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HOW JOB CHANGES AFFECT RETIREMENT TIMING BY SOCIOECONOMIC STATUS

BY GEOFFREY T. SANZENBACHER, STEVEN A. SASS, AND CHRISTOPHER M. GILLIS*

Introduction

Job-changing among late-career workers increased steadily between the 1980s and the mid-2000s before declining somewhat in recent years. A key question is whether this job-changing lengthens or shortens a worker's career. The answer is important because workers generally need to work longer than they have in the past to gain a secure retirement. This need is especially acute for workers with less education, who are more at risk of having inadequate retirement incomes, in part because they tend to retire early. This *brief*, based on a recent paper, assesses the effect of voluntarily changing jobs by workers in their 50s on how long they stay in the labor force. The *brief* also investigates whether any effect differs by socioeconomic status as measured by educational attainment.¹

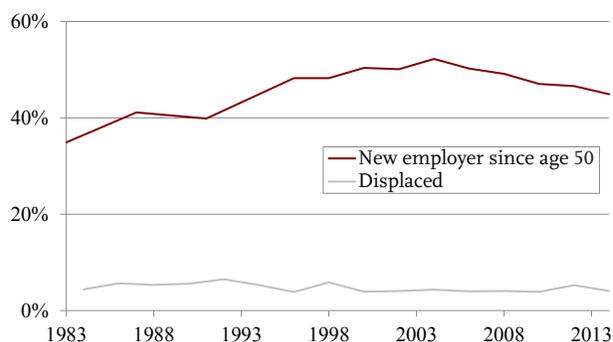
The discussion proceeds as follows. The first section summarizes prior research on late-career job-changing. The second section describes the data and methodology used for the analysis. The third section presents the results. The final section concludes that voluntarily changing jobs appears to extend the careers of both better- and less-educated workers, although the effect on better-educated workers is larger.

Late-Career Job-Changing

Older workers change employers both voluntarily, in search of a better job, and involuntarily, after a job loss. Those who lose their jobs generally suffer a series of adverse consequences. They often have

difficulty finding employment; earn significantly less in a new job; and are twice as likely as otherwise similar workers to retire by any given age.² However, the overall rise in late-career job-changing in recent decades seems largely voluntary; the displacement rate for workers ages 58-62 has remained relatively constant while the share changing jobs at age 50 or later rose from 35 percent in 1983 to 52 percent in 2004, before starting a modest decline shortly before the Great Recession (see Figure 1).

FIGURE 1. PERCENTAGE OF EMPLOYED MEN AGES 58-62 WHO CHANGED JOBS AT AGE 50 OR LATER AND PERCENTAGE WHO WERE DISPLACED, 1983-2014



Note: A worker is “displaced” if they left a job in the prior three years due to a plant closing or eliminated position. Source: Authors’ calculations from U.S. Census Bureau, *Current Population Survey* (1983-2014).

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The effect of voluntarily changing jobs on retirement timing is an open question. Research has shown that such job changers generally report greater job satisfaction, albeit with a decrease in compensation.³ Since workers presumably change employers to improve their well-being, moving to a job that they consider better could extend their careers. On the other hand, job-changing could reduce job security because tenure protects older workers against involuntary job loss, and workers who change jobs risk a bad match. Changing jobs thus could increase the risk of a layoff and an early labor force exit.⁴ To determine which of these effects dominates, this *brief* analyzes how voluntary late-career job-changing affects retirement timing, and whether the impact varies by socioeconomic status.

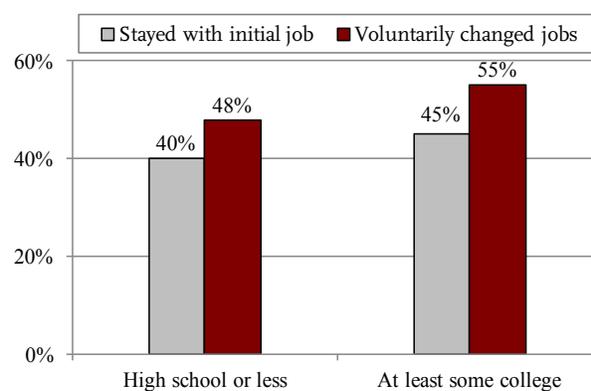
Data and Methodology

The analysis is based on data from the *Health and Retirement Study* (HRS), a biennial survey that follows respondents who are ages 51-61 when they enter the study. Specifically, the analysis focuses on a sample of individuals who were 51-56 and working for pay in their first HRS wave, and follows them until age 65 to see if they retired before or after that age. Age 65 was chosen because historically it has been an important benchmark for retirement – 65 is Social Security's original Full Retirement Age and is still the age of Medicare eligibility. The goal of the study is to compare the likelihood of remaining in the labor force until age 65 of workers who voluntarily changed jobs in their 50s to those who remained with their initial employer, and assess whether any pattern differs by socioeconomic status as indicated by educational attainment.

A simple tabulation of the data shows that those who voluntarily changed jobs were more likely to remain in the labor force until age 65, with the difference slightly larger for better-educated workers (see Figure 2). But this pattern could simply capture the fact that those who change jobs work longer for some reason other than the job change. For example, people who switch jobs could work longer because they tend to be in better health, not because they changed jobs. Or it could also be that workers who change jobs work longer because they have a mortgage to pay off, need to save more for retirement, or plan to work longer for some other reason. The study thus controls for factors such as health, mortgage status, wealth-to-income ratio, and planned retirement

age. It also controls for the attributes of the worker's initial job, such as tenure, pension and health insurance coverage, and employment in a blue-collar job, since these characteristics could affect the retirement timing of the workers who do *not* switch jobs. Finally, the study controls for demographic factors that might affect retirement timing, like race, gender, and educational attainment.⁵

FIGURE 2. PERCENTAGE OF WORKERS IN THE LABOR FORCE UNTIL AGE 65, BY JOB-CHANGE STATUS AND EDUCATIONAL ATTAINMENT



Source: Authors' calculations from University of Michigan, *Health and Retirement Study* (1992-2012).

To estimate the relationship between job-changing and retirement timing, the study estimates the following regression:

$$\text{Probability of being in labor force at 65} = f(\text{voluntarily changed jobs, demographics, financial factors, initial job attributes})$$

The study then tests whether the relationship between voluntarily changing jobs and retirement timing differs by socioeconomic status, as indicated by having or not having some college experience. This definition divides the sample into two roughly equal socioeconomic groups based on educational attainment.⁶

In the sample of workers studied, 13 percent voluntarily changed jobs.⁷ The demographic characteristics of these job changers are not very different from those of workers who remained with their initial employer (see Table 1 on the next page). The job changers were somewhat more educated, had fewer

TABLE 1. SELECTED SAMPLE CHARACTERISTICS, BY JOB-CHANGE STATUS

Variable	Stayed with initial job	Voluntarily changed jobs
<i>Demographics</i>		
At least some college	45.3 %	51.5 %
Number of adverse health conditions at starting wave	0.74	0.63
Planned retirement age	62.5	63.0
<i>Initial job attributes</i>		
Health insurance	69.5 %	62.5 %
Tenure (in years)	14.4	9.8
Defined benefit pension	45.2 %	38.5 %

Source: Authors' calculations from 1992-2012 HRS.

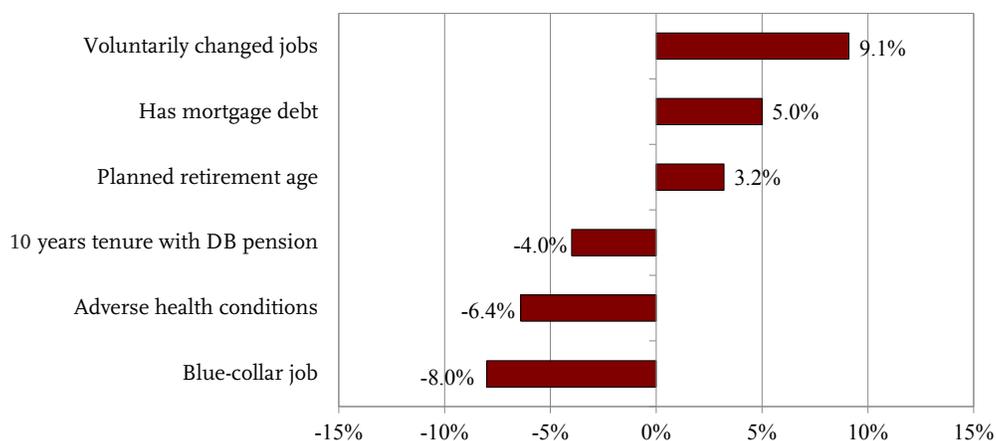
initial adverse health conditions, and had slightly higher planned retirement ages, all characteristics associated with positive labor market prospects. By contrast, the initial job attributes of the two groups were quite different. Workers who stayed with their initial employer were more likely to have health insurance, had greater tenure, and were more likely to have a

defined benefit pension (which offers higher benefits to longer tenured workers). Workers who changed jobs thus had initial jobs that were less attractive than workers who remained with their initial employer, which could help explain the motivation for making a change.

Results

For the full sample, the estimates show that voluntarily changing jobs is associated with a statistically significant 9.1-percentage-point increase in the likelihood of remaining in the labor force until age 65 (see Figure 3). This effect is large, given that only 44 percent of all workers in the sample were still in the labor force at age 65. The effects of the other controls, some of which are shown in Figure 3, are generally intuitive.⁸ For example, still having a mortgage to pay off or having a later planned retirement age is associated with remaining in the labor force longer. And having long tenure at a job with a defined benefit pension – often a sign of higher available income once retired – is associated with earlier retirement, as is having more adverse health conditions or initially having a blue-collar job.

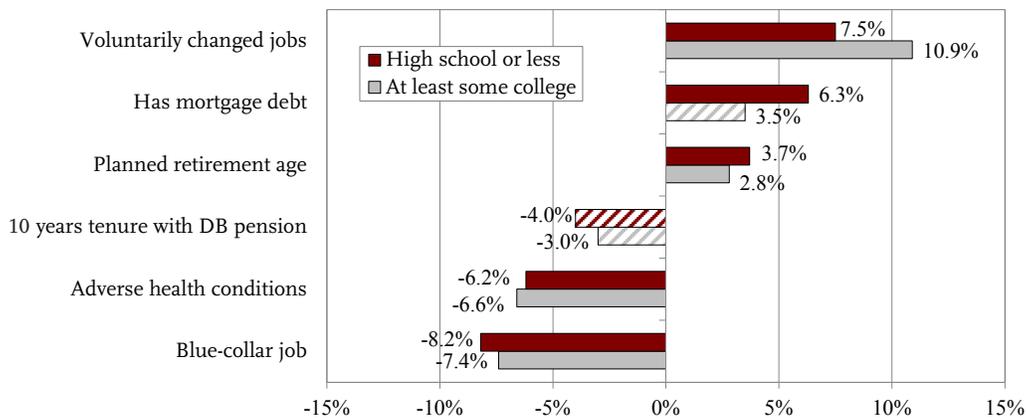
FIGURE 3. EFFECTS OF VOLUNTARILY CHANGING JOBS AND SELECTED CHARACTERISTICS ON BEING IN THE LABOR FORCE UNTIL AGE 65, FULL SAMPLE



Note: All results are statistically significant at least at the 10-percent level.

Source: Authors' calculations from 1992-2012 HRS.

FIGURE 4. EFFECTS OF VOLUNTARILY CHANGING JOBS AND SELECTED CHARACTERISTICS ON BEING IN THE LABOR FORCE UNTIL AGE 65, BY EDUCATIONAL ATTAINMENT



Note: Solid bars indicate statistical significance at least at the 10-percent level.

Source: Authors' calculations from 1992-2012 HRS.

Next, the study conducts the same analysis for the two socioeconomic groups as defined by educational attainment (see Figure 4). For both groups of workers, the effect of voluntary job-changing on being in the labor force at age 65 is large and statistically significant, although it is larger for workers with at least some college. Workers with at least some college who voluntarily changed jobs were 10.9 percentage points more likely to be in the labor force until age 65. For less-educated workers, the effect was 7.5 percentage points. Regarding the other controls, the interpretations are again intuitive. The biggest difference between the two groups is the effect of having a mortgage, which is significant for less-educated workers but insignificant for the more educated.

Conclusion

Late-career job changes have become more common over the past several decades at the same time that working longer has become more necessary. The rise in job-changing appears to be largely voluntary, with workers likely moving to jobs that they consider better. This behavior could extend the careers of these workers, thereby improving their retirement prospects. However, job changers also give up the protection that tenure provides against layoffs and risk a bad match that could lead to an early exit from the labor force. The results clearly indicate that the first effect dominates. Changing employers involves risks and not all older workers can move to a better job. But for those who can, a voluntary job-change is associated with a large and statistically significant increase in the likelihood of remaining in the labor force to age 65, regardless of the worker's educational attainment.

Endnotes

- 1 Sanzenbacher, Sass, and Gillis (2016).
- 2 Chan and Stevens (2001, 2004).
- 3 Johnson and Kawachi (2007); and Johnson, Kawachi, and Lewis (2009).
- 4 Munnell et al. (2006); Munnell, Sass, and Zhivan (2009); Farber (2010); and Kalleberg (2010).
- 5 The study also controls for the individual turning 65 on or after 2008, since the Great Recession could affect the probability of retirement.
- 6 For more on the definition of the variables, see Sanzenbacher, Sass, and Gillis (2016).
- 7 This amount is significantly smaller than the rate of job-changing shown in Figure 1. Among the reasons for this difference are: 1) workers in our sample are first seen as late as age 56, so we do not observe job-changes prior to the worker's entry into the sample; 2) the 13-percent figure does not include involuntary job-changes; and 3) the populations examined are different – male workers ages 58-62 in Figure 1 versus a sample that includes both male and female workers in their 50s.
- 8 For full results, see the Appendix. One surprising result is that an individual's financial wealth-to-income ratio is not a strong predictor of retirement timing. This result may stem from the fact that wealth data are often noisy, leading to somewhat imprecise estimates.

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APPENDIX

APPENDIX TABLE. MARGINAL EFFECTS OF VOLUNTARILY CHANGING JOBS AND OTHER CHARACTERISTICS ON BEING IN THE LABOR FORCE UNTIL AGE 65

Variables	Full sample	High school or less	At least some college
Voluntarily changed jobs	0.091*** (0.032)	0.075* (0.045)	0.109** (0.047)
Has mortgage debt	0.050** (0.021)	0.063** (0.028)	0.035 (0.031)
Planned retirement age	0.032*** (0.003)	0.037*** (0.004)	0.028*** (0.004)
Years of tenure with DB pension	-0.004* (0.002)	-0.004 (0.003)	-0.003 (0.003)
Adverse health conditions	-0.064*** (0.009)	-0.062*** (0.011)	-0.066*** (0.014)
Blue-collar job	-0.080*** (0.025)	-0.082*** (0.031)	-0.074* (0.045)
DB pension	-0.004 (0.038)	0.001 (0.052)	-0.015 (0.055)
Tenure	0.001 (0.002)	0.001 (0.002)	-0.001 (0.003)
Health insurance	-0.027 (0.026)	-0.068** (0.034)	0.023 (0.039)
Retiree health insurance	-0.165*** (0.022)	-0.119*** (0.030)	-0.215*** (0.033)
Financial wealth-to-income ratio	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)
At least some college	0.018 (0.024)		
Male	0.030 (0.022)	0.017 (0.031)	0.044 (0.033)
Black	0.078*** (0.029)	0.084** (0.037)	0.061 (0.048)
Hispanic	0.091** (0.041)	0.082 (0.050)	0.110 (0.071)
Turned 65 on or after 2008	-0.012 (0.029)	-0.064 (0.043)	0.034 (0.039)
Observations	2,537	1,375	1,162
R-squared	0.129	0.124	0.137

Note: Statistically significant at 10-percent (*), 5-percent (**), or 1-percent level (***).

Source: Authors' calculations from 1992-2012 HRS.

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