

## **Department of Labor Gradual Retirement through “Bridge” Jobs**

*This research project examines why so many retirees are exiting the workforce gradually, in stages, and the economic consequences of these decisions. It focuses on the types of jobs that people take, the reasons behind their choices, and their socioeconomic outcomes.*

### **Lead Agency:**

U.S. Bureau of Labor Statistics

### **Agency Mission:**

Providing impartial, timely, and accurate data relevant to the social and economic conditions of our Nation, its workers, and their families.

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Dr. Cahill and Dr. Quinn received funding from the Sloan Center on Aging and Work/Workplace Flexibility at Boston College and also from the Centre for Retirement Research at Boston College.

### **General Description:**

More often than not, older Americans with full-time, long-tenure jobs move to a “bridge” job before finally leaving the labor force. These bridge jobs are voluntary for some, a way to try something new, remain socially active, or benefit in some other nonpecuniary way. For others, work later in life is a financial necessity to avoid hardship in retirement. Measuring the extent of these experiences and their consequences are of interest to policymakers. Policies that encourage work later in life have been proposed as a way to alleviate the expected economic strain on aging society. This research project examines bridge jobs and retirement transitions, including the extent to which bridge jobs are utilized by older and younger workers, the role of self employment in retirement transitions, and the relationship between bridge jobs and retiree well-being.

One study in this project asked if today’s younger retirees are following in the footsteps of their older peers with respect to gradual retirement. An earlier study by these researchers, based on the Health and Retirement Study (HRS), an ongoing nationally-representative survey of older Americans that began in 1992, found that the majority of older Americans with full-time career jobs later in life moved to another job prior to complete labor force withdrawal. In this follow-up study, the authors compared a cohort of older workers born between 1942 and 1947 with those born between 1931 and 1941, and found that younger retirees followed patterns of gradual-retirement similar to those of their predecessors. This conforms the view that traditional one-time, permanent retirements remain the exception rather than the rule.

In another paper, the authors examined transitions into and out of self employment among older workers who had career jobs. They utilized the HRS to investigate the prevalence of self employment transitions later in life and explored the factors that determine the choice of wage-and-salary employment or self employment. They found that post-career transitions into and out of self employment were common, that self employment increases in importance as workers age, and the health status, career occupation, and financial variables were important determinants of these transitions. As older Americans and the country confront financial strains in retirement income in the years ahead, self employment may be a vital part of the pro-work solution.

Finally, another aspect of this research examined the outcomes of older Americans who transitioned to bridge jobs following career employment. The authors examined the extent to which transitions onto bridge jobs were involuntary and how workers’ bridge jobs compared to the career jobs they had left behind. They found that about 20 percent of those with full-time career jobs later in life left these jobs involuntarily, and that these individuals were less likely than others to move to a bridge job. The large majority of older workers with full-time career jobs, however, left these jobs voluntarily and moved to bridge jobs before complete retirement, suggesting that for most of these individuals work beyond career employment may be an effective way to maintain an adequate level of financial security and/or quality of life.

***Excellence:*** What makes this project exceptional?

This research is timely and based on a nationally-representative sample of older Americans born between 1931 and 1941. Today's retirees are changing the way older workers exit the labor force. Traditional one-time, permanent retirements are now the exception rather than the rule, as older workers increasingly change jobs later in life or reenter the labor force after "retiring." The conclusions are based on analyses of data from the Health and Retirement Study, a nationally-representative sample of more than 12,000 older Americans surveyed every other year from 1992 to 2006.

***Significance:*** How is this research relevant to older persons, populations and/or an aging society?

This research on work later in life is relevant because today's retirees are experiencing more financial risk than prior cohorts, and therefore may have to work later in life in order to supplement income from Social Security, private pensions, and savings.

The pro-work mindset of many of today's older Americans is likely a reflection of many factors. People are healthier, are living longer and have higher levels of education compared to earlier generations. Jobs are also less physically demanding now than in the past. Over the past two decades, a generally strong labor market has provided older workers with job opportunities. These changes have enabled older workers to remain productive well beyond traditional retirement ages.

Many of the financial incentives surrounding retirement have changed as well. Defined-benefit pension plans that offer a guaranteed annuity payment upon retirement are less common in today's private sector and many existing defined-benefit plans are being converted to cash balance plans or replaced with defined-contribution plans managed by the worker. Social Security, the bedrock of financial security late in life, is facing financial strain and will likely provide lower replacement rates than in the past. Finally, private saving, the third pillar of retirement income, is currently near record low rates.

As a result, today's retirees are now in charge of their retirement finances and face more financial risk than at any time in the post-war era.

***Effectiveness:*** What is the impact and/or application of this research to older persons?

The shift towards "do-it-yourself" retirement has both positive and negative consequences for older people. On the one hand, workers have more control of their retirement assets and they respond to many of the financial incentives associated with retirement by working longer and by taking on bridge jobs after career employment. The implication is that if retirement assets are less than expected upon retirement many older workers may remain active members of the labor force well into their late 60's and 70's. Conversely, if work later in life is not an option, because of factors such as health or inflexible work options, some retirees' well-being will be vulnerable to fluctuations in market conditions.

What is clear is that retirement incentives have changed and these changes will likely influence the retirement decisions of older workers for years to come.

***Innovativeness:*** Why is this research exciting or newsworthy?

This research is exciting because the topic of work later in life is important to a large number of Americans who are on the cusp of retirement. The leading edge of the Baby Boomers, in particular, reached traditional retirement age in 2008.

Today's older workers are searching for increased levels of financial security for the remainder of their increasingly long lives. This research on bridge jobs illustrates how current retirees have utilized transitional employment to smooth financial shocks that may have occurred following full-time career employment. These bridge jobs also help older workers maintain social networks that are often available only among fellow workers.

While other authors have investigated partial retirement and employment among older workers, they have developed a series of papers that relate and build upon each other. They first described the prevalence of bridge jobs in a 2006 *Gerontologist* paper and then compared bridge job activity between an older and a younger cohort of workers above the age of 50 (forthcoming in *Research on Aging*). Building on this framework, they investigated the economic outcomes of older workers comparing those who retired directly from career jobs to those who transitioned to bridge jobs. They found that most transitions, particularly bridge jobs, were voluntary and that most workers were happy with their jobs. They then examined one of the most interesting transitions, from wage-and-salary career employment to self-employment (Center on Aging & Work *Issue Brief*).

The work decisions of older Americans are diverse and rich. Policymakers should be interested in our findings, in light of the fact that Americans may be asked to work later in life in order to supplement traditional sources of retirement income.