

Work-Life Balance and Labor Force Attachment at Older Ages

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Demographic trends over the past five decades have led to longer life expectancies and declining birth rates. The resulting concerns about the long-term sustainability of Social Security programs have focused attention on understanding what drives individual retirement decisions and on how to increase older workers' attachment to the labor force. A growing literature has identified work-life balance (WLB), defined as the absence of conflict between work and non-work activities, as a key determinant of workers' evaluations of the relative attractiveness of work versus leisure, particularly at older ages. Workers whose jobs allow them to more easily manage their private lives (doctor visits, caring for an elderly parent or sick spouse, etc.) may be more likely to remain employed than those who perceive that their jobs interfere with their personal activities and responsibilities.

A better understanding of the effect of WLB on retirement behavior, and of the specific life circumstances during which WLB becomes valuable to employees, provides a policy handle to affect workplace arrangements so as to facilitate longer labor force attachment. This line of research is particularly timely in view of the increase in women's labor force participation in the past decades, which has led to a growing number of female workers on the verge of retirement. Because of existing social norms related to gender roles, women are typically more sensitive to the trade-off between career and family life. At the same time, late fertility and longer life expectancy have placed more responsibility on middle-age/older workers for supporting their own children and caring for their aging parents, thus increasing the strain on WLB.

In this paper, we use data from the *Health and Retirement Study* (HRS) to investigate the relationship between WLB and retirement transitions. We use a sample of workers ages 51 to 79 to assess the extent to which WLB is associated with subsequent employment choices. We perform our analysis separately for men and women to explore the possibility of differential labor supply responses by gender. Because of the prevalence of partial retirement, and given that part-time work may be an important alternative to retirement in the face of WLB restrictions, we distinguish between full-time and part-time workers. Moreover, our analysis jointly accounts for work strains that affect one's private life negatively (work-to-life interference, or WLI) and aspects of one's private life that may negatively impact one's productivity or work (dis)utility (life-to-work interference, or LWI).

Additionally, we explore the extent to which WLB interacts with life circumstances in determining retirement decisions. A prime example of a situation in which WLB may tip the scales in favor of continued employment or retirement is when an individual's spouse experiences a health shock. This situation may require new caregiving responsibilities and may also affect expectations about mortality, which in itself may alter the relative utility of work versus leisure. We investigate this possibility by studying how responses to a spouse's health shock differ by WLB levels before the onset of the shock. In view of previous research documenting gender differences in the responses to family members' health shocks, we again perform the analysis separately for men and women.

We find that WLB is significantly associated with employment transitions and document interesting heterogeneity by gender and employment status. Our results are mainly driven by perceived interference from work into private life. A one-standard-deviation increase in WLI increases the retirement probability of males in part-time work by 5.9 percentage points, that of females in full-time work by 2.2 percentage points, and that of females in part-time work by 4.6 percentage points. These effects are sizeable, representing a 27 percent, 16 percent, and 23 percent increase relative to the sample average, respectively. WLI does not significantly correlate with employment transitions of men in full-time work.

After controlling for WLI, there is no association between perceived interference from life to work for either men or women in full-time employment. For part-timers, a one-standard-deviation increase in LWI is associated with marginally significant 4.6-percentage-point and 3.0-percentage-point increases in the probability of remaining in part-time employment for men and women, respectively. Although the estimates are not significant, an increase in LWI is also associated with lower probabilities of transitioning into both full-time work and retirement. These findings may indicate a combination of a negative effect of LWI on labor supply, preventing some part-timers from transitioning into full-time work, and a positive effect, inducing some others to delay retirement, perhaps because they find respite on the job from their family conflicts. On the whole, we refrain from attaching too much weight to these findings, because the relevant parameters are imprecisely estimated.

Our next set of results shows that WLB moderates labor supply responses to a spouse's health shock. Once more, there exist interesting differences between men and women. For men, the probability of remaining in full-time employment following a spouse's health shock

decreases by 4.2 percentage points for each one-standard-deviation increase in the level of WLI. This gradient, however, is only significant at 10 percent. Moreover, there is no moderating effect of WLI for part-timers. In line with previous studies, women's labor supply is more responsive to changes in a spouse's health, and these responses are moderated by the perceived degree of WLB. For women in full-time employment, the probability of switching to a part-time job following a spouse's health shock increases by 4 percentage points with each one-standard-deviation increase in WLI. For those employed part-time, the probability of retirement is 8 percentage points higher for each one-standard-deviation increase in the WLI index.

Our study is the first to address and quantify the association between WLB and actual employment transitions of middle-age and older workers. Previous research has suggested a potential link between WLB and retirement behavior by showing that full-time workers in their early 50s who experience low levels of WLB are more likely to report a preference for retiring within the next 10 years. Interestingly, these studies find no gender differences in the association between WLB and self-reported retirement intentions. In contrast, our paper shows that a lack of WLB is more likely to induce females than males to actually retire. A further contribution of our research is to establish that life circumstances affect an individual's willingness to tolerate the absence of WLB. Specifically, WLB moderates labor supply responses to spousal health shocks.

A limitation of our study is that, while controlling for a wide array of variables that may affect both WLB and employment transitions, we cannot completely rule out that other, unobservable factors may drive the estimated relationship between WLB and labor supply decisions. Because of that, we refrain from making causal claims throughout the text. Such factors plausibly comprise individual aptitudes and preferences underlying selection into jobs with certain characteristics, including the level of WLB, as well as tastes for the mode and timing of retirement. It should be noted, however, that these individual traits would likely bias our parameters of interest downward, hence toward the null hypothesis of no relationship between WLB and employment transitions. We would expect individuals who have a stronger preference for leisure over work to have a higher likelihood of selecting into jobs with better WLB and to retire earlier, other things equal. This selection mechanism would imply that individuals with better WLB may be more prone to reduce their labor supply. Our findings that worse WLB is associated with a higher likelihood of transitioning into partial and full retirement contradict this

argument and are suggestive of a causal, positive link between WLB and prolonged attachment to the labor force.

The institutional framework in which individuals work is bound to affect work-life balance. Laws that make it mandatory for employers to offer part-time arrangements to their employees and programs introducing or extending paid leave opportunities for family reasons are examples of policies that may improve WLB and, in turn, facilitate longer labor force attachment among older workers. Policy changes affecting the work flexibility of some workers and not others (e.g., paid family leave insurance laws becoming effective in California, New Jersey, Rhode Island, and Washington between 2004 and 2019) may also be exploited to infer stronger and more robust causal relationships between WLB and employment transitions. We leave this for future research.