

## Career Employment and Job Stopping

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### **Abstract:**

Career jobs typically end well before retirement and are followed by a period of postcareer employment. Although the most financially successful transitions occur when new positions are obtained in the same industry and occupation as the career job, mobility usually involves a change in industry and/or in occupation. Pension-covered career jobs last longer and more frequently end in retirement than noncovered positions. Pensions may also reduce the probability that retirements occur at very young ages and delay retirements when coverage is first obtained in postcareer employment.

### **Article:**

Most individuals work for a single employer for a substantial fraction of their total working lives. These positions, however, typically end well before retirement. Even among white males and college-educated workers (the two groups with the most stable career employment), only around 40 per cent of individuals retire directly from career jobs. Despite increased research into the labor market behavior of older workers (for reviews, see Fields and Mitchell, 1986; Lazear, 1986; or Ruhm, 1989), the transition between stable career employment and permanent retirement remains poorly understood. We are relatively ignorant about why career jobs end so early, the consequences of such premature terminations for the labor-force participation of older workers, and the nature of the transition period.

This paper presents evidence suggesting that most individuals continue in the labor force for several years after leaving the longest job held during their working lives. The substantial income penalties faced by even relatively young movers suggest that many career job terminations are the result of involuntary layoffs or unfavorable external circumstances (*e.g.*, poor health). The results also confirm previous findings of significantly reduced rates of turnover for pension-covered workers. Nonetheless, almost half of pension-eligible individuals remain in the labor force following the end of covered career jobs. Although pensions discourage late retirements, an important and generally unacknowledged additional impact is to reduce the variance of retirement ages by substantially decreasing the probability of early departures from the labor force. Retirement may also be delayed when coverage is first obtained on a postcareer job.

### **Patterns of Labor Force Participation**

After the conclusion of formal schooling, youths typically pass through a period of job shopping. Subsequently, most individuals obtain career jobs which they hold for a large part of their working lives. Whether this occurs because employment providing a good "match" between worker skills and job requirements is found or because young labor force participants continue to apply for new jobs until they obtain positions in the rationed primary sector of the labor market, it is clear that turnover rates dramatically decline with age.<sup>1</sup> In addition to the direct impact of aging, employment stability increases with seniority.<sup>2</sup> This combination of aging and tenure leads to an extended period of very stable employment for most individuals. For instance, Hall (1982) estimates that 40 per cent of all workers, and 50 per cent of men, over the age of 40 are employed in jobs which will ultimately last more than 20 years.

A major concern of recent research on older workers has been to examine the impact of specific factors (e.g., pensions, social security, health) on the retirement decision. Several researchers, however, have investigated particular aspects of the job stopping process, which precedes ultimate withdrawal from the labor force, or have pointed to the undesirability of using a dichotomous measure of retirement status. The early studies of Gustman and Steinmeier (1984) and Honig and Hanoch (1985) focused on the nature and frequency of partial retirement.<sup>3</sup> Fames and Less (1985a) and Iams (1987) examined the employment behavior and attitudes of workers over the age of 62. Rust (1989) outlined the structure of an ambitious dynamic programming model of retirement, which includes transitions between full-time work, part-time employment, and nonemployment and allows uncertainty about lifespans, health and family status, earnings, and transfer payments. Closest in spirit to the present study is the work of Ruhm (1990) and Quinn and Burkhauser (1990). These studies examine, respectively, mobility out of longest jobs (the measure of career employment used in this paper) or out of "main jobs" at which older workers have been employed for a decade or more. The distinguishing characteristic of the research reported here is its emphasis on labor market transitions occurring relatively late in life, with retirement seen as the final stage in a gradual process.

### **Data and Sample**

This paper utilizes data on heads of households from all six waves of the Social Security Administration's *Retirement History Longitudinal Survey* (RHLS). The RHLS contains information from a representative national sample of men and unmarried women aged 58 through 63 in 1969 (the initial survey year), with follow-up interviews at two-year intervals through 1979. Data limitations require the exclusion of nonheads of households; persons with no work experience between 1949 and 1969 are also omitted.

Fairly detailed information is available on labor force histories during the survey period (1969-1979), as are less specific data on work in presurvey years. The full sample contains 8,736 respondents reporting starting ages of their longest job. Approximately 7,000 continue to respond through all six waves of the survey.<sup>4</sup> Analysis is restricted to the latter group when considering ending ages of career jobs, postcareer labor force participation, and retirement.

The notion of a career job implies attachment to a single employer for a substantial portion of the individual's working life. Although frequent turnover is not inconsistent with job advancement in an economy where spot labor contracts and general human capital dominate, current labor theories emphasize long-term employment relationships which generate worker-firm attachments. The individual's career job is defined here as the longest spell of employment with a single firm up to and including the job held in 1969 (the beginning of the RHLS survey). Completed rather than interrupted job durations are used; thus, duration of the job in progress in 1969 is calculated by tracking forward in time until the position terminates.<sup>5</sup>

This definition allows for the possibility that workers leave their longest jobs at fairly young ages to begin second careers. Since this type of mobility may be distinct from the transitional employment occurring during the final stages of the individual's working life, special attention is paid to persons leaving career jobs at later ages. The main patterns observed for the full sample persist when young job changers are excluded.

Respondent classifications of labor force status are used throughout the analysis. Retirement is defined to occur when workers first classify themselves as "retired," rather than "not retired" or "partially retired." Self-classification of labor force status raises the possibility of reporting bias, but several studies suggest that the resulting errors are fairly small. For example, in comparing three types of retirement classifications (self-reported status, pension receipt, and work hours) for mature men in the National Longitudinal Survey, Puna and Less (1985b, p. 58) conclude that "subjectively reported retirement is almost never the sole indicator of retired status."<sup>6</sup> Similarly, Gustman and Steinmeier (1986) and Ruhm (1990) contrast self-reported and "objective" definitions of retirement status (using RHLS data) and argue that there is substantial correspondence of outcomes across alternative measures.

The majority of sample members move from full labor force participation to retirement during the years covered by the RHLS—less than 25 per cent of respondents classify themselves as retired or partially retired in 1969 but over 90 per cent do so ten years later. Coverage of younger age groups, however, would have been helpful for considering transitions out of career employment.

**TABLE 1**  
**STARTING AGE AND DURATION OF CAREER JOB**

	All workers (1)	White males (2)	Females (3)	Nonwhites (4)	No high school <sup>a</sup> (5)	Some college (6)
<i>Duration of Career Job<sup>b</sup></i>						
0–10 yrs.	22.3%	15.9%	41.8%	31.0%	25.1%	16.3%
11–15 yrs.	14.9	14.5	15.9	15.8	14.9	15.5
16–20 yrs.	15.6	16.1	14.6	13.0	15.6	15.5
21–30 yrs.	27.0	29.2	19.3	27.5	26.6	29.1
>30 yrs.	20.2	24.3	8.4	12.8	17.9	23.6
N	8,736	6,215	1,889	885	4,352	1,273

<sup>a</sup>Includes persons not reporting number of years of education received. These workers initially were considered as a separate category but here are merged with the least-educated group because both groups were found to have had very similar experiences.

<sup>b</sup>These are completed job durations, except for jobs in progress in 1979.

### Career Employment and Retirement

Most workers in the sample held at least one lengthy job during their prime working years, and a substantial minority were employed by a single firm for the majority of their working lives. As shown in column 1 of Table 1, almost two-thirds of respondents worked in career jobs lasting more than 15 years; durations exceeded two decades for nearly half; and one-fifth remained with a single employer for more than 30 years.

Near lifetime employment was especially common for white males.<sup>7</sup> Almost one-quarter held career jobs lasting three decades and only one in six were never employed by a firm for ten or more years (see column 2 of Table 1). Conversely, 40 per cent of females and over 30 per cent of nonwhites in this cohort (born between 1906 and 1911) failed to hold any job for more than ten years; only 8 and 13 per cent of females and nonwhites, respectively, held jobs that exceeded 30 years (columns 3 and 4).<sup>8</sup> There are also important but less dramatic differences across educational groups: more educated workers held longer-lasting career jobs (columns 5 and 6).

Although most individuals were employed in lengthy jobs at some point in their working lives, Table 2 presents striking evidence that career positions terminated *long before* retirement for the majority of workers. Almost 60 per cent of respondents ended longest jobs before age 60, but fewer than 20 per cent had retired by that age (see column 1). Over 70 per cent departed career jobs by 62, the age of first eligibility for social security benefits, but fewer than 35 per cent had exited the work world. More than 30 per cent of respondents remained in the labor force at the "normal" retirement age of 65, even though only 9 per cent still worked in career jobs.

This substantial postcareer labor force participation is only partly explained by early job departures of workers undertaking second careers. Continued attachment to the labor force, even among persons leaving career jobs after age 55, is evident: Fifty-two per cent of this group ended career jobs by age 62, and nearly 85 per cent by age 65, but only 29 and 68 per cent, respectively, were retired at these ages (column 7). Minorities and females ended career jobs much earlier than white males and also retired at slightly younger ages (columns 2 through 4). College-trained workers departed longest jobs and retired later than high-school dropouts but, in this case, differences in retirement ages were most pronounced (columns 5 and 6).<sup>9</sup>

**TABLE 2**  
**CHARACTERISTICS OF CAREER JOB AND RETIREMENT**

	All workers (1)	White males (2)	Females (3)	Nonwhites (4)	No high school <sup>a</sup> (5)	Some college (6)	Career job ends after age 55 (7)
<i>Career Job Ends by Age</i>							
40	9.6%	7.9%	13.8%	11.6%	9.9%	8.4%	—
45	16.1	14.4	20.4	19.9	17.4	13.6	—
50	26.3	24.5	31.2	30.2	28.6	22.1	—
55	38.9	36.6	45.0	44.8	41.7	35.9	—
60	58.2	54.9	65.7	68.5	61.5	52.9	31.6%
62	70.6	68.3	76.2	77.1	73.4	62.9	52.0
65	90.7	90.4	91.2	91.3	92.4	84.4	84.7
67	94.6	94.4	95.3	94.5	95.7	90.0	91.2
70 <sup>b</sup>	96.6	96.2	97.8	96.5	97.4	93.2	94.4
<i>First Retires by Age</i>							
50	2.4%	1.6%	4.5%	3.7%	2.9%	1.6%	—
55	6.8	5.2	11.9	10.1	8.7	4.6	—
60	18.8	15.9	27.3	23.8	22.3	14.9	11.5%
62	34.7	31.6	44.2	39.0	38.3	26.2	29.2
65	69.5	68.6	72.7	70.4	72.7	58.9	67.9
67	80.4	79.6	82.9	81.5	82.9	69.7	79.0
70 <sup>c</sup>	92.4	91.8	93.7	93.5	93.5	88.1	91.3
N	7,059	4,921	1,578	789	3,605	978	4,306

<sup>a</sup>Includes persons not reporting number of years of education received.  
<sup>b</sup>Includes 68- and 69-year-olds with career jobs in progress in 1979.  
<sup>c</sup>Respondents not retired in 1979 are assumed to have retired after age 70.

The pattern of posts career labor force participation (see Table 3) underscores the evidence that career jobs are not synonymous with lifetime employment. Forty-six per cent of sample members (and over 70 per cent of those not immediately withdrawing from the labor force<sup>10</sup>) retired five or more years after the end of career jobs (see row 1). For individuals with substantial continued involvement in the labor force, traditional models stressing near lifetime employment appear particularly inappropriate.

**TABLE 3**  
**NUMBER OF YEARS AFTER END OF CAREER JOB UNTIL RETIREMENT<sup>a</sup>**

	N	Number of Years				
		0	1-4	5-9	10-19	>20
All workers	6,948	36.3%	17.9%	12.2%	19.8%	13.7%
White males	4,854	38.1	17.5	11.3	20.1	13.0
Females	1,551	31.7	21.0	13.5	18.4	15.5
Nonwhites	765	30.3	16.9	17.9	20.5	14.4
No high school <sup>b</sup>	3,535	33.8	19.4	12.8	20.6	13.4
Some college	964	42.2	14.4	9.5	20.1	13.8
<i>Career Job Duration</i>						
≤ 10 yrs.	1,523	10.6	18.6	17.6	27.2	25.9
11-20 yrs.	2,016	26.3	16.1	12.5	25.4	19.6
> 20 yrs.	3,409	53.7	18.7	9.7	13.1	4.8
<i>Age Career Job Ends</i>						
< 50 yrs.	1,644	2.5	4.3	4.7	32.6	55.8
50-55 yrs.	1,025	9.5	14.6	17.5	54.9	3.5
56-60 yrs.	1,354	19.4	35.9	29.3	15.4	—
> 60 yrs.	2,925	72.6	18.4	6.7	2.3	—

<sup>a</sup>Durations censored for persons not retired in 1979.  
<sup>b</sup>Includes persons not reporting number of years of education.

Continued labor force participation was most pronounced for but not restricted to persons leaving career employment at young ages or departing positions of relatively short duration. Over 80 per cent of respondents ending career jobs between ages 50 and 60 did not immediately retire and the majority waited more than five years to do so (rows 11 and 12). Not surprisingly, long-lasting career jobs were more likely to culminate in retirement. Nonetheless, 46 per cent of respondents concluding 20-year jobs remained in the labor force for some time, as did 27 per cent of persons departing career positions after age 60 (rows 9 and 13).<sup>11</sup>

White males and college-trained individuals *were* more likely than their counterparts to retire directly from career jobs; however, conditional on remaining in the labor force, these groups had slightly higher probabilities of continued participation for ten or more years (see rows 2 through 6).

### **Earnings Changes**

Individuals sometimes voluntarily end career positions to accept more favorable job opportunities. This new employment may be in the same sector or involve a second career in a new industry or occupation. Alternatively, terminations may be initiated by firms (e.g., to offset weak product demand, to increase productivity through downsizing, or to shift to a younger and potentially cheaper labor force). Again, new jobs may be found either within or outside the original sector of employment. In this case, however, earnings are likely to fall, especially when a change in industry or occupation is involved.

The financial consequences of departures from career jobs occurring before age 60 can be examined by comparing annual earnings before and after mobility, using the earnings history contained in the RHLS for 1951-1974. To mitigate the effects of transitory fluctuations, earnings changes *were* calculated as the ratio of average incomes over a three-year period prior and subsequent to the job termination.<sup>12</sup> No adjustment was made for price changes. Thus, small increases are consistent with normal wage growth and cost-of-living adjustments, while large declines indicate significantly reduced incomes.

Departures from career jobs entailed substantial earnings reductions. Twenty per cent of sample members leaving career positions between 1955 and 1971 received no earnings during the following three years, 42 per cent experienced nominal reductions averaging more than 25 per cent, and fewer than 30 per cent increased their pay (see Table 4, row 2). By contrast, the annual earnings of over 90 per cent of individuals remaining on career jobs throughout the period grew, and fewer than 6 per cent of these persons reported reductions exceeding 25 per cent (row 1).<sup>13</sup> White males and college-educated workers more often received higher earnings in their new jobs but, even for these groups, around 60 per cent of changers experienced declines of at least 25 per cent (see rows 3 and 7).

Pay reductions were smaller for persons terminating career positions prior to age 55 than for those who departed later. Forty-five per cent of the early leavers received pay increases, as compared to 35 per cent of respondents changing firms between 56 and 60, and less than 15 per cent of workers ending longest jobs after age 60 (rows 8 through 12). Nonetheless, postmobility earnings decreases were the rule rather than the exception at all ages.

Some financial losses may be explained by persons voluntarily accepting lower-paid positions with fewer responsibilities, less stress, more flexible working conditions, and shorter hours. Presumably, this is more common after 60 and particularly above age 62, when workers first qualify for social security benefits. Still, the sizable earnings losses reported in Table 4 for even extremely young job changers (i.e., those under 50) suggest the importance of involuntary turnover.

**TABLE 4**  
**EARNINGS CHANGES FOLLOWING CAREER JOB TERMINATIONS<sup>a</sup>**

	N	Earnings Ratio			
		No earnings	<0.75	0.75-1.0	>1.0
No career job change <sup>b</sup>	1,127	1.9%	3.6%	4.3%	90.2%
<i>Career job changers<sup>c</sup></i>					
All changers	5,286	20.5	41.8	8.0	29.8
White males	3,884	18.9	41.7	7.9	31.6
Females	1,045	26.3	43.8	7.4	22.5
Nonwhites	487	23.0	37.4	10.9	28.8
No high school <sup>d</sup>	2,664	20.4	43.6	8.3	27.7
Some college	706	21.7	36.0	6.8	35.6
<i>Age career job ends</i>					
< 50 yrs.	511	10.8	30.5	13.3	45.4
50-55 yrs.	1,082	15.6	27.4	12.1	44.9
56-60 yrs.	1,915	22.1	36.3	6.6	34.9
61-62 yrs.	1,048	25.7	53.6	6.5	14.2
> 62 yrs.	730	22.7	68.2	3.6	5.5

<sup>a</sup>The earnings ratio compares average nominal earnings in periods t+1 through t+3 to the average in t-2 through t-4, where t is the year the career job terminates. Persons not reporting earnings prior to the job change are excluded.

<sup>b</sup>Career job ends after 1971. For comparison purposes, t is a randomly chosen year between 1955 and 1971.

<sup>c</sup>Career job ends between 1955 and 1971.

<sup>d</sup>Includes persons not reporting years of education.

### Changes in Industry or Occupation

If sector-specific skills are important, persons leaving career jobs should receive comparable or increased pay more frequently when they obtain new employment in their old industry and occupation than when they change sectors. Results presented in Table 5, indicating the relationship between sectoral attachments and earnings change, confirm this expectation.<sup>14</sup> Seventy-three per cent of respondents terminating career jobs before age 60 and remaining in the same industry and occupation reported increased nominal earnings; the pay of only 15 per cent was reduced by more than 25 per cent (row 2). By contrast, fewer than 29 per cent of individuals changing both industry and occupation obtained higher earnings, and 61 per cent lost 25 per cent or more (row 4). Respondents who switched either industry or occupation (but not both) represent an intermediate case (row 3).

Although average earnings outcomes were more favorable for respondents leaving career jobs before age 55 than for those departing at later ages, the same pattern of industry and occupation effects is observed. For example, 70 per cent of those remaining in the career industry and occupation reported increased earnings as compared to 33 per cent of persons changing both industry and occupation (see rows 5 through 8).

The frequency of sectoral changes is also notable. Only 21 per cent of career job departures were followed by employment in the same industry and occupation and in just 40 per cent of cases did *either* sector remain the same (see row 1). The corresponding probabilities were only slightly higher for those leaving longest jobs before age 55 (21 and 42 per cent, respectively).

These findings suggest the rarity with which even relatively young persons voluntarily terminate long-lasting jobs to undertake second careers. A lower-bound estimate of the proportion might reasonably be obtained by assuming that changes were voluntary for respondents who switched either industry or occupation (or both) and received at least as high nominal earnings after the conclusion of the career job as before it. A more liberal estimate might include cases with earnings reductions of up to 25 per cent.<sup>15</sup> Using the first measure, only 31 per cent of movers voluntarily terminated longest jobs prior to age 55 to begin second careers. Using the second criteria, the estimate rises to 41 per cent. Further research examining sources of early departures out of career employment is clearly needed.

**TABLE 5**  
**EARNINGS CHANGES FOLLOWING CAREER JOB TERMINATIONS BY INDUSTRY AND OCCUPATIONAL STATUS<sup>a</sup>**

	Sample percentage	Earnings Ratio			
		No earnings	<0.75	0.75-1.0	>1.0
<i>Changes Career Job Before Age 60</i>					
Full sample	100.0%	18.4%	27.3%	10.7%	43.6%
<i>Industry and Occupation</i>					
No change	20.9	2.2	13.3	11.4	73.1
Either change	18.6	7.6	22.2	12.0	58.3
Both change	60.5	27.3	33.8	10.1	28.9
<i>Changes Career Job Before Age 55</i>					
Full sample	100.0%	13.8%	28.1%	12.5%	45.7%
No change	21.0	2.8	14.1	13.1	70.0
Either change	20.9	7.3	24.6	12.5	55.7
Both change	58.1	20.1	34.4	12.3	33.3
<i>Changes Career Job Between Ages 55 and 59</i>					
Full sample	100.0%	23.8%	26.5%	8.5%	41.2%
<i>Industry and Occupation</i>					
No change	20.8	1.6	12.2	9.4	76.8
Either change	15.9	8.0	18.6	11.2	62.2
Both change	63.3	35.1	33.1	7.6	24.2

<sup>a</sup>Earnings change is defined as in Table 4. The industry or occupation changes if the 1969 (1-digit S.I.C.) sector of employment differs from the career job sector. Persons not reporting industry or occupation in either period are excluded.

## Private Pensions

Previous research indicates that turnover rates are reduced by pension coverage and that the economic incentives implicit in some plans influence the age at which covered jobs terminate (see Burkhauser, 1979; Mitchell and Fields, 1984; Ippolito, 1987; Kotlikoff and Wise, 1989; Allen, Clark, and McDermed, 1988). Because the actuarial value of defined benefit plans often peaks well before age 65, pensions are also thought to promote early retirement.<sup>16</sup> The discussion in this section supports the main conclusions of earlier studies and suggests two additional points that have received scant prior attention. First, the main impact of pensions may be to decrease the variance in retirement ages by reducing early as well as late retirements. Second, pensions may delay retirements for workers who are not eligible for benefits in their longest jobs but who subsequently obtain covered positions.

Table 6 provides information on career employment and retirement for subsamples stratified by pension status in the longest job. Since pension eligibility is correlated with individual and job characteristics, the results do not necessarily indicate causal effects of pensions. The findings are highly suggestive, however, and are generally consistent with research using more sophisticated methods.

Pension coverage is associated with reduced rates of labor mobility: 62 per cent of covered career jobs lasted longer than 20 years, compared to only 37 per cent of uncovered jobs. Conversely, the probability that career employment ended before ten years was 11 and 30 per cent for covered and uncovered positions, respectively (see Table 6, rows 1 and 2).<sup>17</sup>

The longer durations of pension-covered career jobs derive from the fact that these jobs terminated at much later ages. Thirty-six per cent of noncovered workers departed career positions prior to age 50; 50 per cent before age 55, and nearly 70 per cent by age 60. Conversely, only 13, 23, and 42 per cent of covered workers had done so at equivalent ages (rows 5 and 6). On the other hand, 70 per cent of pension-eligible workers left their longest jobs between ages 55 and 65, compared to only 39 per cent of ineligible, with the result that covered workers were slightly less likely to remain in career positions after 65.

**TABLE 6**  
**CHARACTERISTICS OF CAREER JOB AND RETIREMENT BY PENSION ELIGIBILITY**

Pension Status	Duration of Career Job (Years)					
	0-10	11-15	16-20	21-30	>30	
Covered in career job	10.5%	11.6%	16.3%	34.9%	26.7%	
Not covered	30.8	17.3	15.0	21.4	15.5	
Pension Status	Employed in Career Job Prior to Age					
	20	25	30	35	40	45
Covered in career job	8.2	19.3	31.8	49.0	67.3	83.1
Not covered	11.5	23.0	33.9	46.0	61.1	75.8
Pension Status	Career Job Terminates by Age					
	50	55	60	62	65	70
Covered in career job	12.5	22.8	42.4	61.3	92.8	98.4
Not covered	36.1	50.4	69.5	77.3	89.1	95.3
Pension Status	Years in Labor Force After End of Career Job					
	0	1-4	5-9	10-19	≥20	
Covered in career job	52.7	19.1	9.4	13.5	5.3	
Not covered	24.3	17.1	14.3	24.4	19.9	
Pension Status	Age of First Retirement					
	≤55	56-60	61-62	63-65	65-70	>70
Covered in career job	4.3%	11.6%	20.4%	41.7%	17.8%	4.5%
Covered in postcareer job*	2.6	4.9	14.2	37.7	30.6	10.0
Not covered in career or postcareer job	9.7	13.5	12.5	28.5	25.9	9.9

\*Includes coverage in 1969 position or previous employment, if other than career job, among persons not covered in their career job.

Since their career jobs seldom end before age 55, pension-covered individuals rarely work in bridge positions for extended periods. Only one in 20 remained in the labor force for more than 20 years following the termination of career positions, and fewer than one in five participated for more than ten years (row 7). By contrast, 20 per cent of noncovered respondents continued working for *over 20 years* and 44 *per cent* for more than 10 years (row 8).

Nevertheless, the end of the career job is often not synonymous with retirement, even for covered workers. Almost half of this group remained in the labor force after leaving their longest job, three-fifths of these for five years or more. For workers without pensions, the career job rarely lasts until retirement; 75 per cent stayed in the labor force after the position ended, over three-quarters of these for at least five years. The prevalence of bridge employment also implies that most workers retire from jobs of relatively brief duration. For instance, 44



per cent of respondents worked less than ten years in their final job, as did 34 per cent of those covered by pensions on their longest positions.<sup>18</sup>

The final panel of Table 6 shows ages of first retirement for subsamples stratified by pension status in both career and bridge jobs. The findings are consistent with previous research indicating that pensions reduce average retirement ages.<sup>19</sup> The main effect of coverage on the career job, however, appears to be to concentrate retirements into the early and middle sixties. Sixty-two per cent of pension-eligible (on career jobs) respondents retired between ages 61 and 65, as compared to 41 per cent of individuals never observed to have coverage (rows 9 and 11).<sup>20</sup> Importantly, pension coverage also reduced the probability of retiring prior to age 55 by over 50 per cent and before 60 by more than 30 per cent. This finding merits greater attention in future research.

Pensions may also delay retirement when coverage is first obtained following the end of the longest job. Eighty-two per cent of persons initially acquiring pensions in postcareer employment retired after age 62 and 41 per cent later than age 65 (row 10).<sup>21</sup> The corresponding proportions are 64 and 36 per cent *for* never-covered workers and 64 and 22 per cent among individuals covered in career positions. These results suggest that the working lives of individuals who switched jobs in order to qualify for pensions may have been extended in order to meet vesting requirements or to build pension accruals.

### Summary and Conclusions

Career employment is a widespread characteristic of U.S. labor markets. The results of this analysis indicate, however, that for the majority of workers, career employment ends well before retirement from the labor force. Although some workers leave career jobs at fairly young ages, presumably to undertake second careers, postcareer bridge employment is common even for workers leaving longest jobs at later ages. The analysis also shows that transitions out of career jobs are typically associated with substantial and lasting earnings reductions, even when they occur before age 60. The decreases are smallest for persons remaining in the same industry and occupation; however, reemployment is rarely obtained in the same sector.

An important effect of pension coverage on career jobs may be to dramatically reduce the variance of retirement ages. Although the relative infrequency with which covered workers retire after age 62 has been widely studied, the low probability of their doing so earlier than age 60 has received less attention. There is also evidence that pension coverage may delay, rather than hasten, retirement when it is first obtained on a postcareer job. Further, since approximately half of covered workers do not immediately retire following the end of career employment, pension incentives which promote early separations from career jobs do not automatically cause premature retirements.

Even relatively stable employment attachments are not synonymous with lifetime employment. This argues for the increased portability of pensions and other fringe benefits and suggests the need for comprehensive lifelong education which prepares individuals for job mobility occurring late in their working lives. To the extent that retirements occur more quickly from bridge than career employment, efforts to raise the labor force participation of mature adults should concentrate on delaying departures from career jobs. For example, policies which allow individuals to reduce the scope of their work, while remaining on career jobs, may be desirable.

### Notes:

<sup>1</sup>Osterman (1980) estimates that male quit rates fall more than 67 per cent between the ages of 17 and 27.

<sup>2</sup>Hall (1982) shows that annual separation rates among 30 to 34 year olds decline from 33 per cent in the first five years on the job to about 6 per cent thereafter.

<sup>3</sup>These studies understate the prevalence of partial retirement, however, because they observe individuals over only a short period of time.

4 Approximately 30 per cent of sample attrition is due to respondents' death, the remainder because respondents refused to answer or could not be located.

5 Positions are assumed to end in 1979 for the 2.5 per cent of career jobs that continue through this date. Because so few career jobs endure through the final year, the duration measure is insensitive to the treatment of these in-progress jobs.

6 Fewer than 6 per cent of the men classifying themselves as retired are not also considered to be so by at least one of the other criteria.

7 All of the intergroup differences discussed in the text are statistically significant at the 5 per cent level.

8 Akerlof and Main (1981) and Hall (1982) also find shorter job durations for females. Hall does not uncover significant racial disparities, perhaps because he observes all jobs at a given point in time, rather than focusing on the longest job held during each worker's life.

9 There is also some evidence of occupational differences. Blue-collar workers ended career jobs and retired the earliest, professionals and managers the latest. Because occupations with long-lasting career jobs also had delayed retirements, only minor occupational differences in postcareer work experience were observed.

10 This figure is derived as follows: 45.7 per cent of the sample worked  $\geq 5$  years and 63.7 per cent worked  $> 0$  years; 45.7

$$\frac{45.7}{63.7} = 71.7\%$$

11 Durations of postcareer labor force participation were most often censored (by the conclusion of the survey period) for these groups.

12 The earnings change variable is  $\Delta Y = (Y_{t+1} + Y_{t+2} + Y_{t+3}) / (Y_{t-4} + Y_{t-3} + Y_{t-2})$ , with  $t$  the year the career job ended.  $Y_{t-1}$  was excluded because earnings reductions sometimes occur prior to turnover (e.g., because of temporary layoffs and reduced overtime). If earnings data were unavailable for some of years  $t - 4$  through  $t - 2$ , weighted averages were used for the remaining years. Earnings which were exempt from social security payroll taxes (either because they were obtained in noncovered jobs or because they exceeded the annual maximum on which social security taxes were paid) were excluded from the earnings history. Experimentation with other measures of earnings change yielded results similar to those reported.

13 Wage changes for job stayers were calculated by randomly choosing a year between 1955 and 1971 as period  $t$  and then constructing the earnings ratio in the same way for job changers.

14 Industry and occupation are defined at approximately the one-digit level; 12 industries and 11 occupations are specified.

15 Moderate decreases could be explained by compensating differentials in postcareer employment.

16 See Lazear (1986) for a theoretical discussion of the age-pension accrual relationship, Gustman and Steinmeier (1987) for evidence of declining accruals, and Mitchell and Luzadis (1988) for indications that the incentives for early retirements have been increasing over time.

17 A substantial pension differential persists when sex, race, education, and marital status are controlled for, with a portion of the remaining disparity possibly resulting from unobserved heterogeneity.

18Throughout this paper, I refer to the first occurrence of retirement. Diamond and Hausman (1984) and Ruhm (1990) present evidence suggesting that between 10 and 25 per cent of all workers reenter the labor force after initially "retiring."

19A proportional hazard model—which was estimated with controls for race, sex, marital status, education, pension status, industry, and occupation—indicates that pensions decreased expected retirement ages by more than three years for covered workers. This implies a reduction in average retirement ages of around 1.5 years for the full sample.

20These results are largely unchanged when the sample is stratified by race, sex, or education.

<sup>21</sup>This includes coverage in 1969 employment or the previous job, if other than the career position.

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