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WHY DO BOOMERS PLAN TO WORK SO LONG?

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Recent changes in retirement trends and patterns have raised questions about the likely retirement behavior of baby boomers, the large cohort born between 1946 and 1964. Average male retirement ages declined steadily throughout most of the last century, but this trend appears to have ended about 20 years ago, and may have now reversed. Because the reasons behind these changes are not well understood, it is unclear whether the boomers will continue the recent trend toward later retirement or revert to the longer-term trend of earlier retirement. Better information is needed on the boomers' retirement expectations to assess how quickly they will leave the labor force and the likely economic and social impact.

This study compares the retirement expectations of workers ages 51 to 56 born between 1948 and 1953 (early boomers) to those of workers in the same age group born 12 years earlier, between 1936 and 1941 (the pre-war generation). The analysis first compares retirement expectations and demographic and economic characteristics for each generation. Then the study models retirement expectations for both generations to examine the key factors influencing anticipated labor force exits. Finally, estimated regression coefficients and differences in characteristics are used to identify the forces that appear to drive generational differences in retirement expectations.

Data come from the *Health and Retirement Study* (HRS), a national survey of Americans ages 51 and older conducted by the University of Michigan's Survey Research Center for the National Institute on Aging. The analysis uses self-reported probabilities of working full-time past typical retirement ages as measures of retirement expectations. The survey asks respondents working for pay, "Thinking about work generally and not just your present job, what do you think are the chances that you will be working full-time after you reach age 62?" The survey asks the same question about work past age 65. The sample consists of 3,963 workers ages 51 to 56 in 1992 (from the pre-war generation) and 2,145 workers in the same age group in 2004 (from the early boomers).

The results show that the older workforce changed rapidly between 1992 and 2004. Many older women moved into the labor force, marriage declined, and educational attainment soared. For example, 37 percent of early boomers graduated from college, compared with only 22 percent of the pre-war generation. Also, traditional employer-sponsored pension plans and retiree health benefits declined rapidly. Between 1992 and 2004, the share of workers ages 51 to 56 with defined benefit pension coverage on the current job fell from 40 percent to 31 percent.

Work expectations increased significantly over the period. Between 1992 and 2004, the mean expected probability of working full-time past age 62 among workers ages 51 to 56 increased from 47 percent to 51 percent. The increase was even more rapid for the expected mean probability of full-time work after age 65, which grew from 27 percent to about 33 percent over the period. In relative terms, work expectations after age 65 were about 23 percent higher for the early boomers than the pre-war generation. Controlling for other factors, self employment, education, and earnings increased work expectations at older ages, while defined benefit pension coverage, employer-sponsored retiree health benefits, and household wealth reduced expectations.

Lower rates of retiree health insurance offers from employers, higher levels of educational attainment, and lower rates of defined benefit pension coverage accounted for most of the increase between 1992 and 2004 in expected work probabilities after ages 62 and 65. The decline in retiree health benefits accounted for between 30 and 47 percent of the rise in work expectations after age 62 and between 9 and 20 percent of the rise in work expectations after age 65. Between 28 and 33 percent of the increase in the expected probability of working past age 62 could be explained by the increase in college graduation rates among boomers and the decline in high school dropout rates, as could between 13 and 22 percent of the increase in the expected probability of working past 65. The shift away from defined benefit pension plans explained about one-fifth of the increase in expected work probabilities after age 62 and about one-eighth of the increase after age 65. These three factors combined explained between 81 and 100 percent of the increase in expected work probabilities after age 62 and between 35 and 55 percent of the increase after age 65. Other factors had much smaller effects.

Will early boomers in fact delay retirement, and will the trend continue for later boomers? The answer likely depends, in part, on whether the recent trend in work characteristics and demographics continues. The erosion of employer retiree health benefits will likely persist, as health care costs continue to rise. And the trend away from traditional defined benefit plans shows no signs of abating. Taken together, these trends and the study findings suggest that the boomers will remain at work longer than the previous generation. The recent uptick in average retirement ages appears to be the leading edge of a new long-term trend. Lengthier careers will likely promote economic growth, increase government revenue, and improve individual financial security at older ages.

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