

# Retirement Patterns in the United States: Research and Policy Interaction

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*Though the social security program was intended to offer the aged a choice of leisure or work, there is now concern about high retirement rates. This paper identifies some of the issues related to age at retirement and the impact of the retirement test, draws together relevant information from several cross-sectional studies and from two longitudinal surveys, and indicates how research findings have led both to policy recommendations and to proposals for additional research.*

*The same surveys that show retirement by age 65—if not earlier—as becoming more acceptable demonstrate that many older workers and would-be workers have health problems that limit or preclude employment. Often, OASDI benefits have been their main income source. These surveys also identify substantial numbers of men in their sixties and early seventies who live on a combination of modest current earnings and social security benefits. They find that among older workers with second pension rights, some claim social security benefits early to enjoy leisure, while others wait until age 65, when most private pension plans require retirement.*

RETIREMENT IS usually characterized as one of the milestones in the life of a man—if not yet of most women. But no single concept or measure of retirement is accepted, either by social gerontologists or policymakers. In fact, what measure is used normally depends on either the issue under consideration or the available data. It may relate to the extent or continuity of work or earnings—or the lack thereof—to the termination of a specific career (in the Armed Forces, for example), to receipt of a retirement pension (regardless of age, health, or continuity of em-

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ployment), to an individual's perception of his status, or to some combination of these factors.<sup>1</sup> Thus, such apparently simple questions as "How many workers retired last year?" or "How many retirees are there in the United States?" cannot be answered directly.

In one way or another, however, they are answered almost every day. The response may be in terms of (1) the number of older persons not in the labor force or the number of older workers without year-round full-time jobs, according to the Current Population Survey, or (2) the number receiving retirement benefits under the social security program, with attention to the proportion claiming their benefits before age 65.

## SUMMARY OF TRENDS

The sharp decline since 1950 in the proportion of men aged 65 and older who work and the more recent reduction in work activity by those aged 60-64 are frequently cited as cause for great concern. Although the decline, particularly in retirements before age 65, has been greater than anticipated, one fact should receive more attention than it usually does. Substantially more men engage in some work in a year than are counted in the labor force in an average week of that year. It is only since 1972 that the proportion of men aged 65-69 working at some time during a year has dropped below one-half. For that age group the labor-force rate (in an average week), which was nearly three-fifths in 1955 and had dropped to one-half in 1960, was still about one-third in 1975 (table 1).

Three-fourths of the men aged 62-64—the years when reduced social security benefits are

<sup>1</sup> For a comprehensive bibliography of the literature on the concept of retirement, see E. H. Friedman and H. L. Orbach, "Adjustment to Retirement," in *American Handbook of Psychiatry*, volume 1, chapter 30, 2d edition, 1974.

TABLE 1—Labor-force participation rate and percent with work experience during year for persons aged 60 and over, by age and sex, 1950-74

Year	Aged 60-64		Aged 65 and over					
	Labor force rate	Work experience	Total		65-69		70 and over	
			Labor force rate	Work experience	Labor force rate	Work experience	Labor force rate	Work experience
Men								
1950	(1)	(1)	45 8	49 3	(1)	(1)	(1)	(1)
1955	82 5	(1)	39 6	48 1	57 0	(1)	28 1	(1)
1960	81 2	85 1	33 1	43 1	46 8	58 4	24 4	33 4
1965	78 0	84 1	27 9	34 9	43 0	55 1	19 1	23 2
1966	78 0	83 6	27 0	35 2	42 7	54 8	17 9	23 7
1967	77 6	83 9	27 1	34 9	43 4	54 5	17 5	23 2
1968	77 3	84 7	27 3	35 3	43 0	55 6	17 9	23 1
1969	75 8	83 6	27 2	37 8	42 3	57 7	18 0	25 6
1970	75 0	83 2	26 8	35 8	41 6	54 1	17 7	23 5
1971	74 1	81 6	25 5	35 3	39 4	51 8	17 0	25 2
1972	72 5	80 3	24 4	34 2	36 9	51 4	16 7	23 5
1973	69 1	79 6	22 8	33 2	34 2	48 5	15 7	23 3
1974	67 9	78 3	22 4	31 3	32 9	44 6	15 6	22 5
Women								
1950	(1)	(1)	9 7	11 8	(1)	(1)	(1)	(1)
1955	29 0	(1)	10 6	15 9	17 8	(1)	6 4	(1)
1960	31 4	39 9	10 8	15 8	17 6	25 6	6 8	10 2
1965	34 0	42 5	10 0	14 1	17 4	22 9	6 1	9 4
1966	35 0	43 2	9 6	13 9	17 0	23 6	5 8	8 9
1967	35 4	44 8	9 6	13 9	17 0	24 5	5 7	8 4
1968	36 1	44 2	9 9	14 1	17 0	23 7	5 8	9 2
1969	35 3	45 6	9 9	15 2	17 3	26 9	6 1	9 2
1970	36 1	47 2	9 7	14 6	17 3	24 8	5 7	9 3
1971	36 4	45 6	9 5	14 2	17 0	24 8	5 6	8 7
1972	35 4	44 1	9 3	13 8	17 0	23 1	5 4	9 0
1973	34 2	44 7	8 9	12 5	16 0	20 8	5 3	8 0
1974	33 4	42 8	8 2	12 8	14 4	21 6	4 8	8 0

<sup>1</sup> Data not available

Source: Bureau of Labor Statistics, selected *Special Labor Force Reports*

payable for retirement or old age<sup>2</sup>—and about two-fifths of the women in that age range have still reported work experience in each of the past few years, as the data below indicate for those aged 60-64

Year	Percent reporting work experience			
	Men aged—		Women aged—	
	60-61	62-64	60-61	62-64
1970	88 2	79 4	52 7	43 2
1971	85 7	78 6	50 6	42 8
1972	86 7	75 7	50 7	39 4
1973	86 7	75 7	50 2	40 9
1974	84 2	74 1	47 7	39 3

<sup>2</sup> Since 1956 for women, 1961 for men, retirement benefits have been payable at ages 62-64, actuarially reduced by 5/9 of 1 percent for each month that a benefit is received before age 65, up to a maximum of 20 percent at age 62. Since 1965 a widow may claim a benefit on her husband's work record at age 60, with a maximum reduction now of 28 5 percent.

It is evident that, for men aged 70 and older, the main drop in work happened before 1965, for men aged 60-69, the drop has occurred in more recent years. The marked decline since 1971 coincides with greater unemployment and some increase in the degree of earnings replacement through larger social security benefits.

The trend for women over the past 25 years has been rather different than that for men, with little net change in either work measure. The upward movement in the extent of women's work apparently offset any trend in favor of retirement until the past few years.

In 1974 about half the women aged 65 and over who worked did so for 50-52 weeks, with only slightly more in part-time than in full-time jobs. Half of those aged 62-64 worked at full-time jobs throughout 1974 (table 2). As would be expected, men were more likely than women of similar ages to work the year round and more likely to have full-time jobs.

TABLE 2—Extent of employment in 1974. Percentage distribution of workers aged 60 and over, by age and sex

Extent of employment in weeks and hours per week <sup>1</sup>	Aged 60-64			Aged 65 and over		
	Total	60-61	62-64	Total	65-69	70 and over
Men						
Total number (in thousands)	3,329	1,500	1,829	2,728	1,545	1,183
Total percent	100 0	100 0	100 0	100 0	100 0	100 0
50-52	75 8	78 1	73 9	59 1	58 7	59 5
Full time	72 6	75 2	70 4	37 5	41 6	32 1
Part time	3 2	2 9	3 5	21 6	17 1	27 4
27-49	13 7	13 9	13 4	16 9	17 9	15 7
Full time	11 6	12 4	10 9	8 4	9 7	6 8
Part time	2 1	1 5	2 5	8 5	8 2	8 9
Less than 26	10 4	8 0	12 6	23 9	23 4	24 7
Full time	7 3	6 0	8 5	9 4	11 3	7 1
Part time	3 1	2 0	4 1	14 5	12 1	17 6
Women						
Total number (in thousands)	2,085	954	1,131	1,590	947	643
Total percent	100 0	100 0	100 0	100 0	100 0	100 0
50-52	64 3	66 4	62 6	51 9	50 5	54 2
Full time	52 4	50 2	49 2	23 5	26 1	19 8
Part time	11 9	10 2	13 4	28 4	24 4	34 4
27-49	18 2	19 0	17 5	20 3	20 3	20 2
Full time	10 6	12 0	9 5	6 3	6 9	5 4
Part time	7 6	7 0	8 0	14 0	13 4	14 8
Less than 26	17 5	14 8	19 8	27 8	29 2	25 8
Full time	8 2	7 8	8 6	9 5	11 6	6 4
Part time	9 3	7 0	11 2	18 3	17 6	19 4

<sup>1</sup> Thirty five hours a week defined by BLS as full time employment, less than 35 hours as part time employment.

Source: Bureau of Labor Statistics, *Special Labor Force Report No 181*, 1975, table A-1.

Further analysis is needed—through social security record and survey data—of the number and characteristics of men and women who work less than full time, the year round Information should be obtained on how many reduce earnings deliberately to obtain full (or nearly full) social security benefits and how many reach “retirement” age with such low or erratic earnings that they can supplement them with benefits

The social security system yields monthly statistics on workers awarded retirement benefits—whether they are currently payable or are postponed because of earnings above the amount exempt under the retirement test, and whether or not the basic benefit or primary insurance amount (PIA) is reduced because of early retirement The number of workers eligible to receive social security benefits at retirement has increased greatly since 1940, with especially rapid growth before 1960 as coverage was extended and the system matured Much more rapid, however, has been the increase in the proportion of insured (eligible) workers with benefits in current-payment status, as table 3 shows The retirement test<sup>3</sup> does not apply after attainment of age 72, so all those eligible at the oldest ages have received their benefits since the mid-1960's At ages 65-69, the proportion of insured workers receiving benefits was about 85 percent at the beginning of 1975, up from about 75 percent in 1965 At ages 70-74, benefits were in current-payment throughout the decade for more than 95 percent (From 1945 to 1965 the proportions had doubled or tripled, depending on age and sex )

At ages 62-64, the proportion of eligible persons with retired-worker benefits in payment status in 1975 approached one-third for men and one-half for women (who had become eligible for early retirement in 1956—5 years before men—and who tend to leave the labor market at younger ages) A considerable number of disabled workers claim reduced retirement benefits

\*From 1960 to 1972, benefits of those under age 72 were reduced \$1 for each \$1 of annual earnings above a specified amount, \$1 for each \$2 of earnings in the band between the exempt amount and the above figure, with no benefits withheld for months in which an employee earned less than one-twelfth of the exempt amount or the self-employed did not perform “substantial gainful services” In 1976, annual earnings of \$2,760 are exempt and benefits are reduced \$1 for each \$2 earned above that amount

TABLE 3—Percent of insured workers<sup>1</sup> aged 62 and over with OASDI benefits in current-payment status, by age and sex, selected years 1941-75

At beginning of year	Aged 62-64			Aged 65 and over			
	Total	Retired	Disabled	Total	65-69	70-74	75 and over
Men							
1941	---	---	---	20	22	14	19
1945	---	---	---	29	22	35	49
1950	---	---	---	59	44	69	81
1955	---	---	---	70	54	76	96
1960	(*)	---	(*)	84	69	90	98
1965	32	25	7	89	75	96	100
1966	32	24	7	90	75	96	100
1967	33	24	8	90	76	99	100
1968	33	24	9	90	76	97	100
1969	34	24	10	90	76	97	100
1970	34	24	10	90	76	95	100
1971	36	26	10	90	77	95	100
1972	39	28	11	91	79	95	100
1973	41	30	12	92	81	96	100
1974	44	32	12	93	85	97	100
1975	46	32	13	94	86	98	100
Women							
1941	---	---	---	25	26	20	(*)
1945	---	---	---	40	33	48	60
1950	---	---	---	61	46	71	91
1955	---	---	---	75	67	80	92
1960	44	42	2	87	79	94	97
1965	47	44	4	89	77	96	100
1966	46	42	4	89	77	96	100
1967	46	42	5	91	79	96	100
1968	46	41	5	91	79	94	100
1969	46	41	5	91	79	93	100
1970	46	40	6	90	79	91	100
1971	47	41	6	90	80	91	100
1972	49	43	6	89	80	91	100
1973	52	45	7	90	81	91	100
1974	54	47	7	91	84	92	100
1975	55	47	8	92	85	91	100

<sup>1</sup> Represents those with sufficient quarters of coverage to meet the eligibility requirements for retired worker or disabled-worker benefits At age 65, disabled worker benefits are converted to retired worker benefits Retired worker benefits (actuarially reduced) were first payable at ages 62-64 to women in 1956 and to men in 1961

<sup>2</sup> Data not available

<sup>3</sup> Not computed, too few cases for reliability—first benefit payments were made in 1940

Source *Social Security Bulletin, Annual Statistical Supplement, 1974*, tables 49 and 50

when they cannot meet the more stringent qualifications for disabled-worker benefits<sup>4</sup> In 1973-75, 1 in 8 insured men aged 62-64 drew disabled-worker benefits, bringing close to one-half the proportion of eligible men receiving a benefit either for age or disability

Another way to view the impact of early retirement and other provisions is in terms of the rising proportion of workers receiving retirement benefits that had been actuarially reduced because they were claimed before age 65, as

<sup>4</sup> Lawrence Haber, *The Effect of Age and Disability on Access to Public Income Maintenance Programs* (Report No 3, Social Security Survey of the Disabled 1966), July 1968

well as the difference in average benefits with and without a reduction—\$35 to \$40 per month in late 1975 (table 4) This trend reflects the fact that roughly one-half the men and at least two-thirds of the women starting to draw cash benefits since the early-retirement provision was enacted have done so before age 65 The proportions have been even higher since 1972<sup>5</sup>

### SOME ISSUES RELATED TO RETIREMENT

The sharp decline in the proportion of older men who work is causing great concern to many Whether or not it should be cause for such concern is open to question Such a point of view is of course influenced by the state of the economy and the projected demographic structure The social security program was intended, however, to offer the aged the choice of leisure or work, to enable the aged to retire with dignity

The early-retirement option and the earnings test provisions are being examined for their impact on work incentives among the elderly Under the earnings test, the implicit marginal tax rate of 50 percent in earnings above the exempt amount plus the direct costs of working (social security payroll taxes, income taxes, and work-related expenses) discourage some workers from earning more than the exempt amount<sup>6</sup> The possibility of differing effects on different groups of workers needs exploration

The projected drop in the ratio of workers to retirees, early in the next century, accounts for the increasing attention to provisions for early retirement and the retirement test The low birth rate in recent years portends fewer workers per aged beneficiary when the post-World War II "baby boom" cohort retires This possibility has important implications, both for the social security system and for the economy in general To the extent that a labor shortage is antici-

<sup>5</sup> See table Q-5, *Social Security Bulletin*, June 1976, page 71

<sup>6</sup> Several studies of the effect of the retirement test have found a slight tendency for beneficiaries' earnings to bunch just below the exempt amount See Wayne Vroman, *Older Worker Earnings and the 1965 Social Security Amendments* (Research Report No 38), Office of Research and Statistics, July 1971, and Kenneth G Sander, "The Retirement Test Its Effect on Older Workers' Earnings," *Social Security Bulletin*, June 1968

TABLE 4—OASDI retired-worker benefits in current-payment status Number of beneficiaries and average monthly amount with and without reduction for early retirement, by sex, 1956-75<sup>1</sup>

At end of year	Beneficiaries		Average monthly amount		
	Total number (in thousands)	Percent with reduction for early retirement	All benefits	Without reduction for early retirement	With reduction for early retirement
Men					
1956	3 572	-	\$68	\$68	- - - -
1957	4 198	-	70	70	- - - -
1958	4,617	-	73	73	- - - -
1959	4,937	-	80	80	- - - -
1960	5 217	-	82	82	- - - -
1961	5 765	4 7	83	84	\$69
1962	6 244	10 5	84	85	71
1963	6 497	14 6	85	87	72
1964	6 657	18 0	86	88	73
1965	6,825	21 0	93	96	79
1966	7 034	24 0	93	97	80
1967	7 180	27 2	94	99	82
1968	7 309	30 1	109	115	95
1969	7,459	32 9	111	118	97
1970	7,688	35 9	131	139	115
1971	7 952	38 6	146	156	130
1972	8 231	41 3	179	192	161
1973	8,610	44 1	183	197	164
1974	8,832	46 4	207	224	187
1975	9,164	48 7	228	247	207
Women					
1956	1,540	7 5	\$51	\$51	\$48
1957	1 999	19 3	52	53	49
1958	2 303	24 7	54	55	50
1959	2,589	29 5	59	60	55
1960	2,845	33 4	60	62	56
1961	3 160	37 4	62	65	57
1962	3,494	41 0	63	66	58
1963	3,766	44 0	63	67	58
1964	4 011	46 7	64	69	59
1965	4 276	48 7	70	75	64
1966	4 620	50 1	71	76	65
1967	4 859	51 9	72	78	66
1968	5,111	54 1	84	92	78
1969	5 363	56 7	86	95	79
1970	5,661	58 5	101	112	94
1971	5,975	60 3	114	126	105
1972	6,325	62 0	140	156	130
1973	6 754	62 6	146	164	135
1974	7 126	64 6	165	186	154
1975	7 424	66 0	182	206	169

<sup>1</sup> Retired worker benefits (actuarially reduced) were first payable at ages 62-64 to women in 1956 and to men in 1961

Source *Social Security Bulletin*, June 1976, table Q-4

pated, any measure that encourages labor-force participation of the elderly would, by increasing the national product, be a gain for the economy To the extent that the costs of the social security system are at issue, measures to encourage employment (and hence the payment of social security taxes by employees and employers) in lieu of benefit receipt among the future elderly would reduce costs

The earnings test is one of the least popular provisions of the social security program It

is justified as evidence of earnings loss caused by retirement—the risk that the social security program is designed to cover. It is also said to be preferable to the alternative of a needs test or to no test with benefits based on age alone. Major liberalization or elimination of this test of retirement would be costly and be advantageous primarily to the high-paid elderly now losing benefits because of their earnings.

Criticism of the earnings test comes from a number of directions. Some argue that it discriminates against the elderly who lack second pensions or asset income. They point out that well-to-do retirees may receive social security benefits regardless of the size of their nonearned income. Such supplemental resources, however, are very unevenly distributed among the elderly.<sup>7</sup> Frequently, work after retirement is the “poor man’s pension.” Thus, extremely low earnings-test limits are seen as a special hardship on the low-income worker who, in his working years, did not have the good fortune to earn coverage under a private pension plan or to amass large asset holdings.

Some object to the earnings test on the grounds that any hint of work disincentive is counterproductive and should be avoided. They are likely to point to the anticipated shortage of workers in the next century and to declare that any proposals to remove barriers to employment of the elderly should be explored to forestall the anticipated shortage.

The latest Advisory Council on Social Security<sup>8</sup> in its 1975 report recommended two changes in the earnings test: To abolish the monthly test for years after the year of retirement and to lower the rate at which benefits are withheld above the exempt amount. (Specifically, to change—from \$1 withheld for each \$2 of earnings to \$1 withheld for \$3 earned—the rate of withholding for earnings between the exempt amount and twice that amount, with a \$1-for-\$2 withholding for earnings above twice the exempt amount.)

The Advisory Council also considered but

did not recommend two other changes that might increase labor-force participation among the elderly. The first, to refund social security taxes for workers after age 65, was rejected because including post-65 earnings in the benefit computation is often beneficial to the individual. The second, to lower from 72 to 70 the age at which the earnings test no longer applies, was rejected in favor of the provision mentioned above to lower the benefit offset for all entitled workers aged 62–72.

Research to measure the work disincentive effects of the current or alternative earnings-test provisions could have important policy implications. Much of the controversy rests on the unknown extent to which (1) incomes of various groups of the elderly would be affected, (2) the added benefit costs of liberalization would be offset by increased earnings among the elderly, and (3) employment opportunities exist or could be created for those of retirement age.

Early retirement has some cost to society, in spite of the actuarial reduction, which is designed to yield, on the average, the same lifetime benefits to early retirees as to 65-year-old retirees. It is costly to the extent that the national product is reduced by premature retirement and that earnings forgone necessarily result in smaller revenues to the social security system. The Advisory Council report suggests consideration of a very gradual increase (beginning in 2005) from age 65 to age 68 for normal retirement with full benefits and a concomitant shift in the age at which actuarially reduced benefits are payable—from 62 to 65.

The reasons for full or partial retirement and subsequent reactions to retirement all need to be explored through surveys. The large number of retirements may be a measure of the success of the social security program. If, however, the national interest now suggests that a change in the behavior of workers or employers would be desirable, then it is essential to understand clearly the factors associated with (if not causing) present behavior. Clues are needed to measures that might encourage later retirement.

## **SOCIAL SECURITY ADMINISTRATION RESEARCH**

The original Social Security Act recognized that effective administration of the program

<sup>7</sup> See, for example, three reports dealing with the socioeconomic characteristics of the aged: Office of Research and Statistics Report No. 19 (1967), No. 45 (1975), and No. 74 (in press).

<sup>8</sup> See Advisory Council on Social Security, *Reports of the Quadrennial Advisory Council on Social Security*, Committee on Ways and Means, U.S. House of Representatives (94th Congress, 1st session), 1975.

would require continuous evaluation and so included a mandate to study problems of economic insecurity and make "recommendations as to the most effective methods of providing security through social insurance" (section 702 of the Social Security Act) Hence there has been no question in the United States about the use of gerontological research for social security policy Indeed, the 1935 Act rested upon more than a decade of social gerontological research in the United States, specifically on studies by the Committee on Economic Security<sup>9</sup> The social security program itself has of course contributed regularly to advancement of gerontological knowledge through the information that can be derived from the record system

Within a year after first payments were made in 1940, the first of a continuing series of evaluative sample surveys was begun Scope and design of the surveys has changed, paralleling evolving technology in the general field of survey research from limited surveys of program beneficiaries in a few cities to national samples of aged beneficiaries (1951 and 1957), to cross-section studies (carried out in 1963 and 1968) of older persons—beneficiaries and nonbeneficiaries—and to a longitudinal retirement history survey covering 1969–79

Information obtained in the 1963 Social Security Survey of the Aged on the financial status of social security beneficiaries aged 62–64 in comparison with the status of those aged 65–72 had generated concern by the Social Security Administration and by the members of the 1965 Advisory Council on Social Security They feared that the provision for reduced benefits would give rise to a new group of permanently poor aged who would probably need to supplement their benefits with means-tested assistance, particularly in their later years The Social Security Administration was requested by the Council to obtain new information that might help explain why men were claiming reduced benefits so much more frequently than had been anticipated when the early-retirement provision was extended to men in 1961

The Social Security Administration already was planning a longitudinal Retirement History Study (RHS) but, to obtain some clues before

<sup>9</sup> Committee on Economic Security, *Social Security in America*, 1937

any findings could become available, quickly initiated a monthly mail Survey of New Beneficiaries (SNEB) based on benefit awards made during the 2-year period ending June 1970 (Some of the SNEB findings are summarized below)

The need for longitudinal data in studying change over a period of time (particularly among the aging) is generally acknowledged, although more honored in the breach than in the observance because of the cost and difficulty of securing such data The RHS started with a nationally representative sample of 11,153<sup>10</sup> respondents who, at the study's outset, were aged 58–63—a range chosen to yield large numbers of individuals a few years before their retirement Married men, nonmarried men, and nonmarried women are represented Housewives, whose retirement is often linked to that of their husbands, were intentionally excluded as primary respondents Some information is being obtained on the work experience, attitudes, and morale of the wives of married men in the sample If the men die, their widows are continued in the study The sample was designed to permit some isolation of the effects of aging and retirement from those of possible changes in the general economic situation during 2-year intervals between interviews by using three age subcohorts—those aged 58 and 59, 60 and 61, and 62 and 63 in 1969

## CROSS-SECTION SURVEYS AND SOME POLICY IMPLICATIONS

According to surveys conducted by the Social Security Administration during the period from 1941 to 1963,<sup>11</sup> the postentitlement work by men

<sup>10</sup> A sample of this size was needed to ensure capacity for analyses over the 10 years of study, allowing for normal sample attrition and assuming that the 1959–61 life table survivorship factors would continue for each age sex group See Lola M Irelan, "Retirement History Study Introduction," *Social Security Bulletin*, November 1972, and Lola M Irelan and Joseph Steinberg, "A Retirement History Study," in *Proceedings of the 128th Annual Meeting, American Statistical Association*, American Statistical Association, 1968

<sup>11</sup> Edna C Wentworth, *Employment After Retirement* (Research Report No 21), Social Security Administration, Office of Research and Statistics, 1968, and Edna C Wentworth and Dena K Motley, *Resources After Retirement* (Research Report No 34), Social Security Administration, Office of Research and Statistics, 1970

aged 65 and over who were drawing social security benefits tended to be inversely correlated with the general level of unemployment. Reasons given by these men for termination of their last regular employment (when termination was within only a few years of the survey date) were likewise related roughly to the employment situation.

Thus, in 1944 (about the peak of World War II need for workers) termination of work was attributed to the employers' decision by one-fourth of the men entitled in that year, compared with roughly half the men entitled in 1940, 1941-42, 1946-47, and 1948-50. The 1963 survey found that the corresponding proportion was down to about 40 percent among those entitled in 1958-61. The proportion who said they wished to retire was up to 17 percent, more than three times as large a proportion as that reported in the earlier surveys collecting such information. Health was the reason reported by 65 percent of the men becoming entitled in 1944 when the need for workers was intense, compared with 34-41 percent in the other surveys.

Respondents in both the SNEB and the RHS were asked, "Do you consider yourself retired, partly retired, or not retired at all?" According to SNEB, which was based on a sample of workers recently awarded social security benefits, the men who had stopped working and were drawing benefits overwhelmingly considered themselves "retired." Those who did not stop and were awarded postponed benefits<sup>12</sup> usually said they were "not retired at all." Working men with payable benefits usually considered themselves "partly retired."<sup>13</sup>

Of the men entitled to reduced benefits, about 40 percent continued working but had earnings low enough to allow them to qualify for some retirement benefits. Most worked only part time or intermittently. Many had health problems that limited their earnings power. Many appeared to

hold long-term low-paying jobs, although some had recently changed jobs and may have been moving gradually into retirement. The remaining 60 percent of the men entitled before age 65 had stopped working altogether. Retirement for these men was often abrupt rather than gradual.

The great majority of nonworking men had claimed benefits as soon as they qualified, according to the SNEB findings. This conclusion corresponds to the findings of an earlier study of automobile workers. The United Auto Workers (UAW) had negotiated a very favorable early-retirement pension to supplement the regular UAW pension up to age 65. It had been expected that most of the workers would wait to draw full social security benefits at age 65 to replace this early-retirement supplement, but 90 percent of those who took the early-retirement option claimed social security benefits before age 65.<sup>14</sup> Apparently few men who actually retire before age 65 are motivated to wait until they reach that age to claim unreduced social security benefits.

U.S. Government employees, who have their own staff retirement system, likewise tend to take advantage very quickly of liberalization of the age-service requirements and/or computation procedures for an annuity. Indeed, the average age of employees added to the retirement roll went down from 61.2 in 1964 to 58.1 in 1974 as average years of service went up from 22.4 to 26.1 years. Involuntary retirements at relatively young ages, with reduced annuities, rose sharply over the decade, and mandatory retirements at age 70 with 15 years' service became negligible in number.<sup>15</sup> A 1964 sample of civil-service annuitants who elected to retire between ages 55 and 60 with at least 30 years' service (with a permanent re-

<sup>14</sup> Richard E. Barfield, *The Auto Worker and Retirement: A Second Look*, Institute for Social Research, University of Michigan, 1970, pages 43-44. For UAW plan provisions, see Richard Barfield and James Morgan, *Early Retirement: The Decision and the Experience*, Institute for Social Research, University of Michigan, 1969.

<sup>15</sup> Unpublished analysis of data in Annual Reports of the U.S. Civil Service Commission. Involuntary retirements (without charge of misconduct, delinquency, etc.) come about because of reduction in force, abolishment of a position, or liquidation of an office or agency. An employee so separated is eligible for a pension after reaching age 50 and completing at least 20 years' service, or at any age after 25 years' service, the annuity is reduced 1/6 of 1 percent for each full month the employee is under age 55.

<sup>12</sup> Most insured workers who file a claim for benefits in order to obtain entitlement for hospital benefits under Medicare at age 65 are automatically awarded retirement benefits, which are then postponed if they do not retire.

<sup>13</sup> Virginia Reno, *Retirement Patterns of Men at OASDI Entitlement* (Report No. 2, Survey of Newly Entitled Beneficiaries), 1971, page 4. Analysis of preliminary RHS data showed the expected high correlation with work and pension status, see Lola Irelan and Bruce Bell, "Understanding Subjectively Defined Retirement: A Pilot Analysis," *The Gerontologist*, Winter 1972.

duction in benefit, as required at the time of the survey) were generally pleased that they had done so. More than half of them chose to get another job and did so.<sup>16</sup>

According to SNEB, health was the reason most frequently given for leaving their last job by men not working when surveyed. The frequency of health as the main reason was much lower among retirees at age 65, however, than among those claiming early benefits (table 5). Compulsory retirement, on the other hand, was negligible for early retirees but was cited by half the former wage and salary workers who claimed a benefit at age 65. The self-employed entitled at 65 were three times as likely as those entitled at 62 to give "retirement" (voluntary) as the main reason for leaving their last job.<sup>17</sup>

Considerable numbers of nonworking men, whether they had been employees or self-employed, indicated an interest in retirement when asked three questions:

- (1) "Did you leave your last job because you wanted to retire?" (43 percent said yes)
- (2) "Did you want to leave your last job, or would you have worked longer if you could?" (39 percent wanted to leave)
- (3) "Did you leave your last job because you wanted to start getting social security or a pension?" (31 percent said yes)

Only about 20 percent gave "retirement" as the main reason for leaving their last job.

Availability of a second pension was a major contributing factor to a preference for retirement among those claiming reduced benefits. The median retirement income of those with a second pension to supplement social security benefits was more than twice as high as that of other nonworking men entitled at the same age.

Used as a cross section, data from the first wave of interviews for the longitudinal RHS yield a somewhat different perspective than SNEB (by definition limited to workers newly entitled to OASDI benefits). In spring 1969 when the first RHS interviews were conducted, the cohort was aged 58-63, so that nearly two-thirds

TABLE 5—Main reason given for leaving last job. Percentage distribution of nonworking men awarded OASDI retired-worker benefits, by age at entitlement and class of worker, July-December 1968

Age at entitlement	Total number (in thousands)	Percentage distribution, by reason for leaving last job					
		Total	Health	Retirement		Layoff or poor business	Other
				Voluntary	Compulsory		
Wage and salary workers							
Total <sup>1</sup>	120	100	44	19	18	11	8
62--	57	100	57	18	1	14	10
63-64	34	100	48	23	10	12	8
65---	36	100	21	18	52	5	4
Self-employed persons							
Total <sup>1</sup>	14	100	51	22	-	18	9
62--	7	100	56	15	-	21	8
63-64	4	100	51	25	-	17	7
65---	2	100	33	41	-	16	10

<sup>1</sup> Excludes the small number not entitled until age 66 or later. Most workers became entitled at age 65 to obtain hospital benefits under Medicare even if they postpone cash benefits because of work.

Source: *Reaching Retirement Age: Findings From A Survey of Newly Entitled Workers, 1968-70* (Research Report No. 47), table 4.5, 1976, Office of Research and Statistics, Social Security Administration.

of the respondents had not yet reached the minimum retirement age under the social security program and none were old enough to receive full benefits. Some (few) may not have had social security coverage because they were in government employment or did not work at all because of disability or housekeeping activities. The body of data in this study is richer than that of SNEB.

Before turning to some findings on changes in work/retirement status between 1969 and 1973, when the cohort was aged 62-67, a few findings for the base period are summarized here. Clearly, a few years' difference in age—particularly when it coincides with the age at which social security benefits are payable—is closely associated with the employment/retirement status. Men were twice as likely to be out of the labor force at ages 62-63 as at ages 58-59 and women without spouses 50 percent more likely.<sup>18</sup>

Because 5 in 6 of the women included in RHS had once been married, it is perhaps not surprising that 20 percent of the RHS cohort of non-

<sup>16</sup> Elizabeth F. Messer, "Thirty-Eight Years Is A Plenty," *Civil Service Journal*, October-December 1964.

<sup>17</sup> See Virginia P. Reno, *Why Men Stop Working at or Before Age 65* (Report No. 3, Survey of Newly Entitled Beneficiaries), 1971, for this and the following SNEB data on factors associated with retirements.

<sup>18</sup> See Karen A. Schwab, "Early Labor-Force Withdrawal of Men: Participants and Nonparticipants Aged 58-63," *Social Security Bulletin*, August 1974, and Sally R. Sherman, "Labor-Force Status of Nonmarried Women on the Threshold of Retirement," *Social Security Bulletin*, September 1974.



married women had never been in the labor force. Apart from that group, 21 percent of the women aged 58-63 were not in the labor force in 1969—not many more, in relative terms, than among men aged 58-63 (17 percent).

The men in the RHS who were out of the labor force in 1969 were about twice as likely to have been hospitalized in 1968 as the men in the labor force. The former reported that health limited mobility and work more than three times as often as did working men. Health-imposed work limitations, education, occupation, and race were all related to labor-force participation, but health appeared to be the underlying factor. More than half the men who were nonparticipants at ages 58-63 had been without work 3 years or longer.

Some analysts argue that not health but the availability of retirement benefits is the major factor in early retirement.<sup>19</sup> An econometric analysis of the 1969 RHS data<sup>20</sup> for persons aged 58-63, however, supported health as the most important determinant of labor-force status, closely followed by current eligibility for social security benefits (in effect, the attainment of ages 62-63 when benefits are first payable). Further analysis, limited to a relatively homogeneous group of married white men, revealed that the influence of social security and pension eligibility fell primarily on those with health limitations. For those without a health limitation, social security eligibility increased the probability of retirement by eight percentage points, for those with a health limitation by 40 points.

## LONGITUDINAL DATA AND SOME POLICY IMPLICATIONS

Three sets of longitudinal data have only recently become available, so much of the analysis still lies ahead. Some highlights can, however, be presented here. (1) the extent of change in payment status within 3 years after retirement

<sup>19</sup> See, for example, William G. Bowen and T. Aldrich Finegan, *The Economics of Labor-Force Participation*, Princeton University Press, 1969, and Michael J. Boskin, *Social Security and Retirement Decisions*, Working Paper #107 (unpublished), National Bureau of Economic Research, Inc., 1975.

<sup>20</sup> Joseph F. Quinn, *The Microeconomics of Early Retirement: A Cross Sectional View*, unpublished report prepared for the Social Security Administration, 1975.

benefits were awarded in 1970-71; (2) a multivariate analysis of the reasons men who were working at ages 55-59 in 1966 were "retired" in 1971; and (3) what is most relevant, data from the RHS examination of the employment/retirement status of men and nonmarried women aged 62-67 in 1973 who had worked in 1969. The latter provides the only data for a large sample that permit examination of the factors associated with age at retirement and the extent of work after benefit eligibility for a cohort that had reached or passed the minimum age at which social security benefits may be claimed.

*Clues from the benefit record*<sup>21</sup>—When a 1970-71 sample of benefit awards like that used for SNEB was followed through the record system for 3 years, it was found that only 8 percent of those whose benefits were payable at award had their benefits shifted at any time to conditional status. Thus, few worked enough within 3 years of the award to require suspension of benefits. Among that small group, these differences appear. Beneficiaries resumed work with earnings sufficient to cause benefit losses more often if (1) they were men, (2) they were aged 63-65 at entitlement rather than aged 62 or aged 66 and older, and (3) their basic benefit was below the median amount awarded at the time. More than four-fifths of the moves were within the first year after award.

Of the smaller group whose benefit was postponed at award (principally men and women who filed to obtain Medicare eligibility at age 65 and chose not to retire at the time), about 50 percent received a cash benefit within 1 year, 14 percent in the second year, and 8 percent in the third year, less than 30 percent had not received any cash benefits at the end of 3 years. Benefits for teachers with 9- or 10-month appointments, building trades workers, and a few other groups may move in and out of payment status at least once a year.

*Clues from 1966-71 data for men aged 60-64*—A national longitudinal survey (undertaken for the Manpower Administration of the Department of Labor) of the labor-market experience of men aged 45-69 in 1966 yielded 5-year data for

<sup>21</sup> Susan Grad, *Suspension of Retired Workers' Benefits*, Office of Research and Statistics (in preparation).

more than 4,100 men. The survey report<sup>22</sup> includes a chapter on early retirement that first examines by multiple classification analysis (MCA)—a form of dummy-variable regression—the retirement expectations of men aged 50–60 who were employed in 1971 and then applies the analysis to actual retirements between 1966 and 1971 by men aged 50–64—using two criteria of retirement. Because age was by far the most significant of the explanatory variables, the authors of the study, Parnes and Nestel, generously agreed to replicate for the Social Security Administration the MCA for the subgroup of men aged 60–64 in 1971. Although all these men are under the normal retirement age of 65, the analysis provides some interesting insights.

The first criterion of “retirement” between 1966 and 1971 was based on the respondent’s statement that he was “already retired” when he was asked “At what age do you expect to retire from your regular job?” A respondent was also classified as retired if he had reduced his hours in the labor force from 3,000 or more in the 2-year period 1965–66 to less than 1,000 hours in 1969–71. The MCA can only handle a dichotomous variable,<sup>23</sup> so partial retirement could not be identified. It is especially noteworthy therefore that, of the men aged 60–64 in 1971 who were employed in the survey week of 1966, 22 percent said they had “retired from their regular job” but only 11 percent reduced their hours in the labor force below 1,000 from 3,000 or more in 1965–66.

The authors hypothesize that, aside from compulsory retirement (which seldom operates before age 65), five sets of factors influence the probability of retirement before age 65: (1) financial need, indicated by number of dependents, (2) financial resources in the absence of work, measured by net asset holdings and coverage by a

private pension plan and length of service in the 1966 job, (3) ability to work as indicated by the man’s report on health-related work limitations and whether or not he was self-employed; (4) economic and noneconomic rewards in continuing to work, by wage rate and satisfaction with work, and (5) relative preference for leisure rather than work as suggested by a measure of work commitment.

The MCA technique allows one to calculate for each category of a particular variable what the proportion of early retirees would have been, if the members of a category had been average in terms of all other variables used in the analysis, in comparison with the unadjusted proportions in each category who replied that they were retired. Table 6, which gives figures for the first criterion of retirement, shows that only four variables, here listed in order of their importance, had a statistically significant relationship to the likelihood of retirement (measured by the F-ratio): Index of work commitment, health-related work limitation, second-pension coverage and job tenure, and job satisfaction. Race and number of dependents made no real difference.

*Clues from RHS, 1969–73*—More than half the 1969 workers surveyed for the RHS who were reinterviewed in 1973 were still employed in 1973 when they had reached age 62–67.<sup>24</sup> A number of those not employed in 1973 had not worked for at least 2 years, and a few had not worked since 1969 (table 7). When women without spouses are compared with men of the same age, the likelihood of stopping work was directly related to age but not to sex, as chart 1 shows.

Men with wage and salary jobs in 1969 were much less likely than the self-employed of the same age to be working in 1973. According to table 7, the older the group, the larger the difference. Thus, at ages 62–63 in 1973 the same job was reported for 1973 as for 1969 by 49 percent of the men who were wage and salary workers and 65 percent of the self-employed men, the corresponding proportions at ages 66–67 were 21 percent and 50 percent.

<sup>22</sup> See Herbert S. Parnes and Gilbert Nestel, “Early Retirement,” in Herbert S. Parnes et al., *The Pre-Retirement Years: Five Years in the Worklives of Middle-Aged Men*, Center for Human Resource Research, Ohio University, volume 4, chapter 5, December 1974. The proportion of men aged 50–59 at work in 1971 who indicated an intention to retire before age 65 was substantially higher than it was for the identical group of men when originally interviewed in 1966: 38 percent, compared with 25 percent (page 162).

<sup>23</sup> For a description of MCA, see Frank M. Andrews et al., *Multiple Classification Analysis*, Institute for Social Research, University of Michigan, 1973 (second edition).

<sup>24</sup> Of the total number (11,153) of 1969 respondents, almost 9,000 were reinterviewed in 1973, including 6,700 who had been working in 1969. In 1971, nearly 10 percent of the 1969 workers did not respond, 3 percent had died, 4 percent had refused to be interviewed, and 2 percent could not be reached. Similar detail for 1973 (not yet available) will show relatively more had died.

TABLE 6—Percent of men aged 60-64 in 1971 retiring<sup>1</sup> between 1966 and 1971, by 10 characteristics, with adjustment for interaction

Characteristics	Percent retired in 1971	
	Unadjusted	Adjusted <sup>2</sup>
Grand mean	22.4	
R <sup>2</sup>	.09	
Sample size	1 017	
Health condition <sup>3,4</sup>		
Affects work	31.6	32.4
Does not affect work	19.4	19.1
Class of worker <sup>4</sup>		
Private wage and salary	23.3	20.9
Government wage and salary	25.0	21.2
Self-employed	18.4	27.2
Pension coverage status and job tenure <sup>5,6</sup>		
Not covered by employer plan	19.4	19.3
Covered by employer plan		
Less than 10 years' service	11.9	14.5
10-19 years' service	34.1	33.2
20 or more years' service	31.0	30.5
Not ascertained	10.5	9.3
Index of work commitment <sup>4</sup>		
High	18.1	19.3
Medium	23.0	22.6
Low	36.9	36.2
Not ascertained	17.9	16.3
Job satisfaction <sup>4</sup>		
Liked job very much	17.9	18.5
Liked job somewhat	27.2	26.6
Disliked job	40.4	38.2
Race		
White	22.1	22.4
Black	25.7	21.8
Marital status <sup>4,6</sup>		
Married, wife present	22.1	22.6
Wife absent, widowed, divorced, separated	32.1	30.4
Never married	18.5	12.8
Number of dependents (excluding wife) <sup>4</sup>		
None	23.2	23.1
1	19.3	19.7
2-3	24.0	23.6
4 or more	13.1	14.2
Average hourly earnings		
Less than \$1.50	21.6	24.5
1.50-2.49	21.7	19.4
2.50-3.49	23.1	19.8
3.50-4.99	29.6	27.7
5.00 or more	20.8	20.5
Not ascertained	19.0	23.4
Net assets		
None or negative	31.6	33.8
\$1-4,999	20.8	20.6
5,000-9,999	27.1	25.4
10,000-24,999	21.0	20.4
25,000 or more	20.3	20.9
Not ascertained	21.7	21.7

<sup>1</sup> Represents respondents not "retired from a regular job" in the 1966 survey week who were employed at that time and when asked in 1971, "At what age do you expect to retire from your regular job?" reported that they were "already retired"

<sup>2</sup> Adjusted in each case for the effects of the other nine characteristics

<sup>3</sup> Significant at  $\alpha \leq$  as measured by F ratio

<sup>4</sup> The small number of cases not reporting on this characteristics were included in the analyses but not shown

<sup>5</sup> Coverage by employer pension plan

<sup>6</sup> Significant at  $\alpha \leq$  as measured by F ratio

Source: Herbert S. Parnes, et al., *The Pre-retirement Years: Five Years in the Work Lives of Middle-Aged Men*, Center for Human Resource Research, Ohio State University, vol. 4, chapter 5 (unpublished data), December 1974

Men and women who stopped working between 1969 and 1973 frequently reported factors associated with age or retirement as the reason for leaving the last job (table 8). They cited such reasons as age, plans to draw a pension, or desire to stop working. For some, compulsory retirement was undoubtedly a factor underlying these reasons, particularly among those aged 64-67. Roughly one-fourth to one-third cited health as

the reason for leaving the last job. This proportion was considerably less than that for the non-workers aged 58-63 in 1969 citing that reason. Of the men who were not working 4 years earlier, 65 percent had reported they left their jobs because of health.<sup>25</sup> Thus, health emerges as the most common reason for premature retirement but declines in importance among those who retire closer to the institutionalized age of 65—when full social security benefits become available and the compulsory retirement policies of private pensions often go into effect.

When the reasons for stopping work for men with wage and salary jobs in 1969 are compared with those for men self-employed in 1969, sharp differences emerge. Factors associated with age are much less important for the self-employed than for employees. This finding is to be expected because relatively few self-employed have second pensions and they are, of course, not subject to compulsory retirement. Health reasons therefore show up as of major importance among men who were self-employed in 1969 and not working in 1973, except for those aged 66-67 who also reported age-related reasons more often than health reasons.

Multiple classification analysis was used to try to assess the relative importance of eight separate factors believed to be associated with retirement for men with wage and salary jobs in 1969.<sup>26</sup> The self-employed were excluded because the second pension variable, which is of particular interest, is not appropriate for them. Since MCA requires a dichotomous dependent variable (or a continuous one), the variable examined was whether or not men with wage and salary jobs in 1969 were working in 1973.

There are recognized limits in using linear regression with a dichotomous dependent variable such as work/retirement status. Hence, the regression coefficients estimated here are possibly biased. An experiment performed by Joseph Quinn comparing results of the logit estimation technique with simpler regression results was reassuring on this point, however. He found that

<sup>25</sup> Karen Schwab, *op cit*, page 3

<sup>26</sup> The MCA was prepared as an early step in a study in preparation by Karen A. Schwab of the Office of Research and Statistics. The study uses RHS longitudinal data in an attempt to identify the factors associated with early retirement, as well as the differences among three retiree groups—early, normal age, and late.

TABLE 7 —Work experience, 1969–73 Percentage distribution of men and nonmarried women aged 62–67 in 1973 who worked in 1969, by sex and age in 1973

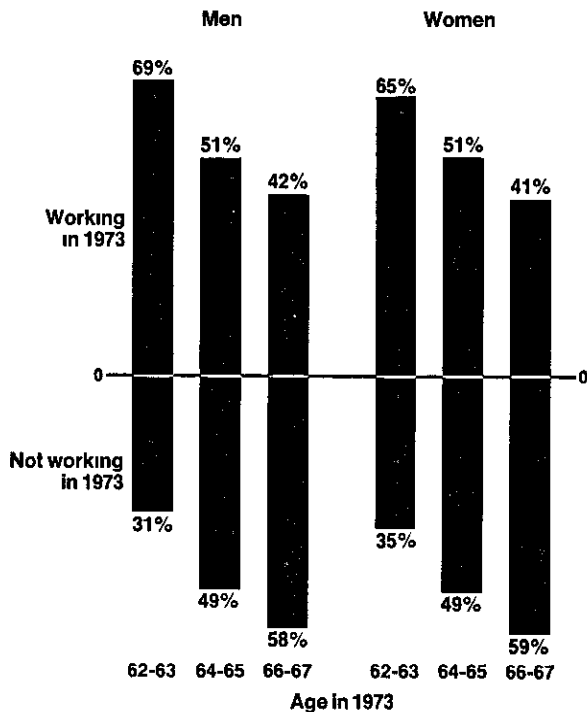
Work experience	Men									Nonmarried women		
	Total			Wage and salaried			Self-employed					
	62-63	64-65	66-67	62-63	64-65	66-67	62-63	64-65	66-67	62-63	64-65	66-67
Number in sample	2 052	1,759	1,477	1 645	1 407	1,133	407	352	344	512	492	420
Total percent....	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0
Working in 1973	68 6	51 0	42 0	66 7	46 8	35 7	76 4	67 6	63 1	64 8	50 6	41 0
Same job as in 1971	58 2	42 0	31 7	55 7	37 4	25 2	68 3	60 2	53 2	55 3	43 9	34 3
Same job as in 1969	51 9	36 9	28 0	48 6	31 8	21 4	65 1	57 1	49 7	49 6	40 0	31 2
Different job than in 1969	6 3	5 1	3 7	7 1	5 6	3 8	3 2	3 1	3 5	5 7	3 9	3 1
Other job	10 4	9 0	10 3	11 0	9 4	10 4	8 1	7 4	9 9	9 6	6 7	6 7
Not working in 1973	31 4	49 0	58 0	33 3	53 2	64 3	23 6	32 4	36 9	35 2	49 4	59 0
Worked in 1971 or later	23 0	30 7	29 3	24 6	33 6	32 6	16 4	19 3	18 6	22 0	26 6	29 3
Same job as in 1969	19 2	26 8	25 2	20 5	29 6	27 8	14 2	15 0	16 6	18 9	24 2	26 0
Different job than in 1969	3 8	3 9	4 1	4 1	4 0	4 8	2 2	3 4	2 0	3 1	2 4	3 3
No work for 2 or more years	8 4	18 3	28 6	8 7	19 6	31 8	7 1	13 1	18 3	13 1	22 7	29 8

Source Retirement History Study, Office of Research and Statistics, Social Security Administration

both techniques supported the same qualitative conclusions about the factors associated with labor-force status in 1969, although the size of the regression coefficients differed somewhat<sup>27</sup>

<sup>27</sup> Joseph F. Quinn, *op cit*, pages 189–198. For general discussion of the limitations, see John L. Goodman, Jr., *Is Ordinary Least Squares Estimation With a Dichotomous Variable Really That Bad?* (Working Paper 216–23), The Urban Institute, 1976.

CHART 1—Work status in 1973 of 1969 workers aged 62–67 in 1973



The percentage of men working in 1969 who had stopped by 1973 is shown in table 9 for the three 2-year age groups for each category of each of eight variables, with and without adjustment for the effect of the other seven variables (The percentages were derived by adding to the grand mean the regression coefficients, adjusted and unadjusted, respectively) Measures of the contribution of each of the eight variables in explaining work-status change are also given, with *Eta*<sup>2</sup> indicating the importance of the factor by itself and *Beta*<sup>2</sup> the importance of the factor when the others are taken into account These measures yield valuable clues to the forces that influence retirement

Nonemployment in 1973 of men aged 62–65 that year who had had wage and salary jobs in 1969 was influenced much more by self-assessment of health-related work limitations than any of the other seven factors The health factor is based on responses to the following question asked of each respondent, “Does health limit the kind or amount of work or housework you can do?” (asked when medical care utilization and costs were discussed rather than in conjunction with work experience)<sup>28</sup>

The other seven variables include attitude toward work/retirement and second-pension coverage, both of which the Parnes and Nestel study

<sup>28</sup> Other analyses show that reports on work limitation coincide very closely with self-perception of health in relation to that of peers (“better,” “same,” or “worse”) A third health variable, limitations on personal mobility, was not used because not all mobility limitations interfere with work

TABLE 8—Main reason given for leaving last job Percentage distribution of men and nonmarried women aged 62-67 in 1973 who worked in 1969 but not in 1973, by sex and age in 1973

Main reason for leaving last job	Men									Nonmarried women		
	Total			Wage and salaried			Self-employed					
	62-63	64-65	66-67	62-63	64-65	66-67	62-63	64-65	66-67	62-63	64-65	66-67
Number in sample . . . . .	650	871	865	555	757	739	95	114	126	189	251	253
Total percent. . . . .	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0
Health	85 6	26 7	22 0	32 6	21 6	20 2	52 6	41 2	32 5	32 8	26 7	24 5
Factors related to age . . . . .	39 7	49 4	51 9	42 0	52 0	54 0	26 3	31 6	39 8	30 1	43 5	41 2
Age . . . . .	9 7	18 7	23 1	9 5	20 3	24 8	10 5	7 9	13 5	5 8	12 8	20 2
To draw pension . . . . .	18 9	17 9	19 3	21 1	18 5	21 5	6 3	14 1	6 4	10 6	17 5	13 8
Wanted to stop working, to cut down or change job . . . . .	11 1	12 8	9 5	11 4	13 2	7 7	9 5	9 6	19 8	13 7	13 2	7 9
Job factors . . . . .	10 7	6 2	8 6	11 9	6 5	9 3	4 3	4 4	4 8	9 0	8 4	11 9
Layoff or poor business . . . . .	6 5	3 7	4 6	7 4	4 0	5 4	1 1	1 8	(1)	4 8	6 0	5 5
End of seasonal or temporary job . . . . .	4 2	2 5	4 0	4 5	2 5	3 9	3 2	2 6	4 8	4 2	2 4	6 4
Other . . . . .	8 2	10 1	8 6	7 7	10 3	8 3	10 5	8 8	10 3	22 8	11 6	12 6
No response . . . . .	5 8	7 6	8 9	5 8	6 6	8 2	6 3	14 0	12 7	5 3	9 6	9 1

<sup>1</sup> Less than 0.05 percent  
 Source: Retirement History Study, Office of Research and Statistics, Social Security Administration

found highly significant. For men aged 66-67 (not included in the latter study), second-pension coverage ranked a close second to health-related work limitations. Whether a health-related work limitation was self-reported in both 1969 and 1973 or in 1973 but not 1969 seems to have had little influence on the tendency to leave the work force.

By 1973, all members of the group studied would have been old enough to receive social security benefits, at least with an actuarial reduction. Emphasis is therefore placed in this analysis on coverage on the 1969 job for a pension other than social security benefits.<sup>29</sup> It should be recognized that some who had coverage for a second pension on their 1969 job might not ultimately become eligible for the pension and others might have earned such coverage on another job.

Coverage by a second pension on the 1969 job appears to have made considerable difference in the proportion of male wage and salary workers in 1969 who were not working in 1973. When the percentages of men not working in 1973 are adjusted for the other seven variables the differences in the percentages for those not working, by age in 1973, were as follows:

Second pension coverage	Age		
	62-63	64-65	66-67
Covered on 1969 job . . . . .	38	57	73
Not covered on 1969 job . . . . .	28	49	54

<sup>29</sup> The term second pension is used for convenience, although a few may have been pensions for government employees without social security coverage.

The relatively greater role of second-pension coverage among the men aged 66-67 in 1973 than among those who were younger may result at least in part from the tendency of private pension plans to require retirement at age 65.

Attitude toward retirement in 1969 is measured by the responses to the questions, "To what extent do you agree or disagree with the following statement, as it applies to you, 'Retirement will be a pleasant time in life'? Do you strongly agree, agree, disagree, or strongly disagree?" In the decision to stop work, attitude toward retirement was an important factor, as the data in table 9 show. This was particularly true for the younger men, for whom it ranked next to self-assessment of health-related work limitations. Among men aged 62-63 in 1973, nearly one-half were not working if they strongly agreed that retirement is a pleasant time, but only one-fourth were not working if they disagreed with the statement. This finding holds even when account is taken of the other seven factors used in the regression.

It had been assumed that occupation would be associated with retirement, and it ranked relatively high. Those with "interesting" jobs might prefer to continue to work. Those with the least attractive jobs might have the greatest need for earnings. The rate of 1969 earnings likewise was assumed to have an influence. According to conventional wisdom the higher the earnings rate the greater the inducement to choose work over leisure. The low-paid, however, get only small social security benefits that might be likely to need supplementation by odd jobs, and some low-paid

TABLE 9 —Percent of men not working in 1973 at ages 62-67 who had wage and salary jobs in 1969, by 8 characteristics, with adjustment for interaction, and by age

Characteristics, ranked by $Beta^2$ for men aged 66-67	Age in 1973								
	62-63			64-65			66-67		
	Not working in 1973		Percent of cases	Not working in 1973		Percent of cases	Not working in 1973		Percent of cases
	Unadjusted percent	Adjusted percent <sup>1</sup>		Unadjusted percent	Adjusted percent <sup>1</sup>		Unadjusted percent	Adjusted percent <sup>1</sup>	
Grand mean, percent not working . . .	33			53			64		
R <sup>2</sup> . . . . .	0 14			0 11			0 12		
Sample size . . . . .	1 672			1,421			1,146		
Health-related work limitation reported by respondent									
In 1969 and 1973 . . . . .	53	54	14 5	69	71	15 8	73	77	16 3
In 1969 but not in 1973 . . . . .	36	31	6 0	54	52	6 0	46	48	5 8
In 1973 but not in 1969 . . . . .	53	53	18 4	68	68	22 0	78	77	23 3
Not in 1969 or 1973 . . . . .	22	22	61 1	43	43	56 2	58	57	54 4
	$Beta^2= .092$ $Eta^2= .089$			$Beta^2= .065$ $Eta^2= .059$			$Beta^2= .047$ $Eta^2= .042$		
Coverage for pension other than social security on 1969 job <sup>2</sup>									
Covered . . . . .	37	37	58 9	59	57	56 4	73	73	52 9
Not covered . . . . .	27	28	40 3	46	49	42 6	55	54	46 5
	$Beta^2= .008$ $Eta^2= .012$			$Beta^2= .009$ $Eta^2= .019$			$Beta^2= .039$ $Eta^2= .038$		
Occupational group in 1969									
Professionals . . . . .	27	26	10 1	50	50	9 4	59	54	11 0
Farmers . . . . .	40	35	3	25	44	3	0	15	2
Managers . . . . .	22	24	12 5	45	47	13 9	61	62	14 8
Clerical workers . . . . .	31	31	6 7	58	57	6 1	60	57	6 7
Sales workers . . . . .	25	28	3 8	31	36	5 1	40	45	4 6
Craftsmen . . . . .	38	37	26 4	59	55	23 7	71	68	24 4
Operatives . . . . .	40	39	21 1	59	59	21 6	72	71	18 4
Service workers . . . . .	31	33	9 5	52	55	10 2	63	66	10 0
Laborers . . . . .	32	33	9 6	51	53	9 7	66	72	9 8
	$Beta^2= .013$ $Eta^2= .017$			$Beta^2= .013$ $Eta^2= .023$			$Beta^2= .024$ $Eta^2= .027$		
1969 attitude toward retirement <sup>3</sup>									
Strongly agrees retirement pleasant . . .	48	47	18 5	64	64	18 9	72	71	14 2
Agrees retirement pleasant . . . . .	33	33	52 3	54	54	54 0	68	68	53 5
Disagrees retirement pleasant . . . . .	25	25	27 2	45	45	24 8	55	56	29 0
	$Beta^2= .025$ $Eta^2= .028$			$Beta^2= .013$ $Eta^2= .017$			$Beta^2= .016$ $Eta^2= .020$		

See footnotes at end of table

workers can draw social security benefits with little change in work pattern. The earnings rate actually explained relatively little.

Marital status and home tenure were both thought to be related to retirement to the extent that obligations to a wife or to pay rent or a house mortgage might provide impetus to work. Marital status proved to be of negligible importance for each age group. Home tenure also ranked relatively low as an explanatory factor. It is perhaps noteworthy, however, that men with mortgage-free homes were the most likely in each age group (when classified by home tenure) not to be working in 1973.

Still to be explored is whether the factors associated with the shift from work to nonwork

for women without spouses are like those for men that had wage and salary jobs. The similarity in the work/retirement behavior of such women (if they worked in 1969) and that of men (who worked in 1969) was so strong that it seems likely that the associated factors are similar. The retirement patterns of the self-employed (mainly men) also need study.

Many variables in the RHS data other than the eight used in the regression presented in table 9 may have an important association with retirement age. The eight variables used in the regression might, however, have more explanatory power if the dependent variable took into account partial retirement instead of combining those continuing with their regular jobs with

TABLE 9—Percent of men not working in 1973 at ages 62–67 who had wage and salary jobs in 1969, by 8 characteristics, with adjustment for interaction, and by age—*Continued*

Characteristics, ranked by $Beta^2$ for men aged 66–67	Age in 1973								
	62–63			64–65			66–67		
	Not working in 1973		Percent of cases	Not working in 1973		Percent of cases	Not working in 1973		Percent of cases
	Unadjusted percent	Adjusted percent <sup>1</sup>		Unadjusted percent	Adjusted percent <sup>1</sup>		Unadjusted percent	Adjusted percent <sup>1</sup>	
<b>1969 home tenure<sup>2</sup></b>									
Does not own nonfarm home . . . .	29	31	22 5	54	55	19 6	60	61	24 8
Owens nonfarm home mortgage free . . .	39	37	35 9	57	57	42 2	71	69	43 1
Owens nonfarm home with mortgage . . .	30	31	34 2	49	49	30 5	61	61	25 0
Lives on farm or lodges . . . . .	31	31	7 3	46	47	7 5	56	57	7 1
	$Beta^2= .004 \quad Eta^2= .010$			$Beta^2= .006 \quad Eta^2= .007$			$Beta^2= .009 \quad Eta^2= .015$		
<b>Race</b>									
White . . . . .	34	33	88 5	54	53	90 1	65	65	92 0
Black . . . . .	28	28	10 8	51	52	9 3	53	52	7 4
Other . . . . .	42	46	7	33	43	6	71	73	6
	$Beta^2= .002 \quad Eta^2= .002$			$Beta^2= .003 \quad Eta^2= .001$			$Beta^2= .006 \quad Eta^2= .005$		
<b>Rate of 1969 earnings<sup>3</sup></b>									
\$1–1,680 . . . . .	49	41	2 1	48	50	2 8	52	63	4 0
1,681–2,880 . . . . .	30	33	3 0	39	37	2 7	59	65	3 6
2,881–4,000 . . . . .	32	32	7 5	43	43	7 9	61	68	8 5
4,001–6,000 . . . . .	30	30	21 6	52	51	21 9	61	62	22 9
6,001–10,000 . . . . .	35	33	44 1	58	56	43 1	70	65	40 9
10,001–15,000 . . . . .	35	37	14 2	57	60	13 0	66	68	11 6
15,001 or more . . . . .	25	35	5 5	38	46	5 7	54	56	6 0
	$Beta^2= .003 \quad Eta^2= .006$			$Beta^2= .012 \quad Eta^2= .017$			$Beta^2= .003 \quad Eta^2= .014$		
<b>Marital status in 1969</b>									
Married, spouse present . . . . .	33	32	90 0	53	52	87 4	65	65	88 5
Widowed . . . . .	48	48	2 6	60	61	4 8	55	58	4 9
Never married . . . . .	40	41	3 5	53	55	3 6	56	59	2 4
Other . . . . .	33	40	3 9	58	58	4 2	67	67	4 3
	$Beta^2= .005 \quad Eta^2= .003$			$Beta^2= .002 \quad Eta^2= .002$			$Beta^2= .001 \quad Eta^2= .003$		

<sup>1</sup> Adjusted in each case for the effects of the other seven characteristics  
<sup>2</sup> The small number of cases not reporting on this characteristic were included in the analyses but not shown

Source Retirement History Study, Office of Research and Statistics, Social Security Administration

retirees working part time or occasionally Work with a trichotomous dependent variable should provide further insights

When the question was asked in 1973, "At this time, do you consider yourself partly retired, completely retired, or not retired at all?" almost one-fifth of the men responded that they were partly retired<sup>30</sup> In addition, a substantial fraction of those who were working in the survey week reported receiving in 1972 a social security benefit or some other pension<sup>31</sup> Those working at

different jobs in 1973 than in 1971 were likely to have seen themselves as partly retired The non-workers who had worked recently and were still looking for work may also have seen themselves as partly retired Most of the latter group did receive a social security benefit by 1973

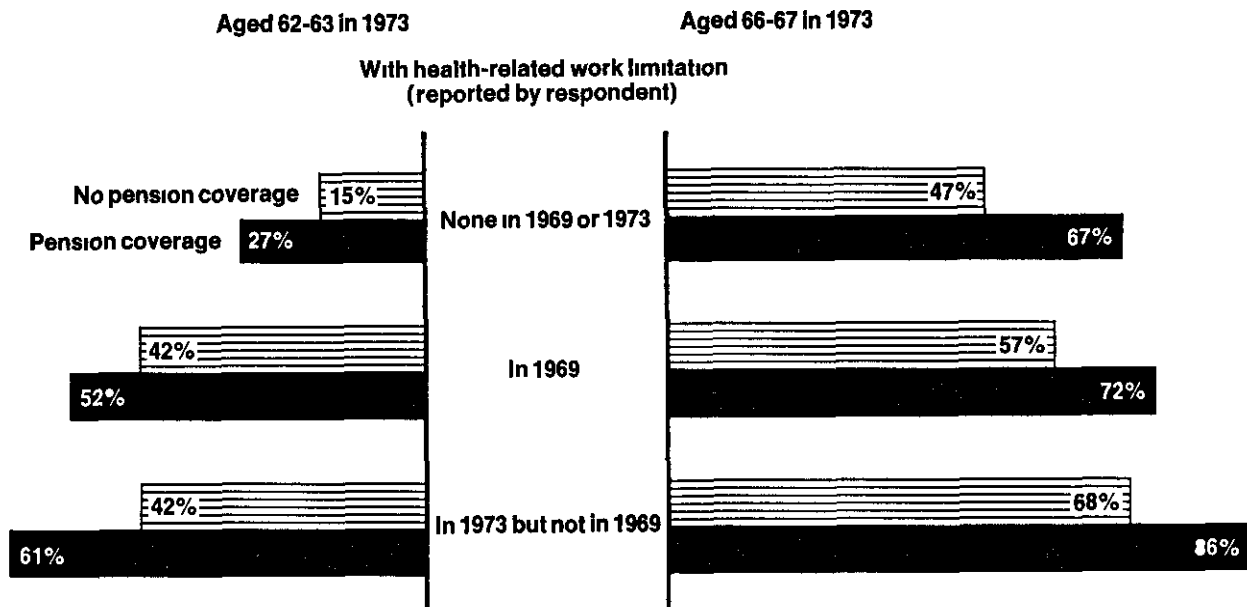
The interaction of second-pension coverage and work limitations in their impact on retirement age is an issue of major policy importance. The Quinn study<sup>32</sup> had found that among married white men already retired at ages 58–63 in 1969 the influence of eligibility for social security benefits fell mostly on those with health limitations The author found the influence of eligibility for other retirement benefits similar but on a smaller scale

<sup>30</sup> Kathleen Bond, *The First Four Years of the Longitudinal Retirement History Study A Preview*, Office of Research and Statistics (in preparation) The proportion cited is based on men who in 1969 reported themselves as partly retired or not retired at all

<sup>31</sup> Alan Fox, *Work Status and Income Change, 1968–72 An Overview from the Retirement History Study*, Office of Research and Statistics (in preparation)

<sup>32</sup> Joseph F Quinn, *op cit*, page 157

CHART 2—Percent of men with wage and salary jobs in 1969 not working in 1973, by second-pension coverage<sup>1</sup> on 1969 job and health-related work limitations



<sup>1</sup> Those classified as covered include a few with government employee pension coverage but no social security coverage

Cross-tabulation of longitudinal RHS data shows that departure from the labor force by 1973 by men in wage and salary jobs in 1969 appears to have been influenced somewhat more by second-pension coverage for those who did not evaluate themselves as having a work limitation than for those who did (chart 2 and table 10) The difference in findings probably derives from the 4-year difference in age The results of

the longitudinal analysis undoubtedly reflect the fact that serious work limitation leaves little scope for choice Favorable retirement income prospects, on the other hand, can be very influential in the retirement decision of employees without work limitations Of the youngest group of men in the RHS, 27 percent with second-pension coverage in their 1969 job but only 15 percent of those without such coverage were not working in 1973 For the oldest group, provisions for mandatory retirement at age 65, often a feature of private pension plans, may be the overriding factor

TABLE 10—Interrelationship of second-pension coverage<sup>1</sup> and health-related work limitation on likelihood that men with wage and salary jobs in 1969 did not work in 1973 at ages 62-67, by age

Health related work limitation reported by respondent	Percent not working in 1973					
	Aged 62-63, with pension coverage, 1969 job		Aged 64-65, with pension coverage, 1969 job		Aged 66-67, with pension coverage, 1969 job	
	No	Yes	No	Yes	No	Yes
None reported in 1969 or 1973	15	27	32	51	47	67
Limitation reported in—						
1969	42	52	60	69	57	72
1969 and 1973	52	54	64	74	67	83
1969, not 1973	( <sup>2</sup> )	49	( <sup>2</sup> )	59	( <sup>2</sup> )	( <sup>2</sup> )
1973, not 1969	42	61	63	72	68	86

<sup>1</sup> Includes a few with government employee pension coverage on 1969 job but not social security coverage

<sup>2</sup> Not shown for fewer than 50 sample cases

Source Retirement History Study, Office of Research and Statistics, Social Security Administration

## CONCLUSION

Recent studies all show that retirement, particularly before age 65, is becoming more acceptable, although some workers forgo social security benefits and work long beyond that age The same studies show that many workers and would-be workers have health problems that limit or preclude continued employment and are in urgent need of early retirement benefits For many, reduced early retirement benefits are the only significant source of retirement income Such findings lend support to recommendations that



disability benefits be made more accessible to older workers of preretirement age. The last two Advisory Councils on Social Security have made such recommendations.

The 1971 Council recommended that workers aged 55 or older qualify for full disability benefits if they meet an occupational test of disability (which is less strict than that applied to younger workers). The 1975 Council also recommended that special disability benefits become available at age 55, but, feeling greater pressure to control costs, they suggested a 20-percent reduction below the full benefit.

Some older workers without major disabling conditions are led to claim social security benefits by a desire to enjoy leisure with a comfortable combination of those benefits and a second pension—and, in fewer cases, private asset income. A surprisingly large proportion of those in their sixties and early seventies live on a combination of modest current earnings and social security benefits. Relatively few individuals with two pensions are in the labor force.

Higher retirement rates and more early retirements have accompanied the maturing of the social security program and concurrent expansion and liberalization of private plans. It is difficult to say how the private pension system would have developed in the absence of the social security program—or with a different system—but there is no doubt that private pension provisions have been greatly influenced by changes in social security provisions. In any case, an increasing number of plans permit pensions before age 65 with long service, sometimes but not always reduced. A few (such as the automobile workers' plan) offer a bonus to early retirees. The great majority require retirement at age 65, but the social security program does not. Under the pension reform legislation of 1974, workers with private-pension coverage should in the future be better protected against pension loss than in the past. It is possible, however, that relatively fewer workers will be covered, as some firms have already terminated their plans<sup>33</sup> and the inducement to start new plans is diminished by regulation. (Whether or not plan terminations lead to higher cash wages,

lower prices, or more personal savings remains to be seen.)

When retirement benefits are available, a worker naturally looks more favorably on retirement than he otherwise would. Likewise, an employer feels less constrained to keep on his payroll a worker who would like to work but is eligible for benefits, particularly when unemployment is high or when there is a pension plan and he regards advancement for younger workers as urgent.

Much more analysis is needed to throw light on changes in the likelihood of complete or partial retirement at different ages if the retirement test were modified to reduce its work disincentive effect, as proposed in the 1975 report of the Advisory Council on Social Security, or if there were new inducements for delayed retirement. Larger bonuses for those who do not claim social security benefits for some years after age 65 or forgiveness of the payroll tax is likely to be of most help to those who would work in any case. Elimination of the monthly test would be likely to reduce program costs somewhat by cutting down annual benefits for workers with seasonal jobs that pay relatively well. Changes in the benefit-withholding rate obviously would increase the income of some workers—whether more for those who are relatively well-paid or for those whose part-time work serves as a kind of second pension needs further exploration.

The United States has in the past learned much from the social security experience of European countries, and much may be learned from recent innovations abroad. The reaction to the provision for a flexible retirement test for Norwegians aged 67–69 that accompanied reduction of the pensionable age from 70 to 67 will be watched closely. Attention will also be paid to the experience with the flexible formula that gives a West German worker the option of drawing a pension between ages 63 and 67 (Both of these provisions were effective January 1973.) It will be illuminating to see how French workers react to the early-retirement provisions that go into effect gradually beginning July 1976. The reaction to the greater flexibility that Sweden is introducing July 1976 to provide partial pensions and to their more liberal definition of disability at older ages may also suggest possible modifications in the social security program of the United States.

<sup>33</sup> Pension Benefit Guaranty Corporation, *Annual Report to the President and Congress*, June 30, 1975.