benefit calculation rules under which the present discounted value of expected benefits declines with additional work on the job; i.e., with future benefit increments that are insufficient to make up for the pension benefits foregone while eligible but still working.

<sup>9</sup> Defined-contribution pensions do not have these work disincentives. Although the importance of defined-contribution pensions is on the rise in the private sector, the majority of covered workers still have primary coverage under a defined-benefit plan (Turner and Beller 1992, table

---

4.10.).

<sup>10</sup> For an excellent overview of the HRS, see Juster and Suzman (1995) and the other papers in a special HRS edition of the Journal of Human Resources.

<sup>11</sup> These are unpublished Bureau of Labor Statistics data for non-agricultural workers in 1993.

<sup>12</sup> U.S. Bureau of Labor Statistics, January 1996, table 15.

<sup>13</sup> About a fifth of the sample is aged 62 or older, and 7 percent (nearly all men) are 65 or older. There are more men aged 65 or older because women are more likely than men to have older spouses.

<sup>14</sup> Those without work experience after age 49 are predominantly women (85 percent are, 96 percent of whom are or have been married). Of the 358 men excluded, over half reported either "fair" or "poor" health, the lowest two entries on a 5-point subjective health scale.

<sup>15</sup> In figure 2, we use the entire data set, not just those employed after age 49. Using the restricted sample yields higher labor force participation rates, but the same general pattern.

<sup>16</sup> These earlier declines may reflect the retirement decisions of the women's (slightly older) spouses.

<sup>17</sup> In 1996, for recipients between the ages of 62 and 64, Social Security benefits are decreased \$1 for each \$2 of earnings above \$8,280; for those between 65 and 69, benefits are decreased \$1 for each \$3 of earnings above \$11,520. (Recent legislation will increase the exempt amount for those 65-69 to \$30,000 by the year 2002.) These rules exaggerate the actual benefit loss, however, since future benefits are increased by an actuarial adjustment when benefits are foregone. At age 70, the earnings test disappears entirely, and Social Security benefits are unaffected by current earnings.

<sup>18</sup> In 1994, 71 percent of all new Social Security recipients were aged 62-64, with the majority age 62 (Social Security Administration, 1995, Table 6.A3).

<sup>19</sup> A small number (about 1%) are working, but we cannot discern whether or not this is a full-time career job.

<sup>20</sup> In defining this sample of those for whom we can identify a full-time, career job, we do not assume that workers remain on their current jobs until age 62. The reason is that we will be looking at the transitions from these jobs, and we want to use the actual tenure at transition to define the job one leaves as either full-time career or bridge, not the tenure that would have occurred had the individual stayed on the job until age 62. On the other hand, for those who take another job when they leave their career jobs, we do assume they remain on the post-career job until age 62 when deciding to describe it as a bridge job or as (another) career job.

<sup>21</sup> The vast majority of these are still on the career jobs we identified. About 7 percent have switched jobs, but moved to new jobs early enough to be able to accumulate 10 years of seniority by the time they reach age 62. To the extent that some of these men do leave before 10 years tenure, we will underestimate the extent of bridge job activity.

<sup>22</sup> These percentages are derived from the two groups in figures 6a and 6b who moved from a career to a bridge job -- those still on a bridge job and those who have since stopped working.

---

<sup>23</sup> Fifteen percent of the sample who switched from a career to a bridge job had bad wage data on one or both of the jobs. The vast majority of these involved wages on a 1994 bridge job, since the 1994 data release is less clean than the 1992 public use sample. Table 4 includes only those with good data on both jobs. The wage rates are all inflated to 1994 dollars.

<sup>24</sup> In the those cases where employees participated in more than one pension plan with their current employer, we decribed pension status on the plan on which the employee could first receive benefits.