

How do families fare when the breadwinner retires?

Using national longitudinal survey data on the retirement experience of men, researchers provide some insights on the economic situation of families in which the major wage earner is retired

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For 17 years, the National Longitudinal Surveys of Labor Market Experience (NLS) have gathered data that illuminate family life when the breadwinner has retired. The NLS were developed in 1965 to answer the question, “Why are increasing numbers of men leaving the work force before retirement age?” Because the male traditionally provides the bulk of family income, most retirement studies focus on his experience, but the surveys also include a female cohort who will soon be in retirement.

Older men in the NLS, now ages 62 to 76, have been interviewed 11 times in 17 years, and the mature women, now ages 46 to 60, 11 times in 16 years.¹ Researchers have used the data to look at predictors and measures of retirement and its relationship to health, family income, family structure, and general life satisfaction. Retirement planning and the effects of unexpected retirement have also been studied. (See box, page 42.) This article summarizes some recent NLS-based retirement studies which carry the strongest implications for the family—why and how the major breadwinner enters retirement, sources of family income after retirement, and overall satisfaction with life after retirement. Because family well-being depends largely on why and how the major breadwinner enters retirement, voluntary and involuntary retirees will be discussed separately.

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Routes to retirement

Involuntary retirement—A. Poor health. Involuntary retirees fare much less well than others, especially in the many cases where early withdrawal from the labor force is linked to the male breadwinner’s poor health. In an analysis of 1966–76 data, Herbert Parnes and Gilbert Nestel found that poor health had forced 43 percent of white retirees and 52 percent of black retirees ages 55 to 69 out of the labor force.² Of retirees under age 62, 60 percent of whites and 67 percent of blacks retired for health reasons. In contrast, only 30 percent of white retirees and 29 percent of blacks in this age group retired voluntarily. More recent data confirm that blacks are more likely than whites to retire for health reasons.³ Men who retired because of poor health were more likely to have been in a low level occupation and to receive lower retirement income. They were also less likely to have any pension coverage other than social security, which is not available until age 62.⁴ Thomas Chirikos and Gilbert Nestel reported that even if workers are only moderately impaired, they suffer a 2.5- to 12-percent loss of annual earnings before retirement.⁵

Several studies confirm that poor health often forces retirement before the age of pension eligibility. Eric Kingson looked at 10 years of NLS data for a subsample of 240 black men and 405 white men who withdrew permanently from the labor force before age 62. Of these, 85 percent of the whites and 91 percent of the blacks had either reported health

problems before withdrawing or were certifiably disabled.⁶ Of these disabled men, 51 percent of the whites and 55 percent of the blacks received social security disability benefits. The remaining 34 percent of the whites and 36 percent of the blacks did not, so they and their families faced the multiple hardships that accompany poor health and severely reduced income.⁷

The deleterious effects of early retirement because of poor health are illustrated by Frank Mott and Jean Haurin in a study of widows from the women's cohort as well as widows of the older men's cohort.⁸ Mott and Haurin estimated that 1 of 5 men ages 45 to 59 in 1966 would die before reaching age 65. The families of men who suffer health problems before dying are concentrated in the lower socio-economic strata, and their economic disadvantages are intensified by medical costs and declining income. From an economic point of view, families of men who die unexpectedly fare better than those whose major breadwinner suffers a long illness. Wives do not enter the labor force in large numbers during their husbands' last illness. Many do find jobs after their husbands' death, although their general lack of education and work experience make them liable to earn very low wages. Mott and Haurin found that 29 percent of the white widows live below the poverty line, compared with 19 percent before the death of the husband; among blacks, the corresponding figures are 47 percent before and 67 percent after.⁹

B. Unemployment. Unemployment forces many workers into early retirement, according to Sally Bould.¹⁰ She found that duration of previous unemployment is a significant influence on early retirement. "Retirement is, perhaps, a mechanism for dealing with long-term chronic unemployment . . . a way of managing the spoiled identity that long-term unemployment can produce." Bould's conclusion is supported by Herbert Parnes, Mary Gagen, and Randall King, whose study focused on men who lost jobs they had held for at least 5 years. Long-term effects on income, psychological health, and occupational status were observed even for those who later found jobs.¹¹ According to Eric Kingson, events early in life, some of which are uncontrollable ("choice" of parents, for example), significantly influence retirement prospects. Kingson concluded that a life cycle perspective is required to understand the favorable and unfavorable "opportunity tracks" which lead some very early retirees and their families to comfort and others to severe poverty.¹² Nan Maxwell also found that retirement income and overall well-being are closely linked to prior labor market experiences.¹³

C. Mandatory plans. Another cause of involuntary early retirement is agreements which specify mandatory retirement at a certain age, although very few workers are forced out by such plans. Between 1966 and 1976, only 3 percent of retirees in the NLS sample were forced out by mandatory

plans. Herbert Parnes and Lawrence Less found that in 1980, fewer than 5 percent of the retirees in the NLS sample, then ages 59 to 73, had been forced to retire. Larger proportions of blacks were forced out than whites, and among these, more nonfarm laborers (13 percent) than any other occupational group.¹⁴

Voluntary retirement. Voluntary early retirement is largely driven by pension availability. The answer to the question that gave rise to the NLS—why the trend to early retirement?—seems now clearly to be that increasingly attractive pensions make early retirement more feasible financially. More blacks than whites choose to retire early because average earnings are lower for blacks and there is less difference between their wages and social security and other pensions.¹⁵

Postretirement labor market activity

Being "retired" does not preclude labor market activity. Such activity has been analyzed using data from the NLS. Herbert Parnes and others find that conclusions about retirement will differ depending on whether retirement is measured by pension coverage, subjective self-report, or labor market withdrawal. Parnes and Less believe the choice of retirement measures should be governed by the specific questions one aims to illuminate. The number of men ages 57 to 71 who were retired in 1980 ranges from 5.4 to 8.9 million, depending on which measure of retirement is used.¹⁶ In this discussion, the subjective self-report definition is used—that is, "retirees" are those who said at some time during the interviews that they had stopped working at a regular job.

About 1 of 6 retirees were in the labor force in 1980. Men forced to retire because of mandatory plans were more likely to be in the labor market; their participation rate was 24 percent, compared with 16 percent for all retirees. Only 10 percent of those who left the labor force for health reasons were still working or looking for a job.¹⁷

Parnes and Less found that age, health, type of preretirement job, attitude toward retirement, and family income (exclusive of the retiree's earnings) all influence post-retirement labor market activity. Professional and managerial workers are more likely than other occupational groups to continue working after retirement. Marital status and whether the retiree's wife worked were important: retirees were more likely to work if their wives did. In the 1980 survey, employed retirees were asked their main reasons for working during retirement. The two most frequent answers were "inflation" (30 percent) and "boredom with retirement" (26 percent).¹⁸

Retirees who did not participate in the labor market in 1976 showed little desire to do so: only 2 percent of whites and 5 percent of blacks said they would accept a job if one were offered.¹⁹ Data for 1980 and 1981 continued to show

NLS-based studies on retirement

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that most retirees are not interested in working. In 1980, 93 percent of the retirees who were not working responded negatively to a hypothetical job offer; and in 1981, when a question about part-time work was included, this negative response rate was reduced by only 5 percentage points.²⁰

Family income

In 1975, voluntary retirees and their families were making do with a family income one-third less (adjusted for infla-

tion) than in the year prior to retirement. The major sources of family income in 1975 were social security (received by 90 percent of those who retired at the normal age, but only 52 percent of those forced out early because of poor health); and disability benefits (received by only 44 percent of those who retired for health reasons). About 21 percent had income from earnings of their wives, in amounts often as high as the retiree's own earnings; 12 percent of white retirees and 17 percent of blacks had earnings of their own. Other

family members' earnings contributed to the income of about 10 percent of all retirees, and 8 percent had income from self employment.²¹

In 1980, the wife's earnings continued to be a source of family income for about one-fourth of the white married retirees and 18 percent of the blacks. Almost all retirees (90 percent) received social security benefits, and nearly three-fifths had other pensions, mostly from private employers; 17 percent had earnings of their own (10 percent from self-employment); 12 percent had income from other family members; and 7 percent received public assistance, a source of income for 1 of 4 black retirees, but only 1 of 16 whites. Other income, primarily from property, was received by two-thirds of the whites, but only one-sixth of the blacks. Married male retirees were more likely to have property income. Average family income in 1980 for male retirees ages 57 to 71 was \$15,300; however, the range was wide—from \$16,900 for married whites to \$6,900 for unmarried blacks.²²

As for amounts from each source, Parnes and Less estimated that in 1980, social security and other pensions accounted for less than three-fifths of total family income for whites, and two-thirds for blacks, whose social security benefits reflect weighting in favor of lower wage workers. Married men, on average, showed 10 percent of family income from wives' earnings, 8 percent from current earnings, and 2 percent from wives' pensions. Among unmarried men, income from other family members accounted for about 11 percent of the average income of whites and 25 percent of that of blacks.²³

Parnes and Less found that median family income (adjusted for inflation) of married retirees in 1980 was about half the income they received in the year before retirement. They also saw a downward trend in real family income since 1976 that they attributed to reduced labor market activity of family members. Nonetheless, in 1980, 59 percent of married retirees and 48 percent of the unmarried said their income was adequate or better than adequate, and an additional one-third said they had "just enough to get by." Only 9 percent of married retirees and 15 percent of the unmarried said they "cannot make ends meet." However, Parnes and Less observed "very profound" differences by race in the responses, particularly among married retirees; 25 percent of the blacks but only 8 percent of whites said they could not make ends meet, while 21 percent of whites but only 3 percent of blacks said they saved regularly.²⁴

Psychological well-being

The 1980 survey asked questions about retirees' use of leisure time, their retirement decisions, and their general satisfaction with life. Most retirees said life in retirement was about what they expected, and about 1 of 4 said it was better, but the strong effect of reason for retirement on well-being is illustrated by the fact that among those who had

retired for health reasons, more than 30 percent found retirement worse than they expected. Health, occupational level, and family income positively influenced the extent of purposeful leisure time activities, which, in turn, increased life satisfaction. Participating in the paid labor market and being married to a healthy spouse also significantly increased life satisfaction for retirees.²⁵

Women's retirement plans

Thus far, the whole family's well-being in retirement can only be suggested by NLS research because of the focus on the male breadwinner. However, some data about retirement planning have recently become available from the women's cohort. In 1979, women then ages 42 to 56 who were in the labor force or who said they intended to seek jobs were asked their plans for retirement and those of their husbands. Lois B. Shaw analyzed the responses of more than 800 married women who had retirement plans.²⁶ Women who had a planned retirement age were slightly better educated and were more likely to be employed, to be covered by a pension plan, to expect social security from their own employment, and to have a husband who had retirement plans as well. Of these women, 36 percent planned to retire before age 62; 22 percent at ages 62 to 64; 19 percent at age 65; 3 percent after age 65; and 20 percent planned never to retire. Most did not plan to retire when their husbands did, except for those with husbands of the same age as themselves. As with the men, women's retirement plans appeared to have been influenced first by pension eligibility and second by the desire to share the leisure of retirement with a spouse. Women with husbands in poor health were less likely to plan to retire before age 65, but a woman's own health did not strongly affect her plans.²⁷

Other family members

Some recent work by Scott and Rubye Beck suggests additional questions about family life that the NLS can be used to answer. They compared cross-sectional and longitudinal data and found that estimates of the number of families who had formed extended households are doubled when longitudinal data are used. Between 1966 and 1976, 20 percent of white and 50 percent of black middle-aged couples had taken parents or grandchildren to live in their homes.²⁸ Scott Beck found in another study that paternal grandfather's and grandmother's occupations have positive effects on the occupations of men, even when the influence of father's occupation is taken into account.²⁹

Future researchers will have the benefit of greatly expanded NLS data. The five NLS cohorts include significant numbers of father-son, mother-daughter, husband-wife, brother-sister, and other sibling pairs. Their experiences promise to be of great value in illuminating many questions about family life. □

—FOOTNOTES—

¹In 1966, the older men's cohort included 5,034 respondents; in the most recent survey in 1981, 2,832 were interviewed. Of these, 2,286 were married, spouse present; 13 were married, spouse absent; 246 were widowed; 114 were divorced, 66 were separated; and 107 were never married. As for numbers of dependents excluding the wife, 2,316 had none and 505 had one or more. The mature women's cohort began in 1976 with 5,083 respondents, and in 1981, 3,677 were interviewed. In 1981, 2,577 of the women's cohort were married, spouse present; 7 were married, spouse absent; 387 were widowed; 362 were divorced, 178 were separated; and 166 were previously married. As to the number of dependents excluding the husband: 1,817 had none and 1,846 had one or more. Note that the women's cohort is generally 15 years younger than the men's. Attrition has not significantly changed the representativeness of the samples. For a detailed description of the NLS, see *The National Longitudinal Surveys Handbook* (Columbus, The Ohio State University, Center for Human Resource Research, 1982).

²Herbert S. Parnes and Gilbert Nestel, "The Retirement Experience," in Herbert S. Parnes, ed., *Work and Retirement: A Longitudinal Study of Men* (Cambridge, Mass., The MIT Press, 1981), pp. 155-97.

³Herbert S. Parnes and Lawrence Less, *From Work to Retirement: The Experience of a National Sample of Men* (Columbus, The Ohio State University, Center for Human Resource Research, 1983).

⁴Parnes and Nestel, "The Retirement Experience," p. 166.

⁵Thomas N. Chirikos and Gilbert Nestel, "Impairment and Labor Market Outcomes: A Cross-Sectional and Longitudinal Analysis," in Herbert S. Parnes, ed., *Work and Retirement: A Longitudinal Study of Men* (Cambridge, Mass., The MIT Press, 1981), pp. 93-131.

⁶Eric Kingson, "The Health of Very Early Retirees," *Aging and Work*, Winter 1981, pp. 11-22. See also Eric Kingson, "Disadvantaged Very Early Labor Force Withdrawal," *Policy Issues for the Elderly Poor* (Community Services Administration, CSA pamphlet 6172-8), pp. 23-30; and "Critique of Early-Retirement Study Disputed," *Aging and Work*, Spring 1982, pp. 93-100.

⁷Eric Kingson, "Involuntary Early Retirement," *The Journal of the Institute for Socioeconomic Studies*, Autumn 1981, pp. 27-39.

⁸Frank L. Mott and R. Jean Haurin, "The Impact of Health Problems and Mortality on Family Well-Being," in Herbert S. Parnes, ed., *Work and Retirement: A Longitudinal Study of Men* (Cambridge, Mass., The MIT Press, 1981), pp. 198-253.

⁹*Ibid.*, p. 228.

¹⁰Sally Bould, "Unemployment as a Factor in Early Retirement Decisions," *American Journal of Economics and Sociology*, April 1980, pp. 123-26.

¹¹Herbert S. Parnes, Mary G. Gagen, and Randall H. King, "Job Loss

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¹²Eric Kingson, "Retirement Circumstances of Very Early Retirees: A Life Cycle Perspective," *Aging and Work*, Summer 1981, pp. 161-74.

¹³Nan L. Maxwell, "The Supply and Demand Determinants of Postretirement Income: A Segmented Labor Market Approach," paper presented at the annual meetings of the Population Association of America, Pittsburgh, Penn., March 1983; and "The Retirement Experience: Psychological and Financial Linkages to the Labor Market," *Social Science Quarterly*, forthcoming.

¹⁴Parnes and Nestel, "The Retirement Experience," p. 164; Parnes and Less, *From Work to Retirement*, p. 32.

¹⁵This effect in regard to disabled workers is demonstrated in Donald O. Parsons, "Black-White Differences in Labor Market Participation of Older Males," in Herbert S. Parnes, ed., *Work and Retirement: A Longitudinal Study of Men* (Cambridge, Mass., The MIT Press, 1981), pp. 132-54.

¹⁶Parnes and Less, *From Work to Retirement*, p. 9.

¹⁷*Ibid.*, p. 25. See also Linda K. George, Erdman B. Palmore, and Gerda Fillenbaum, "Predictors of Retirement," *Journal of Gerontology*, Vol. 37, No. 6, 1982, pp. 733-42.

¹⁸Parnes and Less, *From Work to Retirement*, pp. 37-45.

¹⁹Parnes and Nestel, "The Retirement Experience," pp. 167-72.

²⁰Parnes and Less, *From Work to Retirement*, p. 52.

²¹Parnes and Nestel, "The Retirement Experience," pp. 179-82.

²²Parnes and Less, *From Work to Retirement*, pp. 56 ff.

²³*Ibid.*, p. 73.

²⁴*Ibid.*, pp. 72-75.

²⁵*Ibid.*, pp. 100-10.

²⁶Lois B. Shaw, *Retirement Plans of Middle-Aged Married Women* (Columbus, The Ohio State University, Center for Human Resource Research, 1983). Revised version forthcoming in *The Gerontologist*.

²⁷Because Shaw includes only employed women in the sample, those with severe health impairments do not appear.

²⁸Scott and Rubye Beck, "Taking Elderly Parents In: Incidence in Middle and Later Life," paper presented at the 35th Annual Meeting of the Gerontological Society of America, Boston, Mass., November 1982.

²⁹Scott H. Beck, "The Role of Other Family Members in Intergenerational Occupational Mobility," *Sociological Quarterly*, Spring 1983, pp. 273-85.