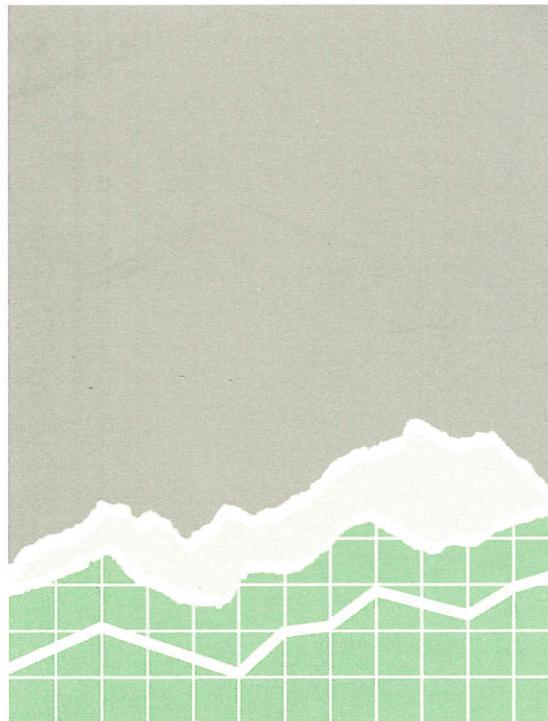


A Note on Why Fewer Women are Retiring Early

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Recent evidence indicates that married women are working in increasing numbers after their husbands stop working. In 1997, 48.6 percent of married women 55 to 64 were in the labor force, many of them married to a retired husband. In contrast, in 1980 only 36.3 percent of married women in this age group were in the labor force. It is becoming increasingly common for a wife to continue to work after her husband retires (Uchitelle 1998).

Some labor economists have attributed these trends to women's desire to work more years in order to qualify for better pensions and social security benefits and to the family need for more income after the husband's retirement (e.g. Heidi Hartmann and Olivia Mitchell cited in Uchitelle 1998). Also contributing to the observed increases in the labor force participation of older women are work commitments these women made when they were younger. The women now turning 55 and entering the 55-64 age group belong to a different generation than the women now exiting the 55-64 age group as they are turning 65.

This note documents generational differences in women's commitment to the labor force at various ages. It is shown that in comparison to previous generations, the generations of women born between 1931 and 1940 have been considerably more active in the labor force at every age between 30 and 64. The note also discusses possible reasons why women who have recently become eligible for early retirement have been so active in the labor force throughout their life-cycle. Explanations which economists have traditionally used to account for variations in women's labor force participation--i.e. changing wages of men and women--do not seem to account much for these generational changes. A new explanation is presented: an explanation based on changing terms of marriage experienced by women facing varying marriage market conditions.

The New Deal Generation and the Depression Generation

Current changes in labor force participation of women in the age range 55-64 are in part the result of differences in the labor force participation histories of successive generations of women. The labor supply of women now in their late fifties and early sixties has differed consistently from that of previous generations. It also differs from the labor supply of later generations of women. Consider four successive five-year generations of women born in the years 1926-1945: the women in age groups 50-54, 55-59, 60-64 and 65-69 in 1995.

Table 1 and Figure 1 follows the labor force participation cycles of these four generations of

women. Women born during the years 1931-1935, the midst of the Depression, will be called the *Depression generation*. Women of the Depression generation are between the ages of 63 and 67 in 1998. During the years 1936-1940 New Deal policies, instituted by the U.S. government to fight the great Depression, were starting to bear fruit. The generation born during those years will be called the *New Deal generation*. It is these New Deal women who are currently entering ages of early retirement, replacing women of the Depression generation. These generations are compared to the generation mostly conceived before the Depression and born in the years 1926-1930 (the *Pre-Depression generation*) and the generation following the New Deal generation born in the years 1941-1945, which will be called the *World War II generation*.

It can be seen from Figure 1 and Table 1 that each successive generation of women has experienced higher labor force participation rates than its predecessor. However, women's labor force participation increased more when the New Deal generation replaced the Depression generation in a particular age group (increases ranging between 4.2 percent and 9.4 percent over a five-year period) than when the Depression generation replaced the Pre-Depression generation in an age group (increases ranging between 1.8 percent and 6.2 percent).¹ Figure 1 and Table 1 also show that large increases in labor force participation have occurred every time the WWII generation of women replaced New Deal women in a particular age group (increases ranging between 3.8 percent and 9.9 percent).²

There are two ways that the numbers in Table 1 and Figure 1 can help us understand current retirement behavior of women. First, they reveal some interesting changes in the labor force participation of each successive generation reaching ages 55-59 and ages 60-64. These changes in labor force participation of older women are related to changes in women's tendency to retire. The labor force participation of women aged 55-64 had been fluctuating for a long time. Small increases and decreases in labor force participation rates of less than 2 percent over 5 years had been occurring for this age group in the period between 1965 and 1985.

The first substantial increase in labor force participation for women ages 55-59 occurred in 1990, when the Depression generation replaced the Pre-Depression generation at these ages. By the time the New Deal generation had reached age 55 in 1995, its labor force participation stood at 9 percent above that of the Pre-Depression generation when they had been in the same age group ten years earlier.³

Current tendencies for increased participation at ages 55-59 are expected to continue as the

World War II generation of women is gradually replacing the New Deal generation in this age group. If the changes in labor force participation which occurred between 1995 and 1997 continue at the same pace until the year 2000, it is expected that WWII women will have a labor force participation rate at ages 55-59 that is 3 percent higher than that of New Deal women in this age group.

Table 1 also indicates that women of the Depression generation have been more likely to remain in the labor force after age 60 than Pre-Depression women, an increase of 2.5 percent. If we extrapolate changes between 1995 and 1997, the labor force participation of New Deal women when they will all be 60-64 years old (in the year 2000) is expected to be 3.8 percent higher than that of Depression generation women in this age group.

Second, an examination of the life-time profiles of women's labor force participation suggests that substantive changes occurred in women's motivation to work and to retire and that these changes are related to the generation to which women belong. The cross-generation increases in labor force participation of women age 55-64, women generally eligible for retirement, are part of a pattern of cross-generation increases in labor force participation as older generations of women were replaced by younger generations. In particular, we have shown that at every age, Depression women have worked more than Pre-Depression women, New Deal women have worked more than Depression women, and World War II women have worked more than New Deal Women. In some cases, labor force participation increased by 9 percent over a five-year period, as one generation replaced another.

Studying these life-time patterns helps us explain why married women born during the Depression and the New Deal have been working more after reaching age 55. Many of the women who are now choosing to stay in the labor force at age 59 have been working for a long time and are committed to their jobs. Their husband's retirement may not have as much of an impact on married women's decision to retire as was the case with previous generations of married women who had accumulated less work experience.

This explanation for increased participation in the labor force of women born during the New Deal is strengthened by findings reported by John Pencavel (1998). He found that in comparison to women born during the Depression, New Deal women had not only participated more in the labor force at every age in their life-cycle, but they had also worked more hours at every age and had earned more in the age range 45-60. Retirement is less appealing at age 55 if one has more cumulative experience in the work force and one earns more.

Changes in employment opportunities for women aged 55-64 and in the attractiveness of

retirement may also explain trends in women's increased labor force participation. But such changes in current conditions may not be as important in explaining current trends in women's retirement as are facts about these women's work history. The limited explanatory power of employment conditions in a given year is evident from Table 1. Employment conditions and wage opportunities presumably affect all age groups simultaneously. However, it can be seen that while other age groups experienced rapid increases in labor force participation in the seventies, the labor force participation of women aged 55-64 was decreasing. In contrast, between 1985 and 1990, increases in the labor force participation of women age 55-59 exceeded increases in the labor force participation of women 30-39.⁴

We conclude that there were substantial increases in labor force participation as one generation replaced another, and that such generational changes are more important than changes in labor force participation of women from one period to the next.⁴ This indicates that generational differences in willingness to work and retire seem to be more important than factors which may explain changes in labor supply over time and which typically apply to women at all ages and from all generations, factors such as changing opportunities offered by employers. We may then want to ask what accounts for the inter-generational differences we are observing? More particularly, why have Depression, New Deal, and World War II women had higher labor force participation rates than preceding generations at every age between 30 and 64?

Why do Generations Differ in Labor Supply?

When trying to explain variations in labor supply economists typically focus on the effects of *own wage, spouse's wage, income, schooling and age*. Variation in wages, income, and education could also possibly explain differences in labor supply across generations. However, in a recent study Pencavel (1998) found that these variables explained less than half the actual generational differences in labor supply of women in the period 1976-1995. After accounting for marital status Pencavel still found large unexplained inter-generational variation in labor force participation. In a similar vein, Grossbard-Shechtman and Granger (forthcoming) found that the rate of growth in female wages did not have a statistically significant effect on changes in the labor force participation of women between the ages of 20 and 44 during the period 1965-1990.

Inter-generational variation in women's labor force participation may be partially caused by changes in marriage market conditions, as argued in Heer and Grossbard-Shechtman (1981) and Grossbard-Shechtman (1984,1993). Given that marriages typically involve a younger woman and an older man, generational fluctuations in the number of births can cause imbalances in the number of men

and women participating in the same dating and marriage markets. A relatively low demand for women in marriage leads to lower willingness of husbands to exert themselves on their family's behalf and induces increases in married women's labor force participation. Unmarried women faced with less appealing terms of marriage may also be more likely to participate in the labor force.

In support of this reasoning, Grossbard-Shechtman and Granger (1997, forthcoming) found that generations of women born at times of increasing numbers of births are more likely to participate in the labor force. In the United States, the number of births started to increase in 1937, following more than a century of declines in number of births. This implies that the New Deal generation of women born in the years 1936-1940 was larger in size than the generation of men slightly older. Ensuing unfavorable terms of marriage for women, due to a relative shortage of men slightly older than the age group of women being studied, help explain the rapid increases in labor force participation experienced by women of the New Deal generation throughout their life-cycle.

The following five-year generation, the World War II generation born in the years 1941-45, was also larger than the generation preceding it, leading to further deterioration in marriage market conditions for women. This explains why World War II women also experienced rapid increases in labor force participation. The next five-year age group, the women born after World War II in the years 1946-50 experienced the most dramatic increase in number of births relatively to previous generations and consequently the most rapid increases in labor force participation. Grossbard-Shechtman and Granger (1997, forthcoming) also show that generations born during periods of slower rises in births or declining number of births experienced increases in women's labor force participation that were slower than the average in women's labor force participation for all generations and age groups. Women born in the Depression and Pre-Depression generations are among the women who experienced slower-than-average increases in labor force participation and who had relatively favorable marriage market conditions in terms of the relative number of men and women likely to marry each other.

Grossbard-Shechtman and Granger (1997) tested the impact of changes in number of births on women's labor force participation by associating each birth cohort with a variable indicating the rate of change in sex ratio, measured as the relative number of men born in year $(t+2)$ to the number of women born in year t . This number was positive for women born before 1936 and for women born after 1961, and was negative for the women born in the years 1937 to 1950. This rate of change in sex ratio was significantly inversely correlated with increases in women's labor force participation, as

follows from this reasoning.

Alternatively, historical explanations could be offered for inter-generational differences in women's labor force participation. For instance, it is possible that women of the Depression generation born in the years 1931-36, who turned 15 in the years 1946-51, were inspired by their mothers' contribution to the war effort and were therefore more reluctant to adopt as traditional a division of labor in marriage than had been the case with their predecessors.

The labor force participation of women in World War II could also have affected the lifetime aspirations of women born in the years 1937-1940, who were old enough to remember this experience. However, mothers' experiences during World War II are unlikely to explain the continued increases in labor force participation experienced by women born after 1941. What unique historical circumstances account for the huge increases in labor force participation experienced by the women born right after World War II, the years 1946-1950? And what events led women born after 1950 to experience slower increases in labor force participation than their older sisters?

It may take a stretch of the imagination to understand why marriage market conditions would influence women's motivation to work and retire. But what is the alternative? Other explanations of inter-generational differences in women's labor force participation do not simultaneously account for (1) the faster increases in labor force participation experienced by the women of the New Deal generation, the World War II generation, and the generation born right after World War II and (2) the slower increases experienced by generations born either before 1936 or after 1950. Ad-hoc historical events do not seem to fit these generational shifts in women's labor force participation, nor are these shifts explained very well in terms of fluctuations in wages, schooling, marital status, or fertility (Grossbard-Shechtman and Granger 1997, forthcoming; Pencavel 1998).

Predictions about Future Interest in Retirement

A look at the life-time commitments of younger women to the labor force leads to the prediction that further increases in the labor force participation of older women can be expected in the years to come. Women's tendency to retire early is expected to drop further with the entry of each successive generation into retirement age, as each successive generation of women has displayed a higher level of commitment to the workforce over their lifetime. This holds for the four (five-year) generations studied here: the women born before the Depression, the Depression generation, the New Deal generation and the World War II generation.

An even larger decrease in the proportion of women opting for early retirement is expected

after 2001, when women born after World War II will become eligible for early retirement. So far, the generation of women born in the years 1946-50 has experienced the most dramatic increases in labor force participation throughout their life-cycle and are therefore expected to display an even stronger commitment to their jobs and weaker desire to retire early than was the case with preceding generations. However, the pace at which early retirements will drop will slow down when women born after 1950 enter retirement ages, for these women have experienced slower increases in labor force commitment in comparison to the women of the New Deal generation, the World War II generation, and the World War II generation (see Grossbard-Shechtman and Granger 1997).

Awareness of women's past commitments to the labor force can thus help us predict more accurately the total number of retirees eligible for pensions, social security and other government transfers. While the aging of large generations imply increasing number of transfer recipients, the predicted tendency for fewer early retirements among women born in these large generations is expected to somewhat alleviate the expected burden on those supporting their elders. However, the tendency towards reduced early retirements is expected to weaken as the generations of women born after 1950 reach early retirement ages. This implies less relief for those paying social security pensions in the second decade of the twenty-first century.

Conclusions

In recent years, women aged 55-64 have been experiencing increases in participation in the labor force, indicating a reduced tendency to retire. To understand recent changes in retirement behavior of women it is necessary to study the work histories of women belonging to different generations. This note has identified New Deal women and World War II women as two generations of women who experienced increases in labor force participation since they entered retirement ages and have also undergone substantial increases in labor force participation at earlier ages. Past commitments to the work force help explain current trends in labor force commitment.

This note also presents a partial explanation for the generational changes we are observing in women's labor force participation. The generations of New Deal and World War II women may have been driven to work more at younger ages due to their large numbers relatively to the number of men of desirable marriage age. In turn, fluctuations in the relative number of men and women in marriage markets are driven by existing preferences for marriage between older men and younger women. Better knowledge of past labor force participation trends and better explanations for these trends can help us prepare better for the fiscal responsibilities involved in supporting retirees.

Notes

1. Table 1 indicates that at ages 30-34 the New Deal generation's labor force participation was 6.5 percent above that of its predecessors; at ages 35-39 the distance in the labor force participation of the two generations stood at 4.8 percent, while at ages 40-45 that difference was an astounding 9.4 percent! Increases in labor force participation experienced by the Depression generation in comparison to the Pre-Depression generation vary between an increase of 1.8 percent at ages 30 to 34 (ages the two generations reached respectively in 1960 and 1965) and an increase of 6.2 percent at ages 45 to 49, ages the two generations reached respectively in 1975 and 1980 (see Table 1). A description of differences in the labor force attachment of ten-year cohorts can be found in Spain and Bianchi (1996).
2. Table 1 indicates that at ages 30-34 the World-War II generation's labor force participation was 7.2 percent above that of women born during the New Deal; at ages 35-39 the distance in the labor force participation of the two generations stood at 9.9 percent, while at ages 40-45 that difference was 5.8 percent.
3. When the Depression generation were in early retirement age group 55-59 in 1990, their participation rate was 5 percent higher than that of the Pre-Depression generation of women who were in this early retirement age group in 1985. By the time New Deal women reached the ages of early retirement in 1995, their participation rate was 4.2 percent higher than that of the Depression generation of women who had been the same age in 1990.
4. It is easy to compare cross-generation increases with cross-period increases in labor force participation, i.e. changes over time. To perform cross-generation comparisons with Table 1 we compare two diagonals. To perform cross-period comparisons we need to compare two rows. It can be seen from Table 1 that cross-generation increases along diagonals tend to be larger than cross-period increases from row to row.

References

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Figure 4. Lifetime Profiles of Labor Force Participation, Women Born Between 1926 and 1945

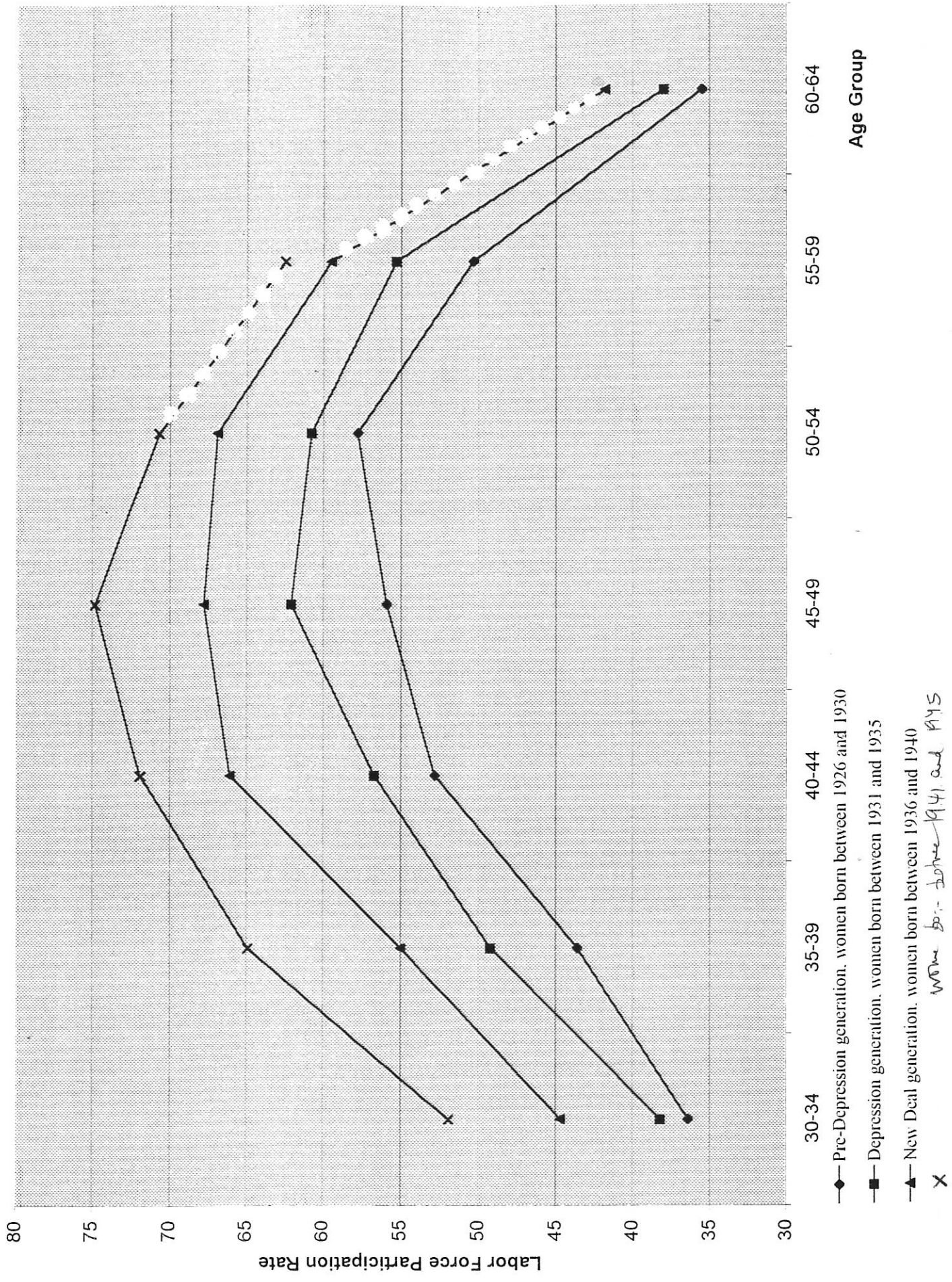


Table 1. Labor Force Participation Rates for Women Ages 30-64 for Years 1960-2000, by Generation

Year	Age Group									
	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69	70-74	75-79
1960 *	36.4 (1)	40.7	45.4	50.9	49.5	45.0	30.6			
1965	38.2 (2)	43.6 (1)	48.5	51.7	50.1	47.1	34.0			
1970	44.7 (3)	49.2 (2)	52.8 (1)	55.0	53.8	49.0	36.1			
1975	51.9 (4)	55.0 (3)	56.7 (2)	55.9 (1)	53.3	47.9	33.3			
1980	64.1	64.9 (4)	66.1 (3)	62.1 (2)	57.8 (1)	48.6	33.3			
1985	70.3	71.7	71.9 (4)	67.8 (3)	60.8 (2)	50.3 (1)	33.4			
1990	73.4	75.5	77.6	74.8 (4)	66.9 (3)	55.3 (2)	35.5 (1)			
1995	75.0	76.3	78.1	77.2	70.7 (4)	59.5 (3)	38.0 (2)			
2000 **	74.8	77.1	80.0	79.5	77.8	62.5 (4)	41.8 (3)			

Notes:

* Data used here are not the annual average for 1960, they are the monthly average of December 1960.

For other years, data are annual averages.

** Extrapolated assuming trend between 1995 to 1997 continues.

(1) Pre-Depression generation, women born between 1926 and 1930.

(2) Depression generation, women born between 1931 and 1935.

(3) New Deal generation, women born between 1936 and 1940.

(4) World War II generation, women born between 1941 and 1945.

Sources:

Bureau of Labor Statistics, Employment and Earnings

January 1961, p.10; January 1966, p.76; January 1971, p.116; January 1976, p.135; January 1981, p.165;

January 1986, p.154; January 1991, p.164; January 1996, p.160.

