

## WORKING RETIREMENT: AN UPDATE

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### Key Findings:

- Workforce participation of people over age 50 is at a historic high
- Women, especially, have made impressive gains in employment over 50
- Older women workers are better educated than their non-working counterparts and more likely to live alone
- Older workers are more likely to own their home and report higher incomes
- The occupations of older workers shift from technology-driven jobs to more jobs in sales and service
- Older workers tend to find part-time and flexible work arrangements
- In urban areas, older workers rely on transit and walk for commuting
- Continued employment has many benefits, including economic, social, psychological, and physical

## WORKING RETIREMENT

The idea of retirement is being re-defined, both by the longevity revolution and the economic downturn. The phenomenon of 'working retirement'—that is, continuing to work past traditional retirement age--started before the recession began. Some critical barriers to extended worklife were removed in the last decade: the elimination of mandatory retirement in many companies, the reduction of retirement incentives within Social Security, and the changing nature of the private pension system<sup>1</sup>.

For example, the "Senior Citizen's Freedom to Work Act of 2000" eliminated the penalty on earned income for Social Security beneficiaries. As a result, older workers can keep everything they earn without losing their Social Security entitlements. This benefits the worker in two ways: each additional year of income increases Social Security benefits and reduces the amount of savings needed at retirement, while it also increases the amount of time that workers have to earn returns on their savings.

Without barriers, people found many positive reasons for staying in the workforce: intellectual engagement, staying personally active, and a sense of social connectedness. These inclinations, coupled with greater health and longevity, provide a foundation for a new definition of 'retirement'. Research supports the nature of these benefits:

**Physical and mental well-being:** A recent study<sup>2</sup> found that retirees who work part-time had lower incidence of high blood pressure, diabetes, cancer, lung disease, heart disease, stroke, psychiatric problems and arthritis, and experienced less functional decline than those who don't work at all.

**Second careers and giving back:** Some older people may take low-pay or volunteer work to contribute to the society or polity, provide for social engagement and garner psychological and social benefits<sup>3</sup>.

**Non-Income benefits:** Continued health insurance and 401k plans, especially as cost of the former rises while the gains of the latter stall or go negative. Flexibility, health insurance and 401k plans are all high on the list of things that make a job attractive to an older worker<sup>4</sup>.

But currently, economic reasons are at the forefront--people aged 50 and older are not confident that they have enough money to retire. A recent survey by AARP's policy institute found a range of concerns among the people looking towards retirement (Link to: [Recovering from the Great Recession: Long Struggle Ahead for Older Americans](#), Sara E. Rix) found that:

"The 50-plus population [surveyed in October 2010]--were worried about managing in retirement, and a variety of money matters concerned them: retirement income that might not keep up with inflation (44.8 percent very concerned), not having enough money to pay for long-term care (44.3 percent very concerned), depleting their savings (39.3 percent very concerned), and not having enough money to pay for health care (39.2 percent very concerned)"<sup>5</sup>

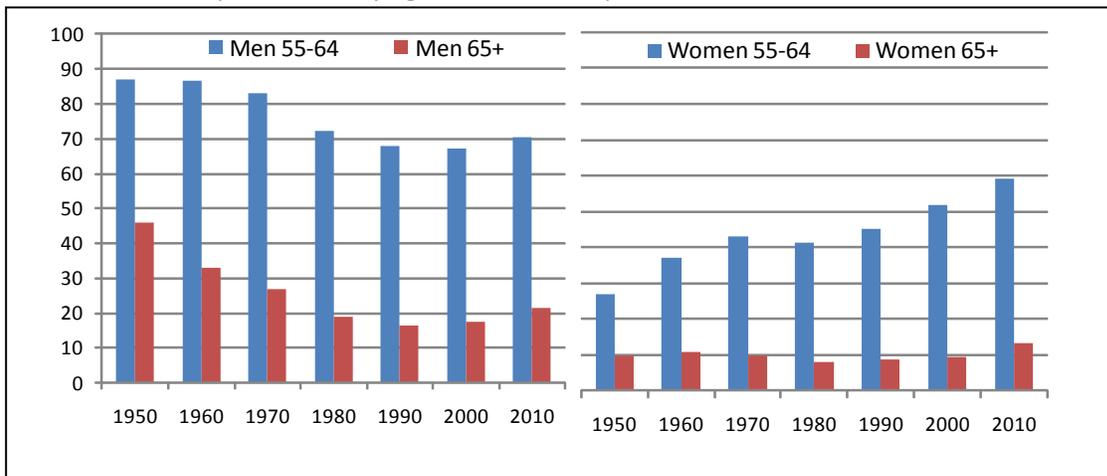
Likewise, the most recent Retirement Confidence Survey<sup>6</sup> found that the proportion of workers who expect to work for pay in retirement keeps rising. Seventy-four percent report they plan to work in retirement (up from 70 percent in 2010), three times the percentage of current retirees who say they actually worked for pay in retirement (23 percent). Worker's changing expectations define a new normal. Historically, for example, about three-quarters of men and women would be fully retired within four to five years from their 65th birthday. But within just a few more years, we may see less than half of those ages 65 to 69 retired<sup>7</sup>.

In recognition of the new normal of ‘working retirement’, this brief describes labor force participation trends, compares characteristics of people who continue to work with those who do not, examines their daily activities and travel, and ends with a short discussion of some policy implications.

**CHARACTERISTICS OF OLDER WORKERS**

Men and women have different trends in labor force participation (see Exhibit 1). From 1960 to about 1990 men retired early, starting to exit the workforce between the ages of 55 and 64. That trend reversed in the last decade as more men in this age group continued working. Women increased their labor force participation steadily throughout the last six decades and at a faster pace than men. Forecasts by the Census Bureau show women’s rates continuing to increase faster than men’s through the year 2018.

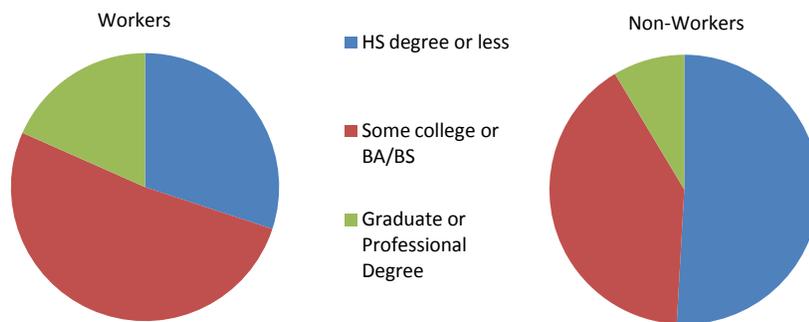
Exhibit 1 – Labor Participation Rates by Age and Sex for People 55 and Older



Source: : <http://data.bls.gov/pdq>, Bureau of Labor Statistics, Accessed July 2011

Older working women are more likely to live alone than their counterparts--21 percent of working women in their 50s live alone compared to 14 percent of non-workers--and may enjoy the social interaction of a work-life or need additional financial resources. And this group is better educated—nearly one out of five older working women has a master’s or professional degree compared to about one out of 12 women not in the workforce (see Exhibit 2).

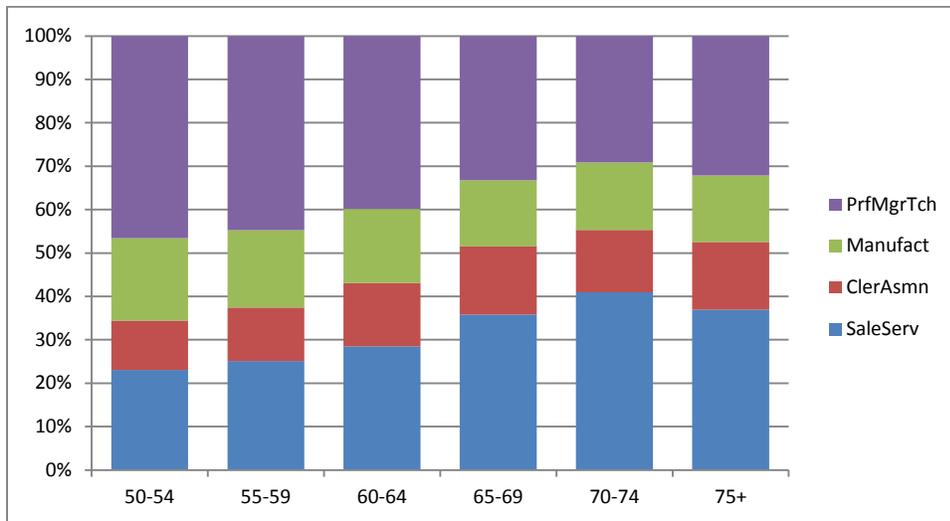
Exhibit 2 – Educational Attainment of Women aged 50-59 by Work Status



Source: 2009 NHTS

For both men and women, the nature of work changes with better education. Better educated workers are less likely to work in physically demanding jobs and more likely to have careers that can be kept active as they age. Some research<sup>8</sup> suggests that older workers are less likely to remain in occupations that depend on technology-driven innovations, whereas occupations categorized as sales and services, such as health and educational services where experience has advantages, retain a larger share of older workers. The NHTS confirms these findings, showing a decline in the proportion of workers in technical fields and an increase in the proportion in service and sales occupations (Exhibit 3).

Exhibit 3 – Occupational Categories of Older Workers



Source: 2009 NHTS

Currently, whites stay in the workforce longer than African-Americans, and older African-Americans and Hispanic workers differ from Whites in the nature of employment, income, and other important characteristics<sup>9</sup>. As the aging workforce becomes more diverse, understanding these differences will be critical.

Older workers are more likely to live in their own home and report higher household income (shown in Exhibit 4). Overall 8 out of ten older workers live in a home they own. The relation between working and home ownership is stronger for minorities than for Whites—especially Hispanic workers aged 65 and older where nearly three-quarters of workers aged 65 and older own the home they live in.

Continuing in the workforce has a dramatic effect on household income. Workers aged 50 and older live in households with reported incomes about 10 percent higher than comparable non-workers; workers aged 65 and older live in households with 30 percent higher reported income.

Exhibit 4 – Home Ownership and Income

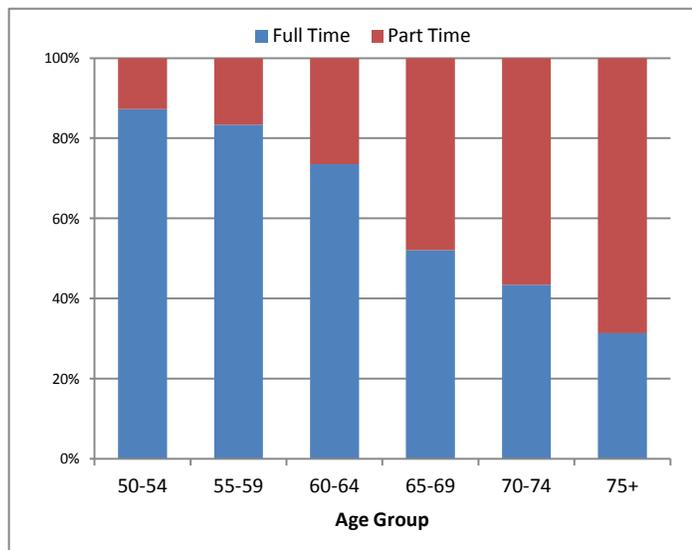
Indicator	Aged 50-64		Aged 65 and Older	
	All	Workers	All	Workers
Percent Living in Owned Home	77%	80%	73%	80%
White	81%	83%	78%	84%
Hispanic	65%	68%	60%	73%
African-American	64%	70%	57%	60%
Est. Mean Family Income	\$ 63,000	\$ 70,000	\$ 41,000	\$ 53,000

Source: 2009 NHTS

Several research studies (cited in 3) find older workers often transition from full-time to part-time employment, and this transition is often simultaneous with changing employers and the characteristics of the job. Workers in their 50s may be at the peak of their careers and in leadership positions in both the public and private sectors. Workers with high skill value, institutional knowledge, and expertise often continue working in their field as a consultant, contractor, or in an adjunct capacity.

Exhibit 5 – Percent of Full-Time and Part-Time Workers

Older workers prefer part-time and flexible work. The proportion of workers with full-time schedules (32 hours or more a week) starts to decline after age 50—half of all workers between 65 and 69 years old work part-time, and by ages 75 and older over two-thirds of workers are part-time (see Exhibit 5).



Source: 2009 NHTS

According to the 2009 NHTS, workers ages 50 and older work fewer hours (5-6 hours) on a typical day than younger workers. In addition, older workers are far more likely to have flexible hours and/or work from home; 13 percent of regular full-time workers aged 50 and older have the option of working at home instead of traveling into their workplace and well over a third can set their own arrival times.

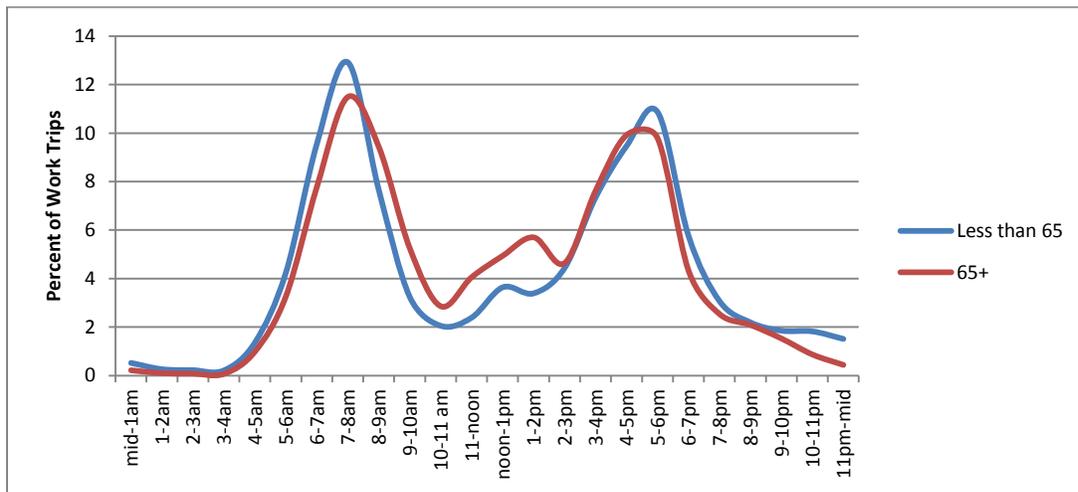
TRAVEL AND ACTIVITY PATTERNS

People moving into retirement age today have been part of a generation that has depended on the mobility of the car. This generation grew up driving; for example nearly 92 percent of women aged 50-59 have drivers licenses compared to just over half (52 percent) of women aged 80 and older (that includes some who have stopped driving and many who never drove). Men are even more likely to have a driver’s license: 96 percent of men between 50 and 59 have licenses and 77 percent of men 80 and older<sup>10</sup>. Older workers are more likely than non-

workers to own a car: overall, 12 percent of people aged 65 and above live in a household with no vehicle, compared to just 3 percent of older workers living with no vehicle.

People who continue work past age 65 find work close to home—on average their commutes are just 9 miles compared to 12 for younger workers. And these older workers have a very different pattern of commute time, shown in Exhibit 6. Older workers leave later in the morning, return earlier in the afternoon, and are much more likely to be commuting in the middle of the day. These findings are consistent with the increase in part-time work and flexible schedules of older workers.

Exhibit 6 – Time of Day Pattern for Worker’s Commutes



Source: 2009 NHTS

Previous research<sup>11</sup> has found that the share of transit does not increase as people age, and that older workers are less likely to carpool or use transit. When looking at overall averages that may be true, since older people are less likely to live in urban areas that have transit available. Most aging Americans remain in the houses where they raised their families<sup>12</sup> and the current housing market makes moving difficult. The mobility implications of this concerns transportation planners, since the majority of aging baby boomers live in the suburbs where it is difficult to provide travel options beyond the private vehicle

Workers who live in urban areas are very likely to take transit and walk, especially for work trips, as shown in Exhibit 7. Workers aged 50-64 living in urban areas use transit for 8 percent of all their daily travel and walk for 16 percent. It’s nearly the reverse for commute trips--these workers use transit 16 percent of the time for commuting and walk 6 percent. As they age, workers in urban areas are less likely to walk and take transit. Perhaps the renewed focus on liveable communities and accessible design will create environments that encourage older workers to continue to walk and take transit.

## Exhibit 7 – Percent of Trips by Means of Travel

For Workers:	Private Vehicle	Transit	Walk
All Trip by 50+	88%	2%	9%
All Trips by 50-64 living in Urban	75%	8%	16%
All Trips by 65+ in Urban Areas	81%	5%	12%
Work Trips by 50-64 living in Urban	76%	16%	6%
Work Trips by 65+ in Urban Areas	79%	10%	8%

Source: 2009 NHTS "Transit" includes public bus, commuter bus and train, subway, shuttle, ferry, and dial-a-ride

When older people live in denser, urban areas they often take transit or walk for daily activities, and they rely heavily on transit and walking for commuting. Providing accessible transit and well-designed environments can encourage older workers to continue to depend on transit and non-motorized options. Therefore, it is vital to support plans and policies that make walking and transit more attractive to older people, such as walkable communities and transit-oriented design.

Beyond the financial reasons for continuing work, there are social and health benefits to staying active and engaged. One way to measure how active people are is to measure the amount of time they spend out of home in outside activities.

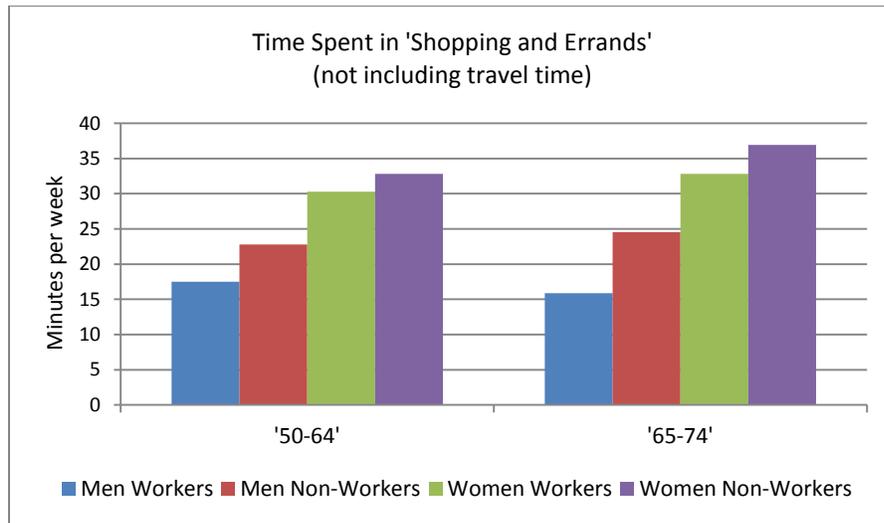
According to the NHTS, pre-retirement age non-workers (ages 50-64), spend nearly as much time outside of the house (in activity and travel) as workers in the same age group. The impact of working on time spent out of the house is more apparent on people aged 65 and older—workers in that age group spend about three hours per day more than non-workers in outside activities. The data seem to show that people not in the workforce fill up their day with outside activity.

To examine the daily activities in more detail, we looked at data from the 2010 American Time Use Survey<sup>1</sup>. Overall, men spend more time in out-of-home activities than women of the same age—a slight difference between men and women aged 50-64 (just 42 minutes); more for those aged 65 and older (1.2 hours). But much of this difference disappears when the men and women both work. Working men 50 years and older spend less than one-half hour more in outside activity than comparable women.

For example, one common daily activity—shopping and errands—traditionally requires travel outside of the house. People can use 'shopping' for recreation and social engagement, and this category includes eating a meal. It is no surprise that women spend more time shopping than men, but the data show that men who are not in the workforce spend a lot more time shopping than working men (Exhibit 8). Overall, non-workers spend about 33 percent more time per week in shopping activity than workers. Men between the ages of 65 and 74 who have left the workforce spend a whopping 54 percent more time at this activity than working men in the same age group.

<sup>1</sup> This dataset, from the Bureau of Labor Statistics measures the daily activity (by time spent) of an annual sample. Data and information at: <http://www.bls.gov/tus>

Exhibit 8 – Amount of Time Spent in 'Shopping and Errands' per Capita



Source: ATUS 2010 Summary File, shopping includes groceries, gas, food, sundries. Errands includes banking and financial.

These findings indicate that older people, especially men, who work are satisfied with the amount of outside activity they have. However, men who have stopped working—most men in the 65-74 percent age group of non-workers have retired—seek out activities to replace the out-of-home time they had while working. Men in this age group appear to use shopping, errands, and eating out as a way to get out of the house and stay active and engaged with society.

## CONCLUSIONS AND POLICY IMPLICATIONS

'Retirement age' has become elastic, with individuals more often deciding for themselves what 'retirement' means and what 'age' is right for them. As this research has shown, the transition from work to retirement is complex, and includes moving to part-time, flexible schedules, staying active and engaged, as well as earning income.

Implications of a continued increase in the number of older workers include:

Longer periods of morning and afternoon congestion, as older workers tend to commute on the shoulders of the peak. This could impact HOV and HOT lane management.

The call for expanded transit service during the shoulders of the peak and perhaps the deployment of accessible buses during later morning and early evening.

Greater demand for walkable environments sensitive to the specific needs of older walkers, such as longer crossing times at intersections, smooth walking surfaces, and 'pocket parks' to allow for rest stops as needed.

A pernicious challenge is that while remaining in the workforce benefits the individual, during a period of contraction in the job market there may be unintended consequences. For example, young adults have record high unemployment rates<sup>13</sup> and not only are there fewer jobs since the recession, there are fewer people retiring and opening up positions.

As the economy strengthens, more jobs will be available and older Americans may have more faith that their retirement savings will last. Healthcare reform will help alleviate the need for company benefits to survive. Some research<sup>14</sup> finds that older workers are generally wealthier than younger workers, and may be able to leave higher-paid positions and work for comparatively low wages. For older workers who are willing and able, encouraging volunteer opportunities--perhaps expanded efforts through AmeriCorps--might open the possibility of volunteering in place of work. Public service campaigns, jobs-matching at the local level, and other incentives could inspire this healthy and energetic cohort.

Because extended employment is becoming the new normal, research is needed to improve the scope of the data used for policy and planning. We need more information about expectations of baby boomers, especially about how they value second careers and volunteer activities versus continuing in their current jobs or careers, and their choices for retirement housing and location. Older women should be a specific group of interest, as their gains in labor force participation are impressive.

Older people want to stay active and involved—the time use data show that if they are not working, people will seek out opportunities to be out of the house and engaged in the world. The social and economic benefit of extending the social engagement, physical, and mental well-being of a large cohort of aging Americans is incalculable. As we re-define what retirement means, we can find radical new meaning in retirement.

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