



Promoting research on retirement and Social Security policy

Key findings on longer work lives

Phase IV working papers

Encouraging older workers to stay in the labor market has the potential to benefit the Social Security trust funds as well as improve retirees' financial well-being. Here are key findings from MRRC's current five-year funding cycle that touch on extending Americans' work lives. See also "Key findings on potential Social Security reforms."

Encouraging longer work

Adjusting the Payroll Tax to Promote Longer Careers by *John P. Laitner and Daniel Silverman* WP 2017-363

- This paper re-estimates the life-cycle model of Laitner and Silverman (2012) using up-to-date data and improvements in methodology to analyze a prospective Social Security reform that a number of authors have suggested, namely a payroll-tax cut targeted on households near retirement.
- Our model is limited to couples and the analysis studies male retirements, taking female labor force participation as given; thus, our simulations concentrate on male retirement.
- If we make revenue-neutral, age-dependent changes by lowering the payroll tax at ages near retirement and raising it earlier, we can encourage longer careers — enhancing efficiency. Our improved parameter estimates can enhance confidence in the overall results.
- The increases in labor force participation that we find are slightly smaller than LS (2012), but we suggest explanations for the difference.
- Our results are generally consistent with earlier work, though they point to slightly more limited policy benefits.

Do State Laws Protecting Older Workers from Discrimination Laws Reduce Age Discrimination in Hiring? Experimental (and Nonexperimental) Evidence by *David Neumark, Ian Burn, Patrick Button, and Nanneh Chehras* WP 2017-360

- Age discrimination may make it difficult for policymakers to increase employment of older workers.
- Experimental data that directly measures age discrimination does not provide clear evidence that stronger laws protecting older workers from discrimination reduce measured hiring discrimination against older workers.
- Nonexperimental data indicate that the relative hiring of older workers is higher in states with stronger protections against disability discrimination. If this relationship is causal, it could imply that even though these stronger laws do not reduce measured discrimination against older workers, they could increase employment of older workers, perhaps by changing who looks for work.

Older People's Willingness to Delay Social Security Claiming by *Raimond H. Maurer and Olivia S. Mitchell* WP 2016-346

- In our HRS module, we show that many older Americans would be willing to delay claiming their Social Security benefits if they were offered an actuarially fair lump sum to do so.
- Overall, half of the respondents say they would delay claiming if no work requirement were in place under the status quo, and only slightly fewer with a work requirement.
- If no work is required, the average amount needed to induce delayed claiming is about \$60,400, while when part-time work is required, the average is \$66,700. This implies a low utility value of leisure foregone of only \$6,300, or less than 20 percent of average household income.

- Delayed claiming would have a positive effect on their retirement security, in that their Social Security income streams rise per year of delay. Indeed benefits, claimed at age 70 are more than 75 percent higher than at age 62.

Did Age Discrimination Protections Help Older Workers Weather the Great Recession? by *David Neumark and Patrick Button* WP 2013-287

- An increase in age discrimination may underlie the dramatic increases in unemployment durations for older workers during and after the Great Recession.
- In states with stronger age discrimination protections, older workers generally experienced worse labor market outcomes, relative to young workers, during and after the Great Recession.
- Age discrimination laws may become less effective during times of economic turbulence when discrimination can be more difficult to discern, and such periods may even encourage employers more constrained from age discrimination in normal times to take advantage of this economic turbulence.
- It may be important to strengthen the effectiveness of age discrimination protections in times of economic turbulence.

Work characteristics

2015 American Working Conditions Survey: Focus on Older Versus Younger Workers by *Nicole Maestas, Kathleen Mullen, David Powell, and Till M. von Wachter* WP 2016-362

- We find that, generally, workers older than 50 report better working conditions than younger workers, with some exceptions (e.g., on-the-job training, prospects for career advancement).
- An overwhelming fraction of Americans report either intense or repetitive physical exertion on the job at least a quarter of the time. This burden is unequally distributed, with noncollege-educated workers having substantially greater physical demands. But perhaps surprisingly, even college-educated, older workers and women are affected.
- A disturbingly high fraction of American workers (both men and women) are exposed to a hostile or threatening social environment at work, 13 percent of all men and 12 percent of all women reporting verbal abuse or threats in the past month, for example. The incidence of hostile experiences varies in important ways by gender, age, and experience (with younger and middle-aged women more likely to have unwanted sexual attention,

and a large fraction of young men experiencing verbal abuse). But it is telling that a hostile social environment at work is much more evenly distributed by education groups than physical working conditions.

- Consistent with human capital theory, the prevalence of training declines with age. Sixty-two percent of men and 68 percent of women younger than 35 report on-the-job training, compared with 46 percent of men and 49 percent of women age 50 and older.

Employment transitions

Occupational Transitions at Older Ages: What Moves are People Making? by *Amanda Sonnega, Brooke Helppie McFall, and Robert J. Willis* WP 2016-352

- This paper uses data from the Health and Retirement Study (HRS) to examine occupational transitions at the detailed level toward the end of working life.
- Among workers who transition between occupations, the most common transitions are between those that are closely related. However, even within closely related occupations, there are no large pipelines between any two.
- By age 62, 57 percent of workers are no longer in the labor force, 26 percent are still in their “career” occupation, and 17 percent have changed from their career occupation to another occupation. Beginning at age 66, however, the percentages in different occupations, which may be bridge employment or unretirement, are very similar to the percentages remaining in career occupations.
- Occupational changes later in life tend to be accompanied by decreases in hourly earnings, suggesting that if workers are seeking flexible or part-time bridge employment, it may come at a cost.

Occupations and Work Characteristics: Effects on Retirement Expectations and Timing by *Brooke Helppie McFall, Amanda Sonnega, Robert J. Willis, and Péter Hudomiet* WP 2015-331

- While the traditional blue collar-retain earlier and white collar-work longer associations emerge, we find interesting exceptions that suggest fruitful directions for future research.
- Findings from this study suggest that both HRS and O*NET variables are useful and probably complementary levers for understanding retirement outcomes.
- Many more occupations are associated with earlier

workforce departure than longer work, suggesting that increased attention be paid to identifying characteristics of occupations that encourage earlier retirement rather than just longer work.

- Case studies would be an important step to delve into the black box of what it means to work in a particular job and how that affects retirement outcomes.

Nonmonetary Job Characteristics and Employment Transitions at Older Ages by *Marco Angrisani, Arie Kapteyn, and Erik Meijer* WP 2015-326

- We provide a comprehensive examination of the various nonmonetary, work-related factors that affect the dynamics of labor-force withdrawal at older ages and of whether the effects are driven by individuals' perceptions and/or by objective job demands and characteristics.
- We find that objective physical job demands are more powerful determinants of retirement, while perceived ones are more important drivers of the decision to move from full-time to part-time. Objective level of social interactions on the job decreases the likelihood of retirement, while perceived task difficulty and job-related stress make individuals more likely to withdraw from the labor force.
- Objective and perceived nonmonetary job characteristics also affect retirement plans. Specifically, physical demands decrease distance from planned retirement and the subjective probability of working full-time after age 62 and 65. Social skills requirements are associated with greater distance from planned retirement age, as well as with higher likelihood of working past age 65.

Labor Force Transitions at Older Ages: The Roles of Work Environment and Personality by *Marco Angrisani, Michael Hurd, Erik Meijer, Andrew Parker, and Susann Rohwedder* WP 2013-295

- The work environment and nonmonetary factors are strong predictors of the likelihood that full-time employees transit to part-time employment, retirement, or being unemployed or out of the labor force.
- Personality traits are not strongly related to such labor force transitions. However, personality interacts with job characteristics: The effect of the latter on labor supply outcomes varies significantly with the "intensity" of personality traits.
- Job characteristics are related to personality. This suggests that personality drives selection into certain jobs or occupations and may therefore have cumulative effects on the timing of retirement through this indirect pathway.

Deterrents to longer work

Caregiving and Work: The Relationship between Labor Market Attachment and Parental Caregiving by *Sean Fahle and Kathleen McGarry* WP 2017-356

- Contrary to expectations, the women who are observed to provide care to a parent at some point during this survey window are not those with weaker attachments to the labor force.
- Female caregivers have more schooling, are more likely to work full time, and have greater earnings than noncaregivers. They also have higher expected Social Security benefits. By contrast, we do not find similar patterns for those who provide care to parents-in-law.
- Caregiving reduces the probability of work and hours worked in a simple regression, in a fixed-effects regression, and when controlling for work history using Social Security Administration records. However, we do not find a significant effect of caregiving on annual earnings.
- At the end of the 20-year period, those women who provided care at some point had significantly lower annual earnings in 2010 than those who did not provide care, and this effect held both unconditionally and conditional on being employed.

Does Protecting Older Workers from Discrimination Make It Harder to Get Hired? Revised with Additional Analysis of SIPP Data and Appendix of Disability Laws by *David Neumark, Joanne Song McLaughlin, and Patrick Button* WP 2015-315

- Disability discrimination laws are likely to have a disproportionate impact on older workers, and could encourage or discourage hiring of older workers.
- State variation in disability discrimination protections allows estimation of the effects of varying strength of disability discrimination protections on hiring of older (and other) workers.
- State disability discrimination laws that use a broader definition of disability than the ADA appear to raise rather than reduce hiring of nondisabled older workers.
- Stronger state disability protections reduce hiring of at least younger disabled workers.
- There is no evidence of adverse effects of disability discrimination laws on older workers, and our best evidence points to positive effects on hiring of older workers, as does complementary evidence on stronger state protections against age discrimination.

Does Retirement Make you Happy? A Simultaneous Equations Approach by Raquel Fonseca, Arie

Kapteyn, Jinkook Lee, and Gema Zamarro WP 2014-310

- Depressive symptoms are negatively related to retirement. In other words retirement reduces the probability of depression.
- Life satisfaction is positively related to retirement.
- Household wealth, being married, educational attainment, are all positively related to life satisfaction and reduce the probability of depression.
- Major health conditions increase the probability of depression and reduce life satisfaction.
- Remarkably, income does not seem to have a significant effect on depression or life satisfaction. This is in contrast with the correlations in the raw data that show significant relations between income and depression and life satisfaction. This suggests that accounting for the endogeneity of income in equations explaining depression or life satisfaction is important.

Macroeconomic Determinants of Retirement

Timing by Yuriy Gorodnichenko, Jae Song, and Dmitriy Stolyarov WP 2013-281

- We find a general decline in full employment of older workers during 1960-1990; older workers are increasingly exiting career jobs to work in lower-paying “bridge jobs.”
- The full-time employment rate has stayed relatively stable for the bottom 80 percent of earners since 1990. Workers with the lowest earnings have the lowest full employment rate: Only 40 percent of 60 year olds and 20 percent of 65 year olds are employed full time. However, 65- to 67-year-old workers with the highest lifetime earnings not only have a higher full employment rate, but it is also increasing.
- We find robust evidence that flows from full employment to both partial and full retirement rise significantly in recessions. When the unemployment rate is high, partially retired workers younger than 63 tend to stay partially retired while those older than 63 tend to choose full retirement.
- High inflation is associated with exit from the labor force through partial and full retirement. However, housing prices do not have a significant effect on retirement timing.
- The impact of the unemployment rate and inflation on retirement decisions is quite similar for workers of all lifetime earnings levels, with wealthier individuals being only somewhat less impacted.



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The MRRC promotes high quality research on retirement and Social Security policy; communicates findings to the policy community and the public; enhances access to relevant research data; and helps to train new scholars. MRRC serves the public and policy community as an authoritative source of information on a range of issues related to retirement income security. The MRRC is supported by a cooperative agreement with the Social Security Administration.