

Transitions among States of Labor-Force Participation and Retirement Patterns

The Role of Demography, Health, Wealth, and Perception of Job Quality

Leah Achdut⁽¹⁾, Aviad Tur-Sinai⁽²⁾, Rita Troyzki⁽³⁾
⁽¹⁾Ruppin Academic Center and the Van Leer Institute, ⁽²⁾The Hebrew University of Jerusalem, ⁽³⁾Shamoon College of Engineering

Background

The past two decades have seen evidence of an improvement in men’s labor-force participation and a decrease in the effective retirement age. Concurrently, women’s labor-force participation rates continued to rise, not only due to enlistment in the labor force but because of less early retirement.

Developments in Israel’s pension system, 2005–2010:

- The retirement age for men and women in Israel was raised gradually.
- This policy reinforced the upward trend in elders’ labor-force participation, a development that was manifested even before the new legislation went into effect.
- A pension reform embodying a change over to DC (Defined Contribution) by private entities was nearly completed.
- Employment-related pension was made compulsory.

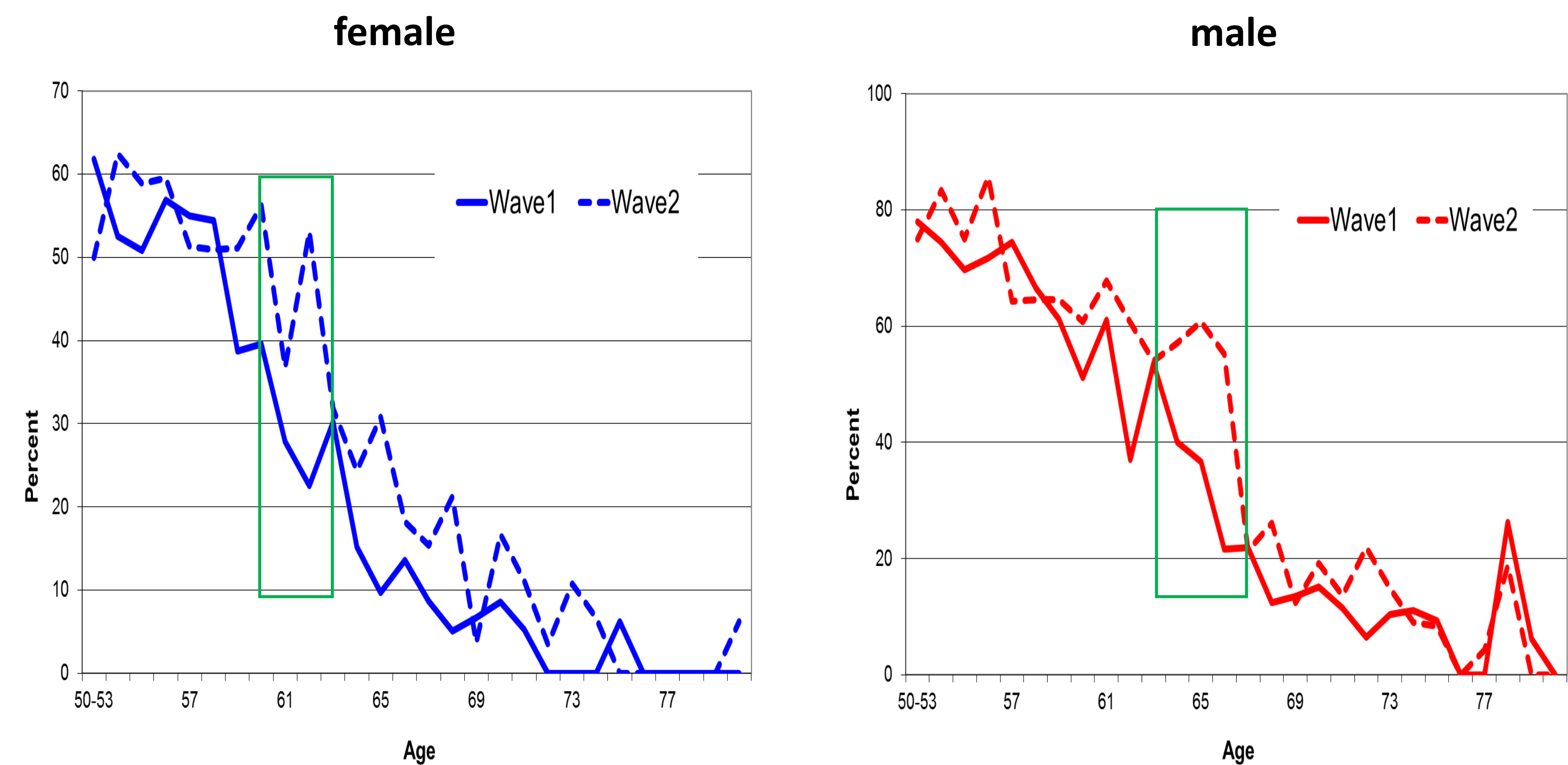
Research issues:

- How the postponement of retirement age is reflected in the elder labor force?
- Mapping the factors that explain labor-force participation among the elderly.
- Identifying transitions among states of elders’ labor-force participation and understanding the reasons for their occurrence.
- Investigation of the factors that determine workers’ transition from full-time to part-time employment (“bridge job” path).

Research method:

Data from the first two waves of the SHARE-Israel survey. The study tracks labor-force participation among persons age 50–69 who were interviewed in both waves. The research population numbers 1,816 respondents, of whom 1,347 were aged 50–69, in 1,294 households, of which 974 had at least one member aged 50–69.

labor-force participation rates, Wave 1 (2005/2006) and Wave 2 (2009/2010) (pct.)



labor-Force participation matrix, by self-definition of those age 50–69 (Wave 1) (pct.).

		Wave 2	
		In Labor Force	Not In Labor Force
Wave 1	In Labor Force	43.9%	13.8%
	Not In Labor Force	6.0%	36.3%

multinomial model for probability of transitions among those age 50–69 who work full-time in Wave 1: marginal effects (base group: still working full-time)

multinomial model of transitions among states of labor-force participation, ages 50–69 in Wave 1: marginal effects (base group: participants in both waves)

		W1 - In Labor Force; W2 – Not in Labor Force	W1 – Not In Labor Force; W2 – In Labor Force	W1 – Not In Labor Force; W2 – Not in Labor Force
Health	Chronic	0.011*	-0.009	0.060***
	Change in Chronic	0.020**	-0.001*	0.046***
	Gali	-0.047	-0.034**	0.228***
	Change in Gali	0.100***	0.003	-0.040
Retirement Resources	Spouse in the Labor force	0.078**	-0.042*	-0.101**
	Spouse not in the Labor force	-0.045	0.052**	0.269***
	Net Worth – Q2	0.051*	0.034*	-0.018
	Net Worth – Q3	0.093***	-0.011	-0.021
	Net Worth – Q4	0.022	0.022	0.023
Personal	Age	-0.003	0.003*	0.025***
	Gender	-0.122*	-0.021	-0.767***

Other variables in the models: kids, Education, Nationality.

*, ** and *** denote 10%, 5%, and 1% significance, respectively.

		Transition to Part-Time Employment	Transition to Full Retirement
Health	ADL	0.178*	0.116
	Chronic	0.001*	0.055***
	Change in Chronic	0.002	0.051***
Perception of Job Quality	Physical effort at work	-0.016**	-0.012*
	Freedom to make decisions at work	0.023	-0.074**
	Opportunity to develop new skills	0.059***	0.040*
Retirement Resources / Personal	Eligibility for pension	0.083**	0.052*
	Homeownership	0.016	0.103**
	Age	0.007*	0.011**

Other variables in the models: Spouse in the labor force, Age, Education, Nationality, Gender. *, ** and *** denote 10%, 5%, and 1% significance, respectively.

Main conclusions:

- Age, health, and changes in health are central in transitions among states of labor-force participation and in participation-related decisions.
- People’s economic resources at point of retirement proved to be factors that encourage exiting from the labor force or prevented their joining it.
- The quality of a person’s job, the level of his economic resources at point of retirement, in addition to age and state of health, are definitive in determining the transition of workers from full-time to part-time employment or full retirement.