

National Economic Trends

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Look Who's *Still Working* Now

Many older workers are transitioning from full-time to part-time jobs before fully retiring. The accompanying chart shows the changes in the ratio of workers 55 years of age and older who are employed part-time. If this ratio had remained at its 1986 level, there would have been nearly 1 million fewer part-time workers age 55 and older in 2006. Are these workers moving voluntarily from full-time to part-time work or are economic hardships forcing them to do so?

Leora Friedberg examined this transition to part-time employment,¹ comparing Current Population Survey data for working men from two periods: 1980-82 and 1995-97. She observed that the rise in part-time employment from the earlier to the later period was concentrated among those 60 through 69 years of age. In the earlier period, almost 40 percent of workers aged 65 through 69 were employed part-time, which was 3.6 times larger than the proportion of workers in the younger, 60 through 64, age group. However, across the two periods, the younger group appeared to be catching up some: The increase in the proportion in the younger group was two times larger.

Also, part-time work rose more for educated workers and those with skilled and semi-skilled jobs, suggesting that the least-educated and least-skilled men were more likely to retire from their full-time jobs rather than transition to part-time jobs. Friedberg found that, while all education groups experienced a decline in full-time work, a switch from full-time to part-time work was at least three times higher for men with a college degree than for those without a high school degree. In addition, from 1983-85 to 1995-97, the majority of male part-time workers aged 60 through 64 shifted from blue-collar workers to white-collar and pink-collar (e.g., clerical and sales) workers.

Wealth, too, factors into the decision of how to transition to retirement. Friedberg analyzed data from the Health and Retirement Study, which began in 1992 and covers those born from 1931 to 1941. Controlling for age, skill, tenure, and health, she found that those who ended up shifting to part-time work had

the highest wealth—as measured by net worth—in 1992. The initial median net worth for men who worked full-time in 1992 but part-time by 1996 was \$31,600 higher than for those still working full-time and \$25,800 higher than for those who had retired.

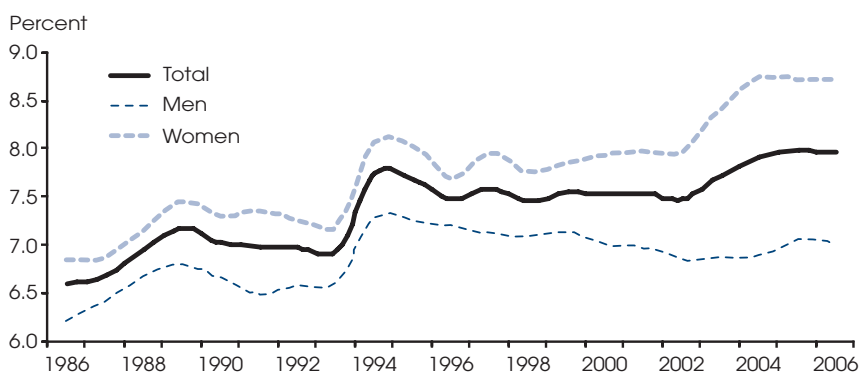
The evidence suggests that this rise in part-time employment does not signal an increase in economic hardships among potential retirees. Friedberg argued that part-time work is a luxury good for older workers rather than a necessity. In 1996-98, only a small fraction of those aged 55 through 59, 60 through 64, and 65 through 69 who worked part-time did so for economic reasons (19 percent, 10 percent, and 3 percent, respectively). Similarly, Nicole Maestas found that, if anything, retirees overestimated their likelihood of working after retirement.² One-third of them expected to work but didn't, and 80 percent of those who did work after their initial retirement had expected to. Overall, economic factors (unexpected financial hardship, poor planning, etc.) did not affect work expectations. For the most part, working part-time later in life appears to be a voluntary choice before transitioning to full retirement.

—Kristie M. Engemann and Michael T. Owyang

¹ Friedberg, Leora. "The Trend towards Part-time Work among Older Workers." Unpublished manuscript, November 2001.

² Maestas, Nicole. "Back to Work: Expectations and Realizations of Work after Retirement." RAND Working Paper WR-196-1, August 2005; data from the Health and Retirement Study.

Part-time Employment-to-Population Ratio, Ages 55+



SOURCE: Bureau of Labor Statistics; annual data, not seasonally adjusted.

Views expressed do not necessarily reflect official positions of the Federal Reserve System.