JOB CHANGES AT OLDER AGES: EFFECTS ON WAGES, BENEFITS, AND OTHER JOB ATTRIBUTES

BY RICHARD W. JOHNSON AND JANETTE KAWACHI

One potential way to manage the rapidly growing costs of supporting older Americans is to increase labor supply at older ages. By delaying retirement and remaining at work, older Americans could produce more goods and services, promoting economic growth and contributing to income and payroll taxes that finance public services. However, questions persist about the quality and availability of jobs for older workers.

This study examines older Americans’ employment opportunities by studying job changes at older ages. Using data from the Health and Retirement Study, it compares wages, benefits, and other job attributes on new and former jobs for adults ages 45 to 75 who changed employers between 1986 and 2004. Because older people who choose to work after retiring voluntarily from long-term jobs may face different employment prospects than displaced older workers, the analysis considers how employment changes vary by the reasons workers give for job separations and their tenure on previous jobs.

Key findings include the following:

Overall mean hourly wages fell by about 13 percent when older workers changed jobs, from $18.57 to $16.23. Hourly wages fell more sharply for older workers who retired from their previous jobs than those who separated for other reasons. Average wages for retirees from long-term jobs (with more than 10 years of service) who continued to work declined by about 39 percent, and median wages plunged by 53 percent. Older people displaced from long-term jobs who found other employment experienced average wage losses of about 19 percent.

- About one-half of men and 40 percent of women who retired from long-term jobs and were reemployed elsewhere experienced hourly wage losses of at least 50 percent. By comparison, about 25 percent of men laid-off from long-term jobs, 16 percent of men who quit long-term jobs, and 24 percent of men who left long-term jobs for other reasons experienced such large relative wage declines.

- Only about 23 percent of older job changers who left long-term employers remained in the same detailed occupation category on their new jobs, defined by three-digit Census codes. More than half moved into different broadly defined occupations.
Retirees were significantly more likely to change occupations than those who switched employers for other reasons. Only about 15 percent of retirees who left long-term employers remained in the same detailed occupation category, and 64 percent moved into different broadly defined occupational categories.

Many older job changers separating from long-term employers exited the manufacturing and public administration industries and moved into the trade and service industries. Only about one in five job changers who retired from long-term jobs continued to work in the same narrowly defined industry as before they retired. By contrast, about one-third of older job changers who quit their previous jobs continued to work in the same narrow industry. About 65 percent of employed retirees and 60 percent of displaced workers moved into different broadly defined industry groups.

About 71 percent of older workers who left long-term jobs received health benefits on their old jobs, and 55 percent received benefits on their new jobs.

Many older workers who changed jobs moved to part-time work, self-employment, and jobs offering flexible work arrangements. Forty-three percent of older workers who left long-term jobs worked part-time on their new jobs, 25 percent were self-employed, and 50 percent worked in flexible jobs. By comparison, only 15 percent worked part-time and 28 percent had flexible work arrangements on their pre-separation jobs.

Part-time work, self-employment, and flexible work arrangements were especially common on post-retirement jobs. About 56 percent of employed retirees who left long-term jobs moved from full-time work to part-time work, 28 percent moved from wage and salary employment to self-employment, and 45 percent moved from less flexible jobs to more flexible jobs.

Older job changers — especially retirees — who left long-term employers generally preferred their new jobs to their old jobs. About 93 percent of employed retirees who left long-term employers said they enjoyed their new jobs, whereas only 77 percent said they enjoyed their old jobs. About one in five reported enjoying their new jobs but not their old jobs. Even reemployed displaced workers were more likely to enjoy their new jobs than their former jobs.

The findings do not raise concerns about the quality of post-retirement jobs. Although these jobs did not generally pay very much, they were less stressful and more flexible than career jobs, and more than 9 in 10 people working in retirement said they enjoyed their jobs. The analysis supports the notion that older adults tend to use post-retirement jobs as bridges to complete withdrawal from the labor market.

However, the results suggest that people who lose their jobs at older ages often face special challenges in the labor market. Those able to find other employment generally ended up in different industries and occupations, earning much lower wages than on their former jobs. For example, about one-quarter of older men laid-off from long-term jobs earned hourly wages that were less than half as high as on their previous jobs. About 40 percent lost pension coverage and 25 percent lost health benefits. These findings suggest that as policymakers consider ways of encouraging work at older ages, they should pay special attention to the struggles of older displaced workers.